

Interim Consolidated Financial Statements for the period ended September 30, 2016

(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:

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

Colbún S.A. and Subsidiaries
Interim Classified Consolidated Statements of Financial Position
As of September 30, 2016 (unaudited) and December 31, 2015
(In thousands of US dollars – ThUS\$)

ASSETS	Note	September 30, 2016 ThUS\$	December 31, 2015 ThUS\$
Current Assets			
Cash and cash equivalents	8	590,028	895,507
Other financial current assets	9	31,605	185,393
Other non-financial current assets	20	17,028	28,376
Trade receivables and other receivables accounts	10	180,400	164,947
Accounts receivable from related entities	12.b	420	2,590
Inventories	13	134,461	98,060
Tax assets	19	5,939	8,634
Total current assets		959,881	1,383,507
Non-current assets			
Other financial assets, non-current	9	228	212
Other non-financial assets, non-current	20	46,659	32,262
Accounts receivable from related entities, non-current	12.b	268	280
Investments accounted for using the equity method	16	39,406	36,012
Intangible assets other than goodwill	17	137,536	91,340
Goodwill	6	4,400	4,400
Property, plant and equipment	18	5,534,992	5,602,622
Deferred taxes	21.b	7,056	6,922
Total non-current assets		5,770,545	5,774,050
TOTAL ASSETS		6,730,426	7,157,557

Colbún S.A. and Subsidiaries

Interim Classified Consolidated Statements of Financial Position (continued)

As of September 30, 2016 (unaudited) and December 31, 2015

(In thousands of US dollars – ThUS\$)

LIABILITIES AND NET EQUITY	Note	September 30, 2016 ThUS\$	December 31, 2015 ThUS\$
Current liabilities			
Other financial, current liabilities	22.a	42,362	453,385
Payables trade and other payables, current	23	131,994	174,833
Accounts payable to related entities	12.b	516	30,252
Other provisions	24.a	16,473	15,501
Tax liabilities	21.a	39,003	24,045
Provisions for employee benefits, current	24.a	12,259	11,237
Other non-financial liabilities, current	25	16,114	4,648
Total current liabilities		258,721	713,901
Non-current liabilities			
Other financial liabilities, non-current	22.a	1,698,102	1,782,256
Payables trade and other payables, non-current liabilities	23	5,900	6,422
Deferred tax liabilities	21.b	939,789	955,956
Provisions for employee benefits, non-current	24.a	29,256	23,001
Other non-financial, non-current liabilities	25	11,206	10,603
Total non-current liabilities		2,684,253	2,778,238
Total liabilities		2,942,974	3,492,139
Equity			
Issued capital	26.a	1,282,793	1,282,793
Retained earnings	26.f	1,521,554	1,411,684
Share premiums	26.c	52,595	52,595
Other reserves	26.e	719,343	715,588
Net Equity attributable to equity holders of the parent		3,576,285	3,462,660
Non-controlling interests		211,167	202,758
Total net equity		3,787,452	3,665,418
TOTAL LIABILITIES AND NET EQUITY		6,730,426	7,157,557

Colbún S.A. and Subsidiaries

Interim Consolidated Statements of Comprehensive Income by Nature for the periods ended September 30, 2016 and 2015 (unaudited) (In thousands of US dollars – ThUS\$)

STATEMENT OF COMPREHENSIVE INCOME BY NATURE	Note	January- September		July- September	
		2016	2015	2016	2015
	N°	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue from ordinary activities	7 y 27	1,067,043	1,012,464	334,348	336,995
Raw materials and consumables used	28	(542,529)	(542,453)	(185,511)	(136,024)
Employee benefits expenses	29	(49,582)	(42,499)	(17,500)	(13,740)
Depreciation and amortization	30	(167,873)	(144,700)	(56,977)	(48,863)
Other expenses by nature	-	(31,047)	(17,478)	(8,792)	(6,341)
Other gains (losses)	34	(6,076)	5,779	(1,384)	10,519
Profit from operating activities	0	269,936	271,113	64,184	142,546
	0				
Financial income	31	7,553	3,492	2,115	1,423
Financial costs	31	(82,982)	(67,068)	(23,509)	(22,183)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	33	4,488	5,482	1,431	2,314
	0	-	-	-	-
Exchange rate differences	32	5,021	(10,880)	29	(11,379)
Result from indexation units	32	(55)	2,149	4	885
Profit before taxes	0	203,961	204,288	44,254	113,606
Income tax expense	21.a	(48,067)	(71,503)	(15,838)	(37,890)
Profit from continuing operations		155,894	132,785	28,416	75,716
PROFIT		155,894	132,785	28,416	75,716
Profit attributable to:					
Profit attributable to owners of the parent	7 y 26.i	153,073	132,785	29,363	75,716
Profit attributable to non-controlling interests		2,821	-	(947)	-
PROFIT		155,894	132,785	28,416	75,716
Earnings per share					
Basic earnings from continuing operations per share US\$/share	26.i	0.00873	0.00757	0.00162	0.00432
Basic earnings per share		0.00873	0.00757	0.00162	0.00432
Diluted earnings from continuing operations per share US\$/share	26.i	0.00873	0.00757	0.00162	0.00432
Diluted earnings per share		0.00873	0.00757	0.00162	0.00432

Colbún S.A. and Subsidiaries

Interim Consolidated Statements Other of Comprehensive Income by Nature for the periods ended September 30, 2016 and 2015 (unaudited) (In thousands of US dollars – ThUS\$)

STATEMENTS OF OTHER COMPREHENSIVE INCOME BY NATURE	Note	January- September		July- September	
	N°	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Profit		155,894	132,785	28,416	75,716
Components of other comprehensive income not to be reclassified to profit or loss in subsequent periods, before taxes:					
Profits (losses) from new measurements of defined benefit plans		(4,025)	(1,754)	(2,756)	(181)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, before taxes:		(4,025)	(1,754)	(2,756)	(181)
Components of other comprehensive income to be reclassified to profit or loss in subsequent periods, before taxes:					
Exchange gains (losses) on translation	16.a	1,819	(3,745)	(34)	(1,943)
Gains (losses) from cash flow hedges		3,204	(4,811)	11,049	(7,969)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(218)	-	1	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before taxes:		4,805	(8,556)	11,016	(9,912)
Components of other comprehensive income, before taxes		780	(10,310)	8,260	(10,093)
Income taxes on components of other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Income taxes related to new measurements of defined benefit plans	21.c	1,087	474	744	49
Income taxes on components of other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Income taxes related to share of other comprehensive income of associates and joint ventures accounted for using the equity method	21.c	59	-	-	-
Income taxes related to cash flow hedges	21.c	(832)	1,299	(1,372)	2,152
Income taxes related to components of other comprehensive income		314	1,773	(628)	2,201
Total other comprehensive income		1,094	(8,537)	7,632	(7,892)
Total comprehensive income		156,988	124,248	36,048	67,824
Total comprehensive income attributable to:					
Total comprehensive income attributable to owners of the parent		154,177	124,248	35,962	67,824
Total comprehensive income to non-controlling interests		2,811	-	86	-
TOTAL OTHER COMPREHENSIVE INCOME		156,988	124,248	36,048	67,824

Colbún S.A. and Subsidiaries
Interim Consolidated Statements of Cash Flows - Direct Method
for the periods ended September 30, 2016 and 2015 (unaudited)
(In thousands of US dollars – ThUS\$)

CASH FLOW STATEMENTS - DIRECT METHOD	Note	September 30,	September 30,
	N°	2016	2015
		ThUS\$	ThUS\$
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Receipts from sales of goods and rendering of services		1,252,337	1,165,624
Receipts from royalties, fees, commissions and other revenue		-	22,579
Other receipts from operating activities		3,430	8,621
Classes of payments			
Payments to suppliers for goods and services		(677,941)	(662,845)
Payments to and on behalf of employees		(46,695)	(44,967)
Payments for premiums and claims, annuities and other policy benefits		(15,970)	(27,699)
Other payments for operating activities		(63,886)	(15,634)
Net cash flows provided by (used in) operating activities		451,275	445,679
Dividends received		8,682	7,550
Interest received		7,338	3,843
Income taxes refunded (paid)		(40,963)	18,187
Other cash inflows (outflows)		(58,607)	(5,612)
Net cash flows provided by (used in) operating activities		367,725	469,647
Cash flows provided by (used in) investing activities			
Other payments for acquiring participation in joint ventures		(9,151)	(3,574)
Additions to property, plant and equipment		(105,588)	(65,293)
Other cash inflows (outflows)		134,091	578,673
Net cash flows provided by (used in) investing activities		19,352	509,806
Cash flows provided by (used in) financing activities			
Proceeds from borrowings			
Proceeds from long-term borrowings		365,700	-
Repayments of borrowings		(864,352)	(11,528)
Dividends paid		(98,923)	(53,479)
Interest paid		(83,073)	(69,998)
Other cash inflows (outflows)		(21,381)	(2,790)
Net cash flows provided by (used in) financing activities		(702,029)	(137,795)
Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate differences		(314,952)	841,658
Effects of changes in foreign exchange rate on cash and cash equivalents			
Effects of changes in foreign exchange rate on cash and cash equivalents		9,473	(5,176)
Net increase (decrease) in cash and cash equivalents		(305,479)	836,482
Cash and cash equivalents at beginning of period		895,507	254,090
Cash and cash equivalents at end of period	8	590,028	1,090,572

Colbún S.A. and Subsidiaries
Consolidated Statements of Changes in Equity
for the periods ended September 30, 2016 and 2015 (unaudited)
(In thousands of US dollars – ThUS\$)

Statement of changes in equity	Note	Equity attributable to equity holders of the parent									Non-controlling interests	Total equity
		Issued capital	Share premiums	Changes in Other reserves					Retained earnings (losses)	Equity attributable to equity holders of the parent		
				Exchange differences on translation reserve	Cash flow hedges reserve	Actuarial gains or losses reserve	Other various reserves	Total Other reserves				
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Beginning balance as of 01.01.2016		1,282,793	52,595	(266,792)	(6,854)	-	989,234	715,588	1,412,537	3,463,513	203,577	3,667,090
Increase (decrease) for corrections of mistakes		-	-	-	-	-	-	-	(853)	(853)	(819)	(1,672)
Initial re-expressed balance		1,282,793	52,595	(266,792)	(6,854)	-	989,234	715,588	1,411,684	3,462,660	202,758	3,665,418
Changes in equity												
Comprehensive income		-	-	-	-	-	-	-	-	-	-	-
Profit (loss)		-	-	-	-	-	-	-	153,073	153,073	2,821	155,894
Other comprehensive income		-	-	1,819	2,223	(2,938)	-	1,104	-	1,104	(10)	1,094
Dividends		-	-	-	-	-	-	-	(40,630)	(40,630)	-	(40,630)
Increase (decrease) due to transfers and other changes		-	-	-	-	2,938	(287)	2,651	(2,573)	78	5,598	5,676
Total changes in equity		-	-	1,819	2,223	-	(287)	3,755	109,870	113,625	8,409	122,034
Ending balance as of 09.30.2016	26	1,282,793	52,595	(264,973)	(4,631)	-	988,947	719,343	1,521,554	3,576,285	211,167	3,787,452

Statements of changes in net equity	Note	Attributable to equity holders of the parent									Non-controlling interests	Total Equity
		Issued capital	Share premiums	Changes in Other reserves					Retained earnings	Attributable to equity holders of the parent		
				Exchange difference on translation reserve	Cash flow hedges reserve	Actuarial gains / (loss) reserve	Other reserves	Total Other reserves				
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Beginning balance as of 01/01/2016		1,282,793	52,595	(262,416)	(9,094)	-	989,403	717,893	1,307,276	3,360,557	-	3,360,557
Changes in Equity												
Comprehensive income (loss)		-	-	-	-	-	-	-	-	-	-	-
Profit (loss)		-	-	-	-	-	-	-	132,785	132,785	-	132,785
Other comprehensive income		-	-	(3,745)	(3,512)	(1,280)	-	(8,537)	-	(8,537)	-	(8,537)
Dividends		-	-	-	-	-	-	-	(12,765)	(12,765)	-	(12,765)
Increase (decrease) due to transfers and other changes		-	-	-	-	1,280	(114)	1,166	(2,703)	(1,537)	-	(1,537)
Total changes in equity		-	-	(3,745)	(3,512)	-	(114)	(7,371)	117,317	109,946	-	109,946
Ending balance as of 09.30.2015	26	1,282,793	52,595	(266,161)	(12,606)	-	989,289	710,522	1,424,593	3,470,503	-	3,470,503

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

Contents	Page
1. General information	12
2. Business description	13
3. Summary of significant accounting policies	16
3.1 Accounting principles	16
3.2 New accounting pronouncements	28
3.3 Responsibility for information and estimates made	30
4. Financial risk management	30
4.1 Risk management policy	30
4.2 Risk factors	31
4.3 Risk measurement	35
5. Critical accounting criteria	36
a. Calculation of depreciation amortization, and estimate of associated useful lives	36
b. Impairment of non-financial assets (tangibles and intangible assets, excluding goodwill)	37
c. Fair value of derivatives and other financial instruments	38
6. Business combinations	39
7. Operations by segments	42
8. Classes of cash and cash equivalents	47
a. Account composition	47
b. Detail by type of currency	47
c. Acquisition of subsidiaries	48
9. Other financial assets	48
10. Trade and other accounts receivable	49
11. Financial instruments	51
a. Financial instruments by category	51
b. Financial assets credit rating	53
12. Related party information	54
a. Controlling shareholders	54
b. Balances and transactions with related entities	54
c. Administration and Senior Management	57
d. Directors committee	57
e. Compensation and other services	57

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

Contents	Page
13. Inventory	60
14. Derivative instruments	61
14.1 Hedging instruments	61
14.2 Fair value hierarchy	62
15. Investments in subsidiaries	63
16. Investments accounted for using the equity method	64
a. Equity method	64
b. Financial information of associates and companies under joint control	65
17. Intangible assets other than goodwill	67
a. Detail by class of intangibles	67
b. Movement of intangibles	68
18. Classes of property, plant and equipment	69
a. Detail by classes of property, plant and equipment	69
b. Movement of property, plant and equipment during the period	70
c. Other disclosures	71
19. Current tax assets	74
20. Other non-financial assets	75
21. Income taxes	75
a. Income tax	75
b. Deferred taxes	78
c. Income tax on other comprehensive income	79
22. Other financial liabilities	79
a. Obligations with financial entities	79
b. Financial debt by type of currency	79
c. Maturity and currency of obligations with financial entities	80
d. Committed and uncommitted lines of credit	87
23. Trade and other accounts payable	87

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

Contents	Page
24. Provisions	89
a. Classes of provisions	89
b. Movement of provisions during the period	89
c. Environmental restoration	90
d. Restructuring	90
e. Litigation	90
f. Breakdown of provisions	90
g. Non-current employee benefits provision	90
25. Other non-financial liabilities	93
26. Net equity information to be disclosed	93
a. Subscribed, paid-in capital and number of shares	93
b. Social capital	94
c. Share premiums	94
d. Dividends	94
e. Composition of other reserves	95
f. Retained earnings (losses)	96
g. Capital management	97
h. Restrictions on disposal of funds of subsidiaries	98
i. Earnings per share and distributable net profit	98
27. Revenue from ordinary activities	99
28. Raw materials and consumables used	100
29. Employee benefits expenses	100
30. Depreciation and amortization expenses	100
31. Financial income and Financial costs	101
32. Exchange rate differences and result from indexation units	102
33. Income (loss) from investments accounted for using the equity method	103
34. Other gains (losses)	103
35. Committed guarantees with third parties, contingent assets and liabilities	104
a. Third party guarantees	104
b. Guarantees obtained from third parties	105
c. Detail of litigations and others	108

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

Contents	Page
36. Commitments	111
37. Environment	112
38. Events occurred after the date of the statement of financial position	116
39. Foreign currency	117
40. Personnel	118
Annex No. 1 Additional information required for XBRL taxonomy	119

COLBÚN S.A. AND SUBSIDIARIES
NOTES TO THE INTERIM 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 September 30, 2016 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 that holds investments in the electrical, financial, forestry, real estate, telecommunications and port sectors. It is controlled indirectly by the following persons, 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 family relation, 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	N° Share	Interest %
Minera Valparaíso S.A.	6,166,879,733	35.17
Forestal Cominco S.A.	2,454,688,263	14.00
Forestal Constructora y Comercial del Pacífico Sur S.A.	34,126,083	0.19
Forestal y Minera Canadilla S.A.	31,232,961	0.18
Forestal Cañada S.A.	22,308,320	0.13
Forestal Bureo S.A.	17,846,000	0.10
Inversiones Orinoco S.A.	17,846,000	0.10
Inversiones Coillanca Ltda.	16,473,762	0.09
Inmobiliaria Bureo S.A.	38,224	0.00
Total Shares	8,761,439,346	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, for which it may acquire and exploit concessions and grants or use rights obtained. Likewise, it is empowered to transport, distribute, supply and commercialize natural gas for sale to industrial or generating processes. It can provide advisories in the field of engineering both domestically and abroad.

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.

Because 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.; Saesa S.A., Frontel S.A., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó Ltda., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa de Consumo de Energía Eléctrica Chillán Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa Regional Eléctrica Llanquihue Ltda., Cooperativa Eléctrica Paillaco Ltda., Cooperativa Eléctrica Charrúa Ltda., Compañía Nacional de Fuerza Eléctrica S.A. Empresa Eléctrica de Puente Alto Ltda., 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.

In addition, since September 1, 2011 and as a result of the financial insolvency of the company Campanario Generación S.A., the Superintendency of Electricity and Fuels (SEC) issued Exempt Resolution No. 2.288 dated August 26, 2011, amended by Exempt Resolution No. 239 dated February 9, 2012, instructing all generating companies of the Central Interconnected System (SIC) to supply the consumption of regulated customers whose supplies were awarded to Campanario Generación S.A., at the prices and conditions obtained 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 3.3% in the last 10 years and with an increase in the GDP 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 electricity generator in terms of the SIC's 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 sufficiency of the plants' power capacity, i.e. the level of reliable power that the plant can contribute to the system to supply peak demand, considering the uncertainty associated with the availability of their fuels, forced unavailability of the units, and the unavailability of facilities that connect the unit to the transmission or distribution system. The price of power capacity is determined as an economic signal, representative of the investment in those more efficient units to absorb the power demand at peak hours for the supply system.

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.

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 this context, it is worth to mention that on July 20, 2016, was published in the Official Journal the New Law that establishes a new electricity transmission system and creates an Independent Coordinator of the National Electric System. The main changes included in this Law is that the entire remuneration of the transmission service will be charged to electricity demand. Furthermore, a new Coordinator being a legal entity was established to operate a single system called National Electric System, which will begin to exercise its functions gradually from January 1, 2017.

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 Fénix Power Perú. Its location is strategic because it is near the Camisea gas pipeline and Chilca electrical substation, allowing the power generation 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.

Customers with short-term contracts Celepsa S.A. and Distriluz Group.

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, as of December 2015, on the national level an installed capacity of approximately GW 10.3, of which GW 9.3 corresponds to the National Interconnected Electric System (Sistema Eléctrico Interconectado Nacional, or SEIN), of which approximately 60% is thermal capacity, 36% hydro and the remaining 4% is 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 tariffication 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.

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 expected energy demand for the 2016 is around TWh 49 with the demand concentrated by mining and residential sectors. In 2015, the demand of the system was TWh 44.5.

3. Summary of significant accounting policies

3.1 Accounting principles

These interim consolidated financial statements as of September 30, 2016 have been prepared in accordance with instructions and standards of preparation and presentation of financial information issued by the Superintendency of Securities and Insurance (Superintendencia de Valores y Seguros or "SVS"), which are composed of the International Financial Reporting Standards (hereinafter "IFRS"), issued by the International Accounting Standards Board (hereinafter the "IASB") and norms of the SVS.

These interim consolidated financial statements have been prepared on the going concern basis and have been approved by its Board of Directors at the meeting held on October 27, 2016.

The following are the accounting principles adopted in the preparation of these interim consolidated financial statements. These policies have been defined in compliance with instructions and standards of preparation and presentation of financial information issued by the SVS as of September 30, 2016, applied in a uniform manner to all periods presented in these interim consolidated financial statements.

For the convenience of the reader, these interim consolidated financial statements and their accompanying notes have been translated from Spanish to English.

a. Basis of preparation and period covered - These interim consolidated financial statements of Colbún S.A. are composed of the statements of financial position as of September 30, 2016 and December 31, 2015, statements of comprehensive income for the three and nine months periods ended as of September 30, 2016 and 2015, and the corresponding statements of changes in net equity and cash flows for the periods ended September 30, 2016 and 2015 and related notes.

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

The interim 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 interim consolidated financial statements is presented in thousands of dollars (ThUS\$), unless indicated otherwise.

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

Control is the basis for determining which entities are consolidated in the interim consolidated financial statements.

Subsidiaries are entities for which 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	Function al currency	Taxpayer number	Percentage of intereses				
				09.30.2016			09.30.2015	12.31.2015
				Direct	Indirect	Total	Total	Total
Empresa Eléctrica Industrial S.A.	Chile	Dólar	96.854.000-9	99.9999	-	99.9999	99.9999	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	Dólar	86.856.100-9	99.9000	0.1000	100	100	100
Río Tranquilo S.A.	Chile	Dólar	76.293.900-2	99.9999	0.0001	100	100	100
Termoeléctrica Nehuenco S.A.	Chile	Dólar	76.528.870-3	99.9999	0.0001	100	100	100
Termoeléctrica Antihue S.A.	Chile	Dólar	76.009.904-K	99.9998	-	99.9998	99.9998	99.9998
Colbún Transmisión S.A.	Chile	Dólar	76.218.856-2	99.9999	0.0001	100	100	100
Colbún Desarrollo S.P.A.	Chile	Dólar	76.442.095-0	100	-	100	100	100
Inversiones SUD S.P.A.	Chile	Dólar	76.455.649-6	100	-	100	100	100
Inversiones Andinas S.P.A.	Chile	Dólar	76.455.646-1	100	-	100	100	100
Colbún Perú S.A.	Perú	Dólar	0-E	99.9996	0.0004	100	-	100
Inversiones Las Canteras S.A.	Perú	Dólar	0-E	-	51	51	-	51
Fénix Power Perú S.A.	Perú	Dólar	0-E	-	51	51	-	51

Variations in the consolidation perimeter

During the 2016 period, no variations in the consolidation perimeter have been produced.

In the year 2015, the following changes in the consolidation perimeter took place:
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, 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, 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 0.0004%.

Inversiones Las Canteras S.A. 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.

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 as a separate component 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 non-controlling 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 and are classified as other expenses by nature.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification based on contractual terms, 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 acquiree.

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 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 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 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 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. Once the accounting for business combination is completed (measurement period ends) goodwill is not amortized and the Company should periodically review its book value to record any impairment loss.

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 is 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 in equity and in comprehensive income of subsidiaries is presented respectively in the items "Non-Controlling Interests" in the consolidated statement of financial position and "Profit (Loss) Attributable to Non-Controlling Interests" and "Total Comprehensive Income 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 (Fundación Colbún) and approved its statutes, according to D.E. N°3,024, 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 the 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.

As of September 30, 2016, Colbún contributed ThUS\$ 85 to the Foundation for the achievement of its objectives; this amount has been included in these consolidated interim financial statements.

c. Investments accounted by using the equity method – Corresponds 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 portion of net equity represented by the Company's interest over the adjusted capital of the investee.

If the resulting amount is negative, the participation is 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 "Participation in the profits (losses) of associates and joint ventures accounted for using the equity method".

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

Type of relation	Associated company	Country	Functional currency	Taxpayer number	Percentage of interest as of		
					09.30.2016	09.30.2015	12.31.2015
					Direct	Direct	Direct
Associated	Electrogas S.A.	Chile	US Dollar	96.806.130-5	42.5	42.5	42.5
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	Chile	Chilean peso	76.652.400-1	49.0	49.0	49.0
Joint venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Chilean peso	77.017.930-0	50.0	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 settlement 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	09.30.2016	09.30.2015	12.31.2015
Chilean Pesos	658.02	698.72	710.16
Euros	0.8907	0.8944	0.9168
Peruvian Soles	3.4030	-	3.4130
UF	0.0251	0.0276	0.0277

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 used 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 derecognition 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 24 c).

Work in progress is transferred to operational fixed assets once the testing period is completed, 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.

The Company assesses at initial recognition 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 indicators 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 or 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 amount of the consideration received less accumulated amortization (calculated using effective interest rate method) and are classified as current assets, except for those expiring in 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 are classified as 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 or loss – Financial assets recorded at fair value through profit or 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. Short-term investments in mutual funds are classified 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 from 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 have 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 adjusted 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 results 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 September 30, 2016, 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 90 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 profit or loss' 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 profit or loss.

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 discounts exactly 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:

- **Fair value hedges:** 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.
- **Cash flow hedges:** 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 interim consolidated financial statements the Company designates 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 performed 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:

The 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.

Operating activities: 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.

Investing activities: 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.

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

I. 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.

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.

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 interim consolidated statement of financial position has been clearing assets and deferred tax liabilities of the Colbun’s and 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 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 interim 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 restructure 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 revenue - revenue from the sale of electricity, in Chile and Peru, is valued at the fair value of the amount received or receivable 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: revenue from sale of energy and power capacity is recorded based on physical delivery, in conformity with its long-term contracts and at tendered prices.
- Unregulated clients – connected capacity greater than 2,000 KW in Chile and Peru between 200 KW and 2,500 KW: Revenue from sale of energy and power capacity for these clients is recorded based on physical delivery at the rates specified in the respective contracts.
- Spot market clients: Revenue from sale of energy and power capacity are recorded based on physical delivery to other generating companies, at the marginal cost. By law the spot market is organized and coordinated through the Dispatch Centers (“Centros 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 interim 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 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 revenue in the interim 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 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 24.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 finance leases. All other leases are classified as operating leases.

Financial leases in which Colbún S.A. and subsidiaries act as lessee are recognized at the beginning of the contract. They record 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 finance 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 3.1.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 interest 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.

x. Reclassifications – For comparison purposes, the following reclassifications were made as of December 31, 2015: From current assets' line "Trade receivables and other receivables" to line "Cash and cash equivalents" an amount of US\$ 19.4 million (see note 8.a).

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
IFRS 9	Financial Instruments.	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 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 1, 2018. Earlier application 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 provides 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 1, 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 lessee, 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 7	Statement of Cash Flows	January 1, 2017
IAS 12	Income Taxes	January 1, 2017
IAS 28	Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements	Determined

IAS 7 "Statement of Cash Flows"

Amendments to IAS 7 Statement of Cash Flows, issued in January 2016, as a part of the Disclosure Initiative project, require that an entity disclose information that allows users of financial statements to assess the changes in obligations derived from financing activities, including both the changes from the cash flows and the changes that are not in cash. The application of these amendments is mandatory for annual periods beginning on January 1, 2017. Early application is permitted.

IAS 12 "Income Taxes"

These amendments issued by the IASB in January 2016 clarify how to record deferred tax assets corresponding to debt instruments measured at fair value. The application of these amendments is mandatory for annual periods beginning on January 1, 2017. Early 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 full gain or loss is recognized. A partial gain or loss is recognized if the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The amendments are mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The new IFRS standards, interpretations and modifications that came into effect beginning January 1, 2016, were not applicable to the Company (e.g. IFRS 14 "Regulatory Deferral Accounts") or their application did not have significant effects (for example changes in IAS 19, IAS 16, IAS 28, IFRS 10, etc.).

3.3 Responsibility for information and estimates made

The information contained in the present interim 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.

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 amount 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 interim 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 interim consolidated financial statements (see Note 3.1.i)

Although these estimates have been prepared using the best information available on the date of issuance of these interim 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 interim 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, identifying and managing the sources of uncertainty that affect 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's senior management and 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 the responsibility of the General Management as well as each division and department, and has the support of the Corporate Risk Management and supervision, monitoring and coordination of the Risk Committee.

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

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 or operating its back-up thermal plants or even buying the energy on the spot market.

This situation could increase Colbún's costs, increasing earnings variability depending on the hydrological conditions. The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy that aims to maintain a balance between competitive base generation (hydro generation in a medium to dry year and thermal coal generation, cost efficient natural gas generation, other renewables cost efficient generation, all properly complemented by other sources of generation given their intermittency and volatility) and commercial commitments. Under conditions of extreme and recurrent drought, a potential shortage of water for refrigeration could affect the generation capacity of the 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, as well as implementing technical solutions in the medium and long term that are being analyzed for the aforementioned combined cycle complex.

In Peru, Colbún owns a combined-cycle power station and has a commercial policy oriented towards committing such energy base through medium and long-term contracts. The exposure to dry seasons is restricted since Colbún's operations would only be impacted in the event of potential operational failures that would require the Company to resort to the spot market. Additionally, the Peruvian electrical market presents an efficient thermal supply and availability of natural gas from local sources that backs it up.

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 with selling prices that 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 has a lower dependence 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 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 natural gas supply, 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 Santa María unit I power plant, awarding the supply contract to well supported competitive companies. This is in line with an early purchasing policy and stock management policy in order to substantially mitigate any risk of not having this fuel available.

d. Equipment failure and maintenance risks

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

Despite of maintenance performed and daily operational management, occasionally failures occur. On June 28 a fire, triggering immediate internal emergency protocols with no casualties or injuries of any consideration, affected the main transformer of the gas turbine of the Central Termoeléctrica Nehuenco 2 ("Unit 2"). Unit 2 was disconnected from the system while the Unit 1 continued to operate normally.

Colbún gave an order to manufacture a new and definitive transformer that is expected to be operational by the end of December 2016.

With the available information on estimated repair time, availability of the plants and insurance coverage for this type of disaster, the impact of the failure on the financial results of the Company is not material.

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, increases in equipment price, 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 from different interest groups, mainly from local communities and ONGs, which are legitimately looking for more participation and prominence. As part of this complexity, the times of environmental processing have become more uncertain, which occasionally are also followed by long prosecuting processes. This has resulted in less construction of significant size projects.

Colbún also has a policy to integrate with excellence, social and environmental development dimensions of their projects. Meanwhile, the company has developed a model of social link that allows you 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 for the generation sector, due to the long-term nature of the development, execution and return on investment of its 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 amendment to the Water Code, (ii) the law on strengthening the regionalization of the country, (iii) the bill creating the Ministry of Indigenous Peoples, (iv) the bill that creates the Council and national Councils of Indigenous Peoples and (v) the Law on Biodiversity and Protected Areas. There are also important initiatives in the sector as follows: (i) definition of the regulations necessary for the proper implementation of the recently enacted Law on Electricity Transmission, (ii) the definition of the long-term Energy Policy for the country (2050) which is already in its diffusion stage, and (iii) Technical Standard for planning and scheduling the operation of units using natural gas (LNG), among others.

In Peru, the authority is conducting studies of regulatory changes for the electricity sector. Some of the matters being considered are related to: (i) Governance (attributions of the regulator OSINERGMIN), (ii) Structure of the industry (effective vertical separation, greater private participation in Distribution), (iii) Generation / Wholesale Market (Improvement of short-term market with real price signals), (iv) Network regulation (revision of discount rates for transmission remuneration), (v) Transmission (reform with respect to planning incorporating international exchanges), (vi) Retail market (to implement complete competition in the retail market).

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, both in Chile and Peru.

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 has already occurred and is further expected, lower-than-projected growth in demand in the medium term what causes an imbalance between supply and demand, thus affecting energy prices. On the other hand, this imbalance may further increase due to development of cost efficient NCRE projects.

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).

The growth that has been observed in the Chilean (and potentially in the Peruvian) market of the unconventional renewable sources of generation such as solar and wind may generate integration costs and therefore affect the operating conditions of the rest of the electrical system especially in the absence of a market for complementary services that adequately remunerate the services necessary to manage the variability of such generation sources.

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 dollar is limited because virtually all sales of the Company are denominated directly in or indexed to dollar. Similarly, the main costs relate 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 the 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 dollar. For purposes of the above, 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.

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	09.30.2016	09.30.2015	12.31.2015
Fixed	96%	100%	100%
Floating	4%	0%	0%
Total	100%	100%	100%

As of September 30, 2016, a 96% of the financial debt of the company is denominated at fixed rate, while the remaining 4% corresponds to a portion of the debt of Fénix Power Perú.

c. Credit risk

The Company is exposed to the risk arising from the possibility that a counterpart fails to meet its contractual obligations and produces 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 September 30, 2016, 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".

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 September 30, 2016, Colbún has cash in excess for an amount of approximately US\$ 600 million, invested in time deposits with a maturity of less than 60 days and short-term mutual funds with maturity lower than 90 days. The Company also has as additional liquidity sources available to date: (i) two lines of bonds registered in the local market for a total amount of UF 7 million, (ii) a line of trade notes in the local market for UF 2.5 million and (iii) uncommitted bank lines of approximately US\$ 150 million.

In the next 12 months, the Company must disburse approximately US\$87 million in interests and amortization of principal. 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 September 30, 2016, 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. Risk management is performed by a Risk Committee with the support of the Corporate Risk Management and in coordination with the rest of the divisions of the Company.

Regarding business risks, specifically those related to changes in commodity prices, Colbún has implemented mitigation measures consistent of indexers in contracts for sale of energy and of hedges with derivative instruments to cover 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 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.

Exchange rate risk is considered limited because the main cash flows of the Company (revenue, costs and disbursements of projects) are directly denominated in or indexed to 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 dollar. Based on the above, as of September 30, 2016 the Company's exposure to this risk translates into a potential impact of approximately US\$ 3.0 million for the concept of exchange rate difference, in quarterly terms, based on an analysis of sensitivity at 95% confidence.

The risk of interest rate variation is largely mitigated, since 96% of the financial debt is contracted at a fixed rate (directly and using derivatives). As a result, as of September 30, 2016, the Company's exposure to the variable interest rate is limited, translating into a potential quarterly impact of

approximately US\$ 3.9 million due to interest rate increase, based on a sensitivity analysis at 95% confidence.

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. In the case of banks, local institutions have a local risk rating equal to or greater than BBB+ and foreign entities have an international investment grade rating. At the end of the period, the financial institution with the largest share of cash surplus, concentrates 20%. With respect to existing derivatives, the Company's international counterparties have a risk equivalent to BBB+ or higher and domestic counterparties are rated BBB+ or higher. It is noteworthy that in derivatives no counterparty concentrates more than 21% in terms of notional.

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.

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 interim 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. Useful lives have been estimated and determined considering technical aspects, the nature of the assets and their condition.

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

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

Classes of property, plant & equipment	Range of estimated useful lives	Average remaining useful life
Buildings and infrastructure	30 - 50	30
Machinery and equipment	20 - 50	25
Transport equipment	5 - 15	7
Office equipment	5 - 30	28
IT equipment	3 - 10	4
Other property, plant & equipment	30 - 50	32

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	33
Electromechanical equipment	20 - 50	37
Thermoelectric power plants		
Civil works	20 - 50	26
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 contract acquired.

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	Interval of years 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 estimate is made of the recoverable amount of the asset to determine, if applicable, the amount of impairment.

(iii) Intangible assets with indefinite useful lives

The Company analyzed the useful lives of intangible assets, that have indefinite useful lives (e.g. 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. The useful lives of those assets was determined to be indefinite.

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 CGUs 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 fair value less the cost necessary for its sale and value in use, understanding this to be the current value of estimated future cash flows generated by the asset or CGU. 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, current cost of money and risk premiums used in a general manner for the business are taken into account.

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 September 30, 2016, the Company considers that there are no significant 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 3.3.1, 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. 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 Cañete province. The construction of the power plant was completed in 2014 and it began commercial operations in December 2014.

According to IFRS 3, the measurement period is that 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 the fair value criteria and there were no significant differences with the carrying amounts of such assets and liabilities. Regarding property, plant and equipment, Fénix's plant has just recently been constructed and is in operation for about 1 to 2 years, which indicates 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 assumption 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	12.31.2015	Adjustment	09.30.2016
	Fair value recorded in the acquisition	PPA	Fair value Adjust
	MUS\$	MUS\$	MUS\$
Assets			
Cash and cash equivalent	11,378	-	11,378
Trade receivables and other receivable accounts	29,464	-	29,464
Other non financial assets, current	14,424	-	14,424
Inventories	3,896	-	3,896
Other non financial assets, non current	17,035	-	17,035
Property, plant and equipment	735,538	-	735,538
Intangible assets other than goodwill	3,541	-	3,541
Deferred tax assets	2,743	-	2,743
Total Assets	818,019	-	818,019
Liabilities			
Other financial liabilities, current	15,684	-	15,684
Trade payables and other payables, current	3,184	-	3,184
Accounts payable to related entities	224,095	-	224,095
Other provisions	2,232	-	2,232
Other liabilities non financial, non current	361,929	-	361,929
Trade payables and other payables, non current	25,186	-	25,186
Provisions for employee benefits, non current	890	-	890
Other non financial, non current liabilities	6,046	-	6,046
Total Liabilities	639,246	-	639,246
Total net identifiable assets at fair value	178,773	-	178,773
Gain from business combination	(1,672)	6,072	4,400
Consideration transferred	177,101	6,072	183,173

As of September 30, 2016, and within the period of initial measurement goodwill of US\$ 4.4 million has been recognized, which originates from an additional payment resulting from price adjustment provisions of the purchase agreement for the acquisition of Phoenix Power Peru. As of 31 December 2015, a purchase bargain profit of US\$ 1.6 million was recognized, that in these interim consolidated financial statements was offset with the additional payment (goodwill) mentioned.

As the result of this adjustment, the following effects were included in the financial statements as of December 31, 2015:

Impact in heritage (increase/decrease) in net equity	December 31, 2015 ThUS\$
Goodwill	4,400
Total Assets	4,400
Payables trade and other payables, current	6,072
Total liabilities	6,072
Retained earnings	(853)
Non-controlling interests	(819)
Net impact on heritage	(1,672)

Impact in Statement of comprehensive income by nature (increase/decrease) in result	31 de Diciembre, 2015 MUS\$
Retained earnings	(853)
Non-controlling interests	(819)
Net impact on heritage	(1,672)

Profit attributable to:

Profit attributable to owners of the parent	(853)
Profit attributable to non-controlling interests	(819)

The change has no impact in other comprehensive income nor in the statement of cash flows.

7. Operations by segments

Colbún's business is the generation and sale of electric energy. The Company owns assets that produce the energy, which is sold to various clients, which either have supply contracts or do not have contracts, in accordance with what is stipulated in regulations currently in force.

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).

Since Colbún S.A. operates in two electrical systems, in the Central Interconnected System in Chile, and the National Interconnected System in Peru, for the purposes of applying IFRS 8, the information by segment is structured according to the geographic distribution by country.

The following table presents information by geographic area:

Disclosure about segments of operation	09.30.2016						
	Country		Segments that must be reported	Operating segments	Eliminations	Material reconciling items	Total of the entity by segments of operation
	Chile	Perú					
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	MUS\$	ThUS\$
Statement of financial situation							
Current Assets							
Cash and cash equivalent	547,063	42,965	590,028	590,028	-	-	590,028
Other financial assets, current	31,605	-	31,605	31,605	-	-	31,605
Other non financial assets, current	15,161	1,867	17,028	17,028	-	-	17,028
Trade receivable and other receivable accounts	126,413	53,987	180,400	180,400	-	-	180,400
Trade receivable to related entities, current	420	-	420	420	-	-	420
Inventories	129,782	4,679	134,461	134,461	-	-	134,461
Tax assets	1,576	4,363	5,939	5,939	-	-	5,939
Total current assets	852,020	107,861	959,881	959,881	-	-	959,881
Non-current assets							
Other financial assets, non-current	228	-	228	228	-	0	228
Other non financial assets, non-current	42,413	4,246	46,659	46,659	-	0	46,659
Accounts receivable to related entities, non-current	268	-	268	268	-	0	268
Investments accounted for using the equity method	259,413	-	259,413	259,413	(220,007)	-220,007	39,406
Intangible assets other than goodwill	134,189	3,347	137,536	137,536	-	0	137,536
Goodwill	-	4,400	4,400	4,400	-	0	4,400
Properties, plant and equipment	4,821,862	713,130	5,534,992	5,534,992	-	0	5,534,992
Deferred tax assets	4,319	2,737	7,056	7,056	-	0	7,056
Total non-current assets	5,262,692	727,860	5,990,552	5,990,552	(220,007)	(220,007)	5,770,545
TOTAL ASSETS	6,114,712	835,721	6,950,433	6,950,433	(220,007)	(220,007)	6,730,426
Current Liabilities							
Other financial, current liabilities	40,573	1,789	42,362	42,362	-	-	42,362
Payables trade and other payables, current	113,513	18,481	131,994	131,994	-	-	131,994
Accounts payable to related entities	516	-	516	516	-	-	516
Other provisions	14,238	2,235	16,473	16,473	-	-	16,473
Tax liabilities	38,901	102	39,003	39,003	-	-	39,003
Provisions for employee benefits, current	10,972	1,287	12,259	12,259	-	-	12,259
Other non financial liabilities, current	15,719	395	16,114	16,114	-	-	16,114
Total current liabilities	234,432	24,289	258,721	258,721	-	-	258,721
Non-current liabilities							
Other financial liabilities, non-current	1,321,358	376,744	1,698,102	1,698,102	-	-	1,698,102
Payables trade and other payables, non-current liabilities	3,217	2,683	5,900	5,900	-	-	5,900
Deferred tax liabilities	938,958	831	939,789	939,789	-	-	939,789
Provisions for employee benefits, non-current	29,256	-	29,256	29,256	-	-	29,256
Other non financial, non-current liabilities	11,206	-	11,206	11,206	-	-	11,206
Total non-current liabilities	2,303,995	380,258	2,684,253	2,684,253	-	-	2,684,253
Equity							
Issued capital	1,282,793	219,635	1,502,428	1,502,428	(219,635)	(219,635)	1,282,793
Retained earnings	1,521,554	382	1,521,936	1,521,936	(382)	(382)	1,521,554
Share premiums	52,595	-	52,595	52,595	-	-	52,595
Other reserves	719,343	(10)	719,333	719,333	10	10	719,343
Net Equity attributable to equity holders of the parent	3,576,285	220,007	3,796,292	3,796,292	(220,007)	(220,007)	3,576,285
Not controlled shares	-	211,167	211,167	211,167	-	-	211,167
Total net equity	3,576,285	431,174	4,007,459	4,007,459	(220,007)	(220,007)	3,787,452
TOTAL LIABILITIES AND NET EQUITY	6,114,712	835,721	6,950,433	6,950,433	(220,007)	(220,007)	6,730,426

Continued

Disclosure about segments of operation	09.30.2016						
	Country		Segments that must be reported	Operating segments	Eliminations	Material reconciling items	Total of the entity by segments of operation
	Chile	Perú					
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	MUS\$	ThUS\$
Statement of comprehensive result							
Net income from ordinary activities							
Net income from ordinary activities	907,414	159,629	1,067,043	1,067,043	-	-	1,067,043
Whole income of ordinary activities proceeding from external clients and deals with other segments of operation of the same entity.	907,414	159,629	1,067,043	1,067,043	-	0	1,067,043
Raw materials and consumables used	(437,668)	(104,861)	(542,529)	(542,529)	-	-	(542,529)
Expenses for benefit to employees	(45,334)	(4,248)	(49,582)	(49,582)	-	-	(49,582)
Depreciation and amortization expenses	(143,987)	(23,886)	(167,873)	(167,873)	-	-	(167,873)
Other expenses, by nature	(22,463)	(8,584)	(31,047)	(31,047)	-	-	(31,047)
Other profit (losses)	(4,561)	(1,515)	(6,076)	(6,076)	-	-	(6,076)
Financial income	7,144	409	7,553	7,553	-	-	7,553
Financial costs	(71,750)	(11,232)	(82,982)	(82,982)	-	-	(82,982)
Share of profit of associated and joint ventures accounted for using the equity method	7,493	-	7,493	7,493	(3,005)	(3,005)	4,488
Exchange rate differences	4,236	785	5,021	5,021	-	-	5,021
Readjustment profit (loss)	(55)	-	(55)	(55)	-	-	(55)
Profit (loss) of continuing operations	200,469	6,497	206,966	206,966	(3,005)	(3,005)	203,961
Income tax expense	(47,396)	(671)	(48,067)	(48,067)	-	-	(48,067)
Profit (loss)	153,073	5,826	158,899	158,899	(3,005)	-3,005	155,894
Attributable to:							
Profit attributable to the owners of the controller	153,073	3,005	156,078	156,078	(3,005)	(3,005)	153,073
Profit attributable to non-controlling stakes	-	2,821	2,821	2,821	-	-	2,821
Profit	153,073	5,826	158,899	158,899	(3,005)	(3,005)	155,894
Statements of cash flow							
Cash flows from (used in) operating activities.	324,315	43,410	367,725	367,725	-	-	367,725
Cash flows from (used in) investment activities.	27,957	(8,605)	19,352	19,352	-	-	19,352
Cash flows from (used in) financing activities	(685,566)	(16,463)	(702,029)	(702,029)	-	-	(702,029)

Disclosures about segments of operation	12.31.2015						
	Country		Segments that must be reported	Operating segments	Eliminations	Material reconciling items	Total of the entity by segments of operation
	Chile	Perú					
	TMUS\$	TMUS\$	TMUS\$	TMUS\$	TMUS\$	MUS\$	TMUS\$
Statement of financial situation							
Current Assets							
Cash and cash equivalents	851,587	43,920	895,507	895,507	-	0	895,507
Other financial assets, current	185,393	-	185,393	185,393	-	0	185,393
Other non financial assets, current	27,838	538	28,376	28,376	-	0	28,376
Trade receivables and other receivable accounts	117,256	47,691	164,947	164,947	-	0	164,947
Trade receivable to related entities, current	2,590	-	2,590	2,590	-	0	2,590
Inventories	94,199	3,861	98,060	98,060	-	0	98,060
Tax assets	8,634	-	8,634	8,634	-	0	8,634
Total current assets	1,287,497	96,010	1,383,507	1,383,507	-	0	1,383,507
Non-current assets							
Other financial assets, non-current	212	-	212	212	-	0	212
Other non financial assets, non-current	32,262	-	32,262	32,262	-	0	32,262
Accounts receivable to related entities, non-current	280	-	280	280	-	0	280
Investments accounted for using the equity method	247,919	-	247,919	247,919	(211,907)	-211,907	36,012
Intangible assets other than goodwill	87,803	3,537	91,340	91,340	-	0	91,340
Property, plant and equipment	4,868,230	734,392	5,602,622	5,602,622	-	0	5,602,622
Goodwill	0	4,400	4,400	4,400	-	0	4,400
Deferred tax assets	4,409	2,513	6,922	6,922	-	0	6,922
Total non-current assets	5,241,115	744,842	5,985,957	5,985,957	(211,907)	(211,907)	5,774,050
TOTAL ASSETS	6,528,612	840,851	7,369,463	7,369,463	(211,907)	(211,907)	7,157,557
Current Liabilities							
Other financial, current liabilities	91,371	362,014	453,385	453,385	-	-	453,385
Payables to trade and other payables, current	133,290	41,543	174,833	174,833	-	-	174,833
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	386,598	407,303	713,901	713,901	-	-	713,901
Non-current Liabilities							
Other financial liabilities, non-current	1,766,573	15,683	1,782,256	1,782,256	-	-	1,782,256
Payables to 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)	(213,600)	1,282,793
Retained earnings	1,412,537	(2,546)	1,409,991	1,409,991	1,693	1,693	1,411,684
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	211,054	3,674,567	3,674,567	(211,907)	(211,907)	3,462,660
Not controlled shares	-	202,758	202,757.54	202,758	-	-	202,758
Total net equity	3,463,513	413,811	3,877,324	3,877,324	(211,907)	(211,907)	3,665,418
TOTAL LIABILITIES AND NET EQUITY	6,528,612	840,851	7,369,463	7,369,463	(211,907)	(211,907)	7,157,557

As of September 30, 2015, 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 goods and services

Services	January - September		July- September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Energy	780,952	753,045	239,332	235,661
Capacity	144,417	114,684	48,460	36,728
Other	141,674	144,735	46,556	64,606
Total	1,067,043	1,012,464	334,348	336,995

Information on sales to main clients

Main clients	January - September				July- September			
	2016		2015		2016		2015	
	ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
Chile								
CGE Distribución S.A.	262,268	25%	251,133	25%	85,272	26%	79,846	25%
Corporación Nacional del Cobre Chile	225,450	21%	214,149	21%	75,208	22%	84,556	19%
Chilectra S.A.	158,187	15%	152,433	15%	53,797	16%	51,068	15%
Sociedad Austral del Sur S.A.	57,825	5%	66,098	7%	16,641	5%	14,637	8%
Anglo American S.A.	63,572	6%	67,165	7%	20,686	6%	22,340	7%
Others	140,112	13%	261,486	25%	33,662	10%	84,548	26%
Subtotal	907,414	85%	1,012,464	100%	285,266	85%	336,995	100%
Perú								
Luz del Sur	77,100	7%	-	-	30,853	9%	-	-
Empresa de Distribución Eléctrica de Lima Norte S.A.	16,400	2%	-	-	6,555	2%	-	-
Compañía Eléctrica El Platanal S.A.	15,341	1%	-	-	5,541	2%	-	-
Hidrandina S.A.	4,103	0%	-	-	4,103	1%	-	-
Electronoroeste S.A.	5,342	1%	-	-	5,342	2%	-	-
Others	41,343	4%	-	-	-3,312	-1%	-	-
Subtotal	159,629	15%	-	-	49,082	15%	-	-
Total	1,067,043	100%	1,012,464	100%	334,348	100%	336,995	100%

8. Classes of cash and cash equivalents

a. Account composition

Cash and cash equivalents are detailed as follows:

Cash and cash equivalent	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Cash	62	52
Banks balances	26,434	44,842
Time deposits	463,012	770,796
Other fixed-income instruments	100,520	79,817
Total	590,028	895,507

Balance in banks includes trust funds (fideicomiso) of the subsidiary Fénix Power S.A. amounting to US\$ 18.5 million. As of December 31, 2015, this amount was US\$ 19.4 million.

Time deposits have a 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 interim consolidated financial statements.

In addition to these instruments, as of September 30, 2016 and 2015, the Company has other time deposits, which matured more than three months from their acquisition, which are presented in Note 9.

b. Detail by type of currency

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

Currency	09.30.2016		12.31.2015	
	Original currency ThUS\$	Currency with derivative ⁽¹⁾ ThUS\$	Original currency ThUS\$	Currency with derivative (1) ThUS\$
EUR	388	388	440	440
CLP	335,774	135,674	220,942	134,145
PEN	22,333	22,333	25,192	25,192
USD	231,533	431,633	648,933	735,730
Total	590,028	590,028	895,507	895,507

(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.

c. 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 6).

9. Other financial assets

Other financial assets are detailed as follows:

	Current		Non-current	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Time Deposit (1)	30,178	185,269	-	-
Hedge derivate instruments (2) (See Note 14.1)	1,427	124	-	-
Investment in the CDEC	-	-	228	212
Total	31,605	185,393	228	212

- (1) As of September 30, 2016 and December 31, 2015 investments in time deposits that were classified in this category have an original investment term within less than six months and the remaining maturity period is 60 days on average. These investments are presented under Cash Flows from investment activities in other cash inflows (outflows).
- (2) Corresponds to current positive mark-to-market of hedging derivatives effective at the close of each period.

10. Trade and other accounts receivable

Trade and other accounts receivable are detailed as follows:

Description	Current	
	09.30.2016 ThUS\$	12.31.2015 ThUS\$
Trade receivables with contract	125,041	123,967
Other receivables (1)	55,359	40,980
Total	180,400	164,947

(1) As of September 30, 2016, current balance includes the recoverable taxes (tax on general sales (IGV) and specific tax) of ThUS\$ 21,504, fiduciary guarantee of ThUS\$ 8,812, JP Morgan collateral guarantee of ThUS\$ 4,155, balance at Escrow account of ThUS\$ 12,491 and other minor items of ThUS\$ 8,397. While as of December 31, 2015, the corresponding balance of recoverable taxes was ThUS\$ 36,313 and the other minor items amounted to ThUS\$ 4,668. The Company estimates that the recovery period of these assets is 12 months.

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 3.1.h.1.6); The Company has estimated that there is evidence of impairment of certain accounts receivable of the subsidiary Fénix Power Perú S.A. and recorded an allowance, which in the Management's opinion properly covers the risk of loss of these accounts receivable.

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

As of September 30, 2016 and December 31, 2015, the analysis of Trade Accounts Receivable is as follows:

a) Portfolio distribution by overdue.

Trade accounts receivable invoiced	Balance as of 09.30.2016					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-more ThUS\$	Total ThUS\$
Regulated customers	1,124	203	527	8	11,389	13,251
Unregulated customers	-	94	-	-	-	94
Other receivables	1,026	1,458	88	77	264	2,913
Provision impairment	-	-	-	-	(10,987)	(10,987)
Subtotal	2,150	1,755	615	85	666	5,271
Trade accounts receivable to be invoiced	Balance as of 09.30.2016					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-more ThUS\$	Total ThUS\$
Regulated customers	63,529	-	-	-	-	63,529
Unregulated customers	50,022	-	-	-	-	50,022
Other receivables	6,219	-	-	-	-	6,219
Subtotal	119,770	-	0	-	0	119,770
Total trade accounts receivable	121,920	1,755	615	85	666	125,041
Number of clients (unaudited)	41	164	91	75	123	
Trade accounts receivable invoiced	Balance as of 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	5,585	7,248
Unregulated customers	-	-	-	-	-	0
Other receivables	-	774	237	17	-	1,028
Provision impairment	-	-	-	-	(5,463)	(5,463)
Subtotal	0	2,430	242	19	122	2,813
Trade accounts receivable to be invoiced	Balance as of 12.31.2015					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-more ThUS\$	Total ThUS\$
Regulated customers	79,608	-	0	-	-	79,608
Unregulated customers	35,167	-	0	-	-	35,167
Other receivables	6,379	-	0	-	-	6,379
Subtotal	121,154	-	0	0	0	121,154
total trade accounts receivable	121,154	2,430	242	19	122	123,967
Number of clients (unaudited)	32	140	44	72	10	

b) Accounts Receivable in judicial collection

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

11. Financial instruments

a. Financial instruments by category

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

a.1 Assets

September 30, 2016	Cash and Cash Equivalent ThUS\$	Held at maturity ThUS\$	Loans and receivables ThUS\$	Assets at fair value with changes in results ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$
Cash on hand and bank balance (see Note 8)	26,496	-	-	-	-	26,496
Time Deposits (see Note 8)	-	463,012	-	100,520	-	563,532
Trade and other accounts receivable (see Note 10)	-	-	158,896	-	-	158,896
Accounts receivable from related parties (see Note 12.b.1)	-	-	688	-	-	688
Financial derivative instruments (see Note 14.1)	-	-	-	-	1,427	1,427
Other financial assets (see Note 9)	-	30,406	-	-	-	30,406
Total	26,496	493,418	159,584	100,520	1,427	781,445

December 31, 2015	Cash and Cash Equivalent ThUS\$	Held at maturity ThUS\$	Loans and receivables ThUS\$	Assets at fair value with changes in results ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$
Cash on hand and bank balance (see Note 8)	44,894	-	-	-	-	44,894
Time Deposits (see Note 8)	-	770,796	-	79,817	-	850,613
Trade and other accounts receivable (see Note 10)	-	-	128,634	-	-	128,634
Accounts receivable from related parties (see Note 12.b.1)	-	-	2,870	-	-	2,870
Financial derivative instruments (see Note 14.1)	-	-	-	-	124	124
Other financial assets (see Note 9)	-	185,481	-	-	-	185,481
Total	44,894	956,277	131,504	79,817	124	1,212,616

As of September 30, 2016, it does not consider the recoverable taxes of ThUS\$ 21,504. While as of December 31, 2015, the balance corresponding to current recoverable taxes was ThUS\$ 36,313.

a.2 Liabilities

September 30, 2016	Other financial liabilities ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$
Loans that accrue interest (see note 22.a)	1,710,755	-	1,710,755
Liabilities from leasing (see note 22.a)	15,773	-	15,773
Financial derivative instruments (see note 14.1)	-	13,936	13,936
Trade accounts payables (see note 23)	137,894	-	137,894
Accounts payable to related parties (see Note 12.b.2)	516	-	516
Total	1,864,938	13,936	1,878,874

December 31, 2015	Other financial liabilities ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$
Loans that accrue interest (see note 22.a)	2,177,968	-	2,177,968
Liabilities from leasing	16,025	-	16,025
Financial derivative instruments (see note 14.1)	-	41,648	41,648
Trade accounts payables (see note 23)	181,255	-	181,255
Accounts payable to related parties (see Note 12.b.2)	30,252	-	30,252
Total	2,405,500	41,648	2,447,148

b. Financial assets credit rating

The credit rating of financial assets that have not yet matured 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	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Customers with local credit rating		
AAA	26,295	27,377
AA+	2,210	1
AA	68,686	23,685
AA-	34	-
A+	125	50,067
A	-	26
Total	97,350	101,156
Customer without local credit rating		
Total	27,691	22,811
Banks balances and short-term time deposits - local market		
AAA	95,271	258,438
AA+	85,364	32,679
AA	30,476	100,297
AA-	-	80
A+o lower	75,525	6,907
Total	286,636	398,401
Banks balances and short-term time deposits - international market (*)		
BBB- o higher	233,050	602,558
Total	233,050	602,558
Financial assets with international counterpart (*)		
A o higher	1,427	124
Total	1,427	124

(*) International risk rating

12. 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 relationship between the parent, subsidiaries and associates is detailed in note 3.1.b and c.

a. Controlling shareholders

The distribution of the Parent Company's shareholders, as of September 30, 2016, 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	4.47
AFP Cuprum S.A. (**)	3.90
AFP Capital S.A. (**)	3.76
Banco Itaú por cuenta de inversionistas	3.66
Banco Santander JP Morgan	1.71
Others shareholders	14.29
Total	100.00

(*) 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 related entities were conducted under terms and market conditions and according 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 (this is the case of Electrogas S.A.)

b.1. Accounts receivable from related entities

Taxnumber payer	Company	Country	Relationship	Currency	Current		Non-current	
					09.30.2016 ThUS\$	31.12.2015 ThUS\$	09.30.2016 ThUS\$	31.12.2015 ThUS\$
96.806.130-5	Electrogas S.A.	Chile	Associated	US Dollar	-	2,527	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilean peso	40	40	268	280
96.532.330-9	CMPC Celulosa S.A.	Chile	Common group	Chilean pesos	-	-	-	-
96.529.310-8	CMPC Tissue S.A.	Chile	Common group	Chilean peso	13	13	-	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint Venture	Chilean peso	11	10	-	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Dólar	-	-	-	-
				Chilean peso	356	-	-	-
Total					420	2,590	268	280

b.2. Accounts payable to related entities

Taxpayer number	Company	Country	Relationship	Currency	Corriente	
					09.30.2016	12.31.2015
					MUS\$	MUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Chilean Pesos	385	-
96.565.580-8	Cía. Leasing Tattersall S.A.	Chile	Common director	Chilean Pesos	106	56
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common director	Chilean Pesos	18	227
96.806.980-2	Entel PCS Comunicaciones S.A.	Chile	Common director	Chilean Pesos	7	24
90.412.000-6	Minera Valparaíso S.A.	Chile	Majority shareholder	Dollar	-	21,419
79.621.850-9	Forestal Cominco S.A.	Chile	Majority shareholder	Dollar	-	8,526
Total					516	30,252

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

b.3 Most significant transactions and their effects on income

Taxpayer number	Company	Country	Relationship	Currency	Description	January- September				July- September			
						2016		2015		2016		2015	
						Amount ThUS\$	Effect in income (expense) ThUS\$	Amount ThUS\$	Effect in income (expense) ThUS\$	Amount ThUS\$	Effect in income (expense) ThUS\$	Amount ThUS\$	Effect in income (expense) ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint - Venture	Chilean pesos	Transmission line tolls	1,913	(1,608)	1,825	(1,534)	591	(497)	800	(673)
				UF	Services rendered	98	82	100	84	45	36	31	26
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Joint - Venture	Chilean pesos	Capital contributions (1)	3,323	-	3,558	-	663	-	-	-
96.806.130-5	Electrogas S.A.	Chile	Asociated	US Dollar	Gas transportation service	6,841	(5,749)	7,295	(6,130)	2,218	(1,864)	2,223	(1,868)
				US Dollar	Diesel transportation service	774	(850)	883	(742)	261	(220)	433	(364)
				US Dollar	Declared dividends (2)	6,079	-	-	-	-	-	-	-
				US Dollar	Dividends received (2)	8,682	-	7,550	-	2,732	-	2,450	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilean pesos	Other leases	37	31	384	323	11	9	180	152
97.080.000-K	Banco Elice	Chile	Common director	Chilean pesos	Services received	19	(16)	22	(18)	5	(4)	5	(4)
96.620.900-3	Empresa Chilena de Gas Natural	Chile	Common director	Chilean pesos	Purchases of natural gas	83,079	(69,814)	112,972	(94,934)	23,198	(19,494)	24,050	(20,210)
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Chilean pesos	Sale of energy, power capacity and transportation of electricity	839	705	868	747	277	233	215	181
79.621.850-9	Forestal Cominco S.A.	Chile	Major shareholder	US Dollar	Interim dividends (3)	14,213	-	7,703	-	-	-	-	-
90.412.000-6	Minera Valparaíso S.A.	Chile	Major shareholder	US Dollar	Interim dividends (3)	35,706	-	19,351	-	-	-	-	-
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common director	Chilean pesos	Diesel supply service	41,667	(31,410)	44,954	(34,087)	37,690	(28,202)	3,183	(2,509)
96.565.580-8	Leasing Tattersall S.A.	Chile	Common director	Chilean pesos	Car leasings (4)	475	(399)	1,168	(982)	-	-	-	-
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common director	Chilean pesos	Phone service	274	(230)	314	(264)	55	(46)	62	(52)
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common director	Chilean pesos	Phone service	54	(45)	47	(40)	18	(15)	17	(15)
96.722.460-k	Metrogas S.A.	Chile	Common director	US Dollar	Purchases of natural gas	1,024	(861)	2,683	(2,255)	-	-	2,679	(2,252)
96.620.900-3	Empresa Chilena de Gas Natural	Chile	Common director	Chilean pesos	Purchases of natural gas	83	(83)	89	(89)	33	(33)	32	(32)

- (1) Contributions to Centrales Hidroeléctricas de Aysén S.A.
 - On July 8, 2016 Colbún carried out third capital contribution to Centrales Hidroeléctricas de Aysén S.A for ThCh\$ 441 (ThUS\$ 664), as agreed upon at the Extraordinary Shareholders' Meeting of Hidroaysén held on December 4, 2015.
 - On March 08, 2016 Colbún carried out a capital contribution to Centrales Hidroeléctricas de Aysén S.A for ThCh\$ 1,813 (ThUS\$2,660), as agreed upon at the Extraordinary Shareholders' Meeting of Hidroaysén held on December 4, 2015.
 - On March 2, 2015 Colbún carried out a capital contribution for ThCh\$ 1,715 (ThUS\$2,753), as agreed upon at the 18th Extraordinary Shareholders' Meeting of Hidroaysén held on October 22, 2014.
- (2) Dividends declared by and received from Electrogas S.A.
 - In September 2016, outstanding balance of the dividend of ThUS\$ 2,732 was received.
 - In May 2016, Colbún received ThUS\$ 5,950 leaving an outstanding balance of payment to be received of ThUS\$ 2,732.
 - On March 2016, Electrogas S.A. declared a provisional dividend with charge to profits for 2015, of MUS\$ 14.3, 42.5% of which correspond to Colbún.
- (3) Dividends declared and paid to Minera Valparaíso S.A and Forestal Cominco S.A.
 - Corresponds to definitive dividend declared by the Shareholders Meeting on April 22, 2016 and paid on May 5, 2016.
 - Corresponds to the interim dividend agreed at Board Meeting dated December 22, 2015 and paid on January 12, 2016.
 - Corresponds to definitive dividend declared by the Shareholders Meeting on April 24, 2015 and paid on May 6, 2015.
 - Corresponds to the interim dividend agreed at Board Meeting dated December 25, 2014 and paid on January 6, 2015.
- (4) Entity related through common Director until April 2016.

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 September 30, 2016 and December 31, 2015.

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

In an Extraordinary Session of the Board of Directors held on March 22, 2016, the Board of Directors was informed of the resignation presented by Ms. Vivianne Blanlot S., which became effective as of the same date.

At the Ordinary Shareholders' Meeting held on April 22, 2016, the Board of Directors of the Company was renewed. María Ignacia Benítez Pereira, Vivianne Blanlot Soza, Luz Granier Bulnes, Bernardo Larraín Matte, Arturo Mackenna Iñiguez, Eduardo Navarro Beltran, Jorge Matte Capdevila, Juan Eduardo Garcia and Francisco Correa Matte Izquierdo were elected as Board members. Maria Ignacia Benítez Pereira and Luz Granier Bulnes were elected as independent directors.

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 22, 2016, at the Extraordinary meeting of the Board, Bernardo Larraín Matte was appointed as Chairman and Vivianne Blanlot Soza as Vice President of the Board. Juan Eduardo Correa García, Luz Granier Bulnes and Maria Ignacia Benítez Pereira were designated as members of the Committee of Directors.

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 September 30, 2016 and 2015; include the members of the Directors Committee are detailed as follows:

e.1 Board's remuneration

Name	Title	January-September					July-September			
		2016			2015		2016		2015	
		Colbún Board ThUS\$	Variable Remuneration MUS\$	Directors Committee ThUS\$	Colbún Board ThUS\$	Directors Committee ThUS\$	Colbún Board ThUS\$	Directors Committee ThUS\$	Colbún Board ThUS\$	Directors Committee ThUS\$
Bernardo Larrain Matte ⁽¹⁾	President	92	128	-	70	-	36	-	22	-
Vivianne Blanlot Soza ⁽¹⁾	Vice-president	46	64	4	35	12	18	-	11	5
Juan Eduardo Correa García ⁽¹⁾	Director	46	64	12	35	-	18	6	11	-
Luz Granier Bulnes ⁽¹⁾	Director	45	48	17	22	8	18	6	10	4
Arturo Mackenna Iñiguez ⁽¹⁾	Director	46	64	-	35	-	18	-	11	-
Eduardo Navarro Beltrán ⁽¹⁾	Director	46	64	-	35	-	18	-	11	-
María Ignacia Benitez Pereira ⁽¹⁾	Director	35	-	12	-	-	18	6	-	-
Jorge Matte Capdevila ⁽¹⁾	Director	35	-	-	-	-	18	-	-	-
Francisco Matte Izquierdo ⁽¹⁾	Director	35	-	-	-	-	18	-	-	-
Luis Felipe Gazitúa Achondo	Director	15	64	5	35	12	-	-	11	5
Eliodoro Matte Larrain	Director	15	64	-	35	-	-	-	11	-
Juan Hurtado Vicuña	Director	15	64	-	35	-	-	-	11	-
Sergio Undurraga Saavedra	Director	-	16	-	12	4	-	-	-	-
		471	640	50	349	36	180	18	109	14

(1) Current directors as of September 30, 2016

At the Ordinary Shareholders' Meeting held on April 22, 2015, an annual variable remuneration of 0.5% of 2015 fiscal year profits was agreed to. On May 5, 2016, the actual payment was made for ThUS \$ 572.

e.2 Board advisory expenses

Periods ended September 30, 2016 and 2015, the Board of Directors had no advisory expenses

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

Name	Position
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 Stjepovic	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 executives are detailed as follows:

Concept	January- September		July- September	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current employee benefits	4,146	3,080	1,600	897
Termination benefits	112	82	18	(13)
Total	4,258	3,162	1,618	884

e.4 Accounts Receivable, payable and other transactions

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

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, 2016 and 2015, 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 September 30, 2016 no indemnities were, while for the period ended as of September 30, 2015, payments for such concept amounted to ThUS\$ 174.

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.

13. Inventory

Inventory is detailed as follows:

Classes of inventory	09.30.2016 ThUS\$	12.31.2015 ThUS\$
Spare parts	118,693	77,536
Provision for obsolescence ⁽¹⁾	(2,660)	(2,660)
Coal	7,704	15,750
Petroleum	4,665	5,927
Gas Line Pack	274	274
Inventory in transit ⁽²⁾	5,785	1,233
Total	134,461	98,060

(1) Corresponds to the obsolescence allowance of spare parts.

(2) Corresponds to coal inventory to be used by Santa María I 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- September		July- September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Warehouse supplies	5,664	5,964	2,182	1,907
Petroleum (see Note 28)	38,419	42,115	13,098	1,518
Gas Line Pack (see Note 28)	187,997	240,090	47,076	48,765
Coal (see note 28)	54,371	69,236	18,844	20,449
Total	286,451	357,405	81,200	72,639

14. 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 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 September 30, 2016, the Company classifies all its hedges as "Cash Flow Hedges".

14.1 Hedging 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	
		09.30.2016 ThUS\$	12.31.2015 ThUS\$	09.30.2016 ThUS\$	12.31.2015 ThUS\$
Exchange rate hedge	Cash flows hedge	-	-	-	-
Fuel price hedge	Cash flows hedge	1,427	124	-	-
Total (see Note 9)		1,427	124	-	-

Hedge Liabilities		Current		Non-current	
		09.30.2016 ThUS\$	12.31.2015 ThUS\$	09.30.2016 ThUS\$	12.31.2015 ThUS\$
Exchange rate hedge	Cash flows hedge	1,062	3,604	11,735	34,256
Interest rate hedge	Cash flows hedge	1,113	1,179	26	2,609
Total (see Note 22.a)		2,175	4,783	11,761	36,865

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

Hedging Instrument	Fair value		Hedged item	Hedged Risk	Type of hedge
	09.30.2016 ThUS\$	12.31.2015 ThUS\$			
Currency forwards	42	(1,401)	Future Disbursements Project.	Exchange rate	Cash flow
Currency forwards	-	353	Dividends	Exchange rate	Cash flow
Currency forwards	(273)	(217)	Financial investment	Exchange rate	Cash flow
Interest rate swaps	(107)	(1,079)	Bank loans	Interest rate	Cash flow
Interest rate swaps	-	(2,215)	Obligations with the public (Bonds)	Interest rate	Cash flow
Cross Currency Swaps	(13,598)	(37,089)	Obligations with the public (Bonds)	Exchange rate	Cash flow
Oil options	1,427	124	Oil purchases	Oil price	Cash flow
	(12,509)	(41,524)			

During the periods ended as of September 30, 2016, the Company did not recognize profits or losses due to hedge ineffectiveness on the cash flow hedges.

14.2 Fair value hierarchy

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 September 30, 2016, 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.

15. 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 September 30, 2016 and December 31, 2015:

Subsidiary	09.30.2016						
	Current assets ThUS\$	Non-current assets ThUS\$	Current liabilities ThUS\$	Non-current liabilities ThUS\$	Equity ThUS\$	Revenue ThUS\$	Net profit (loss) ThUS\$
Empresa Eléctrica Industrial S.A.	997	14,244	3,697	9,020	2,524	4,197	692
Sociedad Hidroeléctrica Melocotón Ltda.	697	5,685	166	146	6,070	2,628	2,132
Río Tranquilo S.A.	1,347	63,018	2,192	10,933	51,240	14,011	6,721
Termoeléctrica Nehuenco S.A.	208	4,320	1,662	20,604	(17,738)	5,780	167
Termoeléctrica Antilhue S.A.	94	41,650	1,355	15,613	24,776	3,600	1,031
Colbún Transmisión S.A.	3,144	118,445	2,570	20,868	98,151	19,073	11,203
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.	212	219,796	1	-	220,007	-	2,928
Inversiones Las Canteras S.A.	8	431,786	10	831	430,953	-	5,756
Fenix Power Perú S.A.	107,649	720,134	24,285	379,428	424,070	159,629	5,804

Subsidiary	12.31.2015						
	Current assets ThUS\$	Non current assets ThUS\$	Current liabilities ThUS\$	Non current liabilities ThUS\$	Equity ThUS\$	Revenue ThUS\$	Net profit (loss) ThUS\$
Empresa Eléctrica Industrial S.A.	622	12,742	2,962	8,507	1,895	4,689	(2,799)
Sociedad Hidroeléctrica Melocotón Ltda.	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)

(*) Considers revenues and net profit (loss) for the 12 days of December 2015.
See note 3.1.b.

16. Investments accounted for using the equity method

a. Equity method

As of September 30, 2016 and December 31, 2015, 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 09.30.2016 %	Balance as 01.01.2016 ThUS\$	Additions ThUS\$	Result of the period ThUS\$	Dividends ThUS\$	Equity reserves			Total 09.30.2016 ThUS\$
								Exchange conversion difference ThUS\$	Hedging derivates reserve ThUS\$	Adjustment of equity at associate ThUS\$	
Associated	Electrogas S.A.	175,076	42.50%	16,968	-	6,079	(6,078)	-	(158)	-	16,811
Joint ventures	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.00%	8,201	3,323	(2,259)	-	1,072	-	-	10,337
Joint ventures	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	10,843	-	668	-	747	-	-	12,258
Totals				36,012	3,323	4,488	(6,078)	1,819	(158)	-	39,406

Type of relation	Company	Number of shares	Participation 12.31.2015 %	Balance as 01.01.2015 ThUS\$	Additions ThUS\$	Result of the period ThUS\$	Dividends ThUS\$	Equity reserves			Total 12.31.2015 ThUS\$
								Exchange conversion difference ThUS\$	Hedging derivates reserve ThUS\$	Adjustment of equity at associate 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

b. Financial information of associates and companies under joint control

The following table includes information as of September 30, 2016 and December 31, 2015, from the financial statements of associates and companies under joint control in which the Company has an interest:

		09.30.2016						
Type of relation	Company	Current Assets ThUS\$	Non-current assets ThUS\$	Current liabilities ThUS\$	Non-current Liabilities ThUS\$	Revenue ThUS\$	Ordinary expenses ThUS\$	Profit (losses) ThUS\$
Associated	Electrogas S.A.	10,133	62,248	10,054	22,776	27,020	(2,044)	14,303
Joint ventures	Centrales Hidroeléctricas de Aysén S.A.	1,836	23,038	3,825	103	17	(4,531)	(4,761)
Joint ventures	Transmisora Eléctrica de Quillota Ltda.	9,223	18,294	342	2,611	3,177	(763)	1,383

		12.31.2015						
Type of relation	Company	Current Assets ThUS\$	Non-current assets ThUS\$	Current liabilities ThUS\$	Non-current Liabilities ThUS\$	Revenue 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

Additional information

i) Electrogas S.A.:

Company dedicated to the transportation of natural gas and other fuels. 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) Centrales Hidroeléctricas de Aysén S.A. (HidroAysén):

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.

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

iii) Transmisora Eléctrica de Quillota Ltda.:

Company created by Colbún S.A. and San Isidro S.A. (now Compañía 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 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.

17. Intangible assets other than goodwill

a. Detail by class of intangibles

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

Intangible assets, net		09.30.2016	12.31.2015
		ThUS\$	ThUS\$
Rights not internally generated	Particulate material emission rights	9,413	7,701
	Concessions	99	87
	Water rights	18,511	18,418
	Easements	57,960	57,844
	Customer relationships	46,815	3,315
Licenses	Software	4,738	3,975
Total		137,536	91,340
Intangible assets, gross		09.30.2016	12.31.2015
		ThUS\$	ThUS\$
Rights not internally generated	Particulate material emission rights	9,413	7,701
	Concessions	113	98
	Water rights	18,522	18,426
	Easements	59,071	58,796
	Customer relationships	46,815	3,315
Licenses	Software	11,927	10,347
Total		145,861	98,683
Accumulated amortization		09.30.2016	12.31.2015
		ThUS\$	ThUS\$
Rights not internally generated	Concessions	(14)	(11)
	Water rights	(11)	(8)
	Easements	(1,111)	(952)
Licenses	Software	(7,189)	(6,372)
Total		(8,325)	(7,343)

b. Movement of intangibles during the period

Movements during the periods are detailed as follows:

Movements in 2016	Not generated internally					Licenses	Net intangibles
	Rights emission particulate material ThUS\$	Concessions ThUS\$	Water rights ThUS\$	Easements ThUS\$	Customer relationships ThUS\$	Software ThUS\$	
Beginning balance as of 01.01.2016	7,701	87	18,418	57,844	3,315	3,975	91,340
Additions	-	15	96	1,509	43,500	99	45,219
Expropriations	-	-	-	(1,262)	-	(228)	(1,490)
Accumulated amortization Expropriated	-	-	-	-	-	63	63
Transfers of Construction in progress	1,712	-	-	-	-	1,737	3,449
Transfers of Intangibles	-	-	-	28	-	(28)	-
Transfer of accumulated amortization	-	-	-	(28)	-	28	-
Amortization expenses (see note 30)	-	(3)	(3)	(131)	-	(908)	(1,045)
Final balance at the 06.30.2016	9,413	99	18,511	57,960	46,815	4,738	137,536

Movements in 2015	Not generated internally					Licenses	Net intangibles
	Rights emission particulate material ThUS\$	Concessions ThUS\$	Water rights ThUS\$	Easements ThUS\$	Customer relationships ThUS\$	Software 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 7)	-	-	-	-	3,315	226	3,541
Current additions	-	-	-	1,662	-	-	1,662
Amortization expenses (see note 31)	-	(2)	(4)	(175)	-	(1,067)	(1,248)
Final balance at the 12.31.2015	7,701	87	18,418	57,844	3,315	3,975	91,340

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.

18. Classes of property, plant and equipment

a. Detail by classes of property, plant and equipment

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

Classes of Property, Plant & Equipment, net	09.30.2016	12.31.2015
	THUS\$	THUS\$
Land	295,757	288,393
Buildings and infrastructure	232,521	237,900
Machinery and equipment	2,258,300	2,317,244
Transport equipment	620	485
Office Equipment	3,481	3,640
Computer equipment	1,688	1,227
Construction in progress	477,476	438,170
Finances leases	12,433	13,012
Other property, plant & equipment	2,252,716	2,302,551
Total	5,534,992	5,602,622
Classes of Property, Plant & Equipment, gross	09.30.2016	12.31.2015
	THUS\$	THUS\$
Land	295,757	288,393
Buildings and infrastructure	279,197	277,139
Machinery and equipment	2,888,427	2,865,477
Transport equipment	1,742	1,514
Office Equipment	8,663	8,540
Computer equipment	7,817	6,904
Construction in progress	479,035	439,729
Finances leases	15,376	15,376
Other property, plant & equipment	2,857,763	2,842,515
Total	6,833,777	6,745,587
Classes of Property, Plant & Equipment, accumulated depreciation and impairment	09.30.2016	12.31.2015
	THUS\$	THUS\$
Buildings and infrastructure	(46,676)	(39,239)
Machinery and equipment	(630,127)	(548,233)
Transport equipment	(1,122)	(1,029)
Office Equipment	(5,182)	(4,900)
Computer equipment	(6,129)	(5,677)
Construction in progress	(1,559)	(1,559)
Finances leases	(2,943)	(2,364)
Other property, plant & equipment	(605,047)	(539,964)
Total	(1,298,785)	(1,142,965)

b. Movements of property, plant and equipment

Movements in property, plant and equipment were as follows:

Movements in 2016	Land	Buildings and infrastructure	Machinery and equipment	Transpot equipment	Office equipment	IT equipment	Construction in progress	Finance leases	Other Property, plant & equipment	Property, plant & equipment, net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Beginning balance as of 01.01.2016	288,393	237,900	2,317,244	485	3,640	1,227	438,170	13,012	2,302,551	5,602,622
Additions	7,702	108	2,467	218	16	311	102,171	-	49	113,042
Current additions	129	-	-	-	-	-	-	-	-	129
Expropriations	(467)	-	(21,032)	(33)	-	-	-	-	-	(21,532)
Accumulated depreciations expropriations	-	-	10,975	33	-	-	-	-	-	11,008
Transfers of Construction in progress.	-	1,950	41,558	-	107	602	(62,865)	-	15,199	(3,449)
Transfers of assets	-	-	(43)	43	-	-	-	-	-	-
Amortization accumulated transfers of assets	-	-	21	(21)	-	-	-	-	-	-
Amortization expenses (see note 30)	-	(7,437)	(32,890)	(105)	(282)	(452)	-	(579)	(65,083)	(166,828)
Total Movement	7,364	(5,379)	(58,944)	135	(159)	461	39,306	(579)	(49,835)	(67,630)
Final Balance at the 09.30.16	295,757	232,521	2,258,300	620	3,481	1,688	477,476	12,433	2,252,716	5,534,992

Movements in 2015	Land	Buildings and infrastructure	Machinery and equipment	Transpot equipment	Office equipment	IT equipment	Construction in progress	Finance leases	Other Property, plant & equipment	Property, plant & equipment, net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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)	34	101,961	608,148	187	154	74	3,523	13,041	8,416	735,538
Expropriations	(52)	(25)	(430)	-	(28)	(64)	-	-	-	(539)
Accumulated depreciations expropriations	-	2	526	-	19	62	-	-	-	609
Impairment losses recognized in the result of period.	-	-	(40)	-	-	-	(1,559)	-	(519)	(2,118)
Transfers.	343	1,394	24,953	-	1	-	(28,704)	-	2,013	-
Amortization expenses	-	(7,009)	(98,714)	(48)	(419)	(532)	-	(29)	(86,888)	(193,699)
Total Movement	325	96,323	534,446	139	(256)	136	79,245	13,012	(76,954)	646,416
Final Balance at the 12.31.15	288,393	237,900	2,317,244	485	3,640	1,227	438,170	13,012	2,302,551	5,602,622

c. Other disclosures

- i) The Company does not possess property, plant and equipment that is affected as guarantees for the fulfillment of obligations, with the exception of the Fenix Power Perú subsidiary, which has guarantees granted in favor of Banco Scotiabank Peru S.A. as agent bank among other creditors under a credit contract signed in February 2016.
- ii) Colbún and 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.

On June 28, 2016 the main transformer of the gas turbine of the Unit's II of Termoeléctrica Nehuenco plant, was affected by a fire whose cause is under investigation. The Unit II was disconnected from the Central Interconnected System (SIC).

- iii) As of September 30, 2016 and 2015 the Company had commitments for the acquisition of property, plant and equipment derived from construction contracts for the amount of ThUS\$ 15,497 and ThUS\$61,822, respectively. The companies with which it operates are: B. Bosch S.A., ABB S.A., Siemens S.A., Ebosa S.A., Andritz Chile Limitada, Sociedad O.G.M. Mecánica Integral S.A., Cobra Chile Servicios S.A., Ingeniería y Construcción Sigdo Koppers S.A., Sistemas Eléctricos Ingeniería y Servicios S.A., Vigaflow S A., ABB Ltda. and Andritz Hydro S.R.L.
- iv) Capitalized interest costs (IAS23) for the periods ended September 30, 2016 and 2015 amounted to:

Concept	January- September		July- September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Costs for lendings				
Costs for capitalized lendings	(2,839)	-	(1,360)	-
Costs for lendings recognized as expense	(17,531)	(6,894)	(4,190)	(2,265)
Total costs for incurred lendings	(20,370)	(6,894)	(5,550)	(2,265)
Costs for interest				
Capitalized interest cost	(5,255)	(5,461)	(1,323)	(1,782)
Interest expense	(63,747)	(59,654)	(19,244)	(19,766)
Total costs for incurred interest	(69,002)	(65,115)	(20,567)	(21,548)
Rate of capitalization of costs for lendings capable of capitalization	4.68%	4.78%		

See Note 31

v) Operating lease

As of September 30, 2016 and December 31, 2015, 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:

September 30, 2016	Next twelve months ThUS\$	Between 1 and 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Future collections derived from operating leases corresponding to Transmission Line Contracts	115,696	462,781	2,560,882	3,139,359
Total	115,696	462,781	2,560,882	3,139,359
December 31, 2015	Next twelve months ThUS\$	Between 1 and 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Future collections derived from operating leases corresponding to Transmission Line Contracts	114,343	457,371	2,614,726	3,186,440
Total	114,343	457,371	2,614,726	3,186,440

vi) Financial lease

As of September 30, 2016, property, plant and equipment include ThUS\$ 12,433, corresponding to the net book value of assets that are the subject of financial lease contracts. While as of December 31, 2015, they included ThUS\$ 13,012 for this concept.

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:

September 30, 2015	Next twelve ThUS\$	Between 1 and 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Gross	2,397	11,984	22,436	36,817
Interests	2,023	9,235	9,786	21,044
fair Value (see note 22.a)	374	2,749	12,650	15,773
December 31, 2015	Next twelve ThUS\$	Between 1 and 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Gross	2,354	12,918	23,177	38,449
Interests	2,012	8,920	11,492	22,424
fair Value (see note 22.a)	342	3,998	11,685	16,025

vii) Information required by the XBRL taxonomy

1. Disbursements recognized in work in progress

Disbursements recognized in the course of its construction, gross	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Construction in progress	97,787	82,679
Total	97,787	82,679

2. Assets completely depreciated but being used

Assets depreciated as a whole still in use, Gross	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Buildings and infrastructure	20	20
Machinery and equipment	30,566	23,918
Transport equipment	452	403
Office Equipment	3,507	3,381
Computer equipment	5,076	4,341
Other property, plant and equipment	6,461	4,734
Total	46,082	36,797

Assets depreciated as a whole still in use, accumulated depreciation and impairment	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Buildings and infrastructure	(20)	(20)
Machinery and equipment	(30,566)	(23,918)
Transport equipment	(452)	(403)
Office Equipment	(3,507)	(3,380)
Computer equipment	(5,076)	(4,341)
Other property, plant and equipment	(6,461)	(4,675)
Total	(46,082)	(36,737)

viii) Details of other property, plant and equipment

As of September 30, 2016 and December 31, 2015, the details of other property, plant and equipment are as follows:

Other property, plant and equipment.	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Civil works	1,924,072	1,960,720
Substations	159,397	166,655
Transmission lines	140,908	146,834
Parts of long-term classified as fixed assets	28,328	28,328
Other fixed assets	11	14
Total other properties, plants and equipment, net	2,252,705	2,302,537

Other property, plant and equipment.	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Civil works	2,458,756	2,438,905
Substations	204,385	204,513
Transmission lines	164,851	169,326
Parts of long-term classified as fixed assets	28,328	28,328
Other fixed assets	1,443	1,443
Total other properties, plants and equipment, gross	2,857,763	2,842,515

Depretiation other property, plant and equipment.	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Civil works	(534,684)	(478,185)
Substations	(44,988)	(37,858)
Transmission lines	(23,943)	(22,492)
Other fixed assets	(1,432)	(1,429)
Total depreciations and impairment	(605,047)	(539,964)

19. Current tax assets

Tax accounts receivable as of the dates of the statements of financial position, are as follows:

	Current	
	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Monthly provisional payments	1,485	919
Provisional payment for absorbed earning	-	7,715
Temporary tax to the Clear Assets (ITAN) for Recovering	4,454	-
Total	5,939	8,634

20. Other non-financial assets

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

	Current		Non-current	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Installations and civil insurance premiums	2,993	15,726	-	-
Prepayments	13,891	12,430	20,961	16,988
Patents on non-use of water rights (1)	-	-	10,803	7,113
Anticipate supplies GE - Siemens	-	-	13,744	6,969
Other miscellaneous assets	144	220	1,151	1,192
	17,028	28,376	46,659	32,262

- (1) Credit in accordance with Article 129 bis 20 of the Water Code DFL 1,122. As of September 30, 2016, the Company had not recognized an impairment, whereas as of December 31, 2015, an impairment of ThUS\$ 1,831 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.

21. Income taxes

a. Income taxes

Income Tax	January- September		July- September	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current income tax (expense) income				
Current income tax	(62,982)	(6,233)	(15,849)	(1,573)
Utilization of tax losses	-	1,377	-	(6,241)
Other taxes	(787)	-	(787)	-
Adjustments to current tax of prior period	(70)	-	80	-
Total current tax (expense) income	(63,839)	(4,856)	(16,556)	(7,814)
Deferred income tax (expense) income				
Temporary differences (1)	15,772	(66,647)	718	(30,076)
Total deferred tax (expense) income	15,772	(66,647)	718	(30,076)
Total income tax (expense) income	(48,067)	(71,503)	(15,838)	(37,890)

- (1) Primarily includes the effect of temporary differences related to property, plant and equipment, expenses carried to assets in Works in progress and recognizes the deferred tax asset for unused tax losses.

a.1 Reconciliation of current taxes

As of September 30, 2016 and 2015, current taxes can be reconciled with income as follows:

Current tax reconciliation		09.30.2016					
Company	Current income tax result ThUS\$	Current tax equity adjustment ThUS\$	Provisional monthly payment ThUS\$	Other Credits ThUS\$	Income tax ThUS\$	Tax Assets ThUS\$	Tax Liabilities ThUS\$
Colbún S.A.	(53,154)	(267)	17,625	-	(77)	-	(35,873)
Empresa Eléctrica Industrial S.A.	(478)	-	346	-	-	-	(132)
Soc. Hidroeléctrica Melocotón Ltda.	(674)	-	580	-	-	-	(94)
Termoeléctrica Antihue S.A.	(614)	-	704	-	-	90	-
Río Tranquilo S.A.	(2,953)	-	1,450	-	-	-	(1,503)
Colbún Transmisión S.A.	(4,121)	-	2,720	-	-	-	(1,401)
Fenix Power S.A.	(910)	(7)	3,254	2,027	-	4,364	-
Totals	(62,904)	(274)	26,679	2,027	(77)	4,454	(39,003)

Current tax reconciliation		12.31.2015					
Company	Current income tax result ThUS\$	Current tax equity adjustment ThUS\$	Provisional monthly payment ThUS\$	Other Credits ThUS\$	Income tax ThUS\$	Tax Assets ThUS\$	Tax Liabilities ThUS\$
Colbún S.A.	(25,068)	-	5,821	-	(566)	-	(19,813)
Colbún Perú S.A.	(23)	-	-	-	(144)	-	(167)
Empresa Eléctrica Industrial S.A.	(494)	-	44	-	-	-	(450)
Soc. Hidroeléctrica Melocotón Ltda.	(884)	-	458	-	-	-	(426)
Termoeléctrica Antihue S.A.	(985)	-	385	-	-	-	(600)
Río Tranquilo S.A.	(2,788)	-	219	-	(20)	-	(2,589)
Colbún Transmisión S.A.	(3,317)	-	3,317	-	-	-	-
Totals	(33,559)	-	10,244	-	(730)	-	(24,045)

At September 30, 2016, Colbún S.A. and its domestic subsidiaries generated taxable profits and thus current income tax provision amounting to ThUS\$ 39,003 at consolidated level was recorded.

Foreign subsidiary Phoenix Power Peru S.A. recorded at September 30, 2016 accumulated tax losses amounting to ThUS\$ 135,288. Given the above and in accordance with the provisions of the tax legislation in Peru, the subsidiary will use annually carryforward tax losses for up to 50% of the taxable income for the period, generating at this date income tax provision of ThUS\$ 917. The domestic subsidiary Thermolectric Nehuenco S.A. presents, at end of the current period, accumulated tax losses amounting to ThUS\$ 13,870. With respect of those two subsidiaries that maintain accumulated tax losses it is expected that those will reverse in the future, and so the corresponding deferred tax assets was recognized.

According to IAS 12, a deferred tax asset for tax losses is recognized when the Company's management has determined that it is probable that taxable income will be generated in the future, on which the losses may be applied, and that is the case for both subsidiaries with the accumulated tax losses.

a.2 Reconciliation of Consolidated tax expenses

As of September 30, 2016 and 2015, current taxes can be reconciled with income as follows:

Income tax expense	January- September		July- September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Profit before tax	203,961	204,288	44,254	113,606
Income tax using the legal rate ⁽¹⁾	(48,951)	(45,965)	(10,621)	(25,561)
Difference in allocation of tax losses carryforward	-	(2,922)	(1,423)	6,263
Difference between financial accounting expressed in USD and tax accounting in CLP with effect in deferred taxes ⁽²⁾	359	(22,616)	(3,115)	(18,592)
Tax effect for differential of rates in other jurisdictions	(260)	-	(142)	-
Other differences	785	-	(537)	-
Income tax expense	(48,067)	(71,503)	(15,838)	(37,890)

- (1) As of September 30, 2016, the Income Tax charge was calculated using a 24% tax rate (Law 20,780), operations in Chile and 28% tax rate in Peru. As of September 30, 2015, the Company only recorded domestic operations by calculating the tax with a tax rate of 22.5%.
- (2) In accordance with IFRS, the Company and its subsidiaries record their transactions in their functional currency - US Dollar. However, until December 31, 2015, for tax purposes they kept the tax records in local currency. Balances of assets and liabilities were translated to US dollars and then compared to the IFRS accounting balances and deferred taxes on the resulting differences between those two amounts were determined.

Notwithstanding the foregoing, as of January 1, 2016 Colbún S.A. and its domestic subsidiaries were authorized by the Internal Revenue Service (Servicio de Impuestos Internos) to keep their accounts in foreign currency. Regarding foreign subsidiaries, they keep for tax purposes the local currency.

a.3 Effective rate calculation

Tax rate	January- September		July- September	
	2016 %	2015 %	2016 %	2015 %
statutory tax rate	24%	22.5%	24.0%	22.5%
adjustment to the legal tax rate, total	-0.6%	12.5%	-0.8%	10.9%
Tax effect for differential of rates in other jurisdictions, total	0.1%	0.0%	-0.3%	0.0%
Effective tax rate	23.5%	35.0%	22.9%	33.4%

b. Deferred taxes

Deferred tax assets and liabilities by concept are as follows:

Deferred tax assets			09.30.2016	12.31.2015
			ThUS\$	ThUS\$
Tax losses			41,635	51,199
Inventories			2,594	-
Others			8,720	7,891
Provisions			6,698	2,960
RNR			583	-
Contingencies			2,391	2,084
Hedge instruments			2,047	4,745
Employees employment benefits			5,333	3,746
Deferred tax assets			70,001	72,625
Deferred tax liabilities			09.30.2016	12.31.2015
			ThUS\$	ThUS\$
Depreciation			(992,421)	(1,013,221)
Intangibles			(4,415)	-
Others			(5,898)	(8,438)
Deferred tax liabilities			(1,002,734)	(1,021,659)
Deferred tax assets and liabilities, net			(932,733)	(949,034)

The deferred tax position of each company is as follows:

Net position on deferred tax per company				
Company	Net position			
	Assets		Liabilities	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Empresa Eléctrica Industrial S.A.	-	-	(390)	(470)
Termoeléctrica Nehuenco S.A.	4,319	4,409	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	(146)	(144)
Colbún S.A.	-	-	(898,175)	(912,216)
Termoeléctrica Antihue S.A.	-	-	(8,446)	(8,671)
Río Tranquilo S.A.	-	-	(10,933)	(11,754)
Colbún Transmisión S.A.	-	-	(20,868)	(21,851)
Colbún Perú S.A.	9	6	-	-
Inversiones Las Canteras S.A.	-	-	(831)	(850)
Fénix Power Perú S.A.	2,728	2,507	-	-
Subtotal	7,056	6,922	(939,789)	(955,956)
Deferred tax, net			(932,733)	(949,034)

c. Income taxes on other comprehensive income

Tax rate	January- September		July- September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Related to cash flow hedges	(832)	1,299	(1,372)	2,152
Related to defined benefit plans	1,087	474	744	49
Income taxes related to components of other comprehensive income	255	1,773	(628)	2,201
Related to participation of another integral result of associated and joint assessed business using the method of the participation	59	-	-	-

22. 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	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Loans from financial entities ⁽¹⁾	1,334	402,596	361,320	366,964
Leasing obligations	374	342	15,399	15,683
Negotiable instruments (Bonds, commercial papers) ⁽¹⁾	38,479	45,664	1,309,622	1,362,744
Hedge derivatives ⁽²⁾	2,175	4,783	11,761	36,865
Total	42,362	453,385	1,698,102	1,782,256

⁽¹⁾ Interest accrued on loans with financial entities and obligations with the public have been determined at an effective rate. On May 24, 2016, the Series H bond was prepaid for a total of US\$ 80.8 million plus interest accrued to that date, unwind of the associated derivatives and the amortization of capitalized transaction costs. On June 10, 2016, the Club Deal credit for US\$ 160 million plus interest accrued to that date was prepaid, unwind the associated derivatives and amortization of capitalized transaction costs. On July 15, 2016, Club Deal BTMU credit was prepaid for a total of US\$ 250 million plus interest accrued to that date, unwind of the associated derivatives and the amortization of capitalized transaction costs.

⁽²⁾ See detail in Note 14.1.

b. Financial debt by type of currency

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

Financial debt by currency	09.30.2016 ThUS\$	12.31.2015 ThUS\$
US Dollars	1,638,912	2,124,600
UF	101,552	111,041
Total	1,740,464	2,235,641

c. Maturity and currency of obligations with financial entities

Obligations with banks

As of 09.30.2016		
Debtor's taxpayer No.	0-E	
Debtor's name	Fenix Power Peru	
Debtor's country	Perú	
Creditor's taxpayer No.	0-E	
Creditor's name	The Bank of Nova Scotia	
Creditor's country	Canada	
Currency or readjustment unit	US\$	
Type of amortization	Bullet	
Interest rate	Variable	
Base	Libor 6M	
Effective rate	2.86%	
Nominal rate	2.34%	
Nominal amounts	ThUS\$	Total
Up to 90 days	-	-
More than 90 days up to 1 year	1,334	1,334
More than 1 year up to 3	-	-
More than 1 year up to 2	-	-
More than 2 years up to 3	-	-
More than 3 years up to 5	365,700	365,700
More than 3 years up to 4	365,700	365,700
More than 4 years up to 5	-	-
More than 5 years	-	-
Subtotal nominal amounts	367,034	367,034
Accounting values	ThUS\$	Total
Up to 90 days	-	-
More than 90 days up to 1 year	1,334	1,334
Current bank loans	1,334	1,334
More than 1 year up to 3	-	-
More than 1 year up to 2	-	-
More than 2 years up to 3	-	-
More than 3 years up to 5	361,320	361,320
More than 3 years up to 4	361,320	361,320
More than 4 years up to 5	-	-
More than 5 years	-	-
Non-current banks loans	361,320	361,320
Bank loans total	362,654	362,654

Obligations with banks

AI 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 unit	US\$	US\$	US\$	
Type of amortization	Bullet	Annual	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\$			Totales
Up to 90 days	-	-	362,000	362,000
More than 90 days up to 1 year	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\$			Totales
Up to 90 days	-	-	361,672	361,672
More than 90 days up to 1 year	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

Obligations with the public

As of 09.30.2016						
Debtor's taxpayer No.	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.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	
Registration number	234	499	538	-	-	
Series	Serie C	Serie F	Serie I	144A/RegS	144A/RegS	
Maturity date	15-10-2021	01-05-2028	10-06-2029	21-01-2020	10-07-2024	
Currency or readjustment unit	UF	UF	UF	US\$	US\$	
Periodicity of amortization	Semestral	Semestral	Semestral	Bullet	Bullet	
Interest rate	Fija	Fija	Fija	Fija	Fija	
Base	Fija	Fija	Fija	Fija	Fija	
Effective rate	8.10%	4.46%	5.02%	6.26%	4.97%	
Nominal rate	7.00%	3.40%	4.50%	6.00%	4.50%	
Nominal amounts	ThUS\$					Total
Up to 90 days	4,658	10,641	1,626	-	-	16,925
More than 90 days up to 1 year	3,425	7,971	-	5,750	5,000	22,146
More than 1 year up to 3	14,580	31,886	10,870	-	-	57,336
More than 1 year up to 2	7,110	15,943	-	-	-	23,053
More than 2 years up to 3	7,470	15,943	10,870	-	-	34,283
More than 3 years up to 5	16,093	31,886	21,740	500,000	-	569,719
More than 3 years up to 4	7,848	15,943	10,870	500,000	-	534,661
More than 4 years up to 5	8,245	15,943	10,870	-	-	35,058
More than 5 years	4,278	111,598	86,960	-	500,000	702,836
Subtotal nominal amounts	43,034	193,982	121,196	505,750	505,000	1,368,962
Book values	ThUS\$					Total
Up to 90 days	4,603	10,401	1,626	-	-	16,630
More than 90 days up to 1 year	3,368	7,731	-	5,750	5,000	21,849
Current obligations with the public	7,971	18,132	1,626	5,750	5,000	38,479
More than 1 year up to 3	14,334	30,926	10,618	-	-	55,878
More than 1 year up to 2	6,988	15,463	-	-	-	22,451
More than 2 years up to 3	7,346	15,463	10,618	-	-	33,427
More than 3 years up to 5	15,825	30,926	21,236	497,216	-	565,203
More than 3 years up to 4	7,717	15,463	10,618	497,216	-	531,014
More than 4 years up to 5	8,108	15,463	10,618	-	-	34,189
More than 5 years	4,207	108,237	84,945	-	491,152	688,541
Non-current obligations with the public	34,366	170,089	116,799	497,216	491,152	1,309,622
Obligations with the public total	42,337	188,221	118,425	502,966	496,152	1,348,101

Obligations with the public

AI 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	
Maturity date	10/15/2021	5/1/2028	6/10/2018	6/10/2029	1/21/2020	7/10/2024	
Currency or readjustment 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	MUS\$						Totales MUS\$
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	MUS\$						Totales MUS\$
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
Obligations with current 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
Obligations to the public not currents	34,095	160,402	76,030	105,476	496,546	490,195	1,362,744
Obligations to the public total	40,545	175,347	76,157	105,743	509,796	500,820	1,408,408

Lease obligations

As of 09.30.2016		
Debtor's taxpayer No.	0-E	
Debtor's name	Fenix Power Peru S.A.	
Debtor's country	Peru	
Registration number	0-E	
Series	Consortio Transmantaro S.A.	
Maturity date	Perú	
Currency or readjustment unit	USD	
Periodicity of amortization	Trimestral	
Interest rate	Fijo	
Base	0	
Effective rate	12.00%	
Nominal rate	12.00%	
Nominal amounts	ThUS\$	Total
Up to 90 days	-	-
More than 90 days up to 1 year	374	374
More than 1 year up to 3	883	883
More than 1 year up to 2	423	423
More than 2 years up to 3	460	460
More than 3 years up to 5	1,069	1,069
More than 3 years up to 4	505	505
More than 4 years up to 5	564	564
More than 5 years	13,447	13,447
Subtotal nominal amounts	15,773	15,773
Accounting values	ThUS\$	Total
Up to 90 days	-	-
More than 90 days up to 1 year	374	374
Current bank loans	374	374
More than 1 year up to 3	883	883
More than 1 year up to 2	423	423
More than 2 years up to 3	460	460
More than 3 years up to 5	1,069	1,069
More than 3 years up to 4	505	505
More than 4 years up to 5	564	564
More than 5 years	13,447	13,447
Liabilities from leasing non current	15,399	15,399
Total leasing liabilities	15,773	15,773

Lease obligations

As of 12.31.2015		
Debtor's taxpayer No.	0-E	
Debtor's name	Fenix Power Peru S.A.	
Debtor's country	Peru	
Registration number	0-E	
Series	Consortio Transmantaro S.A.	
Maturity date	Perú	
Currency or readjustment unit	USD	
Periodicity of amortization	Trimestral	
Interest rate	Fijo	
Base	0	
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

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

Liability	Currency	Interests as of 09.30.2016		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		
The Bank of Nova Scotia (Fénix Power Perú)	US\$	4,987	25,018	365,700	05-02-2020	-	8,574	17,145	4,286	-	30,005	395,705
Leasing Financiero (Fénix Power Perú)	US\$	0	20,835	15,773	28-03-2033	315	157	3,720	3,524	13,119.00	20,835	36,608
Bono Serie C	UFR	33	192	1,047	15-04-2021	36	33	102	50	4.00	225	1,272
Bono Serie F	UFR	67	944	4,800	01-05-2028	81	78	276	223	353.00	1,011	5,811
Bono Serie I	UFR	41	994	3,000	10-06-2029	67	67	263	225	413.00	1,035	4,035
Bono 144A/RegS 2010	US\$	5,750	99,250	500,000	21-01-2020	-	30,000	60,000	15,000	-	105,000	605,000
Bono 144A/RegS 2014	US\$	5,000	175,000	500,000	10-07-2024	-	22,500	45,000	45,000	67,500.00	180,000	680,000

Liability	Currency	Interests as of 12.31.2015		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		
Crédito The Bank of Tokyo-Mitsubishi UFJ, Ltd	US\$	1,083	14,326	250,000	15-10-2018	-	5,174	10,235	-	-	15,409	265,409
Crédito Scotiabank & Trust (Cayman) Ltdl (1)	US\$	207	8,321	160,000	10-06-2021	-	2,941	3,349	1,866	372.00	8,528	168,528
Banco BTG Pactual S.A. (Fénix Power Perú)	US\$	3,457	2,325	362,000	06-02-2016	5,782	-	-	-	-	5,782	367,782
Leasing Financiero (Fénix Power Perú)	US\$	0	22,268	16,026	28-03-2033	480	1,425	3,720	3,524	13,119.00	22,268	38,294
Bono Serie C	UFR	16	248	1,128	15-04-2021	-	75	114	63	12.00	264	1,392
Bono Serie F	UFR	28	1,068	5,000	01-05-2028	-	165	290	236	405.00	1,096	6,096
Bono Serie H (1)	US\$	127	5,589	80,800	10-06-2018	-	2,287	3,429	-	-	5,716	86,516
Bono Serie I	UFR	7	1,094	3,000	10-06-2029	-	134	267	236	464.00	1,101	4,101
Bono 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
Bono 144A/RegS 2014	US\$	10,625	191,875	500,000	10-07-2024	11,250	11,250	45,000	45,000	90,000.00	202,500	702,500

(1) Liabilities with variable rate, consider current set rate as of September 30, 2016 and December 31, 2015 respectively, to calculate projected interest.

d) Committed and uncommitted lines of credit

The Company has uncommitted lines of credit amounting to US\$150 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.

23. 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	
	09.30.2016	12.31.2015	09.30.2016	12.31.2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade payable	121,389	160,150	-	-
Other accounts payable	10,605	14,683	5,900	6,422
Total	131,994	174,833	5,900	6,422

The main suppliers to September 30, 2016 are:

Suppliers	%
CMC - Coal Marketing Dac	15
GE Energy Parts Inc.	12
Andritz Hydro S.R.L.	10
COES	8
Campanario Generación S.A.	6
Siemens Energy Inc.	5
GE Energy Parts International, LLC.	3
Voith Hydro Services Ltda.	3
Siemens AG	3
Compañía Puerto de Coronel S.A.	2
Kawasaki Kisen Kaisha, Ltd.	2
Ingetec S.A.	2
Tecnoeléctrica Valparaíso S.A.	1
CCI Control Components Inc.	1
Gasoducto Sur Peruano S.A.	1
Transec Norte S.A.	1
Serv. Industriales Esteban Carrasco L	1
Consortio Transmantaro S.A.	1
Empresa Nacional de Electricidad S.A.	1
Constructora BGM S.A.	1
Alstom Thermal Service Chile SpA	1
Others	20
	100

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

	Balances as of 09.30.2016	
	1-30 days ThUS\$	Total ThUS\$
Goods	36,392	36,392
Services	79,057	79,057
Others	253	253
Subtotal	115,702	115,702

	Balances as of 12.31.2015	
	1-30 days ThUS\$	Total ThUS\$
Goods	9,397	9,397
Services	129,076	129,076
Others	11,469	11,469
Subtotal	149,942	149,942

As of September 30, 2016, there were accrued expenses for which the invoice has not been received for an amount of ThUS\$ 92,627 (ThUS\$ 67,110 as of December 31, 2015).

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

	Balances as of 09.30.2016						
	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121 - 180 ThUS\$	Más de 180 ThUS\$	Total ThUS\$
Goods	5,260	-	-	3	51	17	5,331
Services	196	-	7	-	-	58	261
Others	94	-	-	1	-	-	95
Subtotal	5,550	-	7	4	51	75	5,687

	Balances as of 12.31.2015						
	1-30 días ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121 - 180 ThUS\$	Más de 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

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

24. Provisions

a. Classes of provisions

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

Provisions	Current		Non-current	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other				
Other provisions, current	16,473	15,501	-	-
Total	16,473	15,501	-	-
Employee benefits				
Employee benefits (Note 24.f)	12,259	11,237	1,059	926
Severances, non-current (Note 24.g)	-	-	28,197	22,075
Total	12,259	11,237	29,256	23,001
Total provisions	28,732	26,738	29,256	23,001

b. Movement of provisions during the period

Movement of provisions during the period is as follows:

Movements in 2016	Provisions				
	Holidays & vacation bonus	SEC lawsuit reserves	Contracts of supplies ⁽¹⁾	Other provisions ⁽²⁾	Total
	ThUS\$	ThUS\$	MUS\$	ThUS\$	ThUS\$
Beginning balance as of 01.01.2016	11,237	-	10,918	4,583	26,738
Increase (decrease) in existing provisions	10,981	-	-	972	11,953
Utilization	(9,959)	-	-	-	(9,959)
Ending balance as of 09.30.2016	12,259	-	10,918	5,555	28,732
Movements in 2015	Provisions				
	Holidays & vacation bonus	SEC lawsuit reserves	Contracts of supplies ⁽¹⁾	Other provisions ⁽²⁾	Total
	ThUS\$	ThUS\$	MUS\$	ThUS\$	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

(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 35.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\$ 197.

d. Restructuring

The Company has not established provisions for this concept.

e. Litigation

As of September 30, 2016 and December 31, 2015 the Company records a provision for litigation, in accordance with IAS 37 (see Note 35.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	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Performance incentives, current	3,700	3,164	-	-
Vacation accrual, current	8,559	8,073	-	-
Termination of project term contract	-	-	1,059	926
Total	12,259	11,237	1,059	926

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 3.1.m).

The Company constantly assesses the basis used in the actuarial calculation of obligations with employees. At September 30, 2016, 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	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Severance, non-current	28,197	22,075
Total	28,197	22,075
Net present value of defined	09.30.2016	12.31.2015
	MUS\$	MUS\$
Beginnig balance	22,075	23,040
Service cost	1,199	1,716
Interests cost	262	380
Exchange rate difference	1,750	(3,355)
Actuarial (losses) gains on experience	56	(131)
Actuarial (losses) gains on hypotheses	4,090	2,353
Payments	(1,235)	(1,928)
Ending balance (see Note 23.a)	28,197	22,075

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

Hypotheses used	09.30.2016	12.31.2015
Discount rate	1.47%	1.93%
Expected salary increase	2.65%	2.65%
Retirement age	Voluntary	3.10%
	Dismissed	3.80%
Retirement age	Men	65
	Women	60
Mortality table	RV-2014	RV-2009

Discount rate: corresponds to the interest rate 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.

Expected salary increase rate: is the salary growth rate estimated by the Company for its employees' remunerations, based on the internal compensation policy.

Turnover Index: correspond to turnover rates calculated by the Company based on its historical information.

Retirement Age: 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.

Mortality Table: 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 a relevant parameter. The results of changes in actuarial liabilities, due to sensitivity to the discount rate are detailed as follows:

Sensitivity	Rate		Obligation	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	%	%	ThUS\$	ThUS\$
Discount rate used	1.47	1.93	28,197	22,075
Decrease of 50 basis points	0.97	1.43	29,745	23,086
Increase of 50 basis points	1.97	2.43	26,775	21,140

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 June 30, 2016 for the concept of employee benefits under IAS 19, using actuarial assumptions and data reported by the Company.

Projections	Obligation ThUS\$
Situation as of 09.30.2016	28,197
Projection to 09.30.2017	28,351
Projected increase	155

v) **Future disbursements** - according to the Company's estimate, the projection of expected cash flows payments for the following periods is detailed as follows:

Period	Payments ThUS\$
October 2016	436
November 2016	153
December 2016	114
January 2017	127
February 2017	203
March 2017	86
April 2017	86
May 2017	114
June 2017	86
July 2017	85
August 2017	114
September 2017	133
Total	1,737

25. 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	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Withholdings	14,590	3,955	-	-
Unearned income ⁽¹⁾	1,384	630	11,206	10,603
Other liabilities	140	63	-	-
Total	16,114	4,648	11,206	10,603

- (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\$ 4,188 for the leasing with Anglo American (2030 contract expiration).

26. Net equity information disclosures

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 US 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
Single	17,536,167,720	17,536,167,720	17,536,167,720
Capital (Amount US\$)			
Series	Subscribed capital ThUS\$	Paid-in capital ThUS\$	
Single		1,282,793	1,282,793
Number of shares			
Series	Number of subscribed shares	Number of paid shares	Number of shares with voting rights
Single	17,536,167,720	17,536,167,720	17,536,167,720
Capital (Amount US\$)			
Series	Subscribed capital ThUS\$	Paid-in capital ThUS\$	
Single		1,282,793	1,282,793

a.1 Reconciliation of shares

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

Shares	09.30.2016	12.31.2015
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 shareholders

As of September 30, 2016 Colbún, S.A. had 3,165 shareholders (unaudited).

b. Social capital

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

c. Share premiums

As of September 30, 2016 and December 31, 2015 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 at the shareholders' meeting held on April 22, 2016, 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.

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\$ 39,632, corresponding to US\$ 0.00226 per share. On January 12, 2016, the Company began paying that dividend.

The Board of Directors agreed on its meeting held on January 29, 2016 to propose at the Shareholders Meeting to distribute as a dividend 50% of the corresponding profit for the financial year 2015. The increase in the percentage of the profit to be distributed comparing to the policy of distributing 30%, reflects positive cash generation experienced by the Company in recent years as a result of the consolidation of its operating results. This proposal reached the amount of ThUS\$ 101,507.

The Shareholders' Meeting dated April 22, 2016 approved the distribution of a final dividend No. 46, charged to earnings for the year ended December 31, 2015, for the total amount of MUS \$ 61,875 corresponding to US \$ 0.00353 per share, which began being paid on May 5, 2016.

e. Composition of other reserves

Following is a detail of other reserves:

Other reserves	09.30.2016	12.31.2015
	ThUS\$	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	(49,517)	(51,336)
Effect of Hedge associates	(985)	(827)
Hedge reserves	(3,646)	(6,027)
Subtotal	232,672	228,630
Merger reserve, Hidroeléctrica Cenelec S.A.	500,761	500,761
Subsidiaries reserves	(14,090)	(13,803)
Subtotal	486,671	486,958
Total	719,343	715,588

Effect of first-time adoption deflation of paid-in capital: 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	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Beginning Balance	1,021,114	885,723
Errors in previous exercises	153,073	204,659
Purification business combination ⁽¹⁾	-	(853)
Beginning balance re expressed	1,174,187	1,089,529
Effect of adjustment performed on first-time application of IFRS	6,166	8,399
Effect profit (losses) actuarial	(2,573)	(1,607)
Dividends	(40,630)	(73,670)
Adjust heritage associates	-	(1,537)
Total distributable retained earnings	1,137,150	1,021,114
Non distributable adjustments on first time application of IFRS		
Revaluation of property, plant & equipment	462,091	469,799
Deferred tax revaluation	(77,687)	(79,229)
Total non-distributable retained earnings	384,404	390,570
Total	1,521,554	1,411,684

⁽¹⁾ See note 6

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	09.30.2016		12.31.2015	
	Realized during the period	Pending to be realized	Realized during the period	Pending to be realized
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revaluation of property, plant & equipment ⁽¹⁾	(7,708)	462,091	(10,499)	469,799
Revaluation deferred tax ⁽²⁾	1,542	(77,687)	2,100	(79,229)
Total	(6,166)	384,404	(8,399)	390,570

⁽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 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 cannot 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:

	09.30.2016	12.31.2015
	ThUS\$	ThUS\$
Total liabilities	2,942,974	3,492,139
Total current liabilities	258,721	713,901
Total non-current liabilities	2,684,253	2,778,238
Total equity	3,787,452	3,665,418
Attributable company	3,576,285	3,462,660
Non-controlling interests	211,167	202,758
Debt ratio	0.78	0.95

On a quarterly basis, the Company has to report compliance with its obligations with financial entities. As of September 30, 2016, the Company has complied with all the financial indicators specified in those contracts (See note 36).

h. Restrictions on disposal of funds of subsidiaries

The Company through its subsidiary Phoenix Power Peru S.A. maintains a "Fiduciary Cash Flows Guarantee Contract" ("Contrato de Fideicomiso en Garantía sobre Flujos"), governed under the laws of the Republic of Peru. The purpose of this contract is the establishment of a trust being managed and irrevocably guaranteed in order to (i) manage the trust property during the term of the credit agreement with The Bank of Nova Scotia as agent bank and until full and timely payment of the secured obligations; and (ii) that the trust assets serve as a means of payment and guarantee of compliance with each and every one of the obligations guaranteed by the settlor under the contract, as this is amended from time to time.

This fiduciary contract is renewed every 30 days without loss to the Company's cash value.

i. Earnings per share and distributable net profit

Earnings per share is calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the reported period.

	09.30.2016	09.30.2015	12.31.2015
Profit (loss) attributable to holders of equity instruments in the net equity of the parent company (ThUS\$)	153,073	132,785	203,806
Income (loss) available for common shareholders, basic (ThUS\$)	153,073	132,785	203,806
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720	17,536,167,720
Basic earnings (loss) per share (US Dollars per share)	0.00873	0.00757	0.01162

The Company has not conducted any operation with a potential dilutive effect that supposes diluted earnings per share different from basic earnings per share during the reporting period.

Under the provisions of Circular No. 1,945 dated September 29, 2009, Colbún S.A. agreed to establish as a general policy that the distributable net profit considered for the calculation of the Mandatory and Additional Minimum Dividend, it is determined on the realized basis, adjusting it of those relevant changes in the fair value of assets and liabilities that are not realized, which must be reintegrated into the calculation of the net profit in the year in which such changes are realized.

Consequently, aggregates and deductions to be made to the distributable net profit for changes in fair value of assets or liabilities that are not realized and that have been recognized in "profit (loss) attributable to owners of the parent" correspond to the possible effects generated by the changes in fair value of derivative instruments kept by the Company at the end of each reporting period, net of related income taxes.

The calculation of the distributable net profit, for the dates indicated, is as follows:

Calculated distributable liquid net income (cash flows)	09.30.2016	09.30.2015	12.31.2015
	ThUS\$	ThUS\$	ThUS\$
Net income according to the Financial Statements	153,073	132,785	203,806
Cash flows in the year with a charge to prior years	(560)	(4,244)	(5,668)
Effect on unearned financial income that does not generate cash flows	19	3,702	4,022
Net cash flows for the period	(541)	(542)	(1,646)
Distributable net income	152,532	132,243	202,160
Minimum mandatory dividend	-	-	60,648

27. Revenue from ordinary activities

Revenue for the periods ended June 30, 2016 and December 31, 2015, respectively, are presented in the following detail:

	January - September		July - September	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sale to distribution clients	578,089	480,647	186,076	144,294
Sale to industrial clients	266,952	256,185	87,818	96,761
Tolls	139,703	113,398	45,864	37,877
Sale to other generators	80,328	130,897	13,898	31,334
Other income	1,971	31,337	692	26,729
Total	1,067,043	1,012,464	334,348	336,995

28. Raw materials and consumables used

The consumption of raw materials and secondary materials for the periods ended September 30, 2016 and December 31, 2015, respectively, are presented in the following detail:

	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Oil consumption (see note 13)	(38,419)	(42,115)	(13,098)	(1,518)
Gas consumption (see note 13)	(187,997)	(240,090)	(47,076)	(48,765)
Coal consumption (see nota 13)	(54,371)	(69,236)	(18,844)	(20,449)
Purchase of energy and power	(65,616)	(22,961)	(41,929)	(10,801)
Tolls	(134,114)	(108,291)	(43,356)	(34,507)
Third party work and supplies	(62,012)	(59,760)	(21,208)	(19,984)
Total	(542,529)	(542,453)	(185,511)	(136,024)

29. Employee benefits expenses

The employee benefits expenses for the periods ended September 30, 2016 and 2015, respectively, are presented in the following detail (see note 3.1.m and 3.1.n.2):

	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Wages and salaries	(39,234)	(33,128)	(13,474)	(10,436)
Current benefits to employees	(4,069)	(3,459)	(1,604)	(1,222)
Compensation for end of employment relationship	(2,180)	(2,031)	(937)	(889)
Other employee expenses	(4,099)	(3,881)	(1,485)	(1,193)
Total	(49,582)	(42,499)	(17,500)	(13,740)

30. Depreciation and amortization expenses

The depreciation and amortization for the periods ended September 30, 2016 and 2015, respectively, are presented in the following detail:

	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Depreciations (see note 18.b)	(166,828)	(143,810)	(56,654)	(48,517)
Amortization of intangibles (see Note 17.b)	(1,045)	(890)	(323)	(346)
Total	(167,873)	(144,700)	(56,977)	(48,863)

31. Financial income and financial costs

Financial income for the periods ended September 30, 2016 and 2015, respectively, are presented in the following detail:

Income (loss) from investment	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Cash income and other equivalent means	7,553	3,492	2,115	1,423
Total financial income	7,553	3,492	2,115	1,423
Financial costs	January - September		July - September	
	2016 MUS\$	2015 MUS\$	2016 ThUS\$	2015 ThUS\$
Bond expenses	(51,433)	(52,238)	(16,809)	(17,041)
Financial provision expense	(13,768)	(7,284)	(3,519)	(2,395)
Expenses/profit from valuation of net financial derivatives	(10,611)	(7,048)	(2,846)	(2,499)
Bank loan expenses	(13,854)	(5,829)	(2,951)	(2,007)
Other expenses (bank expenses)	(1,410)	(130)	(67)	(23)
Capitalized financial expenses (see note 19.c.iv)	8,094	5,461	2,683	1,782
Total financial cost	(82,982)	(67,068)	(23,509)	(22,183)
Total financial result	(75,429)	(63,576)	(21,394)	(20,760)

32. Exchange rate differences and result from indexation units

The items that cause the effect on income by net foreign exchange items and result from indexation units are detailed as follows:

Exchange rate differences

Exchange difference	Currency	January - September		July - September	
		2016	2015	2016	2015
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	Chilean peso	9,078	(6,913)	(85)	(5,214)
Cash and cash equivalents	Peruvian sol	1,265	-	372	-
Trade and other accounts receivable	Chilean peso	5,664	(11,049)	2,736	(12,108)
Trade and other accounts receivable	Peruvian sol	(185)	-	(263)	-
Current tax assets	Chilean peso	(143)	(13,191)	(413)	(6,656)
Current tax assets	Peruvian sol	(35)	-	(40)	-
Other non-current non-financial assets	Chilean peso	1,496	(2,001)	92	(1,081)
Non-current accounts receivable from related entities	Peruvian sol	(670)	-	(708)	-
Non-current accounts receivable from related entities	Chilean peso	296	(492)	414	(303)
Exchange rate differences on assets		16,766	(33,646)	2,105	(25,362)
Other current financial liabilities	UF	(9,456)	17,799	(1,126)	11,155
Other current financial liabilities	Peruvian sol	372	-	32	-
Trade and other accounts payable	Chilean peso	(95)	1,411	(740)	632
Trade and other accounts payable	Peruvian sol	21	-	(30)	-
Other non-financial liabilities	Chilean peso	38	(1,197)	2	(718)
Other non-financial liabilities	Peruvian sol	17	-	(1)	-
Employee benefits provision accrual	Chilean peso	(2,642)	4,753	(213)	2,914
Exchange rate differences on liabilities		(11,745)	22,766	(2,076)	13,983
Total exchange difference		5,021	(10,880)	29	(11,379)

Income from indexation units

Indexation units	Currency	January - September		July - September	
		2016	2015	2016	2015
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current tax assets	UTM	(55)	2,149	4	885
Total income from indexation units		(55)	2,149	4	885

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

The revenue from investments recorded using the share method for the periods ended September 30, 2016 and 2015, respectively, are presented in the following detail:

Net participation in income from associates	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Electrogas S.A.	6,079	6,616	2,001	2,007
Centrales Hidroeléctricas de Aysén S.A.	(2,259)	(2,719)	(781)	(787)
Transmisora Eléctrica de Quillota Ltda.	668	1,585	211	1,094
Total	4,488	5,482	1,431	2,314

34. Other gains (losses)

The others gains (losses) are as follows:

Other incomes, other than operation	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Insurance (1)	445	11,518	445	11,518
Other incomes	2,993	812	1,042	376
Total other incomes	3,438	12,330	1,487	11,894
Other expenses, other than operation	January - September		July - September	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Results derivative contracts	(530)	(3,702)	(511)	(768)
Lawsuits fees	(672)	(687)	(172)	(309)
Disposals of property, plant and equipment ⁽¹⁾	(3,174)	-	(60)	-
Punishments and fines	(796)	(73)	(21)	(70)
Other	(4,342)	(2,089)	(2,107)	(228)
Total other expenses	(9,514)	(6,551)	(2,871)	(1,375)
Total other profits (loss)	(6,076)	5,779	(1,384)	10,519

⁽¹⁾ During the period 2016, the write-off in Nehuenco II plant of US\$ 1.9 million due to losses caused by a fire plus US\$ 0.9 million due to major maintenance in the Candelaria plant.

35. Committed guarantees with third parties, contingent assets and liabilities

a. Third party guarantees

a. 1 Direct guarantees

Creditor's guarantee	Debtor		Committed assets			Outstanding balances	Release of guarantees		
	Name	Relationship	Type of guarantee	Currency	Book value	09.30.2015	2016	2017	2099
						ThUS\$			
Comité Innova Chile	Colbún S.A.	Acreeador	Boleta de Garantía	CLP	51,500,000	78	-	78	-
GNL Chile S.A.	Colbún S.A.	Acreeador	Boleta de Garantía	USD	20,968,932	20,969	20,969	-	-
Consorcio Transmantaro	Fenix Power Perú S.A.	Acreeador	Boleta de Garantía	USD	3,000,000	3,000	-	3,000	-
TSGF SpA	Colbún S.A.	Acreeador	Boleta de Garantía	USD	1,000,000	1,000	-	1,000	-
Ministerio de Obras Públicas	Colbún S.A.	Acreeador	Boleta de Garantía	UF	230,081	9,170	8,093	1,077	-
Cementos Bío Bío S.A.	Colbún S.A.	Acreeador	Boleta de Garantía	UF	14,370	573	573	-	-
Director Reg. de Vialidad Región del Bío Bio	Colbún S.A.	Acreeador	Boleta de Garantía	UF	200	8	8	-	-
Chilectra S.A. (1)	Colbún S.A.	Acreeador	Boleta de Garantía	UF	100	4	-	-	4

(1) Indefinite maturity warranty.

b. Guarantees obtained from third parties

Current guarantees in US Dollars, as of September 30, 2016 are as follows:

Deposited by	Relationship	Total ThUS\$
General Electric International Inc.	Supplier	15,000
GE Energy Parts Inc.	Supplier	10,500
Siemens Energy Inc.	Supplier	9,000
OJSC Power Machines	Supplier	7,020
Abengoa Chile S.A.	Supplier	2,562
TSGF SpA	Supplier	2,157
ABB Ltda.	Supplier	944
ABB S.A.	Supplier	634
Vigaflow S.A.	Supplier	459
Siemens S.A.	Supplier	289
Sedicon AS	Supplier	220
Ingeniería Agrosonda Ltda.	Supplier	210
Isotron Chile S.A.	Supplier	210
Elecnor Chile S.A.	Supplier	200
Asea Brown Boveri Ltda.	Supplier	177
Endesa Ingeniería SLU	Supplier	158
Prodiel Agencia en Chile	Supplier	152
Acciona Energía Chile SpA	Supplier	150
Autotrol Chile S.A.	Supplier	149
Cobra Chile Servicios S.A.	Supplier	132
Ebosa S.A.	Supplier	115
Sistemas Eléctricos Ingeniería y Servicios S.A.	Supplier	112
Soc. Eléctrica de Medellín S.A.	Supplier	110
Efacec Engenharia e Sistemas S.A.	Supplier	100
HMV Ingenieros Ltda.	Supplier	100
Pine Instalaciones y Montajes S.A.	Supplier	100
Hamon Esindus Latinoamérica Ltda.	Supplier	80
Techimp HQ S.R.L.	Supplier	35
Hjosung Corporation	Supplier	34
Rhona S.A.	Supplier	26
Mas Control SpA	Supplier	17
Química del Sur y Cía. Ltda.	Supplier	16
Distribuidora Cummins Chile	Supplier	5
Total		51,173

Current guarantees in Euros, as of September 30, 2016 are as follows:

Deposited by	Relationship	Total ThUS\$
Andritz Hydro	Supplier	774
Andritz Chile Ltda.	Supplier	719
Andritz Chile S.R.L.	Supplier	485
Alstom Hydro France S.A.	Supplier	244
Dynavec AS	Supplier	46
Total		2,268

Current guarantees in CLP, as of September 30, 2016 are as follows:

Deputed by	Relationship	Total TUS\$
Metalizaciones Industriales Sac. Com. e Ind. S.A.	Supplier	224
Env Obras Civiles y Mantajes SpA	Supplier	155
Wilfred Parra Labar y Cía. Ltda.	Supplier	150
ODR Ingeniería y Mantajes Ltda.	Supplier	131
Serv. de Ingeniería, Fabricación y Mantaje Humberto Felipe Letelier	Supplier	57
Constructora y Maquinaria Palmhua SpA	Supplier	43
Ecapreneur Chile S.A.	Supplier	41
Serv. Industrial y Técnica Científica Ltda.	Supplier	30
Rafael Mauna Silva Constructor y Servicios EIRL	Supplier	29
Sistema Integral de Telecomunicaciones Ltda.	Supplier	29
Sac. Comercial Ind. Mar y Cía. Ltda.	Supplier	25
Minduar S.A.	Supplier	23
Ander Minerals SpA	Supplier	21
Constructora Fera Ltda.	Supplier	20
Imaho S.A.	Supplier	20
Botech Ingeniería Ltda.	Supplier	19
Serv. de Respaldo de Energía Técnica Ltda.	Supplier	14
Eulen Seguridad S.A.	Supplier	14
Miguel Ángel Olivares Leiva	Supplier	11
Ingeniería y Comercial San Andrés Ltda.	Supplier	10
Transporter Jaré Carranca Rotamal EIRL	Supplier	10
Constructora Gómez Salazar Ltda.	Supplier	9
Constructora Javag SpA	Supplier	8
Sistema contra incendios Euracomercial Ltda.	Supplier	8
Sociedad Comercial Camin Ltda.	Supplier	8
Ingeniería Multidisciplinaria, Arquitectura, Consultoría y Logística	Supplier	7
Eduarda Antonia Gómez Miranda	Supplier	7
Victor Hugo Contreras Lozar	Supplier	7
Comercial Dinra Ltda.	Supplier	6
Efepo S.A.	Supplier	6
Servicios Empresariales Mal Ltda.	Supplier	5
Constructora Izquierda SpA	Supplier	5
Juan Ángel Ortiz Soto	Supplier	5
Sac. Transredor Serv. Eléctricas Integrales Ltda.	Supplier	5
Sac. de Serv. Estructurales y Mantaje Soldados Ltda.	Supplier	4
Mundifica SpA	Supplier	4
Fonar Volcan Altamirana y Cía. Ltda.	Supplier	3
Marcela Alberta Varqar Erpinara	Supplier	2
Sistema Revertimientos Concret Ltda.	Supplier	2
Claudia Angélica Gómez Salazar	Supplier	1
Varey y Cía. Ltda.	Supplier	1
Total		1,179

Current guarantees in UF, as of September 30, 2016 are as follows:

Deposited by	Relationship	Total T&US\$
Zublin International GMBH Chile SpA	Supplier	8,617
B. Bosch S.A.	Supplier	4,135
Constructora Santa María Ltda.	Supplier	817
Soc. OGM Mecánica Integral S.A.	Supplier	477
Ingeniería y Construcción Sigdo Koppers S.A.	Supplier	382
Arcadis Chile SpA	Supplier	304
ABB S.A.	Supplier	239
KDM Industrial S.A.	Supplier	219
Poch Ambiental S.A.	Supplier	127
Serv. Industriales Ltda.	Supplier	84
G4S Security Services Regionales S.A.	Supplier	51
OMA Topografía y Construcciones Ltda.	Supplier	48
Aceros Industriales de Talca Ltda.	Supplier	37
Transportes Polo Ltda.	Supplier	32
Flota Verschae S.A.	Supplier	30
Sodexo Chile S.A.	Supplier	29
Arrigoal Modular SpA	Supplier	27
Knight Piccolini S.A.	Supplier	24
Universidad de Concepción	Supplier	20
Eulen Seguridad S.A.	Supplier	18
Transportes José Carrasco Rotamal E.I.R.L.	Supplier	14
Soc. Comercial Camín Ltda.	Supplier	13
Serv. Emca SpA	Supplier	12
Sistemas Eléctricos Ingeniería y Servicios S.A.	Supplier	9
Proyecto Automatización Ltda.	Supplier	9
Soc. Comercial y de Inv. Conygar Ltda.	Supplier	9
Félix Atilio Valenzuela Pérez	Supplier	7
Consocta Ingeniería S.A.	Supplier	6
Ingeniería y Servicios S.A.	Supplier	6
Mantenimiento de Jardines Arcoiris Ltda.	Supplier	6
Serv. Integrales de Mantenimientos Técnicos S.A.	Supplier	6
CMF Soesjeer Ltda.	Supplier	6
MWH Américaes Tec. Chile Ltda.	Supplier	5
Serv. Integrales de Seguridad Marítimo y Terrestre Ltda.	Supplier	5
Marcelo Javier Ulmos Caro	Supplier	5
Total		15,835

Fénix Power Perú S.A.

Current guarantees in US Dollars, as of September 30, 2016 are as follows:

Deposited by	Relationship	Total T&US\$
Busser S.A.C.	Supplier	55
Arredondo Ingenieros S.A.C.	Supplier	29
Aqua Química	Supplier	17
Messer Gases	Supplier	12
JC Soluciones Técnicas S.A.C.	Supplier	8
Total		121

Current guarantees in Peruvian Soles, as of September 30, 2016 are as follows:

Deposited by	Relationship	Total ThUS\$
Empresa Regional de Servicio Público del Oriente S.A.	Supplier	1,530
J & V Resguardo S.A.C.	Supplier	42
Unicontrol S.A.C.	Supplier	29
Consorcio Eléctrico de Villacuri S.A.C.	Supplier	18
	Total	1,619

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 an exact schedule of payment dates, if any.

In accordance with IAS 37, as of September 30, 2016 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 of 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.

As of the date, the arbitration is in the sentencing phase.

2.- Lawsuit for environmental damage for the operation of the Santa María CT before the Third Environmental Court of Valdivia.

(i) Lawsuit filed on October 15, 2015, case No. D-11-2015, 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). The complaint was notified and was answered on September 30, 2016.

(ii) Lawsuit filed on October 15, 2015, case No. D-12-2015, 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). The complaint was notified and was answered on September 30, 2016.

3.- 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 challenged the income statements 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\$ 5,376 (ThCh\$ 3,537,675), including adjustments and interest.

First instance judgment notified on December 2, 2015, that rejected the complaints brought by EEI was issued. On December 14, 2015, an appeal with subsidy appeal was filed against this ruling, which is currently pending resolution. To date an audit report requested by the IRS' Control Department for Medium and Large Enterprises is pending.

4.- Tax proceeding against Termoeléctrica Antilhue S.A. before IRS (Servicio de Impuestos Internos).

By Settlement No. 275, of 24.09.2015, notified on September 24, 2015, the Regional Director of the IRS' Eastern Metropolitan Santiago district rejected items in the 2013 income tax return of Termoeléctrica Antilhue S.A., and accumulated tax losses for the years 2009 - 2012 for other items. The total questioned amount as of September 30, 2016 is ThCh\$ 1,601,269 (ThUS\$ 2,433), (Rol RIT GR-18-00002-2016).

An administrative appeal was filed against the settlement, which was rejected.

On January 14, 2016, a tax claim before the Fourth Court of Tax and Customs of Santiago was filed. The IRS presented its discharges and the start of the trial period is pending.

Perú

Termochilca S.A. ("Termochilca") filed a lawsuit petition for alleged breaches by Fenix for 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. On March 23, 2016, the Arbitration Tribunal was formed. On April 22, 2016, Termochilca filed the arbitration claim, which was answered by Fenix on May 24, 2016, at which time Fenix also demands Termochilca for unpaid invoices since July 2015 amounting to ThUS\$ 11,000.

On June 27, 2016 Termochilca responds to Fenix's counterclaim.

Audience of Acts was held on August 12, 2016. The Court requested technical and economic expert reports for September 29, 2016. Fenix presented its economic report and Termochilca its technical report. October 31, 2016 is the maximum term for both parties to replicate the reports, that is, Termochilca answer the financial expertise report of Fenix and Fenix to answer the technical expertise report of Termochilca. After notification of the respective responses, the parties have an additional 10 days to comment.

The hearing was scheduled for the last week of January 2017.

36. Commitments

Commitments entered into with financial entities

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 September 30, 2016, the Company is in compliance with all the financial indicators required in those contracts. These obligations are detailed as follows:

Covenants	Condition	09.30.2016		Maturity
Bank Loans				
Total liabilities/Net Tangible Equity	< 1,2	0.82		jun-2021
Minimum Equity	> ThUS\$ 2.022.000	ThUS\$	3,576,285	jun-2021
Bonds Local Market				
Ebitda/Net interest expense	>3,0	6.37		jun-2029
Debt ratio	<1,2	0.78		jun-2029
Minimum equity	> ThUS\$ 1.348.000	ThUS\$	3,576,285	jun-2029

Indicator	Headings	Value at 09.30.2016	
Equity	Total Equity	ThUS\$	3,787,452
Net Equity of the Parent Company	Total Equity - Non-controlling Interests	ThUS\$	3,576,285
Minimum Equity	Total Equity - Non-controlling Interests	ThUS\$	3,576,285
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS\$	2,942,974
Debt Ratio	Total liabilities/Equity		0.78
Ebitda (*)	Income from ordinary activities - Raw materials and supplies used - Employees benefits expenses - Other expenses by nature	ThUS\$	617,188
Net financial cost (*)	Financial costs - Financial income	ThUS\$	96,872

(*) 12 moving months

37. Environment

The subsidiaries of the Company with disbursements associated with the environment are the following: Colbún S.A., Empresa Eléctrica Industrial S.A., Río Tranquilo S.A. Termoeléctrica Nehuenco S.A. and Fénix Power S.A., respectively.

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: reservoir hydropower plant located in the Los Ríos Region.

Currently, the Company is analyzing the public services' observations formulated in the framework of the Environmental Impact Study (EIA) of June 2015, 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 a new EIA with the adjustments to the project again in the last quarter of the year.

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 third quarter of 2016, the 85% of the advance of the construction was exceeded. All the works of the project and their respective environmental management have advanced according to plan.

The project is expected to begin the commercial operations at the beginning of 2017. The amount to be invested, including a Transmission Line from the power station to the Loma Alta substation, is of approximately US\$130 million.

In addition to the foregoing, the disbursements associated to the 24 generation plants under operating conditions are added, including the power station Fénix Power (Chilca, Peru) and transmission assets such as electrical substations and transmission lines.

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

Accumulated disbursements made as of 09.30.2016

Compan	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount ThUS\$	Certain date or estimated in disbursements were or will be made
Colbún S.A.	Medio Ambiente Angostura	Power Plants Environmental management	Expense	Cost	772	30-09-2016
Colbún S.A.	SSO y Medio Ambiente Sta María 1	Power Plants Environmental management	Expense	Cost	731	27-09-2016
Colbún S.A.	C.Fijo Administración Candelaria	Power Plants Environmental management	Expense	Cost	218	30-09-2016
Colbún S.A.	C.Fijo Administración Antilhue	Power Plants Environmental management	Expense	Cost	180	30-09-2016
Colbún S.A.	Administración Los Pinos	Power Plants Environmental management	Expense	Cost	162	30-09-2016
Colbún S.A.	Proyecto CH Guaiquivilo-Melado	Project Environmental management	Asset	Construction in progress	150	16-09-2016
Colbún S.A.	Proyecto San Pedro EIA	Project Environmental management	Asset	Construction in progress	119	30-09-2016
Colbún S.A.	Gerencia Medio Ambiente (CLB1)	Parent Environmental management	Expense	Cost	82	26-09-2016
Colbún S.A.	Gestión Forestal	Parent Environmental management	Expense	Cost	63	30-09-2016
Colbún S.A.	Gestión Ambiental de Centrales	Parent Environmental management	Expense	Cost	53	27-09-2016
Colbún S.A.	Proyecto La Mina (CLB1)	Project Environmental management	Asset	Construction in progress	52	29-07-2016
Colbún S.A.	Gestión Ambiental de Proyectos	Parent Environmental management	Expense	Cost	33	27-09-2016
Colbún S.A.	Administración Complejo Colbún	Power Plants Environmental management	Expense	Cost	19	30-09-2016
Colbún S.A.	Estudios Ambientales	Parent Environmental management	Expense	Cost	18	18-07-2016
Colbún S.A.	Administración Los Quilos (CLB1)	Power Plants Environmental management	Expense	Cost	10	22-07-2016
Colbún S.A.	Administración Canutillar	Power Plants Environmental management	Expense	Cost	7	20-07-2016
Colbún S.A.	Proyecto San Pedro - Administración	Project Environmental management	Asset	Construction in progress	5	30-09-2016
Colbún S.A.	MASO Central Quilleco	Power Plants Environmental management	Expense	Cost	2	16-09-2016
Empresa Eléctrica Industrial S.A.	Administración (EEI1) Carena	Power Plants Environmental management	Expense	Cost	31	29-09-2016
Termoeléctrica Nehuenco S.A.	Administración (NEHT) Nehuenco 1	Power Plants Environmental management	Expense	Cost	303	26-09-2016
Total					3,010	

Future expenses as of 09.30.2016

Compan	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount ThUS\$	Certain date or estimated in disbursements were or will be made
Colbún S.A.	Proyecto CH Guaiquivilo-Melado	Power Plants Environmental management	Asset	Construction in progress	1,321	30-08-2016
Colbún S.A.	SSO y Medio Ambiente Sta María 1	Power Plants Environmental management	Expense	Cost	362	31-08-2016
Colbún S.A.	Medio Ambiente Angostura	Power Plants Environmental management	Expense	Cost	200	31-12-2016
Colbún S.A.	C.Fijo Administración Candelaria	Project Environmental management	Expense	Cost	104	31-12-2016
Colbún S.A.	Proyecto La Mina (CLB1)	Power Plants Environmental management	Asset	Construction in progress	74	30-09-2016
Colbún S.A.	Administración Los Pinos	Power Plants Environmental management	Expense	Cost	37	29-09-2016
Colbún S.A.	Proyecto San Pedro EIA	Parent Environmental management	Asset	Construction in progress	33	29-07-2016
Colbún S.A.	C.Fijo Administración Antilhue	Parent Environmental management	Expense	Cost	33	10-08-2016
Colbún S.A.	Administración Complejo Colbún	Parent Environmental management	Expense	Cost	10	31-12-2016
Colbún S.A.	Gestión Forestal	Parent Environmental management	Expense	Cost	8	19-10-2016
Colbún S.A.	Gestión Ambiental de Proyectos	Power Plants Environmental management	Expense	Cost	8	22-07-2016
Colbún S.A.	Gestión Ambiental de Centrales	Project Environmental management	Expense	Cost	7	01-09-2016
Colbún S.A.	Gerencia Medio Ambiente (CLB1)	Power Plants Environmental management	Expense	Cost	2	11-08-2016
Empresa Eléctrica Industrial S.A.	Administración (EEI1) Carena	Power Plants Environmental management	Expense	Cost	5	31-12-2016
Termoeléctrica Nehuenco S.A.	Administración (NEHT) Nehuenco 1	Power Plants Environmental management	Expense	Cost	129	27-09-2016
Río Tranquilo S.A.	Administración Hornitos (PRIO)	Power Plants Environmental management	Expense	Cost	15	31-12-2016
Total					2,348	

Accumulated disbursements made as of 09.30.2015

Compañía	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount THUS\$	Certain date or estimated in disbursements were or will be made
Colbún S.A.	Compromisos Ambientales - Angostura	Power Plants Environmental management	Expense	Cost	1,077	30-09-2015
Colbún S.A.	Compromisos Ambientales - Santa María	Power Plants Environmental management	Expense	Cost	902	29-09-2015
Colbún S.A.	Estudio de impacto ambiental - San Pedro	Project Environmental management	Asset	Construction in progress	232	29-09-2015
Colbún S.A.	Compromisos Ambientales - Candelaria	Power Plants Environmental management	Expense	Cost	172	30-09-2015
Colbún S.A.	Compromisos Ambientales - Los Quilos	Power Plants Environmental management	Expense	Cost	151	29-09-2015
Colbún S.A.	Compromisos Ambientales - Los Pinos	Power Plants Environmental management	Expense	Cost	131	30-09-2015
Colbún S.A.	Compromisos Ambientales - Antihue	Power Plants Environmental management	Expense	Cost	124	30-09-2015
Colbún S.A.	Compromisos Ambientales - Quilleco	Power Plants Environmental management	Expense	Cost	88	04-09-2015
Colbún S.A.	Prefactibilidad Ambiental - Candelaria	Project Environmental management	Asset	Construction in progress	81	15-10-2015
Colbún S.A.	Gestión Forestal	Parent Environmental management	Expense	Expense	76	30-09-2015
Colbún S.A.	Medio Ambiente - La Mina	Project Environmental management	Asset	Construction in progress	68	28-09-2015
Colbún S.A.	Compromisos Ambientales - Canutillar	Power Plants Environmental management	Expense	Cost	46	30-09-2015
Colbún S.A.	Gestión Ambiental Centrales	Parent Environmental management	Expense	Expense	44	30-09-2015
Colbún S.A.	Gestión Ambiental Proyectos	Parent Environmental management	Expense	Expense	42	31-10-2015
Colbún S.A.	Compromisos Ambientales - Rucue	Power Plants Environmental management	Expense	Cost	39	22-09-2015
Colbún S.A.	Compromisos Ambientales - Colbún	Power Plants Environmental management	Expense	Cost	24	23-09-2015
Colbún S.A.	Parque Coronel Proy.Sta.María 1	Project Environmental management	Asset	Construction in progress	21	30-09-2015
Colbún S.A.	Rezago RCA/RSE Medio Ambiente - Angostura	Project Environmental management	Asset	Construction in progress	16	18-10-2015
Colbún S.A.	Medio Ambiente administración - San Pedro	Project Environmental management	Asset	Construction in progress	14	28-09-2015
Colbún S.A.	Gerente de Medio Ambiente	Parent Environmental management	Expense	Expense	9	30-09-2015
Colbún S.A.	Estudios de Impacto Ambiental - Guaquivilo Melado	Project Environmental management	Asset	Construction in progress	9	03-08-2015
Colbún S.A.	Asesorías Medioambientales Santa María	Project Environmental management	Asset	Construction in progress	5	15-10-2015
Empresa Eléctrica Industrial S.A.	Compromisos Ambientales - Carena	Power Plants Environmental management	Expense	Cost	36	22-09-2015
Río Tranquilo S.A.	Compromisos Ambientales - Hornitos	Power Plants Environmental management	Expense	Cost	104	30-09-2015
Termoeléctrica Nehuenco S.A.	Compromisos Ambientales - Nehuenco	Power Plants Environmental management	Expense	Cost	375	30-09-2015
Total					3,886	

Future expenses as of 09.30.2015

Compañía	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount THUS\$	Certain date or estimated in disbursements were or will be made
Colbún S.A.	Compromisos Ambientales Angostura	Power Plants Environmental management	Expense	Cost	225	28-09-2015
Colbún S.A.	Compromisos Ambientales Santa María	Power Plants Environmental management	Expense	Cost	118	25-09-2015
Colbún S.A.	Medio Ambiente - La Mina	Project Environmental management	Asset	Construction in progress	92	21-10-2015
Colbún S.A.	Compromisos Ambientales Candelaria	Power Plants Environmental management	Expense	Cost	78	17-09-2015
Colbún S.A.	Compromisos Ambientales Los Quilos	Power Plants Environmental management	Expense	Cost	65	22-09-2015
Colbún S.A.	Compromisos Ambientales Quilleco	Power Plants Environmental management	Expense	Cost	45	31-10-2015
Colbún S.A.	Compromisos Ambientales Antihue	Power Plants Environmental management	Expense	Cost	39	31-08-2015
Colbún S.A.	Compromisos Ambientales Los Pinos	Power Plants Environmental management	Expense	Cost	23	30-09-2015
Colbún S.A.	Gestión Forestal	Parent Environmental management	Expense	Cost	23	31-10-2015
Colbún S.A.	Gestión Ambiental Proyectos	Parent Environmental management	Expense	Cost	20	24-09-2015
Colbún S.A.	Gestión Ambiental Centrales	Parent Environmental management	Expense	Cost	13	22-10-2015
Colbún S.A.	Compromisos Ambientales Canutillar	Power Plants Environmental management	Expense	Cost	12	27-08-2015
Colbún S.A.	Compromisos Ambientales Rucúe	Power Plants Environmental management	Expense	Cost	4	13-10-2015
Colbún S.A.	Compromisos Ambientales Colbun	Power Plants Environmental management	Expense	Cost	4	31-10-2015
Colbún S.A.	Estudio de impacto ambiental - San Pedro	Project Environmental management	Asset	Construction in progress	4	29-09-2015
Empresa Eléctrica Industrial S.A.	Compromisos Ambientales Carena	Power Plants Environmental management	Expense	Cost	2	22-10-2015
Río Tranquilo S.A.	Compromisos Ambientales	Power Plants Environmental management	Expense	Cost	54	15-10-2015
Termoeléctrica Nehuenco S.A.	Compromisos Ambientales	Power Plants Environmental management	Expense	Cost	323	29-09-2015
Total					1,144	

Disbursements in Peru

Accumulated disbursements made as of 09.30.2016

Company	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount ThUS\$	Certain date or estimated in disbursements were or will be made
Fénix Power S.A.	Power Plants Environmental management	Power Plants Environmental management	Expense	Cost	514	30-09-2016
Total					514	

Future expenses as of 09.30.2016

Company	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount ThUS\$	Certain date or estimated in disbursements were or will be made
Fénix Power S.A.	Power Plants Environmental management	Power Plants Environmental management	Expense	Cost	291	30-09-2016
Total					291	

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

In the session held on October 27, 2016, the Board of Directors of the Company approved the interim consolidated financial statements as of September 30, 2016, prepared in accordance with the Preparation and Presentation of Financial Reporting Standards, issued by the SVS, which are in conformity with the International Financial Reporting Standards (IFRS), issued by the IASB.

No other subsequent events have occurred between September 30, 2016 and the date of issue of these consolidated financial statements.

39. Foreign currency

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

Assets	Foreign currency	Functional currency	09.30.2016 TLUS\$	12.31.2015 TLUS\$
Total current assets				
Cash and cash equivalents	Chilean peso	US Dollar	138,674	134,145
Cash and cash equivalents	Euro	US Dollar	388	440
Cash and cash equivalents	Peruvian sol	US Dollar	23,333	5,915
Other non-financial assets, current	Chilean peso	US Dollar	1,148	638
Other non-financial assets, current	Peruvian sol	US Dollar	11	13
Trade and other current accounts receivable	Chilean peso	US Dollar	103,953	77,022
Trade and other current accounts receivable	Peruvian sol	US Dollar	37,934	64,636
Current accounts receivable from related companies	Chilean peso	US Dollar	420	63
Current tax assets	Chilean peso	US Dollar	1,575	8,424
Current tax assets	Peruvian sol	US Dollar	4,364	-
Total current assets			307,800	291,406
Non-current assets				
Other non-current financial assets	Chilean peso	US Dollar	228	242
Other non-current non-financial assets	Chilean peso	US Dollar	11,553	7,905
Total non-current assets			11,781	8,147
Total assets			319,581	299,553
Liabilities	Foreign currency	Functional currency	09.30.2016 TLUS\$	12.31.2015 TLUS\$
Current liabilities				
Other current financial liabilities	UF	US Dollar	8,784	10,453
Trade and other accounts payable	Chilean peso	US Dollar	109,802	102,887
Trade and other accounts payable	Peruvian sol	US Dollar	14,245	6,066
Current accounts payable to related entities	Chilean peso	US Dollar	516	307
Other current provisions	Chilean peso	US Dollar	16,473	15,501
Current tax liabilities	Chilean peso	US Dollar	-	23,079
Current tax liabilities	Peruvian sol	US Dollar	1,061	167
Current provisions for employee benefits	Chilean peso	US Dollar	18,962	10,235
Current provisions for employee benefits	Peruvian sol	US Dollar	1,297	1,002
Other current non-financial liabilities	Chilean peso	US Dollar	15,720	10,893
Other current non-financial liabilities	Peruvian sol	US Dollar	294	244
Total current liabilities			179,344	181,763
Non-current liabilities				
Other non-current financial liabilities	UF	US Dollar	88,626	100,588
Non-current provisions for employee benefits	Chilean peso	US Dollar	29,256	23,001
Other non-current non-financial liabilities	Chilean peso	US Dollar	2,900	2,422
Total non-current liabilities			117,782	127,011
Total liabilities			297,126	308,774

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 26.e).

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

As of 09.30.2016	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	US Dollar	5,416	3,368	19,643	26,443	46,682	101,552
Totals			5,416	3,368	19,643	26,443	46,682	101,552

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	US Dollar	-	6,629	15,498	26,799	62,115	111,041
Totals			-	6,629	15,498	26,799	62,115	111,041

40. Personnel (unaudited)

As of the dates of the statements of financial position, the Company's personnel is detailed as follows:

	Number of employees					
	09.30.2016			12.31.2015		
	Chile	Perú	Total	Chile	Perú	Total
Managers and primary executives	69	7	76	66	4	70
Professional & technicians	648	54	702	605	53	658
Employees and others	286	30	316	291	30	321
Total	1,003	91	1,094	962	87	1,049
Annual average	984	90	1,074	970	86	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 - September		July - September	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Audit services	234	100	161	14
Tax services	14	19	14	-
Other services	318	2	275	-
Auditor's fees	566	121	450	14

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