

# **Interim Consolidated Financial Statements for the period ended June 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 Report of Independent Auditors**
- 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 June 30, 2016 (unaudited) and December 31, 2015**  
**(In thousands of US dollars – ThUS\$)**

<b>ASSETS</b>	<b>Note N°</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
		ThUS\$	ThUS\$
<b>Current Assets</b>			
Cash and cash equivalents	8	480,770	876,130
Other financial current assets	9	368,553	185,393
Other non-financial current assets	20	21,204	28,376
Trade receivables and other receivables accounts	10	206,656	184,324
Accounts receivable from related entities	12.b	3,095	2,590
Inventories	13	118,034	98,060
Tax assets	19	7,680	8,634
<b>Total current assets</b>		<b>1,205,992</b>	<b>1,383,507</b>
<b>Non-current assets</b>			
Other financial assets, non-current	9	227	212
Other non-financial assets, non-current	20	84,053	32,262
Accounts receivable from related entities, non-current	12.b	272	280
Investments accounted for using the equity method	16	37,186	36,012
Intangible assets other than goodwill	17	90,621	91,340
Goodwill	6	4,400	4,400
Property, plant and equipment	18	5,550,680	5,602,622
Deferred taxes	21.b	14,408	6,922
<b>Total non-current assets</b>		<b>5,781,847</b>	<b>5,774,050</b>
<b>TOTAL ASSETS</b>		<b>6,987,839</b>	<b>7,157,557</b>

## Colbún S.A. and Subsidiaries

### Interim Classified Consolidated Statements of Financial Position (continued)

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

(In thousands of US dollars – ThUS\$)

LIABILITIES AND NET EQUITY	Note N°	June 30, 2016  ThUS\$	December 31, 2015  ThUS\$
<b>Current liabilities</b>			
Other financial, current liabilities	22.a	53,881	453,385
Payables trade and other payables, current	23	163,365	174,833
Accounts payable to related entities	12.b	719	30,252
Other provisions	24.a	15,681	15,501
Tax liabilities	21.a	33,394	24,045
Provisions for employee benefits, current	24.b	9,112	11,237
Other non-financial liabilities, current	25	14,318	4,648
<b>Total current liabilities</b>		<b>290,470</b>	<b>713,901</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	22.a	1,956,043	1,782,256
Payables trade and other payables, non-current liabilities	23	6,112	6,422
Deferred tax liabilities	21.b	947,502	955,956
Provisions for employee benefits, non-current	24.a	26,638	23,001
Other non-financial, non-current liabilities	25	11,005	10,603
<b>Total non-current liabilities</b>		<b>2,947,300</b>	<b>2,778,238</b>
<b>Total liabilities</b>		<b>3,237,770</b>	<b>3,492,139</b>
<b>Equity</b>			
Issued capital	26.a	1,282,793	1,282,793
Retained earnings	26.f	1,493,952	1,411,684
Share premiums	26.c	52,595	52,595
Other reserves	26.e	709,648	715,588
<b>Net Equity attributable to equity holders of the parent</b>		<b>3,538,988</b>	<b>3,462,660</b>
Non-controlling interests		211,081	202,758
<b>Total net equity</b>		<b>3,750,069</b>	<b>3,665,418</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>		<b>6,987,839</b>	<b>7,157,557</b>

## Colbún S.A. and Subsidiaries

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

STATEMENT OF COMPREHENSIVE INCOME BY NATURE	Note N°	January- June		April- June	
		2016	2015	2016	2015
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue from ordinary activities	7 y 27	732,695	675,469	370,150	358,459
Raw materials and consumables used	28	(357,018)	(406,429)	(191,954)	(201,266)
Employee benefits expenses	29	(32,082)	(28,759)	(15,985)	(14,805)
Depreciation and amortization	30	(110,896)	(95,837)	(55,052)	(48,384)
Other expenses by nature		(22,255)	(11,137)	(11,099)	(6,022)
Other gains (losses)	34	(4,692)	(4,740)	(4,195)	(3,873)
<b>Profit from operating activities</b>		<b>205,752</b>	<b>128,567</b>	<b>91,865</b>	<b>84,109</b>
Financial income	31	5,438	2,069	2,747	1,114
Financial costs	31	(59,473)	(44,885)	(32,048)	(22,659)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	33	3,057	3,168	1,661	1,688
Exchange rate differences	32	4,992	499	1,944	90
Result from indexation units	32	(59)	1,264	(59)	1,207
<b>Profit before taxes</b>		<b>159,707</b>	<b>90,682</b>	<b>66,110</b>	<b>65,549</b>
Income tax expense	21.a	(32,229)	(33,613)	(14,675)	(15,449)
<b>Profit from continuing operations</b>		<b>127,478</b>	<b>57,069</b>	<b>51,435</b>	<b>50,100</b>
<b>PROFIT</b>		<b>127,478</b>	<b>57,069</b>	<b>51,435</b>	<b>50,100</b>
<b>Profit attributable to:</b>					
Profit attributable to owners of the parent	7 y 26.i	123,710	57,069	51,513	50,100
Profit attributable to non-controlling interests		3,768	-	(78)	-
<b>PROFIT</b>		<b>127,478</b>	<b>57,069</b>	<b>51,435</b>	<b>50,100</b>
<b>Earnings per share</b>					
Basic earnings from continuing operations per share <b>US\$/share</b>	26.i	0.00705	0.00325	0.00293	0.00286
<b>Basic earnings per share</b>		<b>0.00705</b>	<b>0.00325</b>	<b>0.00293</b>	<b>0.00286</b>
Diluted earnings from continuing operations per share <b>US\$/share</b>	26.i	0.00705	0.00325	0.00293	0.00286
<b>Diluted earnings per share</b>		<b>0.00705</b>	<b>0.00325</b>	<b>0.00293</b>	<b>0.00286</b>

## Colbún S.A. and Subsidiaries

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME BY NATURE	Note N°	January- June		April- June	
		2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2013 ThUS\$
<b>Profit</b>		<b>127,478</b>	<b>57,069</b>	<b>51,435</b>	<b>50,100</b>
<b>Components of other comprehensive income not to be reclassified to profit or loss in subsequent periods, before taxes:</b>					
Profits (losses) from new measurements of defined benefit plans		(1,269)	(1,573)	(530)	(198)
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, before taxes:</b>		<b>(1,269)</b>	<b>(1,573)</b>	<b>(530)</b>	<b>(198)</b>
<b>Components of other comprehensive income to be reclassified to profit or loss in subsequent periods, before taxes:</b>					
Exchange gains (losses) on translation	16.a	1,853	(1,802)	453	(237)
Gains (losses) from cash flow hedges		(7,845)	3,158	(4,180)	3,465
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(219)	-	(219)	-
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, before taxes:</b>		<b>(6,211)</b>	<b>1,356</b>	<b>(3,946)</b>	<b>3,228</b>
<b>Components of other comprehensive income, before taxes</b>		<b>(7,480)</b>	<b>(217)</b>	<b>(4,476)</b>	<b>3,030</b>
<b>Income taxes on components of other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>					
Income taxes related to new measurements of defined benefit plans	21.c	343	425	144	54
<b>Income taxes on components of other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>					
Income taxes related to share of other comprehensive income of associates and joint ventures accounted for using the equity method	21.c	59	-	59	-
Income taxes related to cash flow hedges	21.c	540	(853)	702	(1,366)
<b>Income taxes related to components of other comprehensive income</b>		<b>942</b>	<b>(428)</b>	<b>905</b>	<b>(1,312)</b>
<b>Total other comprehensive income</b>		<b>(6,538)</b>	<b>(645)</b>	<b>(3,571)</b>	<b>1,718</b>
<b>Total comprehensive income</b>		<b>120,940</b>	<b>56,424</b>	<b>47,864</b>	<b>51,818</b>
<b>Total comprehensive income attributable to:</b>					
Total comprehensive income attributable to owners of the parent		118,215	56,424	48,985	51,818
Total comprehensive income attributable to non-controlling interests		2,725	-	(1,121)	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>120,940</b>	<b>56,424</b>	<b>47,864</b>	<b>51,818</b>

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

<b>CASH FLOW STATEMENTS - DIRECT METHOD</b>	<b>Note N°</b>	<b>June 30, 2016 ThUS\$</b>	<b>June 30, 2015 ThUS\$</b>
<b>Cash flows provided by (used in) operating activities</b>			
<b>Classes of receipts from operating activities</b>			
Receipts from sales of goods and rendering of services		843,605	767,504
Receipts from royalties, fees, commissions and other revenue		-	76
Other receipts from operating activities		1,679	5,565
<b>Classes of payments</b>			
Payments to suppliers for goods and services		(414,143)	(477,939)
Payments to and on behalf of employees		(32,378)	(33,652)
Payments for premiums and claims, annuities and other policy benefits		(15,879)	(27,699)
Other payments for operating activities		(51,156)	(11,592)
<b>Net cash flows provided by (used in) operating activities</b>		<b>331,728</b>	<b>222,263</b>
Dividends received		5,950	5,100
Interest received		5,358	2,421
Income taxes refunded (paid)		(30,688)	8,815
Other cash inflows (outflows)		(53,381)	(4,053)
<b>Net cash flows provided by (used in) operating activities</b>		<b>258,967</b>	<b>234,546</b>
<b>Cash flows provided by (used in) investing activities</b>			
Other payments for acquiring participation in joint ventures		(2,660)	(3,574)
Payments to related companies		(5,827)	-
Additions to property, plant and equipment		(55,661)	(42,482)
Other cash inflows (outflows)		(182,639)	553,614
<b>Net cash flows provided by (used in) investing activities</b>		<b>(246,787)</b>	<b>507,558</b>
<b>Cash flows provided by (used in) financing activities proceeds from borrowings</b>			
Proceeds from long-term borrowings		365,700	-
Repayments of borrowings		(614,352)	(11,528)
Dividends paid		(98,923)	(53,479)
Interest paid		(50,769)	(43,748)
Other cash inflows (outflows)		(18,223)	-
<b>Net cash flows provided by (used in) financing activities</b>		<b>(416,567)</b>	<b>(108,755)</b>
<b>Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate differences</b>		<b>(404,387)</b>	<b>633,349</b>
Effects of changes in foreign exchange rate on cash and cash equivalents		9,027	(44)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(395,360)</b>	<b>633,305</b>
Cash and cash equivalents at beginning of period		876,130	254,090
<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>480,770</b>	<b>887,395</b>

**Colbún S.A. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**for the periods ended June 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\$	
Beginning balance as of 01/01/2016		1,282,793	52,595	(266,792)	(6,954)	-	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)	(6,954)	-	989,234	715,588	1,411,684	3,462,660	202,758	3,665,418	
<b>Changes in equity</b>													
<b>Comprehensive income</b>													
Profit (loss)		-	-	-	-	-	-	-	123,710	123,710	3,768	127,478	
Other comprehensive income		-	-	1,694	(6,263)	(926)	-	(5,495)	-	(5,495)	(1,043)	(6,538)	
Dividends		-	-	-	-	-	-	-	(40,630)	(40,630)	-	(40,630)	
Increase (decrease) due to transfers and other changes		-	-	-	(1,334)	926	(37)	(445)	(812)	(1,257)	5,598	4,341	
Total changes in equity		-	-	1,694	(7,597)	-	(37)	(5,940)	82,268	76,328	8,323	84,651	
		0	0	0	0	0	0	0	0	0	0	0	
<b>Ending balance as of 03.31.2016</b>	<b>26</b>	<b>1,282,793</b>	<b>52,595</b>	<b>(265,098)</b>	<b>(14,451)</b>	<b>-</b>	<b>989,197</b>	<b>709,648</b>	<b>1,493,952</b>	<b>3,538,988</b>	<b>211,081</b>	<b>3,750,069</b>	

Statements of changes in net equity	Note	Attributable to equity holders of the parent										Non-controlling interests	Total Equity
		Issued capital	Share premiums	Exchange difference on translation reserve	Cash flow hedges reserve	Actuarial gains / (loss) reserve	Other reserves	Total Other reserves	Retained earnings	Attributable to equity holders of the parent			
											ThUS\$		
Beginning balance as of 01/01/2016		1,282,793	52,595	(262,416)	(3,094)	-	989,403	717,893	1,307,276	3,360,557	-	3,360,557	
Increase (decrease) for corrections of mistakes		-	-	-	-	-	-	-	-	-	-	-	
Initial re-expressed balance		1,282,793	52,595	(262,416)	(3,094)	-	989,403	717,893	1,307,276	3,360,557	-	3,360,557	
<b>Changes in Equity</b>													
<b>Comprehensive income (loss)</b>													
Profit (loss)		-	-	-	-	-	-	-	57,069	57,069	-	57,069	
Other comprehensive income		-	-	(1,802)	2,305	(1,148)	-	(645)	-	(645)	-	(645)	
Dividends		-	-	-	-	-	-	-	(12,765)	(12,765)	-	(12,765)	
Increase (decrease) due to transfers and other changes		-	-	-	-	1,148	(93)	1,055	(2,552)	(1,537)	-	(1,537)	
Total changes in equity		-	-	(1,802)	2,305	-	(93)	410	41,712	42,122	-	42,122	
<b>Ending balance as of 06/30/2015</b>	<b>26</b>	<b>1,282,793</b>	<b>52,595</b>	<b>(264,218)</b>	<b>(6,789)</b>	<b>-</b>	<b>989,310</b>	<b>718,303</b>	<b>1,348,988</b>	<b>3,402,679</b>	<b>-</b>	<b>3,402,679</b>	

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

<b>Contents</b>	<b>Page</b>
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	29
3.3 Responsibility for information and estimates made	30
4. Financial risk management	31
4.1 Risk management policy	31
4.2 Risk factors	31
4.3 Risk measurement	36
5. Critical accounting criteria	37
a. Calculation of depreciation amortization, and estimate of associated useful lives	37
b. Impairment of non-financial assets (tangibles and intangible assets, excluding goodwill)	38
c. Fair value of derivatives and other financial instruments	39
6. Business combinations	39
7. Operations by segments	41
8. Classes of cash and cash equivalents	46
a. Account composition	46
b. Detail by type of currency	47
c. Acquisition of subsidiaries	47
9. Other financial assets	48
10. Trade and other accounts receivable	48
11. Financial instruments	50
a. Financial instruments by category	50
b. Financial assets credit rating	52
12. Related party information	53
a. Controlling shareholders	53
b. Balances and transactions with related entities	53
c. Administration and Senior Management	56
d. Directors committee	56
e. Compensation and other services	56



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

<b>Contents</b>	<b>Page</b>
13. Inventory	59
14. Derivative instruments	60
14.1 Hedge instruments	60
14.2 Fair value hierarchy	61
15. Investments in subsidiaries	62
16. Investments accounted for using the equity method	63
a. Equity method	63
b. Financial information of associates and companies under joint control	64
17. Intangible assets other than goodwill	66
a. Detail by class of intangibles	66
b. Movement of intangibles	67
18. Classes of property, plant and equipment	68
a. Detail by classes of property, plant and equipment	68
b. Movement of property, plant and equipment during the period	69
c. Other disclosures	70
19. Current tax assets	73
20. Other non-financial assets	74
21. Income taxes	74
a. Income tax	74
b. Deferred taxes	77
c. Income tax on other comprehensive income	78
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**

<b>Contents</b>	<b>Page</b>
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	94
f. Retained earnings (losses)	95
g. Capital management	96
h. Restrictions on disposal of funds of subsidiaries	97
27. Revenue from ordinary activities	98
28. Raw materials and consumables used	98
29. Employee benefits expenses	99
30. Depreciation and amortization expenses	99
31. Financial income and Financial costs	100
32. Exchange rate differences and result from indexation units	101
33. Income (loss) from investments accounted for using the equity method	102
34. Other gains (losses)	102
35. Committed guarantees with third parties, contingent assets and liabilities	103
a. Third party guarantees	103
b. Guarantees obtained from third parties	104
c. Detail of litigations and others	108

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

<b>Contents</b>	<b>Page</b>
36. Commitments	111
37. Environment	112
38. Events occurred after the date of the statement of financial position	115
39. Foreign currency	116
40. Personnel	117
Annex No. 1 Additional information required for XBRL taxonomy	118

**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 June 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, 11<sup>th</sup> 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:

<b>controlling group</b>	<b>N° Share</b>	<b>Interest %</b>
Minera Valparaíso S.A.	6,166,879,733	35.17
Forestal Cominco S.A.	2,454,688,263	14.00
Forestal Constructora y Comercial del Pacífico Sur S.A.	34,126,083	0.19
Forestal y Minera Canadilla S.A.	31,232,961	0.18
Forestal Cañada S.A.	22,308,320	0.13
Forestal Bureo S.A.	17,846,000	0.10
Inversiones Orinoco S.A.	17,846,000	0.10
Inversiones Coillanca Ltda.	16,473,762	0.09
Inmobiliaria Bureo S.A.	38,224	0.00
<b>Total Shares</b>	<b>8,761,439,346</b>	<b>49.96</b>

## **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. Beginning 2017 Chilquinta S.A. group and Emelca S.A. are incorporated as clients.

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.

### **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 firm capacity of the plants', 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.

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.

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

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 Fenix 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 June 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 based on the ability to continue as an ongoing company and have been approved by its Board of Directors at the meeting held on July 26, 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 the financial reporting standards issued by the SVS as of June 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 June 30, 2016 and December 31, 2015, statements of comprehensive income for the three and six months periods ended as of June 30, 2016 and 2015, and the corresponding statements of changes in net equity and cash flows for the six month periods ended June 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 those entities that Colbún S.A. is exposed to, or has rights to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the case of the Company, in general, the power over its subsidiaries is derived from the possession of the majority of voting rights granted by the subsidiaries' capital instruments.

Subsidiaries are detailed as follows:

Subsidiary	Country	Functional currency	Taxpayer number	Percentage of intereses				
				06.30.2016			06.30.2015	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.

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 remaining 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.

During exercise 2016, Colbún has not provided contributions to the Foundation

**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 "Share of 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		
					06.30.2016	06.30.2015	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	06.30.2016	06.30.2015	12.31.2015
Chilean Pesos	661.37	639.04	710.16
Euros	0.9036	0.8971	0.9168
Peruvian Soles	3.2920	0.0000	3.4130
UF	0.0254	0.0256	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 June 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 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 non-current assets' line "Trade receivables and other receivables, non-current" to current assets' line "Trade receivables and other receivables, current" an amount of US\$ 17.7 million for the concept of global tax on sales (impuesto global a las ventas or IGV).

### 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
IFRS 10	Consolidated Financial Statements	Determined
IAS 28	Investments in Associates and Joint Ventures	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.

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

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

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the treatment of the sale or supply of goods between an investor and its associate or joint venture. The amendments issued in September 2014, provides that when the transaction involves a business (both when in a subsidiary or not) a 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 raises Colbún's costs, increasing earnings variability depending on the hydrological conditions. The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy 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.

In order to resume operations as soon as possible, Colbún obtained abroad a provisional transformer, with which it is estimated that the plant will start operating approximately at the end of September 2016. Furthermore, Colbún gave an order to proceed to manufacture of 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, increase 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 driving some modifications in energy. Within the regulatory changes, we can mention: (i) Motion for Resolution that modifies the criteria to distribute the payments for the Secondary and Complementary Transmission System, and (ii) Motion of Short Term market regulation that allows the Distributors and Large Consumers to buy in the spot market up to 10% of their demand.

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) and involving a decrease of energy prices in recent months.

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.

Given the above, as of June 30, 2016, the company's exposure to this risk is quite restricted, resulting in an exchange difference of approximately US\$2.4 million on a quarterly basis based on a sensitivity analysis with 95% confidence.

### **b. Interest rate risk**

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

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

<b>Interest rate</b>	<b>06.30.2016</b>	<b>06.30.2015</b>	<b>12.31.2015</b>
Fixed	97%	100%	100%
Floating	3%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As of June 30, 2016, a 97% of the financial debt of the company is denominated at fixed rate, while the remaining 3% corresponds to a portion of the debt of Fénix Power Perú.

Therefore, as of June 30, 2016, the exposure of the Company to variable interest rates is delimited, which results in an income of approximately US\$0,095 million in quarterly terms based on a sensitivity analysis at the 95% of reliability.

### **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 June 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". In the case of fixed-time deposits, these are made in local banks have with credit rating equal or superior to AA- and in foreign banks with investment grade credit rating. At the end of the period, the financial institution that concentrates the highest share reaches 18%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to A- or higher and national counterparts have local credit rating of AA+ or higher. It should be noted that no counterpart concentrates more than 26% in notional terms.

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

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

As of June 30, 2016, Colbún has cash in excess for an amount of US\$ 848.7 million, invested in mutual funds and time deposits with a maturity of less than 60 days. The Company also has 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\$101 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 June 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.

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

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

The risk of variation in interest rates is largely mitigated, since the 97% of the financial debt is hired at fixed rate (directly and using derivatives).

Exchange rate risk is also 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.

## 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	25
Machinery and equipment	20 - 50	27
Transport equipment	5 - 15	10
Office equipment	5 - 30	29
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
<b>Generating facilities</b>		
Hydraulic power plants		
Civil works	30 - 50	34
Electromechanical equipment	20 - 50	37
Thermoelectric power plants		
Civil works	20 - 50	26
Electromechanical equipment	20 - 35	20

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

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

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

Intangible Assets	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 June 30, 2016, the Company considers that there are no impairment indicators of fixed and intangible assets as well as intangibles with indefinite useful life.

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

As described in Note 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	06.30.2016
	Fair value recorded in the acquisition MUS\$	PPA MUS\$	Fair value Ajust MUS\$
<b>Assets</b>			
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
<b>Total Assets</b>	<b>818,019</b>	<b>-</b>	<b>818,019</b>
<b>Liabilities</b>			
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
Deferred tax liabilities	-	-	-
<b>Total Liabilities</b>	<b>639,246</b>	<b>-</b>	<b>639,246</b>
<b>Total net identifiable assets at fair value</b>	<b>178,773</b>	<b>-</b>	<b>178,773</b>
Gain from business combination	(1,672)	6,072	4,400
<b>Consideration transferred</b>	<b>177,101</b>	<b>6,072</b>	<b>183,173</b>

As of June 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
<b>Total Assets</b>	<b>4,400</b>
Payables trade and other payables, current	6,072
<b>Total liabilities</b>	<b>6,072</b>
Retained earnings	(853)
Non-controlling interests	(819)
<b>Net impact on heritage</b>	<b>(1,672)</b>

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

**Profit attributable to:**

Profit attributable to owners of the parent	<b>(853)</b>
Profit attributable to non-controlling interests	<b>(819)</b>

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.

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	06.30.2016						
	Country		Segments that must be reported	Operating segments	Eliminations	Material reconciling items	Total of the entity by segments of operation
	Chile TnUS\$	Perú TnUS\$					
<b>Statement of financial situation</b>							
<b>Current Assets</b>							
Cash and cash equivalent	453,750	27,020	480,770	480,770	-	0	480,770
Other financial assets, current	368,553	-	368,553	368,553	-	0	368,553
Other non financial assets, current	18,660	2,544	21,204	21,204	-	0	21,204
Trade receivables and other receivable accounts	133,782	72,874	206,656	206,656	-	0	206,656
Trade receivables to related entities, current	3,095	-	3,095	3,095	-	0	3,095
Inventories	113,402	4,632	118,034	118,034	-	0	118,034
Tax assets	1,029	6,651	7,680	7,680	-	0	7,680
<b>Total current assets</b>	<b>1,092,271</b>	<b>113,721</b>	<b>1,205,992</b>	<b>1,205,992</b>	-	<b>0</b>	<b>1,205,992</b>
<b>Non-current assets</b>							
Other financial assets, non current	227	-	227	227	-	0	227
Other non financial assets, non current	84,053	-	84,053	84,053	-	0	84,053
Accounts receivable to related entities, non current	272	-	272	272	-	0	272
Investments accounted for using the equity method	257,105	-	257,105	257,105	(219,919)	-219,919	37,186
Intangible assets other than goodwill	87,287	3,334	90,621	90,621	-	0	90,621
Goodwill	-	4,400	4,400	4,400	-	0	4,400
Properties, plant and equipment	4,830,662	720,018	5,550,680	5,550,680	-	0	5,550,680
Deferred tax assets	4,408	10,000	14,408	14,408	-	0	14,408
<b>Total non-current assets</b>	<b>5,264,014</b>	<b>737,752</b>	<b>6,001,766</b>	<b>6,001,766</b>	<b>(219,919)</b>	<b>-219,919</b>	<b>5,781,847</b>
<b>TOTAL ASSETS</b>	<b>6,356,285</b>	<b>851,473</b>	<b>7,207,758</b>	<b>7,207,758</b>	<b>(219,919)</b>	<b>(219,919)</b>	<b>6,987,839</b>
<b>Current Liabilities</b>							
Other financial, current liabilities	50,459	3,422	53,881	53,881	-	-	53,881
Payables trade and other payables, current	135,456	27,909	163,365	163,365	-	-	163,365
Accounts payable to related entities	719	-	719	719	-	-	719
Other provisions	13,449	2,232	15,681	15,681	-	-	15,681
Tax liabilities	31,455	1,939	33,394	33,394	-	-	33,394
Provisions for employee benefits, current	7,838	1,274	9,112	9,112	-	-	9,112
Other non financial liabilities, current	13,989	329	14,318	14,318	-	-	14,318
<b>Total current liabilities</b>	<b>253,365</b>	<b>37,105</b>	<b>290,470</b>	<b>290,470</b>	-	-	<b>290,470</b>
<b>Non-current liabilities</b>							
Other financial liabilities, non-current	1,576,432	379,611	1,956,043	1,956,043	-	-	1,956,043
Payables trade and other payables, non-current liabilities	3,217	2,895	6,112	6,112	-	-	6,112
Deferred tax liabilities	946,640	862	947,502	947,502	-	-	947,502
Provisions for employee benefits, non-current	26,638	-	26,638	26,638	-	-	26,638
Other non financial, non-current liabilities	11,005	-	11,005	11,005	-	-	11,005
<b>Total non-current liabilities</b>	<b>2,563,932</b>	<b>383,368</b>	<b>2,947,300</b>	<b>2,947,300</b>	-	-	<b>2,947,300</b>
<b>Equity</b>							
Issued capital	1,282,793	219,635	1,502,428	1,502,428	(219,635)	(219,635)	1,282,793
Retained earnings	1,493,952	1,370	1,495,322	1,495,322	(1,370)	(1,370)	1,493,952
Share premiums	52,595	-	52,595	52,595	-	-	52,595
Other reserves	709,648	(1,086)	708,562	708,562	1,086	1,086	709,648
<b>Net Equity attributable to equity holders of the parent</b>	<b>3,538,988</b>	<b>219,919</b>	<b>3,758,907</b>	<b>3,758,907</b>	<b>(219,919)</b>	<b>(219,919)</b>	<b>3,538,988</b>
Not controlled shares	-	211,081	211,081	211,081	-	-	211,081
<b>Total net equity</b>	<b>3,538,988</b>	<b>431,000</b>	<b>3,969,988</b>	<b>3,969,988</b>	<b>(219,919)</b>	<b>(219,919)</b>	<b>3,750,069</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6,356,285</b>	<b>851,473</b>	<b>7,207,758</b>	<b>7,207,758</b>	<b>(219,919)</b>	<b>(219,919)</b>	<b>6,987,839</b>

Continued

Disclosure about segments of operation	06.30.2016						
	Country		Segments that must be reported	Operating segments	Eliminations	Material reconciling items	Total of the entity by segments of operation
	Chile ThUS\$	Perú ThUS\$					
<b>Statement of comprehensive income</b>							
<b>Net income from ordinary activities</b>							
Net income from ordinary activities	622,148	110,547	732,695	732,695	-	-	732,695
<b>Whole income of ordinary activities proceeding from external clients and deals with other segments of operation of the same entity.</b>	<b>622,148</b>	<b>110,547</b>	<b>732,695</b>	<b>732,695</b>	-	<b>0</b>	<b>732,695</b>
<b>Raw materials and consumables used</b>							
Raw materials and consumables used	(282,917)	(74,101)	(357,018)	(357,018)	-	-	(357,018)
Expenses for benefit to employees	(29,223)	(2,859)	(32,082)	(32,082)	-	-	(32,082)
Depreciation and amortization expenses	(94,962)	(15,934)	(110,896)	(110,896)	-	-	(110,896)
Other expenses, by nature	(14,467)	(7,788)	(22,255)	(22,255)	-	-	(22,255)
Other profit (losses)	(4,108)	(584)	(4,692)	(4,692)	-	-	(4,692)
Financial income	5,163	275	5,438	5,438	-	-	5,438
Financial costs	(51,398)	(8,075)	(59,473)	(59,473)	-	-	(59,473)
Share of profit of associated and joint ventures accounted for using the equity method	6,974	-	6,974	6,974	(3,917)	(3,917)	3,057
Exchange rate differences	3,570	1,422	4,992	4,992	-	-	4,992
Readjustment profit (loss)	(59)	-	(59)	(59)	-	-	(59)
<b>Profit (loss) of continuing operations</b>	<b>160,721</b>	<b>2,903</b>	<b>163,624</b>	<b>163,624</b>	<b>(3,917)</b>	<b>(3,917)</b>	<b>159,707</b>
Income tax expense	(37,011)	4,782	(32,229)	(32,229)	-	-	(32,229)
<b>Profit (loss)</b>	<b>123,710</b>	<b>7,685</b>	<b>131,395</b>	<b>131,395</b>	<b>(3,917)</b>	<b>-3,917</b>	<b>127,478</b>
<b>Attributable to:</b>							
Profit attributable to the owners of the controller	123,710	3,917	127,627	127,627	(3,917)	(3,917)	123,710
Profit attributable to non-controlling stakes	-	3,768	3,768	3,768	-	-	3,768
<b>Profit</b>	<b>123,710</b>	<b>7,685</b>	<b>131,395</b>	<b>131,395</b>	<b>(3,917)</b>	<b>(3,917)</b>	<b>127,478</b>
<b>Statements of cash flow</b>							
Cash flows from (used in) operating activities.	237,969	20,998	258,967	258,967	-	-	258,967
Cash flows from (used in) investment activities.	(239,282)	(7,505)	(246,787)	(246,787)	-	-	(246,787)
Cash flows from (used in) financing activities	(405,552)	(11,015)	(416,567)	(416,567)	-	-	(416,567)

Disclosure 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\$
<b>Statement of financial situation</b>							
<b>Current Assets</b>							
Cash and cash equivalent	851,587	24,543	876,130	876,130	-	0	876,130
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	43,346	166,602	166,602	-	0	166,602
Trade receivables to related entities, current	2,590	-	2,590	2,590	-	0	2,590
Inventories	34,199	3,861	38,060	38,060	-	0	38,060
Tax assets	8,634	-	8,634	8,634	-	0	8,634
<b>Total current assets</b>	<b>1,287,497</b>	<b>78,288</b>	<b>1,365,785</b>	<b>1,365,785</b>	-	<b>0</b>	<b>1,365,785</b>
<b>Non-current assets</b>							
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
Trade receivables and other receivables	0	17,722	17,722	17,722	-	0	17,722
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
Properties, 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
<b>Total non-current assets</b>	<b>5,241,115</b>	<b>762,564</b>	<b>6,003,679</b>	<b>6,003,679</b>	<b>(211,907)</b>	<b>(211,907)</b>	<b>5,791,772</b>
<b>TOTAL ASSETS</b>	<b>6,528,612</b>	<b>840,851</b>	<b>7,369,463</b>	<b>7,369,463</b>	<b>(211,907)</b>	<b>(211,907)</b>	<b>7,157,557</b>
<b>Current Liabilities</b>							
Other financial, current liabilities	91,371	362,014	453,385	453,385	-	-	453,385
Payables 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
<b>Total current liabilities</b>	<b>306,598</b>	<b>407,303</b>	<b>713,901</b>	<b>713,901</b>	-	-	<b>713,901</b>
Other financial liabilities, non-current	1,766,573	15,683	1,782,256	1,782,256	-	-	1,782,256
Payables trade and other payables, non-current liabilities	3,217	3,205	6,422	6,422	-	-	6,422
Deferred tax liabilities	955,107	843	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
<b>Total non-current liabilities</b>	<b>2,758,501</b>	<b>19,737</b>	<b>2,778,238</b>	<b>2,778,238</b>	-	-	<b>2,778,238</b>
<b>Equity</b>							
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	1,633	1,633	1,411,684
Share premiums	52,595	-	52,595	52,595	-	-	52,595
Other reserves	715,588	-	715,588	715,588	-	-	715,588
<b>Net Equity attributable to equity holders of the parent</b>	<b>3,463,513</b>	<b>211,054</b>	<b>3,674,567</b>	<b>3,674,567</b>	<b>(211,907)</b>	<b>(211,907)</b>	<b>3,462,660</b>
Not controlled shares	-	202,758	202,757.54	202,758	-	-	202,758
<b>Total net equity</b>	<b>3,463,513</b>	<b>413,811</b>	<b>3,877,324</b>	<b>3,877,324</b>	<b>(211,907)</b>	<b>(211,907)</b>	<b>3,665,418</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6,528,612</b>	<b>840,851</b>	<b>7,369,463</b>	<b>7,369,463</b>	<b>(211,907)</b>	<b>(211,907)</b>	<b>7,157,557</b>

Continued

Disclosure 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					
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	MUS\$	ThUS\$
<b>Statement of comprehensive income</b>							
<b>Net income from ordinary activities</b>							
Net income from ordinary activities	1,307,633	6,223	1,313,856	1,313,856	-	-	1,313,856
<b>Whole income of ordinary activities proceeding from external clients and deals with other segments of operation of the same entity.</b>	<b>1,307,633</b>	<b>6,223</b>	<b>1,313,856</b>	<b>1,313,856</b>	<b>-</b>	<b>0</b>	<b>1,313,856</b>
<b>Raw materials and consumables used</b>							
Raw materials and consumables used	(641,146)	(4,788)	(645,934)	(645,934)	-	-	(645,934)
Expenses for benefit to employees	(55,911)	(171)	(56,082)	(56,082)	-	-	(56,082)
Depreciation and amortization expenses	(193,730)	(1,217)	(194,947)	(194,947)	-	-	(194,947)
Other expenses, by nature	(28,525)	22	(28,503)	(28,503)	-	-	(28,503)
Other profit (losses)	(2,159)	2,611	452	452	-	-	452
Financial income	5,474	43	5,517	5,517	-	-	5,517
Financial costs	(85,170)	(5,366)	(90,536)	(90,536)	-	-	(90,536)
Share of profit of associated and joint ventures accounted for using the equity method	4,927	-	4,927	4,927	1,693	1,693	6,620
Exchange rate differences	(10,658)	(502)	(11,160)	(11,160)	-	-	(11,160)
Readjustment profit (loss)	2,425	-	2,425	2,425	-	-	2,425
<b>Profit (loss) of continuing operations</b>	<b>303,160</b>	<b>(3,145)</b>	<b>300,015</b>	<b>300,015</b>	<b>1,693</b>	<b>1,693</b>	<b>301,708</b>
Income tax expense	(98,500)	(1,103)	(99,603)	(99,603)	-	-	(99,603)
<b>Profit (loss)</b>	<b>204,660</b>	<b>(4,248)</b>	<b>200,412</b>	<b>200,412</b>	<b>1,693</b>	<b>1,693</b>	<b>202,105</b>
<b>Attributable to:</b>							
Profit attributable to the owners of the controller	204,660	(1,693)	202,967	202,967	1,693	1,693	204,660
Profit attributable to non-controlling stakes	-	(2,555)	(2,555)	(2,555)	-	-	(2,555)
<b>Profit</b>	<b>204,660</b>	<b>(4,248)</b>	<b>200,412</b>	<b>200,412</b>	<b>1,693</b>	<b>1,693</b>	<b>202,105</b>
<b>Statements of cash flow</b>							
Cash flows from (used in) operating activities.	682,470	16,241	698,711	698,711	-	-	698,711
Cash flows from (used in) investment activities.	99,675	(66)	99,609	99,609	-	-	99,609
Cash flows from (used in) financing activities	(166,560)	(3,010)	(169,570)	(169,570)	-	-	(169,570)

As of June 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 - June		April- June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$

Energy	541,620	517,384	264,248	277,651
Capacity	95,957	77,956	48,851	39,048
Other	95,118	80,129	57,051	41,760

<b>Total</b>	<b>732,695</b>	<b>675,469</b>	<b>370,150</b>	<b>358,459</b>
--------------	----------------	----------------	----------------	----------------

## Information on sales to main clients

Main clients	January - June				April- June			
	2016		2015		2016		2015	
	ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
<b>Chile</b>								
CGE Distribución S.A.	176,996	24%	171,287	25%	89,432	24%	87,919	25%
Corporación Nacional del Cobre Chile	150,242	21%	129,593	19%	74,974	20%	72,134	20%
Chilectra S.A.	104,390	14%	101,365	15%	53,783	15%	51,494	14%
Sociedad Austral del Sur S.A.	41,184	6%	51,461	8%	15,778	4%	26,959	8%
Anglo American S.A.	42,886	6%	44,825	7%	21,838	6%	22,749	6%
Others	106,450	15%	176,938	26%	59,382	16%	97,204	27%
<b>Subtotal</b>	<b>622,148</b>	<b>85%</b>	<b>675,469</b>	<b>100%</b>	<b>315,187</b>	<b>85%</b>	<b>358,459</b>	<b>100%</b>
<b>Perú</b>								
Luz del Sur	46,247	6%	-	-	18,323	5%	-	-
Empresa de Distribución Eléctrica de Lima Norte	9,845	1%	-	-	3,832	1%	-	-
Compañía Eléctrica El Platano S.A.	9,800	1%	-	-	4,226	1%	-	-
Others	44,655	6%	-	-	28,582	8%	-	-
<b>Subtotal</b>	<b>110,547</b>	<b>15%</b>	<b>-</b>	<b>-</b>	<b>54,963</b>	<b>15%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>732,695</b>	<b>100%</b>	<b>675,469</b>	<b>100%</b>	<b>370,150</b>	<b>100%</b>	<b>358,459</b>	<b>100%</b>

## 8. Classes of cash and cash equivalents

### a. Account composition

Cash and cash equivalents are detailed as follows:

Cash and cash equivalent	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Cash	56	52
Banks balances	26,629	25,465
Time deposits	381,633	770,796
Other fixed-income instruments	72,452	79,817
<b>Total</b>	<b>480,770</b>	<b>876,130</b>

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 June 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	06.30.2016		12.31.2015	
	Original currency ThUS\$	Currency with derivative <sup>(1)</sup> ThUS\$	Original currency ThUS\$	Currency with derivative (1) ThUS\$
EUR	835	835	440	440
CLP	240,009	128,066	220,942	134,145
PEN	2,555	2,555	5,815	5,815
USD	237,371	349,314	648,933	735,730
<b>Total</b>	<b>480,770</b>	<b>480,770</b>	<b>876,130</b>	<b>876,130</b>

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



**c. Acquisition of subsidiaries**

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

(\*) 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	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Time Deposit (1)	367,907	185,269	-	-
Hedge derivate instruments (2) (See Note 14.1)	646	124	-	-
Investment in the CDEC	-	-	227	212
<b>Total</b>	<b>368,553</b>	<b>185,393</b>	<b>227</b>	<b>212</b>

- (1) As of June 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	
	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Trade receivables with contract	149,097	123,967
Other receivables (1)	57,559	60,357
<b>Total</b>	<b>206,656</b>	<b>184,324</b>

(1) As of June 30, 2016, current balance includes the recoverable taxes (VAT, tax on general sales (IGV) and specific tax) of ThUS\$ 21,844, fiduciary guarantee of ThUS\$ 13,339, JP Morgan collateral guarantee of ThUS\$ 4,159 and other minor items of ThUS\$ 4,848. While as of December 31, 2015, the corresponding balance of recoverable taxes was ThUS\$ 36,321, fiduciary guarantee amounted to ThUS\$ 19,377 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.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 of US\$ 11.0 million, 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 June 30, 2016 and December 31, 2015, the analysis of Trade Accounts Receivable is as follows:

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

Trade accounts receivable invoiced	Balance as of 06.30.2016					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-more ThUS\$	Total ThUS\$
Regulated customers	-	3,769	3	-	11,024	14,796
Unregulated customers	-	3,434	14	2	261	3,711
Other receivables	-	11,524	1,290	499	-	13,313
<b>Subtotal</b>	-	<b>18,727</b>	<b>1,307</b>	<b>501</b>	<b>11,285</b>	<b>31,820</b>

  

Trade accounts receivable to be invoiced	Balance as of 06.30.2016					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-more ThUS\$	Total ThUS\$
Regulated customers	-	65,168	-	35	2,220	67,423
Unregulated customers	-	38,279	-	-	-	38,279
Other receivables	-	6,945	-	1	4,629	11,575
<b>Subtotal</b>	-	<b>110,392</b>	<b>0</b>	<b>36</b>	<b>6,849</b>	<b>117,277</b>
<b>Total trade accounts receivable</b>	<b>0</b>	<b>129,119</b>	<b>1,307</b>	<b>537</b>	<b>18,134</b>	<b>149,097</b>
<b>Number of clients (unaudited)</b>	<b>0</b>	<b>216</b>	<b>41</b>	<b>116</b>	<b>29</b>	

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	122	1,785
Unregulated customers	-	-	-	-	-	0
Other receivables	-	774	237	17	-	1,028
<b>Subtotal</b>	<b>0</b>	<b>2,430</b>	<b>242</b>	<b>19</b>	<b>122</b>	<b>2,813</b>

  

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	15,944	51,347	5,989	22	6,305	79,607
Unregulated customers	-	34,942	225	-	-	35,167
Other receivables	-	2,079	1,341	-	2,960	6,380
<b>Subtotal</b>	<b>15,944</b>	<b>88,368</b>	<b>7,555</b>	<b>22</b>	<b>9,265</b>	<b>121,154</b>
<b>total trade accounts receivable</b>	<b>15,944</b>	<b>90,798</b>	<b>7,797</b>	<b>41</b>	<b>9,387</b>	<b>123,967</b>
<b>Number of clients (unaudited)</b>	<b>6</b>	<b>156</b>	<b>56</b>	<b>78</b>	<b>22</b>	

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

June 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)	26,685	-	-	-	-	26,685
Time Deposits (see Note 8)	-	381,633	-	72,452	-	454,085
Trade and other accounts receivable (see Note 10)	-	-	184,811	-	-	184,811
Accounts receivable from related parties (see Note 12.b.1)	-	-	3,367	-	-	3,367
Financial derivative instruments (see Note 14.1)	-	-	-	-	646	646
Other financial assets (see Note 9)	-	368,134	-	-	-	368,134
<b>Total</b>	<b>26,685</b>	<b>749,767</b>	<b>188,178</b>	<b>72,452</b>	<b>646</b>	<b>1,037,728</b>

  

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)	25,517	-	-	-	-	25,517
Time Deposits (see Note 8)	-	770,796	-	79,817	-	850,613
Trade and other accounts receivable (see Note 10)	-	-	148,011	-	-	148,011
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
<b>Total</b>	<b>25,517</b>	<b>956,277</b>	<b>150,881</b>	<b>79,817</b>	<b>124</b>	<b>1,212,616</b>

As of June 30, 2016, it does not consider the recoverable taxes of ThUS\$ 21,844. While as of December 31, 2015, the balance corresponding to current recoverable taxes was ThUS\$ 36,313.

## a.2 Liabilities

<b>June 30, 2016</b>	<b>Other financial liabilities</b>	<b>Hedge derivatives</b>	<b>Total</b>
	ThUS\$	ThUS\$	ThUS\$
Loans that accrue interest (see note 22.a)	1,966,257	-	1,966,257
Liabilities from leasing (see note 22.a)	15,859	-	15,859
Financial derivative instruments (see note 14.1)	-	27,808	27,808
Trade accounts payables (see note 23)	169,477	-	169,477
Accounts payable to related parties (see Note 12.b.2)	719	-	719
<b>Total</b>	<b>2,152,312</b>	<b>27,808</b>	<b>2,180,120</b>

<b>December 31, 2015</b>	<b>Other financial liabilities</b>	<b>Hedge derivatives</b>	<b>Total</b>
	ThUS\$	ThUS\$	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
<b>Total</b>	<b>2,405,500</b>	<b>41,648</b>	<b>2,447,148</b>

**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	06.30.2016 ThUS\$	12.31.2015 ThUS\$
<b>Customers with local credit rating</b>		
AAA	20,656	27,377
AA+	3,331	1
AA	6,993	23,685
AA-	19,956	-
A+	53,606	50,067
A	38	26
<b>Total</b>	<b>104,580</b>	<b>101,156</b>
<b>Customer without local credit rating</b>		
<b>Total</b>	<b>44,517</b>	<b>22,811</b>
<b>Banks balances and short-term time deposits - local market</b>		
AAA	252,332	239,061
AA+	84,092	32,679
AA	6,130	100,297
AA-	-	80
A+o lower	27,080	6,907
<b>Total</b>	<b>369,634</b>	<b>379,024</b>
<b>Banks balances and short-term time deposits - international market (*)</b>		
BBB- o higher	406,591	602,558
<b>Total</b>	<b>406,591</b>	<b>602,558</b>
<b>Financial assets with international counterpart (*)</b>		
A o higher	270	124
<b>Total</b>	<b>270</b>	<b>124</b>

(\*) 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 Controller, 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 June 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	4.22
AFP Cuprum S.A. (**)	3.96
AFP Capital S.A. (**)	3.76
Banco Itaú por cuenta de inversionistas	3.65
Banco Santander JP Morgan	1.81
Others shareholders	14.39
<b>Total</b>	<b>100.00</b>

(\*) Companies belonging to the controlling group (Matte Group).

(\*\*) Correspond to the total participation of each pension fund administrator.

### b. Balances and transactions with related entities

Operations receivable, payable and transactions with entities were conducted under terms and market conditions and 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

Taxpayer number	Company	Country	Relationship	Currency	Current		Non-current	
					06.30.2016	31.12.2015	06.30.2016	31.12.2015
					ThUS\$	ThUS\$	ThUS\$	ThUS\$
96.806.130-5	Electrogas S.A.	Chile	Asociated	US Dollar	2,732	2,527	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilean peso	40	40	272	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	-	10	-	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Chilean peso	310	-	-	-
<b>Total</b>					<b>3,095</b>	<b>2,590</b>	<b>272</b>	<b>280</b>

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

Taxpayer number	Company	Country	Relationship	Currency	Corriente	
					06.30.2016	12.31.2015
					MUS\$	MUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Chilean Pesos	188	-
96.565.580-8	Cía. Leasing Tattersall S.A.	Chile	Common director	Chilean Pesos	124	56
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common director	Chilean Pesos	357	227
97.080.000-K	Banco Bice	Chile	Business group	Chilean Pesos	3	-
96.806.980-2	Entel PCS Comunicaciones S.A.	Chile	Common director	Chilean Pesos	47	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
<b>Total</b>					<b>719</b>	<b>30,252</b>

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- June				April- June					
						2016		2015		2016		2015			
						Amount	Effect in income (expense)	Amount	Effect in income (expense)	Amount	Effect in income (expense)	Amount	Effect in income (expense)		
						ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint - Venture	Chilean pesos	Transmission line tolls	1,322	(1,111)	1,025	(861)	561	(471)	409	(344)		
				UF	Services rendered	53	46	69	58	22	20	36	30		
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Joint - Venture	Chilean pesos	Capital contributions (1)	2,660	-	3,558	-	-	-	805	-		
96.806.130-5	Electrogas S.A.	Chile	Asociated	US Dollar	Gas transportation service	4,623	(3,885)	5,072	(4,262)	2,328	(1,956)	2,631	(2,211)		
				US Dollar	Diesel transportation service	513	(430)	450	(378)	251	(210)	181	(152)		
				US Dollar	Declared dividends (2)	6,079	-	7,550	-	-	-	-	-	-	-
				US Dollar	Dividends received (2)	5,950	-	5,100	-	5,950	-	5,100	-	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilean pesos	Other leases	26	22	204	171	8	7	83	69		
97.080.000-K	Banco Bice	Chile	Common director	Chilean pesos	Services received	14	(12)	17	(14)	6	(5)	8	(6)		
96.620.900-3	Empresa Chilena de Gas Natural	Chile	Common director	Chilean pesos	Purchases of natural gas	59,881	(50,320)	88,922	(74,724)	37,035	(31,122)	58,609	(49,251)		
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Chilean pesos	Sale of energy, power capacity and transportation of electricity.	562	472	674	566	147	123	378	317		
79.621.850-9	Forestal Cominco S.A.	Chile	Major shareholder	US Dollar	Interim dividends	14,213	-	7,703	-	8,665	-	1,787	-		
90.412.000-6	Minera Valparaíso S.A.	Chile	Major shareholder	US Dollar	Interim dividends	35,706	-	19,351	-	21,769	-	4,489	-		
99.520.000-7	Compañía de Petróleos de Chile Copec S.A	Chile	Common director	Chilean pesos	Diesel supply service	3,977	(3,208)	41,771	(35,578)	2,625	(2,085)	19,733	(18,869)		
96.565.580-8	Leasing Tattersall S.A.	Chile	Common director	Chilean pesos	Car leasings	734	(617)	740	(622)	416	(350)	415	(349)		
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common director	Chilean pesos	Phone service	219	(184)	252	(212)	109	(92)	139	(117)		
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common director	Chilean pesos	Phone service	36	(30)	30	(25)	24	(20)	29	(25)		
96.722.460-k	Metrogas S.A.	Chile	Common director	US Dollar	Purchases of natural gas	1,024	(861)	4	(3)	1	(1)	4	(3)		

(1) Contributions to Centrales Hidroeléctricas de Aysén S.A.

- 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.

- 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. In May 2016, Colbún received ThUS\$ 5,950 leaving an outstanding balance of payment to be received of ThUS\$ 2,732.

(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.

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

### e.1 Board's remuneration

Name	Title	January-June				April-June			
		2016		2015		2016		2015	
		Colbún Board ThUS\$	Directors Committee ThUS\$	Colbún Board ThUS\$	Directors Committee ThUS\$	Colbún Board ThUS\$	Directors Committee ThUS\$	Colbún Board ThUS\$	Directors Committee ThUS\$
Bernardo Larraín Matte <sup>(1)</sup>	President	62	-	48	-	40	-	24	-
Vivianne Blanlot Soza <sup>(1)</sup>	Vice-president	30	4	24	7	19	-	12	3
Juan Eduardo Correa García <sup>(1)</sup>	Director	28	6	24	-	17	6	12	-
Luz Granier Bulnes <sup>(1)</sup>	Director	31	8	12	4	20	4	12	4
Arturo Mackenna Iñiguez <sup>(1)</sup>	Director	31	-	24	-	20	-	12	-
Eduardo Navarro Beltrán <sup>(1)</sup>	Director	31	-	24	-	20	-	12	-
María Ignacia Benitez Pereira <sup>(1)</sup>	Director	17	6	-	-	17	6	-	-
Jorge Matte Capdevila <sup>(1)</sup>	Director	17	-	-	-	17	-	-	-
Francisco Matte Izquierdo <sup>(1)</sup>	Director	17	-	-	-	17	-	-	-
Luis Felipe Gazitúa Achondo	Director	19	4	24	7	8	-	12	3
Eliodoro Matte Larraín	Director	17	-	24	-	6	-	12	-
Juan Hurtado Vicuña	Director	17	-	24	-	6	-	12	-
Sergio Undurraga Saavedra	Director	1	-	12	4	1	-	-	-
		<b>318</b>	<b>28</b>	<b>240</b>	<b>22</b>	<b>208</b>	<b>16</b>	<b>120</b>	<b>10</b>

(1) Current directors as of June 30, 2016

On May 5, 2016 the variable remuneration amounting to ThUS\$ 572 from the profit for the year 2015 was paid, as agreed at the Ordinary Shareholders' Meeting dated April 22, 2015.

### e.2 Board advisory expenses

Periods ended June 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- June		April- June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current employee benefits	2,546	2,183	1,370	1,128
Termination benefits	94	95	62	118
<b>Total</b>	<b>2,640</b>	<b>2,278</b>	<b>1,432</b>	<b>1,246</b>

#### **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**

As of June 30, 2016, there is an Advisory Services Delivery Contract, between Colbún S.A. and MR Consult Limitada, for the development, planning, management, direction and control of projects in current execution or future projects developed by the Company, either transmission line projects, electric substations, hydroelectric or thermoelectric plants and other industrial facilities of Colbún S.A. or its subsidiaries.

The contract has a cost of \$ 7 million per month for a period of 12 months, counted from September 1, 2015. Given that MR Consult Limited is a company related to Director Arturo Mackenna I., who is a principal partner of the same, the contract was reviewed and approved by the Committee of Directors.

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

During the periods ended as of June 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 June 30, 2016 no indemnities were, while for the period ended as of June 30, 2015, payments for such concept amounted to ThUS\$ 172.

#### **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	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Spare parts	99,730	77,536
Provision for obsolescence <sup>(1)</sup>	(2,660)	(2,660)
Coal	11,641	15,750
Petroleum	4,294	5,927
Gas Line Pack	274	274
Inventory in transit <sup>(2)</sup>	4,755	1,233
<b>Total</b>	<b>118,034</b>	<b>98,060</b>

(1) Corresponds to the obsolescence allowance of spare parts (Note 3.1.j.1).

(2) Corresponds to coal inventory to be used by Unit 1 of Santa María Complex power plant.

No inventory items are pledge as debt guarantees.

#### Cost of inventory recognized as expense

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

Cost of inventory	January- June		April- June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Warehouse supplies	3,482	4,057	1,692	2,535
Petroleum (see Note 28)	25,321	40,597	23,231	18,100
Gas Line Pack (see Note 28)	140,921	191,325	68,565	96,247
Coal (see note 28)	35,527	48,787	16,861	22,176
<b>Total</b>	<b>205,251</b>	<b>284,766</b>	<b>110,349</b>	<b>139,058</b>

## 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 June 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	
		06.30.2016 ThUS\$	12.31.2015 ThUS\$	06.30.2016 ThUS\$	12.31.2015 ThUS\$
<b>Exchange rate hedge</b>	Cash flows hedge	376	-	-	-
<b>Fuel price hedge</b>	Cash flows hedge	270	124	-	-
<b>Total (see Note 9)</b>		<b>646</b>	<b>124</b>	<b>-</b>	<b>-</b>

Hedge Liabilities		Current		Non-current	
		06.30.2016 ThUS\$	12.31.2015 ThUS\$	06.30.2016 ThUS\$	12.31.2015 ThUS\$
<b>Exchange rate hedge</b>	Cash flows hedge	1,020	3,604	20,103	34,256
<b>Interest rate hedge</b>	Cash flows hedge	687	1,179	5,998	2,609
<b>Total (see Note 22.a)</b>		<b>1,707</b>	<b>4,783</b>	<b>26,101</b>	<b>36,865</b>

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

Hedging Instrument	Fair value		Hedged item	Hedged Risk	Type of hedge
	Hedging instrument				
	30.06.2016 ThUS\$	31.12.2015 ThUS\$			
Currency forwards	(215)	(1,401)	Future Disbursements Project.	Exchange rate	Cash flow
Currency forwards	-	353	Dividends	Exchange rate	Cash flow
Currency forwards	(468)	(217)	Financial investment	Exchange rate	Cash flow
Interest rate swaps	(6,002)	(1,079)	Bank loans	Interest rate	Cash flow
Interest rate swaps	(3,006)	(2,215)	Obligations with the public (Bonds)	Interest rate	Cash flow
Cross Currency Swaps	(22,941)	(37,089)	Obligations with the public (Bonds)	Exchange rate	Cash flow
Oil options	-	124	Oil purchases	Oil price	Cash flow
	<b>(32,632)</b>	<b>(41,524)</b>			

During the periods ended as of June 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 June 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 June 30, 2016 and December 31, 2015:

Subsidiary	06.30.2016						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$
Empresa Eléctrica Industrial S.A.	673	12,940	2,922	7,600	3,091	3,015	1,216
Sociedad Hidroeléctrica Melocotón Ltda.	693	4,999	160	146	5,386	1,752	1,448
Río Tranquillo S.A.	1,399	64,383	3,989	11,387	50,406	11,201	5,887
Termoeléctrica Nehuenco S.A.	179	4,433	1,325	20,560	(17,273)	3,797	426
Termoeléctrica Antihue S.A.	15	42,252	1,179	16,578	24,510	2,400	765
Colbún Transmisión S.A.	3,172	114,288	1,960	21,427	94,073	12,568	7,125
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.	215	219,705	1	-	219,919	-	3,916
Inversiones Las Canteras S.A.	25	431,614	-	862	430,777	-	7,691
Ferri Power Perú S.A.	113,482	730,003	37,104	382,506	423,875	110,547	7,720

  

Subsidiary	12.31.2015						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$
Empresa Eléctrica Industrial S.A.	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 Tranquillo 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 Antihue 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)
Ferri 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.b.

## 16. Investments accounted for using the equity method

### a. Equity method

As of June 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 06.30.2016 %	Balance as 01.01.2016 ThUS\$	Additions ThUS\$	Otros ajustes MUS\$	Result of the period ThUS\$	Dividends ThUS\$	Equity reserves				Total 06.30.2016 ThUS\$
									Exchange conversion difference ThUS\$	Hedging derivates reserve ThUS\$	Adjustment of equity at associate ThUS\$	Deterioro MUS\$	
Associated	Electrogas S.A.	175,076	42.50%	16,968	-	-	4,078	(6,079)	-	(158)	-	-	14,809
Joint ventures	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.00%	8,201	2,660	-	(1,478)	-	1,005	-	-	-	10,388
Joint ventures	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	10,843	-	-	457	-	689	-	-	-	11,989
<b>Totals</b>				<b>36,012</b>	<b>2,660</b>	<b>-</b>	<b>3,057</b>	<b>(6,079)</b>	<b>1,694</b>	<b>(158)</b>	<b>-</b>	<b>-</b>	<b>37,186</b>

Type of relation	Company	Number of shares	Participation 12.31.2015 %	Balance as 01.01.2015 ThUS\$	Additions ThUS\$	Otros ajustes MUS\$	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\$	Deterioro MUS\$	
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
<b>Totals</b>				<b>40,115</b>	<b>3,906</b>	<b>-</b>	<b>6,620</b>	<b>(7,889)</b>	<b>(4,321)</b>	<b>(882)</b>	<b>(1,537)</b>	<b>-</b>	<b>36,012</b>

**b. Financial information of associates and companies under joint control**

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

		06.30.2016						
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.	9,790	63,526	15,723	22,749	17,587	(1,262)	9,596
Joint ventures	Centrales Hidroeléctricas de Aysén S.A.	802	22,921	2,564	86	8	(2,959)	(3,142)
Joint ventures	Transmisora Eléctrica de Quillota Ltda.	8,854	18,132	339	2,631	2,101	(490)	953

		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. 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):**

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

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

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

### **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:

<b>Intangible assets, net</b>		<b>06.30.2016</b>	<b>12.31.2015</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Particulate material emission rights	7,701	7,701
	Concessions	87	87
	Water rights	18,512	18,418
	Easements	57,823	57,844
	Customer relationships	3,315	3,315
<b>Licenses</b>	Software	3,183	3,975
<b>Total</b>		<b>90,621</b>	<b>91,340</b>

<b>Intangible assets, gross</b>		<b>06.30.2016</b>	<b>12.31.2015</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Particulate material emission rights	7,701	7,701
	Concessions	98	98
	Water rights	18,522	18,426
	Easements	58,890	58,796
	Customer relationships	3,315	3,315
<b>Licenses</b>	Software	10,097	10,347
<b>Total</b>		<b>98,623</b>	<b>98,683</b>

<b>Accumulated amortization</b>		<b>06.30.2016</b>	<b>12.31.2015</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Concessions	(11)	(11)
	Water rights	(10)	(8)
	Easements	(1,067)	(952)
<b>Licenses</b>	Software	(6,914)	(6,372)
<b>Total</b>		<b>(8,002)</b>	<b>(7,343)</b>

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

Movements during the periods are detailed as follows:

Movements in 2016	Not generated internally					Licenses	Net intangible
	Rights emission particulate material	Concessions	Water rights	Easements	Customer relationships	Software	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Beginning balance as of 01.01.2016	7,701	87	18,418	57,844	3,315	3,975	91,340
Additions	-	-	96	1,479	-	6	1,581
Expropriations	-	-	-	(1,413)	-	(228)	(1,641)
Accumulated amortization Expropriations	-	-	-	-	-	63	63
Transfers.	-	-	-	28	-	(28)	-
Transfer of accumulated amortization	-	-	-	(28)	-	28	-
Amortization expenses (see note 30)	-	-	(2)	(87)	-	(633)	(722)
<b>Final balance at the 06.30.2016</b>	<b>7,701</b>	<b>87</b>	<b>18,512</b>	<b>57,823</b>	<b>3,315</b>	<b>3,183</b>	<b>90,621</b>

Movements in 2015	Not generated internally					Licenses	Net intangible
	Rights emission particulate material	Concessions	Water rights	Easements	Customer relationships	Software	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Beginning balance as of 01.01.2015	7,701	2	17,647	55,880	-	4,158	85,388
Additions	-	87	775	477	-	658	1,997
Acquisitions through business combinations (see note 7)	-	-	-	-	3,315	226	3,541
Current additions	-	-	-	1,662	-	-	1,662
Expropriations	-	-	-	-	-	-	-
Transfers.	-	-	-	-	-	-	-
Amortization expenses (see note 31)	-	(2)	(4)	(175)	-	(1,067)	(1,248)
<b>Final balance at the 12.31.2015</b>	<b>7,701</b>	<b>87</b>	<b>18,418</b>	<b>57,844</b>	<b>3,315</b>	<b>3,975</b>	<b>91,340</b>

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:

<b>Classes of Property, Plant &amp; Equipment, net</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
	ThUS\$	ThUS\$
Land	295,669	288,398
Buildings and infrastructure	233,816	251,672
Machinery and equipment	2,254,619	2,300,513
Transport equipment	411	511
Office Equipment	3,560	3,660
Computer equipment	1,009	1,236
Construction in progress	489,796	438,221
Finances leases	12,627	14,739
Other property, plant & equipment	2,259,173	2,303,672
<b>Total</b>	<b>5,550,680</b>	<b>5,602,622</b>
<b>Classes of Property, Plant &amp; Equipment, gross</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
	ThUS\$	ThUS\$
Land	295,669	288,398
Buildings and infrastructure	278,013	290,911
Machinery and equipment	2,863,269	2,848,746
Transport equipment	1,481	1,540
Office Equipment	8,647	8,560
Computer equipment	6,998	6,913
Construction in progress	491,355	439,780
Finances leases	15,376	17,103
Other property, plant & equipment	2,842,531	2,843,636
<b>Total</b>	<b>6,803,339</b>	<b>6,745,587</b>
<b>Classes of Property, Plant &amp; Equipment, accumulated depreciation and impairment</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
	ThUS\$	ThUS\$
Buildings and infrastructure	(44,197)	(39,239)
Machinery and equipment	(608,650)	(548,233)
Transport equipment	(1,070)	(1,029)
Office Equipment	(5,087)	(4,900)
Computer equipment	(5,989)	(5,677)
Construction in progress	(1,559)	(1,559)
Finances leases	(2,749)	(2,364)
Other property, plant & equipment	(583,358)	(539,964)
<b>Total</b>	<b>(1,252,659)</b>	<b>(1,142,965)</b>



## 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	288,398	251,672	2,300,513	511	3,660	1,236	438,221	14,739	2,303,672	5,602,622
Additions	7,657	108	100	-	-	94	53,738	-	16	61,713
Current additions	86	-	-	-	-	-	-	-	-	86
Expropriations	(467)	-	(3,547)	(33)	-	-	-	-	-	(4,047)
Accumulated depreiations expropriations	-	-	448	33	-	-	-	-	-	481
Transfers.	(5)	(13,006)	17,970	(26)	87	(9)	(2,163)	(1,727)	(1,121)	-
Amortization expenses (see note 30)	-	(4,958)	(60,865)	(74)	(187)	(312)	-	(385)	(43,394)	(110,175)
<b>Total Movement</b>	<b>7,271</b>	<b>(17,856)</b>	<b>(45,894)</b>	<b>(100)</b>	<b>(100)</b>	<b>(227)</b>	<b>51,575</b>	<b>(2,112)</b>	<b>(44,499)</b>	<b>(51,942)</b>
<b>Final Balance at the 06.30.16</b>	<b>295,669</b>	<b>233,816</b>	<b>2,254,619</b>	<b>411</b>	<b>3,560</b>	<b>1,009</b>	<b>489,796</b>	<b>12,627</b>	<b>2,259,173</b>	<b>5,550,680</b>

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)	39	115,733	591,417	213	174	83	3,574	14,768	9,537	735,538
Expropriations	(52)	(25)	(430)	-	(28)	(64)	-	-	-	(599)
Accumulated depreiations 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)	(592)	-	(29)	(86,888)	(193,699)
<b>Total Movement</b>	<b>330</b>	<b>110,095</b>	<b>517,715</b>	<b>165</b>	<b>(236)</b>	<b>145</b>	<b>79,296</b>	<b>14,739</b>	<b>(75,833)</b>	<b>646,416</b>
<b>Final Balance at the 12.31.15</b>	<b>288,398</b>	<b>251,672</b>	<b>2,300,513</b>	<b>511</b>	<b>3,660</b>	<b>1,236</b>	<b>438,221</b>	<b>14,739</b>	<b>2,303,672</b>	<b>5,602,622</b>

(\*) See note 34



### 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 June 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\$ 49,119 and ThUS\$59,503, respectively. The companies with which it operates are: ABB Ltda., Power Machines, Andritz Hydro S.R.L., Dynavec AS, B. Bosch S.A., ABB S.A., Siemens S.A., Zublin International GmbH Chile SPA, Ebosa S.A., Compañía Puerto de Coronel S.A., Power Machines Agencia en Chile, Cobra Chile Servicios S.A., Autotrol Chile S.A., Abengoa Chile S.A., Sistemas Eléctricos Ingeniería y Servicios S.A., Constructora Santa María Limitada, , Ima Tecnologías Limitada, Sociedad Axiobase S.A., ENV Obras Civiles y Montajes SPA and Vigaflow S A.
- iv) Capitalized interest costs (IAS23) for the periods ended June 30, 2016 and 2015 amounted to:

Concept	January- June		April- June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Capitalized interest cost ThUS\$ (See note 31)	5,411	3,679	3,294	1,868
Corporate's average financing rate	4.40%	4.86%		

### v) Operating lease

As of June 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:

June 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	114,359	457,432	2,559,012	3,130,803
<b>Total</b>	<b>114,359</b>	<b>457,432</b>	<b>2,559,012</b>	<b>3,130,803</b>

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
<b>Total</b>	<b>114,343</b>	<b>457,371</b>	<b>2,614,726</b>	<b>3,186,440</b>

#### vi) Financial lease

As of June 30, 2016, property, plant and equipment include ThUS\$ 12,627, 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\$ 14,739 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:

December 31, 2015	Next twelve ThUS\$	Between 1 and 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Gross	2,397	10,166	24,854	37,417
Interests	2,034	8,374	11,150	21,558
fair Value (see note 22.a)	363	1,792	13,704	15,859

  

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	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Construction in progress	48,477	82,679
<b>Total</b>	<b>48,477</b>	<b>82,679</b>

**2. Assets completely depreciated but being used**

Assets depreciated as a whole still in use, Gross	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Buildings and infrastructure	20	20
Machinery and equipment	33,486	23,918
Transport equipment	439	403
Office Equipment	3,425	3,381
Computer equipment	4,960	4,341
Other property, plant and equipment	6,461	4,734
<b>Total</b>	<b>48,791</b>	<b>36,797</b>

Assets depreciated as a whole still in use, accumulated depreciation and impairment	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Buildings and infrastructure	(20)	(20)
Machinery and equipment	(28,300)	(23,918)
Transport equipment	(439)	(403)
Office Equipment	(3,425)	(3,380)
Computer equipment	(4,960)	(4,341)
Other property, plant and equipment	(6,461)	(4,675)
<b>Total</b>	<b>(43,605)</b>	<b>(36,737)</b>

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

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

Other property, plant and equipment.	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Civil works	1,931,549	1,960,720
Substations	161,678	166,655
Transmission lines	129,342	147,955
Parts of long-term classified as fixed assets	28,328	28,328
Other fixed assets	8,276	14
<b>Total other properties, plants and equipment, net</b>	<b>2,250,897</b>	<b>2,303,658</b>

Other property, plant and equipment.	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Civil works	2,448,073	2,438,905
Substations	204,234	204,513
Transmission lines	151,318	170,447
Parts of long-term classified as fixed assets	28,328	28,328
Other fixed assets	10,578	1,443
<b>Total other properties, plants and equipment, gross</b>	<b>2,842,531</b>	<b>2,843,636</b>

Depretiation other property, plant and equipment.	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Civil works	(516,524)	(478,185)
Substations	(42,556)	(37,858)
Transmission lines	(21,976)	(22,492)
Other fixed assets	(2,302)	(1,429)
Parts of long-term classified as fixed assets	-	-
<b>Total depreciations and impairment</b>	<b>(583,358)</b>	<b>(539,964)</b>

### 19. Current tax assets

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

	Current	
	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Monthly provisional payments	4,294	919
Provisional payment for absorbed earning	0	7,715
Temporary tax to the Clear Assets (ITAN) for Recovering	3,386	0
<b>Total</b>	<b>7,680</b>	<b>8,634</b>

## 20. Other non-financial assets

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

	Current		Non-current	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Installations and civil insurance premiums	8,486	15,726	-	-
Prepayments	12,596	12,430	60,017	16,988
Patents on non-use of water rights (1)	-	-	10,882	7,113
Anticipate supplies GE - Siemens	-	-	11,990	6,969
Other miscellaneous assets	122	220	1,164	1,192
	<b>21,204</b>	<b>28,376</b>	<b>84,053</b>	<b>32,262</b>

- (1) Credit in accordance with Article 129 bis 20 of the Water Code DFL 1,122. As of June 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- June		April- June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Current income tax (expense) income</b>				
Current income tax	(47,132)	(4,649)	(20,749)	(2,147)
Utilization of tax losses	-	7,618	-	(991)
Adjustments to current tax of prior period	(162)	(11)	(162)	(11)
<b>Total current tax (expense) income</b>	<b>(47,294)</b>	<b>2,958</b>	<b>(20,911)</b>	<b>(3,149)</b>
<b>Deferred income tax (expense) income</b>				
Temporary differences (1)	15,065	(36,571)	6,236	(12,300)
<b>Total deferred tax (expense) income</b>	<b>15,065</b>	<b>(36,571)</b>	<b>6,236</b>	<b>(12,300)</b>
<b>Total income tax (expense) income</b>	<b>(32,229)</b>	<b>(33,613)</b>	<b>(14,675)</b>	<b>(15,449)</b>

- (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 June 30, 2016 and 2015, current taxes can be reconciled with income as follows:

Current tax reconciliation		06.30.2016					
Company	Current income tax result ThUS\$	Current tax equity adjustment ThUS\$	Provisional payment for absorbed earning (PPUA) ThUS\$	Provisional monthly payment ThUS\$	Income tax ThUS\$	Tax Assets ThUS\$	Tax Liabilities ThUS\$
Colbún S.A.	(38,476)	(1,334)	-	11,057	(54)	-	(28,807)
Empresa Eléctrica Industrial S.A.	(385)	-	-	198	-	-	(187)
Soc. Hidroeléctrica Melocotón Ltda.	(458)	-	-	370	-	-	(89)
Termoeléctrica Antihue S.A.	(411)	-	-	424	-	13	-
Río Tranquilo S.A.	(2,413)	-	-	807	-	-	(1,606)
Colbún Transmisión S.A.	(2,658)	-	-	1,892	-	-	(766)
Fenix Power S.A.	(2,355)	417	-	-	-	-	(1,939)
<b>Totals</b>	<b>(47,156)</b>	<b>(917)</b>	<b>-</b>	<b>14,748</b>	<b>(54)</b>	<b>13</b>	<b>(33,394)</b>

Current tax reconciliation		12.31.2015					
Company	Current income tax result ThUS\$	Current tax equity adjustment ThUS\$	Provisional payment for absorbed earning (PPUA) ThUS\$	Provisional monthly payment 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	-	-	(2,569)
Colbún Transmisión S.A.	(3,317)	-	-	3,317	(20)	-	(20)
<b>Totals</b>	<b>(33,559)</b>	<b>-</b>	<b>-</b>	<b>10,244</b>	<b>(730)</b>	<b>-</b>	<b>(24,045)</b>

At June 30, 2016, Colbún S.A. and its domestic subsidiaries generated taxable profits and thus current income tax provision amounting to ThUS\$ 33,394 at consolidated level was recorded.

Foreign subsidiary Phoenix Power Peru S.A. recorded at June 30, 2016 accumulated tax losses amounting to ThUS\$ 136,382. 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\$ 1,939. The domestic subsidiary Thermoelectric Nehuenco S.A. presents, at end of the current period, accumulated tax losses amounting to ThUS\$ 14,423. 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 June 30, 2016 and 2015, current taxes can be reconciled with income as follows:

Income tax expense	January- June		April- June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Profit before tax	159,707	90,682	66,110	65,549
<b>Income tax using the legal rate <sup>(1)</sup></b>	<b>(38,330)</b>	<b>(20,403)</b>	-	<b>(14,875)</b>
Difference in allocation of tax losses carryforward	-	(9,186)	-	(6,082)
Difference between financial accounting expressed in USD and tax accounting in CLP with effect in deferred taxes <sup>(2)</sup>	4,898	(4,024)	1,431	5,381
Tax effect for differential of rates in other jurisdictions	(118)	-	(661)	-
Other differences	1,321	-	(570)	-
<b>Income tax expense</b>	<b>(32,229)</b>	<b>(33,613)</b>	<b>(14,675)</b>	<b>(15,449)</b>

- (1) As of June 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 June 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- June		April- June	
	2016	2015	2016	2015
	%	%	%	%
<b>statutory tax rate</b>	24%	22.5%	24.0%	22.5%
adjustment to the legal tax rate, total	-3.9%	14.6%	-0.8%	1.1%
Tax effect for differential of rates in other jurisdictions, total	-0.1%	0.0%	-1.0%	0.0%
<b>Effective tax rate</b>	<b>20.0%</b>	<b>37.1%</b>	<b>22.2%</b>	<b>23.6%</b>

**b. Deferred taxes**

Deferred tax assets and liabilities by concept are as follows:

<b>Deferred tax assets</b>	<b>06.30.2014</b> ThUS\$	<b>12.31.2013</b> ThUS\$
Tax losses	42,114	51,199
Others	16,700	7,891
Provisions	1,961	2,960
RNR	292	-
Obsolescence	2,391	2,084
Hedge instruments	2,687	4,745
Employees employment benefits	4,804	-
Employees post-employment benefits	-	3,746
<b>Deferred tax assets</b>	<b>70,949</b>	<b>72,625</b>

  

<b>Deferred tax liabilities</b>	<b>06.30.2014</b> ThUS\$	<b>31.12.2012</b> ThUS\$
Depreciation	(993,689)	(1,013,221)
Others	(10,354)	(8,438)
<b>Deferred tax liabilities</b>	<b>(1,004,043)</b>	<b>(1,021,659)</b>

  

<b>Deferred tax assets and liabilities, net</b>	<b>(933,094)</b>	<b>(949,034)</b>
---	------------------	------------------

The deferred tax position of each company is as follows:

<b>Company</b>	<b>Net position</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	<b>06.30.2016</b> ThUS\$	<b>12.31.2015</b> ThUS\$	<b>06.30.2016</b> ThUS\$	<b>12.31.2015</b> ThUS\$
Empresa Eléctrica Industrial S.A.	-	-	(419)	(470)
Termoeléctrica Nehuenco S.A.	4,432	4,409	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	(146)	(144)
Colbún S.A.	-	-	(904,936)	(912,216)
Termoeléctrica Antihue S.A.	-	-	(8,534)	(8,671)
Río Tranquilo S.A.	-	-	(11,201)	(11,754)
Colbún Transmisión S.A.	-	-	(21,427)	(21,851)
Colbún Perú S.A.	8	6	-	-
Inversiones Las Canteras S.A.	-	-	(839)	(850)
Fénix Power Perú S.A.	9,968	2,507	-	-
<b>Subtotal</b>	<b>14,408</b>	<b>6,922</b>	<b>(947,502)</b>	<b>(955,956)</b>
<b>Deferred tax, net</b>			<b>(933,094)</b>	<b>(949,034)</b>



### c. Income taxes on other comprehensive income

Tax rate	January- June		April- June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Related to cash flow hedges	(794)	(853)	(632)	(1,366)
Related to defined benefit plans	343	425	144	54
<b>Income taxes related to components of other comprehensive income</b>	<b>(451)</b>	<b>(428)</b>	<b>(488)</b>	<b>(1,312)</b>
Related to participation of another integral result of associated and joint assessed business using the method of the participation	59		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	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Loans from financial entities <sup>(1)</sup>	4,182	402,596	609,538	366,964
Leasing obligations	363	342	15,496	15,683
Negotiable instruments (Bonds, commercial papers) <sup>(1)</sup>	47,629	45,664	1,304,908	1,362,744
Hedge derivatives <sup>(2)</sup>	1,707	4,783	26,101	36,865
<b>Total</b>	<b>53,881</b>	<b>453,385</b>	<b>1,956,043</b>	<b>1,782,256</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> See detail in Note 14.1.

### b. Financial debt by type of currency

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

Financial debt by currency	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
US Dollars	1,911,036	2,124,600
UF	98,888	111,041
<b>Total</b>	<b>2,009,924</b>	<b>2,235,641</b>

c. Maturity and currency of obligations with financial entities

Obligations with banks

As of 06.30.2016		
Debtor's taxpayer No.	96505760-9	0-E
Debtor's name	Colbún S.A.	Fenix Power Peru S.A.
Debtor's country	Chile	Perú
Creditor's taxpayer No.	0-E	0-E
Creditor's name	The Bank of Tokyo-Mitsubishi UFJ, Ltd	The Bank of Nova Scotia
Creditor's country	USA	Canada
Currency or readjustment unit	US\$	US\$
Type of amortization	Bullet	Bullet
Interest rate	Variable	Variable
Base	Libor 6M	Libor 6M
Effective rate	2.40%	2.81%
Nominal rate	2.13%	2.06%

Nominal amounts	ThUS\$		Total
	Up to 90 days	-	
More than 90 days up to 1 year	1,123	-	<b>1,123</b>
<b>More than 1 year up to 3</b>	<b>250,000</b>	-	<b>250,000</b>
More than 1 year up to 2	-	-	-
More than 2 years up to 3	250,000	-	<b>250,000</b>
<b>More than 3 years up to 5</b>	-	<b>365,700</b>	<b>365,700</b>
More than 3 years up to 4	-	365,700	<b>365,700</b>
More than 4 years up to 5	-	-	-
<b>More than 5 years</b>	-	-	-
<b>Subtotal nominal amounts</b>	<b>251,123</b>	<b>368,759</b>	<b>619,882</b>

Accounting values	ThUS\$		Total
	Up to 90 days	-	
More than 90 days up to 1 year	1,123	-	<b>1,123</b>
<b>Current bank loans</b>	<b>1,123</b>	<b>3,059</b>	<b>4,182</b>
<b>More than 1 year up to 3</b>	<b>248,386</b>	-	<b>248,386</b>
More than 1 year up to 2	-	-	-
More than 2 years up to 3	248,386	-	<b>248,386</b>
<b>More than 3 years up to 5</b>	-	<b>361,152</b>	<b>361,152</b>
More than 3 years up to 4	-	361,152	<b>361,152</b>
More than 4 years up to 5	-	-	-
<b>More than 5 years</b>	-	-	-
<b>Non-current banks loans</b>	<b>248,386</b>	361,152	<b>609,538</b>
<b>Bank loans total</b>	<b>249,509</b>	<b>364,211</b>	<b>613,720</b>

## 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	<b>362,000</b>
More than 90 days up to 1 year	1,083	40,207	-	<b>41,290</b>
<b>More than 1 year up to 3</b>	<b>250,000</b>	<b>40,000</b>	-	<b>290,000</b>
More than 1 year up to 2	-	40,000	-	40,000
More than 2 years up to 3	250,000	-	-	250,000
<b>More than 3 years up to 5</b>	-	<b>40,000</b>	-	<b>40,000</b>
More than 3 years up to 4	-	40,000	-	40,000
More than 4 years up to 5	-	-	-	-
<b>More than 5 years</b>	-	<b>40,000</b>	-	<b>40,000</b>
<b>Subtotal nominal amounts</b>	<b>251,083</b>	<b>160,207</b>	<b>362,000</b>	<b>773,290</b>
Accounting values	ThUS\$			Totales
Up to 90 days	-	-	361,672	<b>361,672</b>
More than 90 days up to 1 year	1,083	39,841	-	<b>40,924</b>
<b>Current bank loans</b>	<b>1,083</b>	<b>39,841</b>	<b>361,672</b>	<b>402,596</b>
<b>More than 1 year up to 3</b>	<b>248,062</b>	<b>39,634</b>	-	<b>287,696</b>
More than 1 year up to 2	-	39,634	-	39,634
More than 2 years up to 3	248,062	-	-	248,062
<b>More than 3 years up to 5</b>	-	<b>39,634</b>	-	<b>39,634</b>
More than 3 years up to 4	-	39,634	-	39,634
More than 4 years up to 5	-	-	-	-
<b>More than 5 years</b>	-	<b>39,634</b>	-	<b>39,634</b>
<b>Non-current banks loans</b>	<b>248,062</b>	<b>118,902</b>	-	<b>366,964</b>
<b>Bank loans total</b>	<b>249,145</b>	<b>158,743</b>	<b>361,672</b>	<b>769,560</b>

## Obligations with the public

As of 06.30.2016					
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 THUS\$
Up to 90 days	-	-	-	13,250	10,625	23,875
More than 90 days up to 1 year	7,278	16,799	292	-	-	24,369
<b>More than 1 year up to 3</b>	<b>14,408</b>	<b>31,508</b>	<b>10,742</b>	-	-	<b>56,658</b>
More than 1 year up to 2	7,026	15,754	-	-	-	22,780
More than 2 years up to 3	7,382	15,754	10,742	-	-	33,878
<b>More than 3 years up to 5</b>	<b>15,903</b>	<b>31,508</b>	<b>21,484</b>	<b>500,000</b>	-	<b>568,895</b>
More than 3 years up to 4	7,755	15,754	10,742	500,000	-	534,251
More than 4 years up to 5	8,148	15,754	10,742	-	-	34,644
<b>More than 5 years</b>	<b>4,227</b>	<b>110,280</b>	<b>85,932</b>	-	<b>500,000</b>	<b>700,439</b>
<b>Subtotal nominal amounts</b>	<b>41,816</b>	<b>190,095</b>	<b>118,450</b>	<b>513,250</b>	<b>510,625</b>	<b>1,374,236</b>
Book values	THUS\$					Total THUS\$
Up to 90 days	-	-	-	13,250	10,625	23,875
More than 90 days up to 1 year	7,159	16,303	292	-	-	23,754
<b>Current obligations with the public</b>	<b>7,159</b>	<b>16,303</b>	<b>292</b>	<b>13,250</b>	<b>10,625</b>	<b>47,629</b>
<b>More than 1 year up to 3</b>	<b>14,151</b>	<b>30,516</b>	<b>10,484</b>	-	-	<b>55,151</b>
More than 1 year up to 2	6,901	15,258	-	-	-	22,159
More than 2 years up to 3	7,250	15,258	10,484	-	-	32,992
<b>More than 3 years up to 5</b>	<b>15,620</b>	<b>30,516</b>	<b>20,968</b>	<b>496,993</b>	-	<b>564,097</b>
More than 3 years up to 4	7,617	15,258	10,484	496,993	-	530,352
More than 4 years up to 5	8,003	15,258	10,484	-	-	33,745
<b>More than 5 years</b>	<b>4,152</b>	<b>106,806</b>	<b>83,867</b>	-	<b>490,835</b>	<b>685,660</b>
<b>Non-current obligations with the public</b>	<b>33,923</b>	<b>167,838</b>	<b>115,319</b>	<b>496,993</b>	<b>490,835</b>	<b>1,304,908</b>
<b>Obligations with the public total</b>	<b>41,082</b>	<b>184,141</b>	<b>115,611</b>	<b>510,243</b>	<b>501,460</b>	<b>1,352,537</b>

## 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%	
<b>Nominal amounts</b>	<b>MUS\$</b>						<b>Totales MUS\$</b>
Up to 90 days	-	-	-	-	13,250	10,625	<b>23,875</b>
More than 90 days up to 1 year	6,562	15,432	127	268	-	-	<b>22,389</b>
<b>More than 1 year up to 3</b>	<b>12,880</b>	<b>28,870</b>	<b>80,800</b>	<b>4,921</b>	-	-	<b>127,471</b>
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
<b>More than 3 years up to 5</b>	<b>14,217</b>	<b>28,870</b>	-	<b>19,684</b>	<b>500,000</b>	-	<b>562,771</b>
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
<b>More than 5 years</b>	<b>7,652</b>	<b>108,264</b>	-	<b>83,659</b>	-	<b>500,000</b>	<b>699,575</b>
<b>Subtotal nominal amounts</b>	<b>41,311</b>	<b>181,436</b>	<b>80,927</b>	<b>108,532</b>	<b>513,250</b>	<b>510,625</b>	<b>1,436,081</b>
<b>Accounting values</b>	<b>MUS\$</b>						<b>Totales MUS\$</b>
Up to 90 days	-	-	-	-	13,250	10,625	<b>23,875</b>
More than 90 days up to 1 year	6,450	14,945	127	267	-	-	<b>21,789</b>
<b>Obligations with current public</b>	<b>6,450</b>	<b>14,945</b>	<b>127</b>	<b>267</b>	<b>13,250</b>	<b>10,625</b>	<b>45,664</b>
<b>More than 1 year up to 3</b>	<b>12,638</b>	<b>27,896</b>	<b>76,030</b>	<b>4,794</b>	-	-	<b>121,358</b>
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
<b>More than 3 years up to 5</b>	<b>13,950</b>	<b>27,896</b>	-	<b>19,178</b>	<b>496,546</b>	-	<b>557,570</b>
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
<b>More than 5 years</b>	<b>7,507</b>	<b>104,610</b>	-	<b>81,504</b>	-	<b>490,195</b>	<b>683,816</b>
<b>Obligations to the public not currents</b>	<b>34,095</b>	<b>160,402</b>	<b>76,030</b>	<b>105,476</b>	<b>496,546</b>	<b>490,195</b>	<b>1,362,744</b>
<b>Obligations to the public total</b>	<b>40,545</b>	<b>175,347</b>	<b>76,157</b>	<b>105,743</b>	<b>509,796</b>	<b>500,820</b>	<b>1,408,408</b>

## Lease obligations

As of 06.30.2016	
Debtor's taxpayer No.	0-E
Debtor's name	Fenix Power Peru S.A.
Debtor's country	Peru
Registration number	0-E
Series	Consorcio 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	363	363
<b>More than 1 year up to 3</b>	<b>830</b>	<b>830</b>
More than 1 year up to 2	400	400
More than 2 years up to 3	430	430
<b>More than 3 years up to 5</b>	<b>962</b>	<b>962</b>
More than 3 years up to 4	481	481
More than 4 years up to 5	481	481
<b>More than 5 years</b>	<b>13,704</b>	<b>13,704</b>
<b>Subtotal nominal amounts</b>	<b>15,859</b>	<b>15,859</b>

Accounting values	ThUS\$	Total
Up to 90 days	-	-
More than 90 days up to 1 year	363	363
<b>Current bank loans</b>	<b>363</b>	<b>363</b>
<b>More than 1 year up to 3</b>	<b>830</b>	<b>830</b>
More than 1 year up to 2	400	400
More than 2 years up to 3	430	430
<b>More than 3 years up to 5</b>	<b>962</b>	<b>962</b>
More than 3 years up to 4	481	481
More than 4 years up to 5	481	481
<b>More than 5 years</b>	<b>13,704</b>	<b>13,704</b>
<b>Liabilities from leasing non current</b>	<b>15,496</b>	<b>15,496</b>
<b>Total leasing liabilities</b>	<b>15,859</b>	<b>15,859</b>

## Lease obligations

A112.31.2015	
Debtor's taxpayer No.	0-E
Debtor's name	Fenix Power
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	-
Effective rate	12.00%
Nominal rate	12.00%

  

Nominal amounts	ThUS\$	Totales
More than 90 days up to 1 year	342	<b>342</b>
<b>More than 1 year up to 3</b>	<b>1,564</b>	<b>1,564</b>
More than 1 year up to 2	704	704
More than 2 years up to 3	860	860
<b>More than 3 years up to 5</b>	<b>2,434</b>	<b>2,434</b>
More than 3 years up to 4	1,080	1,080
More than 4 years up to 5	1,354	1,354
<b>More than 5 years</b>	<b>11,685</b>	<b>11,685</b>
<b>Subtotal nominal amounts</b>	<b>16,025</b>	<b>16,025</b>

  

Accounting values	ThUS\$	Totales
More than 90 days up to 1 year	342	<b>342</b>
<b>Current bank loans</b>	<b>342</b>	<b>342</b>
<b>More than 1 year up to 3</b>	<b>1,564</b>	<b>1,564</b>
More than 1 year up to 2	704	704
More than 2 years up to 3	860	860
<b>More than 3 years up to 5</b>	<b>2,434</b>	<b>2,434</b>
More than 3 years up to 4	1,080	1,080
More than 4 years up to 5	1,354	1,354
<b>More than 5 years</b>	<b>11,685</b>	<b>11,685</b>
<b>Liabilities from leasing non current</b>	<b>15,683</b>	<b>15,683</b>
<b>Total leasing liabilities</b>	<b>16,025</b>	<b>16,025</b>

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

Liability	Currency	Interests as of 06.30.2016		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		
Loan The Bank of Tokyo-Mitsubishi UFJ, Ltd <sup>(1)</sup>	US\$	1,123	11,713	250,000	15-10-2018	-	5,160	7,676	-	-	12,836	262,836
The Bank of Nova Scotia (Fénix Power Perú)	US\$	3,059	27,113	365,700	05-02-2020	3,771	3,772	15,086	7,543	-	30,172	395,872
Financial leasing (Fénix Power Perú)	US\$	-	21,310	15,860	28-03-2033	475	472	3,720	3,524	13,119	21,310	37,170
Series C Bond	UFR	15	210	1,047	15-04-2021	-	69	102	50	4	225	1,272
Series F Bond	UFR	27	985	4,800	01-05-2028	-	158	277	223	354	1,012	5,812
Series I Bond	UFR	7	1,027	3,000	10-06-2029	-	134	264	224	412	1,034	4,034
Bond 144A/RegS 2010	US\$	13,250	106,750	500,000	21-01-2020	15,000	15,000	60,000	30,000	-	120,000	620,000
Bond 144A/RegS 2014	US\$	10,625	180,625	500,000	10-07-2024	11,250	11,250	45,000	45,000	78,750	191,250	691,250

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		
Loan The Bank of Tokyo-Mitsubishi UFJ, Ltd <sup>(1)</sup>	US\$	1,083	14,326	250,000	15-10-2018	-	5,174	10,235	-	-	15,409	265,409
Loan Scotiabank & Trust (Cayman) Ltdl <sup>(1)</sup>	US\$	207	8,321	160,000	10-06-2021	-	2,941	3,349	1,866.00	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
Financial leasing (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
Series C Bond	UFR	16	248	1,128	15-04-2021	-	75	114	63	12.00	264	1,392
Series F Bond	UFR	28	1,068	5,000	01-05-2028	-	165	290	236	405.00	1,096	6,096
Series H Bond <sup>(1)</sup>	US\$	127	5,589	80,800	10-06-2018	-	2,287	3,429	-	-	5,716	86,516
Series I Bond	UFR	7	1,094	3,000	10-06-2029	-	134	267	236	464.00	1,101	4,101
Bond 144A/RegS 2010	US\$	13,250	121,750	500,000	21-01-2020	15,000	15,000	60,000	45,000	-	135,000	635,000
Bond 144A/RegS 2014	US\$	10,625	191,875	500,000	10-07-2024	11,250	11,250	45,000	45,000	90,000.00	202,500	702,500

(1) Liabilities with variable rate, consider current set rate as of June 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	
	06.30.2016 ThUS\$	12.31.2015 ThUS\$	06.30.2016 ThUS\$	12.31.2013 ThUS\$
Trade payable	159,614	160,150	-	-
Other accounts payable	3,751	14,683	6,112	6,422
<b>Total</b>	<b>163,365</b>	<b>174,833</b>	<b>6,112</b>	<b>6,422</b>

The main suppliers to June 30, 2016 are:

Suppliers	%
General Electric Energy Parts, Inc	9
COES	7
GE Energy Parts International, Llc.	5
Andritz Hydro S.R.L.	2
Glencore International Ag	2
Zublin International GmbH Chile SpA	1
Campanario Generación S.A.	1
General Electric International Perú	1
B.Bosch S.A.	1
Transelec S.A.	1
Voith Hydro Services Ltda.	1
Others	69
	<b>100</b>

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

	Balances as of 06.30.2016	
	1-30 days ThUS\$	Total ThUS\$
Goods	70,865	70,865
Services	71,956	71,956
Others	1,473	1,473
<b>Subtotal</b>	<b>144,294</b>	<b>144,294</b>

  

	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
<b>Subtotal</b>	<b>149,942</b>	<b>149,942</b>

As of June 30, 2016, there were accrued expenses for which the invoice has not been received for an amount of ThUS\$ 101,829 (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 06.30.2016						
	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121 - 180 ThUS\$	Más de 180 ThUS\$	Total ThUS\$
Goods	11,300	-	-	-	-	1,754	13,054
Services	467	-	-	-	-	-	467
Others	1,799	-	-	-	-	-	1,799
<b>Subtotal</b>	<b>13,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,754</b>	<b>15,320</b>

  

	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
<b>Subtotal</b>	<b>-</b>	<b>1,603</b>	<b>1,150</b>	<b>78</b>	<b>7,377</b>	<b>-</b>	<b>10,208</b>

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	
	06.30.2016 ThUS\$	12.31.2015 ThUS\$	06.30.2016 ThUS\$	12.31.2015 ThUS\$
<b>Other</b>				
Other provisions, current	15,681	15,501	-	-
<b>Total</b>	<b>15,681</b>	<b>15,501</b>	<b>-</b>	<b>-</b>
<b>Employee benefits</b>				
Employee benefits (Note 24.f)	9,112	11,237	1,023	926
Severances, non-current (Note 24.g)	-	-	25,615	22,075
<b>Total</b>	<b>9,112</b>	<b>11,237</b>	<b>26,638</b>	<b>23,001</b>
<b>Total provisions</b>	<b>24,793</b>	<b>26,738</b>	<b>26,638</b>	<b>23,001</b>

### b. Movement of provisions during the period

Movement of provisions during the period is as follows:

Movements in 2016	Provisions					
	Holidays & vacation bonus	Gas	SEC lawsuit reserves	Contracts of supplies <sup>(1)</sup>	Other provisions <sup>(2)</sup>	Total
	ThUS\$	MUS\$	ThUS\$	MUS\$	ThUS\$	ThUS\$
Beginning balance as of 01.01.2016	11,237	-	-	10,918	4,583	26,738
Increase (decrease) in existing provisions	7,464	-	-	-	180	7,644
Utilization	(9,589)	-	-	-	-	(9,589)
<b>Ending balance as of 06.30.2016</b>	<b>9,112</b>	<b>-</b>	<b>-</b>	<b>10,918</b>	<b>4,763</b>	<b>24,793</b>

Movements in 2015	Provisions					
	Holidays & vacation bonus	Gas	SEC lawsuit reserves	Contracts of supplies <sup>(1)</sup>	Other provisions <sup>(2)</sup>	Total
	ThUS\$	MUS\$	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)
<b>Ending balance as of 12.31.2015</b>	<b>11,237</b>	<b>-</b>	<b>-</b>	<b>10,918</b>	<b>4,583</b>	<b>26,738</b>

(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\$ 192.

### d. Restructuring

The Company has not established provisions for this concept.

### e. Litigation

As of June 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	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Performance incentives, current	3,536	3,164	-	-
Vacation accrual, current	5,576	8,073	-	-
Termination of project term contracts	-	-	1,023	926
<b>Total</b>	<b>9,112</b>	<b>11,237</b>	<b>1,023</b>	<b>926</b>

### 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 June 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	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Severance, non-current	25,615	22,075
<b>Total</b>	<b>25,615</b>	<b>22,075</b>

  

Net present value of defined	06.30.2016	12.31.2015
	MUS\$	MUS\$
Beginning balance	22,075	23,040
Service cost	791	1,716
Interests cost	204	380
Exchange rate difference	1,629	(3,355)
Actuarial (losses) gains on experience	(35)	(131)
Actuarial (losses) gains on hypotheses	1,438	2,353
Payments	(487)	(1,928)
<b>Ending balance (see Note 23.a)</b>	<b>25,615</b>	<b>22,075</b>

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

Hypotheses used		06.30.2016	12.31.2015
Discount rate		1.73%	1.93%
Expected salary increase		2.65%	2.65%
Retirement age	Voluntary	3.00%	3.10%
	Dismissed	1.90%	3.80%
Retirement age	Men	65	65
	Women	60	60
Mortality table		RV-2009	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	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
	%	%	ThUS\$	ThUS\$
Discount rate used	1.73	1.93	25,615	22,075
Decrease of 50 basis points	1.23	1.43	26,996	23,086
Increase of 50 basis points	2.23	2.43	24,349	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 06.30.2016	25,615
Projection to 06.30.2017	25,806
Projected increase	191

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\$
July 2016	1,032
August 2016	325
September 2016	83
October 2016	135
November 2016	440
December 2016	150
January 2017	109
February 2017	81
March 2017	191
April 2017	80
May 2017	80
June 2017	110
<b>Total</b>	<b>2,816</b>



## 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	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Withholdings	12,090	3,955	-	-
Unearned income <sup>(1)</sup>	2,079	630	11,005	10,603
Other liabilities	149	63	-	-
<b>Total</b>	<b>14,318</b>	<b>4,648</b>	<b>11,005</b>	<b>10,603</b>

- (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	06.30.2016	12.31.2015
Number of outstanding shares at the beginning of the period	17,536,167,720	17,536,167,720
<b>Changes on the number of outstanding shares</b>		
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 June 30, 2016 Colbún, S.A. had 3,217 shareholders (unaudited).

### b. Social capital

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

### c. Share premiums

As of June 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, 2015, established the distribution of a minimum dividend of 30% of net income. According to IFRS, there is a legal and assumed obligation, which requires the recording of a liability at the close of each year for this concept.

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	06.30.2016	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	(49,642)	(51,336)
Effect of Hedge associates	(987)	(827)
Hedge reserves	(13,464)	(6,027)
<b>Subtotal</b>	<b>222,727</b>	<b>228,630</b>
Merger reserve, Hidroeléctrica Cenelca S.A.	500,761	500,761
Subsidiaries reserves	(13,840)	(13,803)
<b>Subtotal</b>	<b>486,921</b>	<b>486,958</b>
<b>Total</b>	<b>709,648</b>	<b>715,588</b>

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	06.30.2016	12.31.2015
	ThUS\$	ThUS\$
Beginning Balance	1,021,114	885,723
Errors in previous exercises	123,710	204,659
Purification business combination <sup>(1)</sup>	-	(853)
<b>Beginning balance re expressed</b>	<b>1,144,824</b>	<b>1,089,529</b>
<b>Result of balance re expressed</b>	<b>123,710</b>	<b>204,659</b>
Effect of adjustment performed on first-time application of IFRS	4,111	8,399
Effect profit (losses) actuarial	(889)	(1,607)
Dividends	(40,630)	(73,670)
Adjust heritage associates	77	(1,537)
<b>Total distributable retained earnings</b>	<b>1,107,493</b>	<b>1,021,114</b>
<b>Non distributable adjustments on first time application of IFRS</b>		
Revaluation of property, plant & equipment	464,660	469,799
Deferred tax revaluation	(78,201)	(79,229)
<b>Total non-distributable retained earnings</b>	<b>386,459</b>	<b>390,570</b>
<b>Total</b>	<b>1,493,952</b>	<b>1,411,684</b>

<sup>(1)</sup> 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	06.30.2016		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 <sup>(1)</sup>	(5,139)	464,660	(10,499)	469,799
Revaluation deferred tax <sup>(2)</sup>	1,028	(78,201)	2,100	(79,229)
<b>Total</b>	<b>(4,111)</b>	<b>386,459</b>	<b>(8,399)</b>	<b>390,570</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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:

	<b>06.30.2016</b>	<b>12.31.2015</b>
	ThUS\$	ThUS\$
<b>Total liabilities</b>	<b>3,237,770</b>	<b>3,492,139</b>
Total current liabilities	290,470	713,901
Total non-current liabilities	2,947,300	2,778,238
<b>Total equity</b>	<b>3,750,069</b>	<b>3,665,418</b>
Attributable company	3,538,988	3,462,660
Non-controlling interests	211,081	202,758
<b>Debt ratio</b>	<b>0.86</b>	<b>0.95</b>

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

## . 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 Flujo"), 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.

### 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.

	06.30.2016	06.30.2015	12.31.2015
Profit (loss) attributable to holders of equity instruments in the net equity of the parent company (ThUS\$)	123,710	57,069	203,806
Income (loss) available for common shareholders, basic (ThUS\$)	123,710	57,069	203,806
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720	17,536,167,720
<b>Basic earnings (loss) per share (US Dollars per share)</b>	<b>0.00705</b>	<b>0.00325</b>	<b>0.01162</b>

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)	06.30.2016	06.30.2015	12.31.2015
	ThUS\$	ThUS\$	ThUS\$
<b>Net income according to the Financial Statements</b>	<b>123,710</b>	<b>57,069</b>	<b>203,806</b>
Cash flows in the year with a charge to prior years	(560)	(1,964)	(5,668)
Effect on unearned financial income that does not generate cash flows	19	2,934	4,022
<b>Net cash flows for the period</b>	<b>(541)</b>	<b>970</b>	<b>(1,646)</b>
<b>Distributable net income</b>	<b>123,169</b>	<b>58,039</b>	<b>202,160</b>
<b>Minimum mandatory dividend</b>	<b>-</b>	<b>-</b>	<b>60,648</b>

## 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 - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Sale to distribution clients	392,013	336,353	182,994	168,716
Sale to industrial clients	179,134	159,424	88,197	86,392
Venta a clientes sin contrato	-	-	-	-
Tolls	93,839	75,521	56,491	39,496
Sale to other generators	66,430	99,563	41,908	61,591
Venta de gas	-	-	-	-
Other income	1,279	4,608	560	2,264
<b>Total</b>	<b>732,695</b>	<b>675,469</b>	<b>370,150</b>	<b>358,459</b>

## 28. Raw materials and consumables used

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

	January - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Oil consumption (see note 13)	(25,321)	(40,597)	(23,231)	(18,100)
Gas consumption (see note 13)	(140,921)	(191,325)	(68,565)	(96,247)
Coal consumption (see nota 13)	(35,527)	(48,787)	(16,861)	(22,176)
Purchase of energy and power	(23,687)	(12,160)	(15,655)	(7,641)
Tolls	(90,758)	(73,784)	(47,275)	(34,689)
Third party work and supplies	(40,804)	(39,776)	(20,367)	(22,413)
<b>Total</b>	<b>(357,018)</b>	<b>(406,429)</b>	<b>(191,954)</b>	<b>(201,266)</b>

## 29. Employee benefits expenses

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

	January - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Wages and salaries	(25,760)	(22,692)	(12,410)	(11,352)
Current benefits to employees	(2,465)	(2,237)	(1,222)	(1,167)
Compensation for end of employment relationship	(1,243)	(1,142)	(993)	(986)
Other employee expenses	(2,614)	(2,688)	(1,360)	(1,300)
<b>Total</b>	<b>(32,082)</b>	<b>(28,759)</b>	<b>(15,985)</b>	<b>(14,805)</b>

## 30. Depreciation and amortization expenses

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

	January - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Depreciations (see note 18.b)	(110,174)	(95,293)	(54,705)	(48,111)
Amortization of intangibles (see Note 17.b)	(722)	(544)	(347)	(273)
<b>Total</b>	<b>(110,896)</b>	<b>(95,837)</b>	<b>(55,052)</b>	<b>(48,384)</b>

### 31. Financial income and financial costs

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

Income (loss) from investment	January - June		April - June	
	2016	2015	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash income and other equivalent means	5,438	2,069	2,747	1,114
<b>Total financial income</b>	<b>5,438</b>	<b>2,069</b>	<b>2,747</b>	<b>1,114</b>

  

Financial costs	January - June		April - June	
	2016	2015	2016	2015
	MUS\$	MUS\$	ThUS\$	ThUS\$
Bond expenses	(69,461)	(59,937)	(17,143)	(17,682)
Financial provision expense	(9,724)	(6,693)	(7,822)	(2,669)
Expenses/profit from valuation of net financial derivatives	(9,319)	(14,101)	(5,763)	(2,202)
Bank loan expenses	(8,891)	(10,271)	(4,284)	(1,948)
Other expenses (bank expenses)	(433)	(343)	(330)	(26)
Capitalized financial expenses (see note 19.c.iv)	7,292	15,376	3,294	1,868
<b>Total financial cost</b>	<b>(90,536)</b>	<b>(75,969)</b>	<b>(32,048)</b>	<b>(22,659)</b>
<b>Total financial result</b>	<b>(85,098)</b>	<b>(73,900)</b>	<b>(29,301)</b>	<b>(21,545)</b>

### 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 - June		April - June	
		2016	2015	2016	2015
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	Chilean peso	9,163	(1,699)	2,343	(513)
Cash and cash equivalents	Peruvian sol	893	-	238	-
Trade and other accounts receivable	Chilean peso	2,928	1,059	(1,210)	1,549
Trade and other accounts receivable	Peruvian sol	78	-	(116)	-
Current tax assets	Chilean peso	270	(6,535)	1,208	(1,522)
Current tax assets	Peruvian sol	5	-	(608)	-
Other non-current non-financial assets	Chilean peso	1,404	(920)	831	(709)
Non-current accounts receivable from related entities	Peruvian sol	38	-	38	-
Non-current accounts receivable from related entities	Chilean peso	(118)	(189)	-	(71)
<b>Exchange rate differences on assets</b>		<b>14,661</b>	<b>(8,284)</b>	<b>2,724</b>	<b>(1,266)</b>
Other current financial liabilities	UF	(8,330)	6,644	(672)	526
Other current financial liabilities	Peruvian sol	340	-	340	-
Trade and other accounts payable	Chilean peso	645	779	(198)	223
Trade and other accounts payable	Peruvian sol	51	-	136	-
Other non-financial liabilities	Chilean peso	36	(479)	122	(193)
Other non-financial liabilities	Peruvian sol	18	-	18	-
Employee benefits provision accrual	Chilean peso	(2,429)	1,839	(526)	800
<b>Exchange rate differences on liabilities</b>		<b>(9,669)</b>	<b>8,783</b>	<b>(780)</b>	<b>1,356</b>
<b>Total exchange difference</b>		<b>4,992</b>	<b>499</b>	<b>1,944</b>	<b>90</b>

#### Income from indexation units

Indexation units	Currency	January - June		April - June	
		2016	2015	2016	2015
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current tax assets	UTM	(59)	1,264	(59)	1,207
<b>Total income from indexation units</b>		<b>(59)</b>	<b>1,264</b>	<b>(59)</b>	<b>1,207</b>



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

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

Net participation in income from associates	January - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Electrogas S.A.	4,078	4,609	2,161	2,466
Centrales Hidroeléctricas de Aysén S.A.	(1,478)	(1,932)	(745)	(1,030)
Transmisora Eléctrica de Quillota Ltda.	457	491	245	252
<b>Total</b>	<b>3,057</b>	<b>3,168</b>	<b>1,661</b>	<b>1,688</b>

### 34. Other gains (losses)

The others gains (losses) are as follows:

Other incomes, other than operation	January - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Other incomes	1,951	436	1,797	308
<b>Total other incomes</b>	<b>1,951</b>	<b>436</b>	<b>1,797</b>	<b>308</b>

Other expenses, other than operation	January - June		April - June	
	2016 ThUS\$	2015 ThUS\$	2016 ThUS\$	2015 ThUS\$
Results derivative contracts	(19)	(2,934)	-	(2,352)
Lawsuits fees	(500)	(378)	(335)	(339)
Disposals of property, plant and equipment <sup>(1)</sup>	(3,114)	-	(3,114)	-
Punishments and fines	(775)	(3)	(747)	(3)
Other	(2,235)	(1,861)	(1,796)	(1,487)
<b>Total other expenses</b>	<b>(6,643)</b>	<b>(5,176)</b>	<b>(5,992)</b>	<b>(4,181)</b>
<b>Total other profits (loss)</b>	<b>(4,692)</b>	<b>(4,740)</b>	<b>(4,195)</b>	<b>(3,873)</b>

<sup>(1)</sup> 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	06.30.2015	2016	2017	2099
						ThUS\$			
Comité Innova Chile	Colbún S.A.	Creditor	Guarantee Deposit	CLP	50,000,000	76	-	76	-
Consorcio Transmantaro	Fenix Power Perú S.A.	Creditor	Guarantee Deposit	USD	3,000,000	3,000	3,000	-	-
Comité Innova Chile	Colbún S.A.	Creditor	Guarantee Deposit	CLP	1,500,000	2	-	2	-
Ministerio de Obras Públicas	Colbún S.A.	Creditor	Guarantee Deposit	UF	191,404	7,540	7,540	-	-
Ministerio de Obras Públicas	Colbún S.A.	Creditor	Guarantee Deposit	UF	15,361	605	-	605	-
Fisco de Chile Serv. Nacional de Aduanas	Colbún S.A.	Creditor	Guarantee Deposit	USD	12,000	12	12	-	-
Ministerio de Obras Públicas	Colbún S.A.	Creditor	Guarantee Deposit	UF	11,658	459	459	-	-
Director Regional de Vialidad Región del Bío Bío	Colbún S.A.	Creditor	Guarantee Deposit	UF	200	8	8	-	-
Chilectra S.A.	Colbún S.A.	Creditor	Guarantee Deposit	UF	100	4	-	-	-

<sup>(1)</sup> Indefinite maturity warranty.

## b. Guarantees obtained from third parties

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

Deposited by	Relationship	Total ThUS\$
Metalizaciones Industriales Soc. Com. e Ind. S.A.	Supplier	223
Env Obras Civiles y Montajes SpA	Supplier	154
Dragatec S.A.	Supplier	68
Hidráulica, Construcción y Conservación S.A.	Supplier	67
Wilfred Parra Lobos y Cía. Ltda.	Supplier	66
HR Ingeniería e Inspecciones Ltda.	Supplier	43
Rafael Mauna Silva Contruucciones y Servicios EIRL	Supplier	36
Serv. Industriales y Técnica Científica Ltda.	Supplier	30
Constructora Izquierdo SpA	Supplier	25
General Electric Internacional Inc.	Supplier	23
Andesminerals S.A.	Supplier	21
Constructora Pesa Ltda.	Supplier	20
Sistema Integral de Telecomunicaciones Ltda.	Supplier	20
Betech Ingeniería Ltda.	Supplier	19
Imahe S.A.	Supplier	19
Serv. de Respaldo de Energía Técnica Ltda.	Supplier	18
Eulen Seguridad S.A.	Supplier	13
Kost Vogtmann Ltda.	Supplier	13
Miguel Angel Olivares Leiva	Supplier	11
Serv. Empresariales Mol Ltda.	Supplier	10
Constructora Gomez Salazar Ltda.	Supplier	9
Constructora Javag SpA	Supplier	8
Soc. Comercial Camin Ltda.	Supplier	8
Comercial Dinsa Ltda.	Supplier	7
Victor Hugo Contreras Lagos	Supplier	7
Eduardo Antonio Gómez Miranda	Supplier	7
Ingeniería Multidisciplinaria, Arquitectura, Consultoría y Logística	Supplier	7
Marcela Catalina Peredo Canifru	Supplier	6
Juan Angel Ortiz Soto	Supplier	5
Soc. Transredes Serv. Eléctricos Integrales Ltda.	Supplier	5
Empresa Constructora RTM Ingeniería Ltda.	Supplier	4
Rhona S.A.	Supplier	4
Asesorías Informáticas y Automatización Oyaneder S.A.	Supplier	3
Sercomec S.A.	Supplier	3
Veset y Cía Ltda.	Supplier	1

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

Deposited by	Relationship	Total ThUS\$
Andritz Hydro S.R.L.	Supplier	903
Andritz Hydro	Supplier	763
Andritz Chile S.R.L.	Supplier	478
Inerco Ingeniería, Tecnología y Consultoría S.A.	Supplier	200
Dynavec As	Supplier	45
Andritz Chile Ltda.	Supplier	32

**Total** 2,421

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

<b>Deposited by</b>	<b>Relationship</b>	<b>Total T\$US\$</b>
Zublin International Gmbh Chile SpA	Supplier	8,517
B. Bosch S.A.	Supplier	3,324
Constructora Santa María Ltda.	Supplier	808
Abb S.A.	Supplier	267
KDM Industrial S.A.	Supplier	202
Poch Ambiental S.A.	Supplier	125
G4S Security Services Regiones S.A.	Supplier	89
Serv. Industriales Ltda.	Supplier	83
Constructora CN S.A.	Supplier	76
Egeza Ingeniería S.A.	Supplier	74
Oma Topografía y Construcciones Ltda.	Supplier	47
Aseos Industriales de Talca Ltda.	Supplier	37
Transporte Pola Ltda.	Supplier	32
Transportes Bretti Ltda.	Supplier	31
Flota Verschae	Supplier	30
Sodexo Chile S.A.	Supplier	29
Arrigoni Modular SpA	Supplier	26
Knight Piesold S.A.	Supplier	23
Universidad de Concepción	Supplier	20
Eulen Seguridad S.A.	Supplier	18
Transportes José Carrasco Retamal E.I.R.L.	Supplier	14
GLG Construcciones Ltda.	Supplier	13
Soc. Comercial Camin Ltda.	Supplier	13
Ingeniería y Servicios S.A.	Supplier	9
Max Control SpA	Supplier	9
Sistemas Eléctricos Ing. y Servicios S.A.	Supplier	9
Soc. Comercial y de Inv. Conyser Ltda.	Supplier	9
Félix Atilio Valenzuela Pérez	Supplier	7
Siemens S.A.	Supplier	7
CMF Sondajes Ltda.	Supplier	6
Conecta Ingeniería S.A.	Supplier	6
Mantenición de Jardines Arcoiris Ltda.	Supplier	6
Serv. Integrales de Mantenimientos Técnicos S.A.	Supplier	6
Marcelo Javier Urres Caro	Supplier	5
MWH Americas Inc Chile Ltda.	Supplier	5
Proyecto Automatización Ltda.	Supplier	5
Serv. Integrales de Seguridad Marítima y Terrestre Ltda.	Supplier	5
Comercial Calle-Calle Ltda.	Supplier	3
	<b>Total</b>	<b>13,995</b>

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

Deposited by	Relationship	Total ThUS\$
Siemens Energy Inc.	Supplier	9,000
OJSC Power Machines	Supplier	8,586
Abengoa Chile S.A.	Supplier	2,252
Vigaflo S.A.	Supplier	464
ABB S.A.	Supplier	452
ABB Ltda.	Supplier	382
Hyundai Corporation	Supplier	283
Sedicon As	Supplier	220
Siemens S.A.C.	Supplier	180
Asea Brow Boveri Ltda.	Supplier	177
Hyosung Corporation	Supplier	134
Cobra Chile Servicios S.A.	Supplier	132
Sistemas Eléctricos Ingeniería y Servicios S.A.	Supplier	112
Alstom Colombia Suc Perú	Supplier	100
Toshiba America do Sul Ltda.	Supplier	100
Ingetec S.A.	Supplier	83
Ima Tecnologías Ltda.	Supplier	59
Techimp HQ S.R.L.	Supplier	35
Aguasin SpA	Supplier	32
Rhona S.A.	Supplier	26
Química del Sur y Cía. Ltda.	Supplier	16
Aguas y Riles S.A.	Supplier	5
Distribuidora Cummins Chile	Supplier	5
Ecopreneur Chile S.A.	Supplier	5
Nicolaidis S.A.	Supplier	5
Osmoflo SpA	Supplier	5
<b>Total</b>		<b>36,759</b>

**Fénix Power Perú S.A.**

**Current guarantees in US Dollars, as of March 31, 2016 are as follows:**

Deposited by	Relationship	Total ThUS\$
Busser S.A.C.	Supplier	55
Arredondo Ingenieros S.A.C.	Supplier	29
Aqua Quimica	Supplier	17
Messer Gases	Supplier	12
<b>Total</b>		<b>113</b>

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

Deposited by	Relationship	Total ThUS\$
Empresa Regional de Servicio Público del Oriente S.A.	Supplier	26
Unicontrol S.A.C.	Supplier	1
J & V Resguardo S.A.C.	Supplier	1
<b>Total</b>		<b>28</b>

**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 June 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.

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

To date, the lawsuit has not yet been notified.

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

In November 2015 the Superintendency of the Environment issued 14 charges against Colbún for breach of Environmental Qualification Resolutions of the complex, which occurred mainly in 2013, including lack of measurements of particulate matter, NO<sub>2</sub>, CO, isokinetic measurements; operating with diesel without requiring authorization for emergency conditions; and exceeding emission limit values of CO, particulate matter and NO<sub>2</sub>.

All the charges relate to the year 2013 and, to a lesser extent in 2014, framing these in a context influenced by the consequences of the Argentine gas crisis, the prolonged drought in the area and the availability of water for cooling, and also the installation of so-called CMEs resulting from new environmental regulations on emissions. Without prejudice to the fact that a significant number of charges could have been released since almost all the infringements are today are in compliance, in December 2015 a Compliance Program was presented, which eliminates exposure to fines - as long as this program is approved, suspending the sanction process as long as it complies fully with the aforementioned program.

The Compliance Program has been approved by the Superintendency of the Environment, currently corresponding to its implementation and compliance.

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

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

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.

#### 5.- Tax proceeding against Termoeléctrica Antihue 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 Antihue S.A., and accumulated tax losses for the years 2009 - 2012 for other items. The total questioned amount as of June 30, 2016 is ThCh\$ 1,554,850 (ThUS\$ 2,351), (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 an arbitration lawsuit petition for alleged breaches by Fenix of the Purchase Option Contract of Active Energy and Installed Capacity, alleging that Fenix would have settled and billed energy considering parameters that would not relate to the provisions of the Contract, and that is related to the effective capacity of Fenix. Additionally, it seeks compensation for energy not supplied due to the delay of launch of Fenix operations, partial operations and unscheduled outages. The size of the judgment would amount to an approximate ThUS \$ 5,000. 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.

The hearing is set for August 12, 2016.



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

Covenants	Condition	06.30.2016		Maturity
<b>Bank Loans</b>				
Total liabilities/Net Tangible Equity	< 1,2	0.91		oct-2018
Minimum Equity	> MUS\$ 2.022.000	MUS\$	3,538,988	oct-2018
<b>Bonds Local Market</b>				
Ebitda/Net interest expense	>3,0	7.02		jun-2029
Debt ratio	<1,2	0.86		jun-2029
Minimum equity	> MUS\$ 1.348.000	MUS\$	3,538,988	jun-2029
<b>Committed lines</b>				
Total liabilities/Net equity of the Controller	< 1,2	0.91		jun-2016
Minimum equity	> MUS\$ 1.995.000	MUS\$	3,538,988	jun-2016

Indicator	Headings	Value at 06.30.2016	
Equity	Total Equity	ThUS\$	3,750,069
Net Equity of the Parent Company	Total Equity - Non-controlling Interests	ThUS\$	3,538,988
Net Tangible Equity	Equity - Investments accounted for using the equity method - Intangible Assets other than Goodwill	ThUS\$	0
Minimum Equity	Total Equity - Non-controlling Interests	ThUS\$	3,538,988
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS\$	3,237,770
Debt Ratio	Total liabilities/Equity		0.86
Ebitda (*)	Income from ordinary activities - Raw materials and supplies used - Employees benefits expenses - Other expenses by nature	ThUS\$	675,533
			0
Net financial cost (*)	Financial costs - Financial income	ThUS\$	96,238

(\*) 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. and Termoeléctrica Antilhue S.A.

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

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

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

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

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

During the second quarter of 2016, the 70% 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 (and additional facilities) under operating conditions are added, including the power station Fénix Power in Chilca, Peru.

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

**Accumulated disbursements made as of 06.30.2016**

Compañy	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.	SSO y Medio Ambiente Sta María 1	Power Plants Environmental management	Expense	Cost	461	29-06-2016
Colbún S.A.	Medio Ambiente Angostura	Power Plants Environmental management	Asset	Construction in progress	459	30-06-2016
Colbún S.A.	C.Fijo Administración Candelaria	Power Plants Environmental management	Expense	Cost	170	30-06-2016
Colbún S.A.	C.Fijo Administración Antilhue	Power Plants Environmental management	Expense	Expense	125	30-06-2016
Colbún S.A.	Administración Los Pinos	Power Plants Environmental management	Expense	Cost	101	30-06-2016
Colbún S.A.	Proyecto San Pedro	Project Environmental management	Expense	Cost	96	30-05-2016
Colbún S.A.	Gerencia Medio Ambiente	Parent Environmental management	Expense	Cost	45	14-06-2016
Colbún S.A.	Gestión Forestal	Parent Environmental management	Expense	Cost	41	30-06-2016
Colbún S.A.	Proyecto La Mina	Project Environmental management	Asset	Construction in progress	37	24-06-2016
Colbún S.A.	Gestión Ambiental de Proyectos	Parent Environmental management	Expense	Cost	32	24-06-2016
Colbún S.A.	Gestión Ambiental de Proyectos	Parent Environmental management	Expense	Cost	25	28-06-2016
Colbún S.A.	Gerencia Medio Ambiente	Parent Environmental management	Expense	Cost	17	22-06-2016
Colbún S.A.	Administración Complejo Colbún	Power Plants Environmental management	Expense	Cost	15	30-06-2016
Colbún S.A.	Administración Los Quilos	Power Plants Environmental management	Expense	Cost	10	21-04-2016
Colbún S.A.	Administración Canutillar	Power Plants Environmental management	Expense	Cost	7	27-04-2016
Colbún S.A.	Proyecto San Pedro	Project Environmental management	Asset	Construction in progress	3	23-06-2016
Colbún S.A.	Proyecto CH Guaiquivilo-Melado	Project Environmental management	Expense	Cost	1	30-06-2016
Empresa Eléctrica Industrial S.A.	Administración Carena	Power Plants Environmental management	Expense	Cost	31	30-06-2016
Termoeléctrica Nehuenco S.A.	Administración Nehuenco 1	Project Environmental management	Expense	Cost	118	29-06-2016
<b>Total</b>					<b>1,794</b>	

**Future expenses as of 06.30.2016**

Compañy	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	465	30-06-2016
Colbún S.A.	SSO y Medio Ambiente Sta María 1	Power Plants Environmental management	Expense	Cost	441	30-06-2016
Colbún S.A.	C.Fijo Administración Candelaria	Power Plants Environmental management	Expense	Cost	108	08-06-2016
Colbún S.A.	Proyecto La Mina	Project Environmental management	Asset	Construction in progress	88	27-05-2016
Colbún S.A.	C. Fijo Administración Antilhue	Power Plants Environmental management	Expense	Cost	58	30-06-2016
Colbún S.A.	Administración Los Pinos	Power Plants Environmental management	Expense	Cost	53	30-06-2016
Colbún S.A.	Gestión Ambiental de Proyectos	Parent Environmental management	Expense	Cost	14	15-06-2016
Colbún S.A.	Gestión Forestal	Parent Environmental management	Expense	Cost	13	15-06-2016
Colbún S.A.	Gerencia Medio Ambiente	Parent Environmental management	Expense	Cost	11	15-06-2016
Colbún S.A.	Gestión Ambiental de Proyectos	Parent Environmental management	Expense	Cost	9	15-06-2016
Colbún S.A.	Administración Complejo Colbún	Power Plants Environmental management	Expense	Expense	6	30-06-2016
Colbún S.A.	Proyecto San Pedro	Project Environmental management	Asset	Construction in progress	1	30-06-2016
Empresa Eléctrica Industrial S.A.	Administración Carena	Power Plants Environmental management	Expense	Cost	5	09-05-2016
Termoeléctrica Nehuenco S.A.	Administración Nehuenco 1	Power Plants Environmental management	Expense	Cost	161	19-05-2016
Río Tranquilo S.A.	Administración Hornitos	Power Plants Environmental management	Expense	Cost	15	30-06-2016
<b>Total</b>					<b>1,448</b>	

**Accumulated disbursements made as of 06.30.2015**

Company	Name of the project associated to disbursement	Concept	Account / Expense	Description account / expense	Annual TMS\$	Estimated date
Calbún S.A.	Comproimir Ambientalor - Anqartura	Power Plants Environmental management	Expense	Carta	732	22-06-2015
Calbún S.A.	Comproimir Ambientalor - Santa María	Power Plants Environmental management	Expense	Carta	725	18-05-2015
Termoeléctrica Nohuenca S.A.	Comproimir Ambientalor - Nohuenca	Power Plants Environmental management	Expense	Carta	210	26-06-2015
Calbún S.A.	Estudio de impacto ambiental - San Pedro	Project Environmental management	Azot	Work in progress	184	30-06-2015
Calbún S.A.	Comproimir Ambientalor - Lar Quillar	Power Plants Environmental management	Expense	Carta	117	03-06-2015
Calbún S.A.	Comproimir Ambientalor - Candelaria	Power Plants Environmental management	Expense	Carta	100	11-06-2015
Calbún S.A.	Comproimir Ambientalor - Lar Pinar	Power Plants Environmental management	Expense	Carta	99	30-06-2015
Ría Tranquila S.A.	Comproimir Ambientalor - Harnitar	Power Plants Environmental management	Expense	Carta	93	06-05-2015
Calbún S.A.	Comproimir Ambientalor - Quiloca	Power Plants Environmental management	Expense	Carta	83	23-06-2015
Calbún S.A.	Profactibilidad Ambiental - Candelaria	Project Environmental management	Azot	Work in progress	81	30-06-2015
Calbún S.A.	Comproimir Ambientalor - Antilhue	Power Plants Environmental management	Expense	Carta	81	30-06-2015
Calbún S.A.	Medio Ambiente - La Mina	Project Environmental management	Azot	Work in progress	49	22-06-2015
Calbún S.A.	Gestión Forestal	Parent Environmental Management	Expense	Expense	45	18-05-2015
Calbún S.A.	Comproimir Ambientalor - Canutillar	Power Plants Environmental management	Expense	Carta	34	16-06-2015
Calbún S.A.	Parque Carrusel Pray. Sta. María 1	Project Environmental management	Azot	Work in progress	21	30-06-2015
Calbún S.A.	Gestión Ambiental Proyecto	Parent Environmental Management	Expense	Expense	17	30-06-2015
Empresa Eléctrica Industrial S.A.	Comproimir Ambientalor - Carena	Power Plants Environmental management	Expense	Carta	17	22-06-2015
Calbún S.A.	Reserva RCAF/RE Medio Ambiente - Anqartura	Project Environmental management	Azot	Work in progress	16	30-06-2015
Calbún S.A.	Comproimir Ambientalor - Calbún	Power Plants Environmental management	Expense	Carta	15	21-04-2015
Calbún S.A.	Gestión Ambiental Central	Parent Environmental Management	Expense	Expense	13	15-06-2015
Calbún S.A.	Medio Ambiente administración - San Pedro	Project Environmental management	Azot	Work in progress	10	30-06-2015
Calbún S.A.	Comproimir Ambientalor - Rucó	Power Plants Environmental management	Expense	Carta	9	24-04-2015
Calbún S.A.	Gerente de Medio Ambiente	Parent Environmental Management	Expense	Expense	5	30-06-2015
Calbún S.A.	Azorari ar Medioambientalor Santa María	Project Environmental management	Azot	Work in progress	4	16-06-2015
Calbún S.A.	Estudiar de Impacto Ambiental - Guaquivila Molada	Project Environmental management	Azot	Work in progress	2	30-06-2015
<b>Total</b>					<b>2,762</b>	

**Future expenses as of 06.30.2015**

Company	Name of the project associated to disbursement	Concept	Account / Expense	Description account / expense	Annual TMS\$	Estimated date
Calbún S.A.	Comproimir Ambientalor Anqartura	Power Plants Environmental management	Expense	Carta	453	30-06-2015
Termoeléctrica Nohuenca S.A.	Comproimir Ambientalor	Power Plants Environmental management	Expense	Carta	295	26-06-2015
Calbún S.A.	Comproimir Ambientalor Santa María	Power Plants Environmental management	Expense	Carta	204	19-06-2015
Calbún S.A.	Comproimir Ambientalor Candelaria	Power Plants Environmental management	Expense	Carta	101	09-12-2015
Calbún S.A.	Comproimir Ambientalor Lar Quillar	Power Plants Environmental management	Expense	Carta	101	26-06-2015
Calbún S.A.	Medio Ambiente - La Mina	Project Environmental management	Azot	Work in progress	93	12-12-2015
Calbún S.A.	Comproimir Ambientalor Antilhue	Power Plants Environmental management	Expense	Carta	49	28-12-2015
Ría Tranquila S.A.	Comproimir Ambientalor	Power Plants Environmental management	Expense	Carta	47	23-07-2015
Calbún S.A.	Gestión Forestal	Parent Environmental Management	Expense	Carta	31	31-07-2015
Calbún S.A.	Gestión Ambiental Proyecto	Parent Environmental Management	Expense	Carta	29	22-07-2015
Calbún S.A.	Gestión Ambiental Central	Parent Environmental Management	Expense	Carta	26	22-07-2015
Calbún S.A.	Comproimir Ambientalor Canutillar	Power Plants Environmental management	Expense	Carta	23	30-09-2015
Calbún S.A.	Comproimir Ambientalor Lar Pinar	Power Plants Environmental management	Expense	Carta	8	28-07-2015
Calbún S.A.	Comproimir Ambientalor Calbun	Power Plants Environmental management	Expense	Carta	6	30-06-2015
Calbún S.A.	Comproimir Ambientalor Rucó	Power Plants Environmental management	Expense	Carta	6	06-08-2015
Empresa Eléctrica Industrial S.A.	Comproimir Ambientalor Carena	Power Plants Environmental management	Expense	Carta	3	20-08-2015
<b>Total</b>					<b>1,475</b>	

## Disbursements in Peru

### Accumulated disbursements made as of 06.30.2016

Company	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount TnUS\$	Certain date or estimated in disbursements were or will be made
Fénix Power S.A.	Monitoreo y Gestión Ambiental	Power Plants Environmental management	Expense	Cost	338	30-06-2016
<b>Total</b>					<b>338</b>	

### Future expenses as of 06.30.2016

Company	Name of the project associated to disbursement	Concept	Asset / Expense	Description asset / expense	Amount TnUS\$	Certain date or estimated in disbursements were or will be made
Fénix Power S.A.	Monitoreo y Gestión Ambiental	Power Plants Environmental management	Expense	Cost	397	30-06-2016
<b>Total</b>					<b>397</b>	

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

a. In the session held on July 26, 2016, the Board of Directors of the Company approved the interim consolidated financial statements as of June 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.

b. On July 15, 2016 was prepaid credit with the bank BTMU for ThUS\$ 250,000 plus interest accrued to that date, unwind the associated derivatives and the amortization of capitalized transaction costs.

No other subsequent events have occurred between June 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	06.30.2016 TUS\$	12.31.2015 TUS\$
<b>Total current assets</b>				
Cash and cash equivalents	Chilean peso	US Dollar	128,066	134,145
Cash and cash equivalents	Euro	US Dollar	835	440
Cash and cash equivalents	Peruvian sol	US Dollar	2,555	5,815
Other non-financial assets, current	Chilean peso	US Dollar	1,293	638
Other non-financial assets, current	Peruvian sol	US Dollar	53	13
Trade and other current accounts receivable	Chilean peso	US Dollar	119,819	77,022
Trade and other current accounts receivable	Euro	US Dollar	-	-
Trade and other current accounts receivable	Peruvian sol	US Dollar	59,717	64,636
Current accounts receivable from related companies	Chilean peso	US Dollar	363	63
Inventories	Chilean peso	US Dollar	-	-
Current tax assets	Chilean peso	US Dollar	1,029	8,634
Current tax assets	Chilean peso	US Dollar	6,651	-
<b>Total current assets</b>			<b>320,381</b>	<b>291,406</b>
<b>Non-current assets</b>				
Other non-current financial assets	Chilean peso	US Dollar	227	212
Other non-current non-financial assets	Chilean peso	US Dollar	11,645	7,905
Trade and other accounts receivable, non-current	Chilean peso	US Dollar	-	-
Non-current accounts receivable from related companies	UF	US Dollar	-	-
Non-current tax assets	Chilean peso	US Dollar	-	-
Trade and other accounts receivable, non-current	Peruvian sol	US Dollar	-	-
<b>Total non-current assets</b>			<b>11,872</b>	<b>8,117</b>
<b>Total assets</b>			<b>332,253</b>	<b>299,523</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Other current financial liabilities	UF	US Dollar	7,305	10,453
Trade and other accounts payable	Chilean peso	US Dollar	114,965	102,887
Trade and other accounts payable	Peruvian sol	US Dollar	22,588	6,096
Current accounts payable to related entities	Chilean peso	US Dollar	719	307
Other current provisions	Chilean peso	US Dollar	15,682	15,501
Current tax liabilities	Chilean peso	US Dollar	-	23,878
Current tax liabilities	Peruvian sol	US Dollar	-	167
Current provisions for employee benefits	Chilean peso	US Dollar	8,072	10,235
Current provisions for employee benefits	Peruvian sol	US Dollar	1,040	1,002
Other current non-financial liabilities	Chilean peso	US Dollar	13,624	10,893
Other current non-financial liabilities	Peruvian sol	US Dollar	694	344
<b>Total current liabilities</b>			<b>184,689</b>	<b>181,763</b>
<b>Non-current liabilities</b>				
Other non-current financial liabilities	UF	US Dollar	83,843	100,588
Non-current provisions for employee benefits	Chilean peso	US Dollar	26,638	23,001
Other non-current non-financial liabilities	Chilean peso	US Dollar	3,112	3,422
<b>Total non-current liabilities</b>			<b>113,593</b>	<b>127,011</b>
<b>Total liabilities</b>			<b>298,282</b>	<b>308,774</b>

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 06.30.2016	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	-	7,305	19,393	26,104	46,086	98,888
<b>Totals</b>			<b>-</b>	<b>7,305</b>	<b>19,393</b>	<b>26,104</b>	<b>46,086</b>	<b>98,888</b>

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
<b>Totals</b>			<b>-</b>	<b>6,629</b>	<b>15,498</b>	<b>26,799</b>	<b>62,115</b>	<b>111,041</b>

#### 40. Personnel (unaudited)

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

	Number of employees					
	06.30.2016			12.31.2015		
	Chile	Perú	Total	Chile	Perú	Total
Managers and primary executives	70	6	76	66	4	70
Professional & technicians	620	55	675	605	53	658
Employees and others	284	30	314	291	30	321
Total	974	91	1,065	962	87	1,049
<b>Annual average</b>	<b>969</b>	<b>89</b>	<b>1,058</b>	<b>970</b>	<b>86</b>	<b>970</b>



**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-June		April-June	
	2015 ThUS\$	2014 ThUS\$	2015 ThUS\$	2014 ThUS\$
Audit services	73	86	14	11
Tax services	-	19	-	-
Other services	43	2	39	-
<b>Auditor's fees</b>	<b>116</b>	<b>107</b>	<b>53</b>	<b>11</b>

\* \* \* \* \*