

A horizontal bar composed of three colored segments: dark blue, light blue, and green.

## Company Presentation

*Santander Conference, September 2010*





# Agenda

## Company Overview

Chilean Electricity Sector

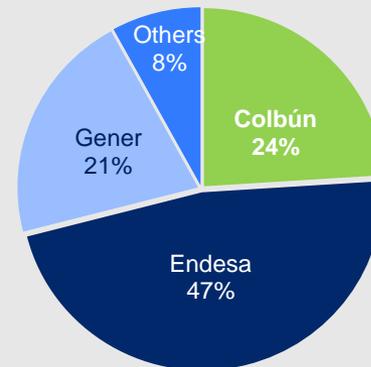
Business Strategy

Financial Profile

# Colbún at a glance

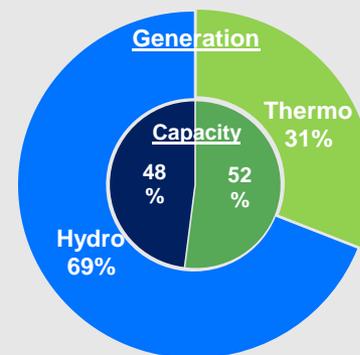
- Business → Power Generation & Trade
- Size → 2<sup>nd</sup> largest generator in Chile's Central Grid (SIC), with 24% market share  
The SIC covers 90% of the population
- Capacity → 2,620 MW  
52% thermal and 48% hydraulic
- Generation → 9,560 GWh in 2009  
31% thermal and 69% hydraulic
- Assets → 14 hydro plants in 4 different basins  
8 thermal plants in 4 different regions
- People → 848 employees as of June '10
- Results → 2009 EBITDA of USD 336.6 mn  
LTM EBITDA of USD 416.0 mn  
2009 Revenues of USD 1.2 bn  
LTM Revenues of USD 1.0 bn

Market Share (as a % of Gross Generation) - SIC



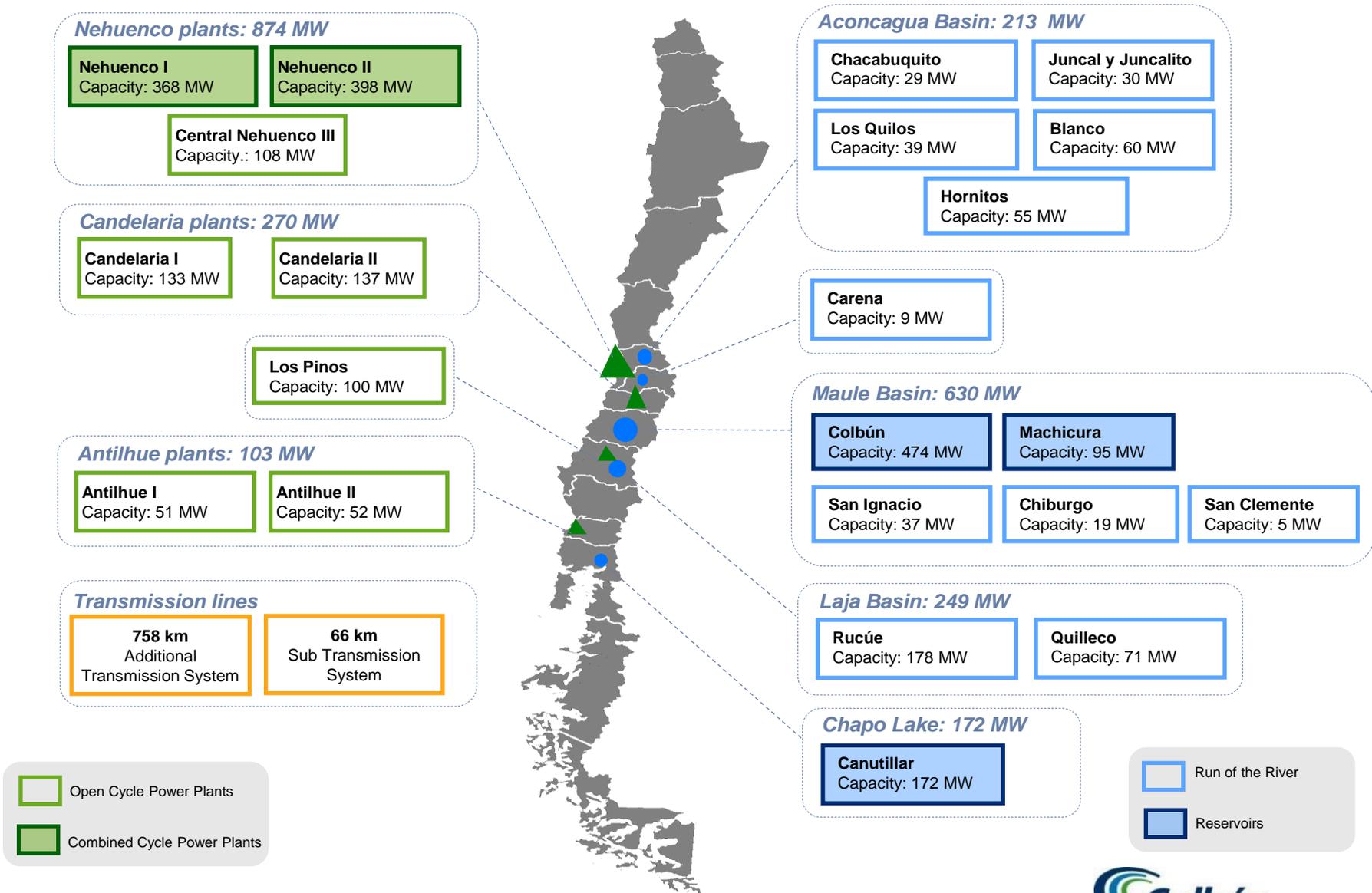
Source: CNE – December 2009

Generation (GWh) and Installed Capacity (MW)

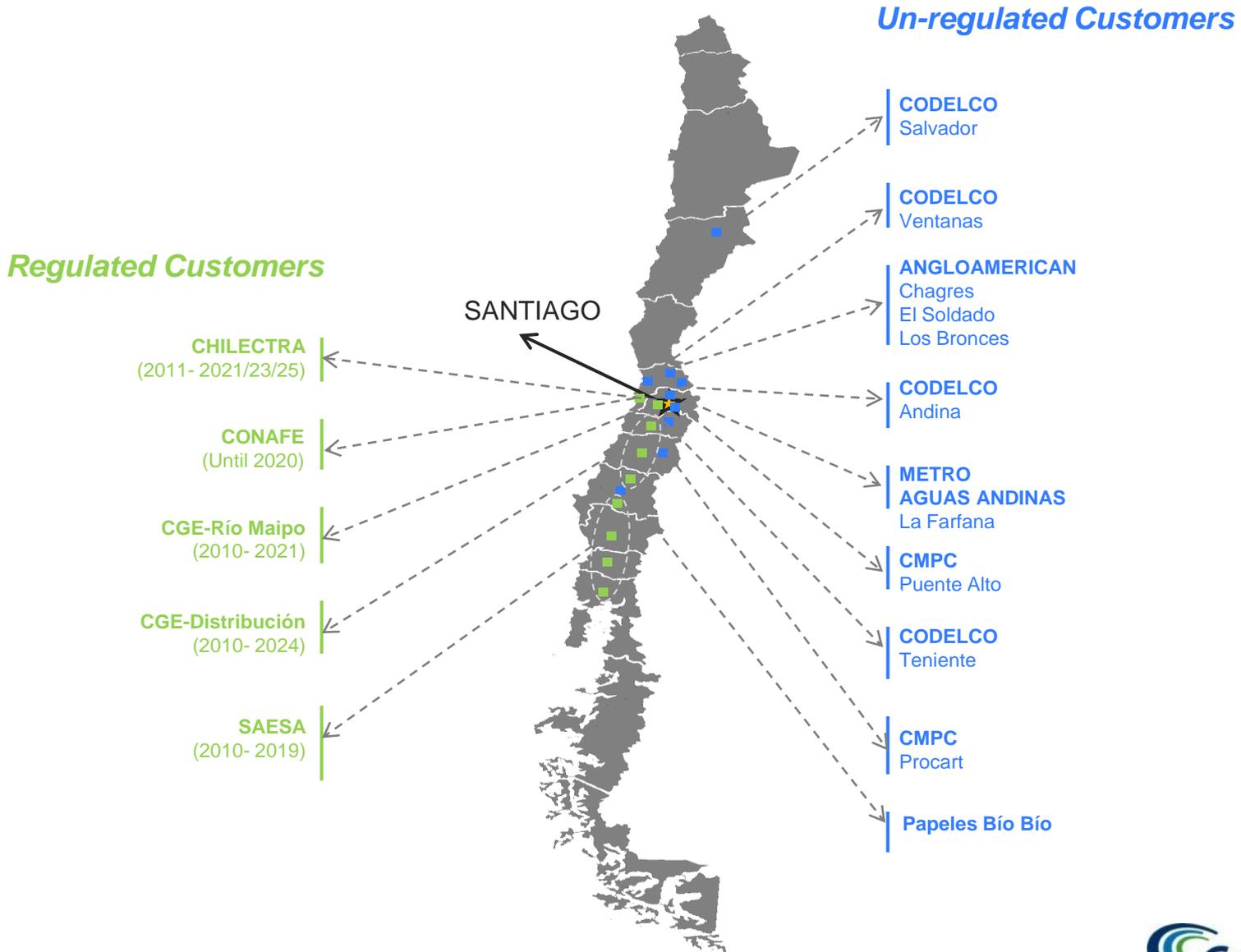


Source: Colbún 2009 Generation and Capacity

# A diversified asset base

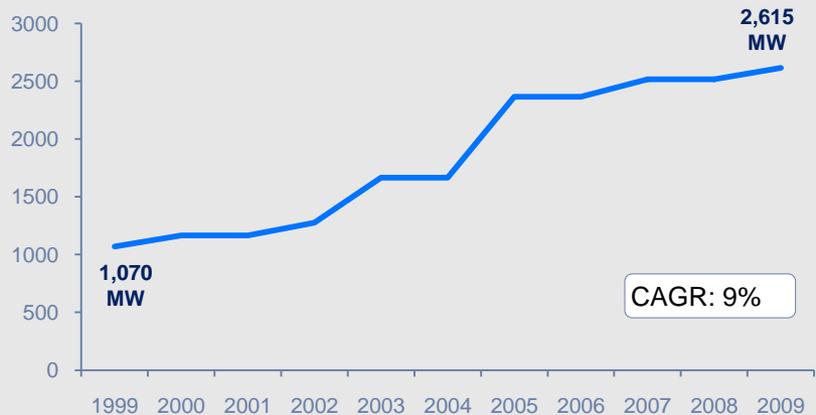


# A diversified customer base

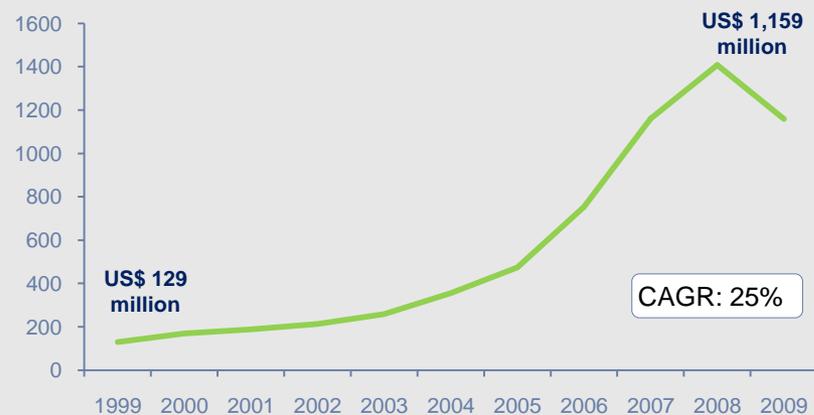


# Colbún has grown steadily over the past decade

### Capacity (MW)



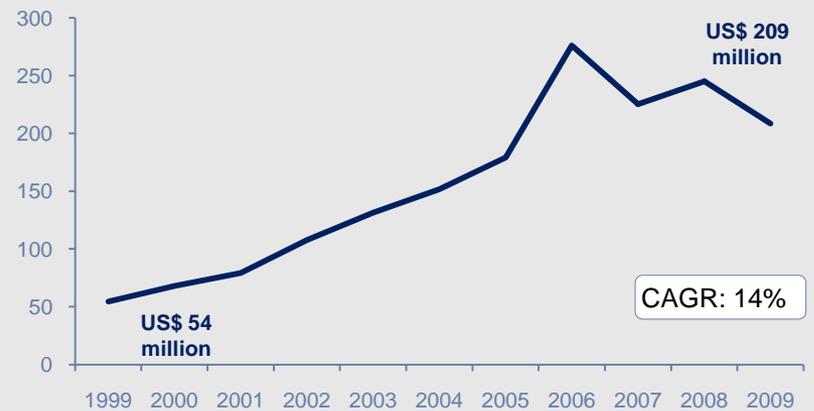
### Total Operating Revenues (MMUSD)



### Market Cap (MMUSD)

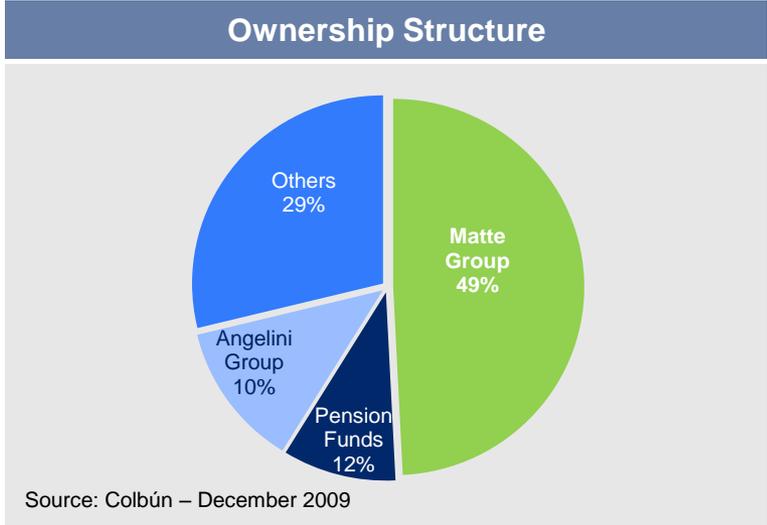


### 3-year Moving Average EBITDA (MMUSD)



# Solid and reliable controlling group with a strategic and long term vision

- Control** → Controlled by the **Matte Group (49%)**, one of the leading economic groups in Chile, with **stakes in various sectors** (forestry, financial, telecommunications, among others)
- Large shareholder** → The second important stakeholder, the **Angelini Group**, is also a leading Chilean economic group and owns **9.6%** of Colbún
- Float** → **41% free float**, with relevant local institutional investor presence
- Governance** → 4 out of 9 are **independent directors**
- Accounting Standards** → Disclosure under **IFRS standards**  
Functional currency: **US dollar**





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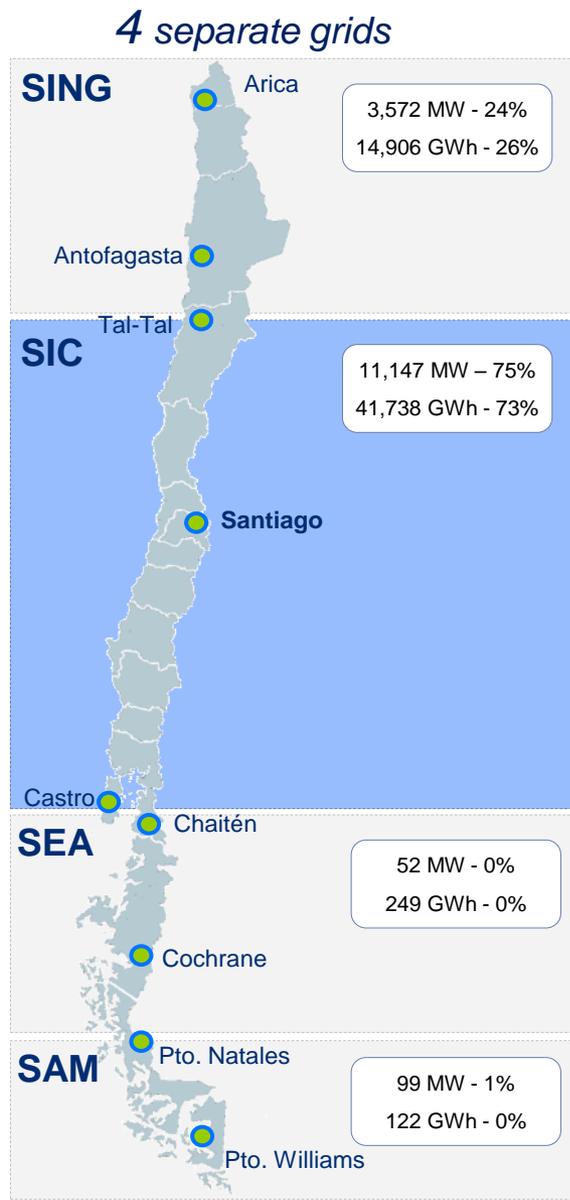
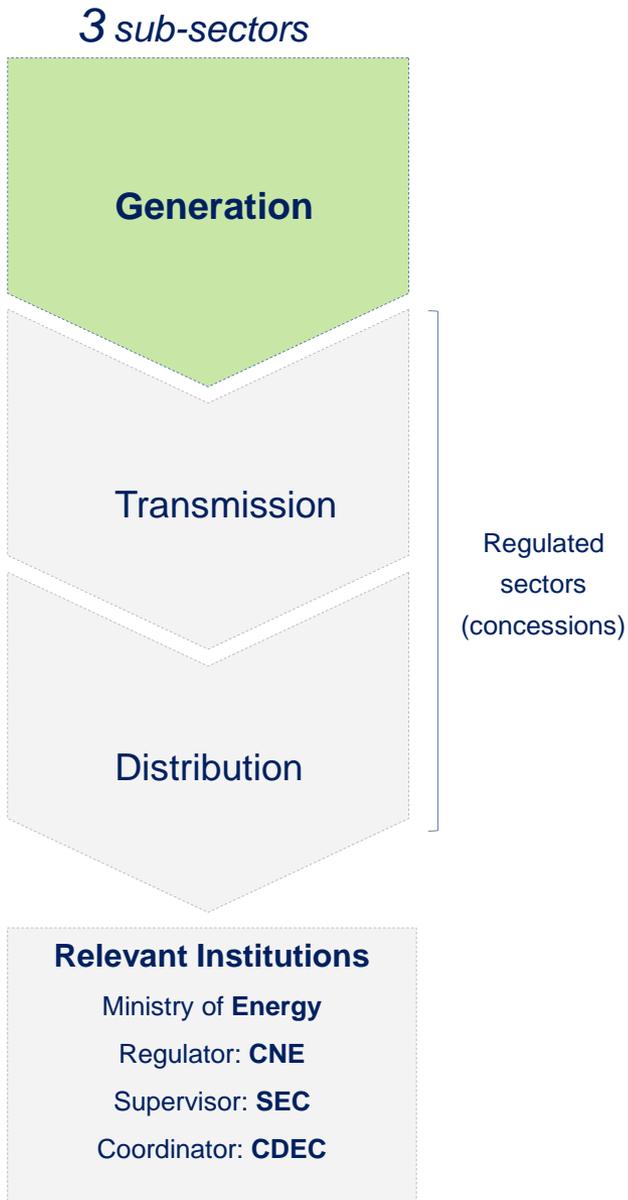
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**Chilean Electricity Sector**

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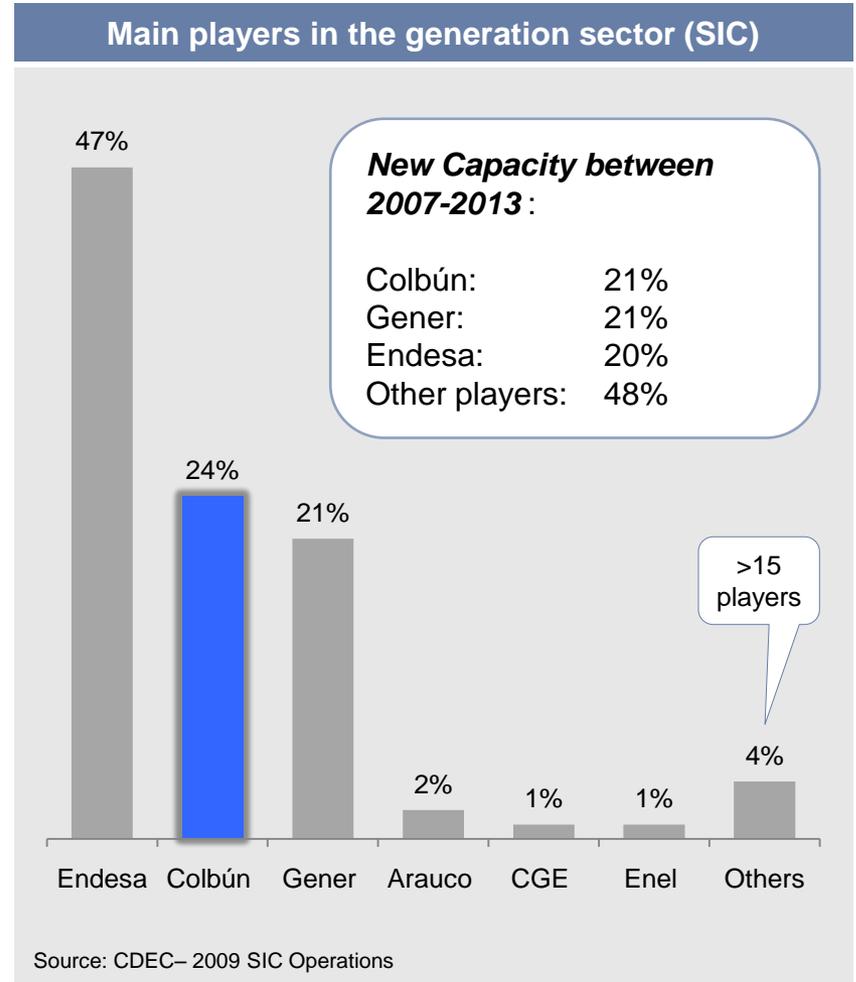
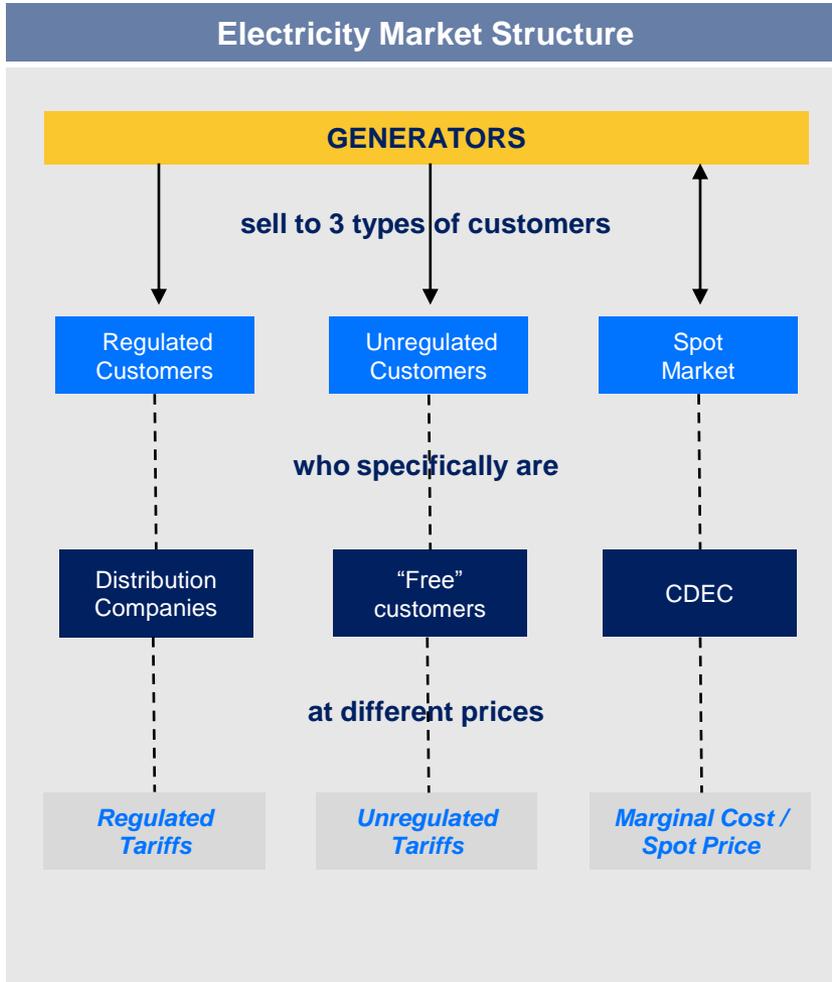
# Sector segmentation



Source: CNE, December 2009

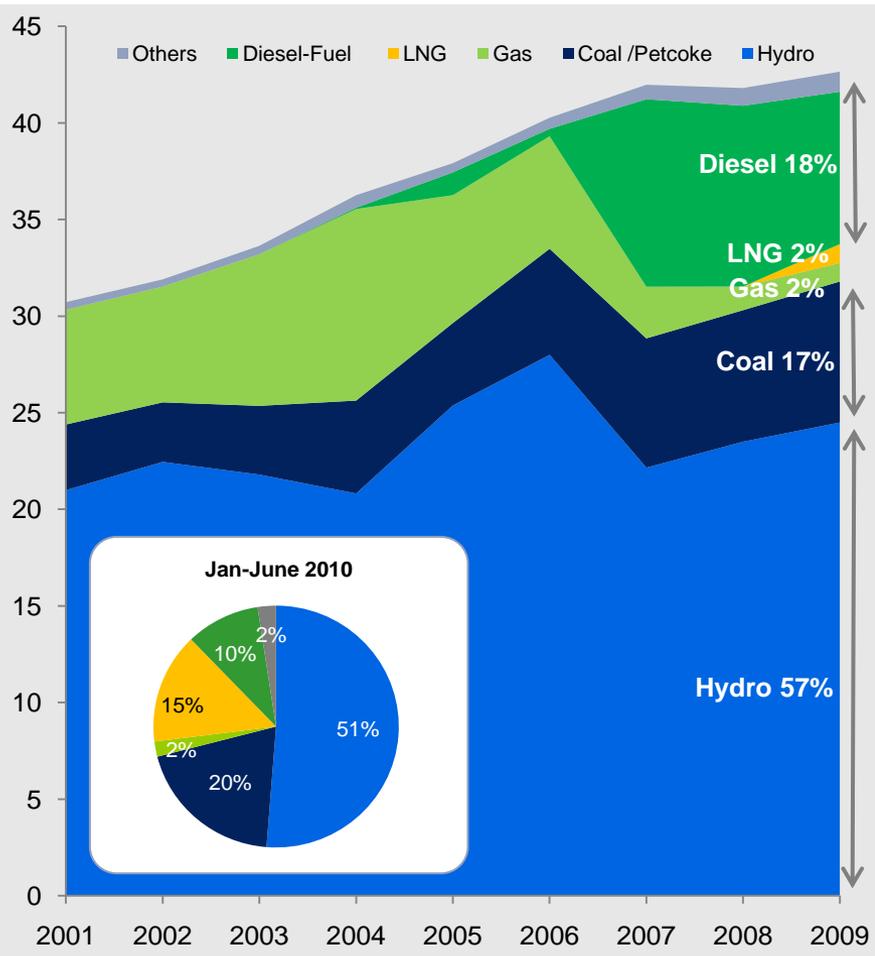


# Market structure



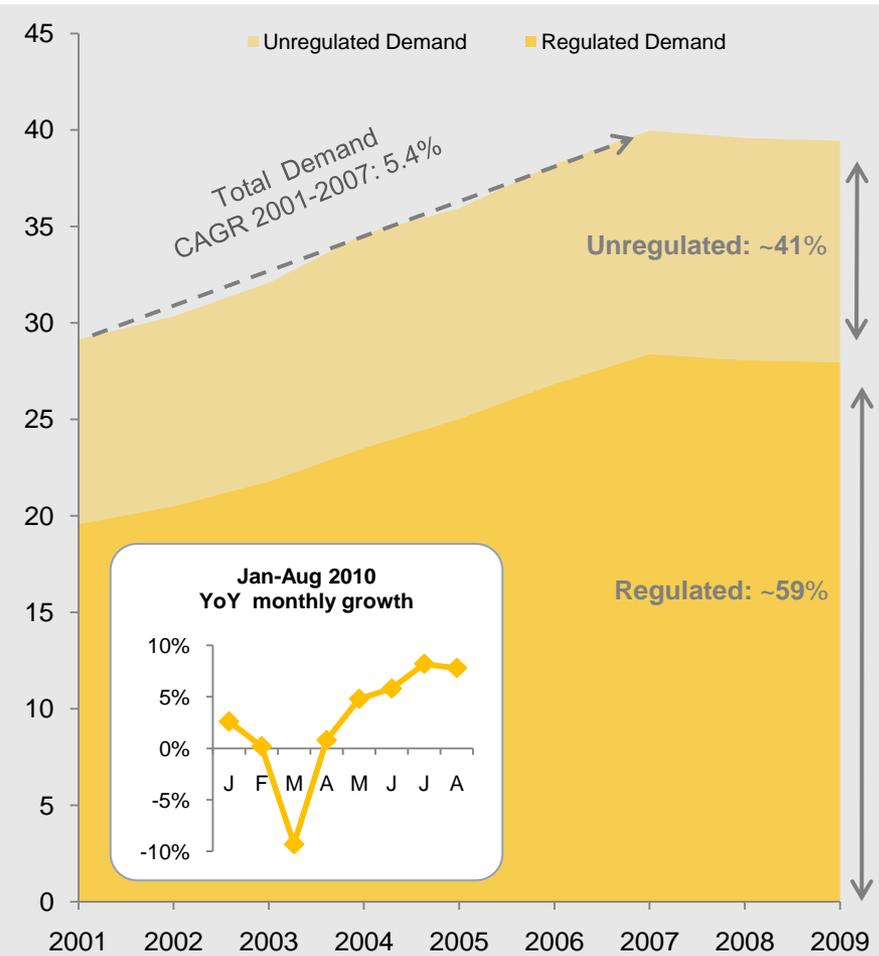
# Evolution of power generation and demand in Chile's central grid (SIC)

Annual Power Generation in the SIC (TWh)



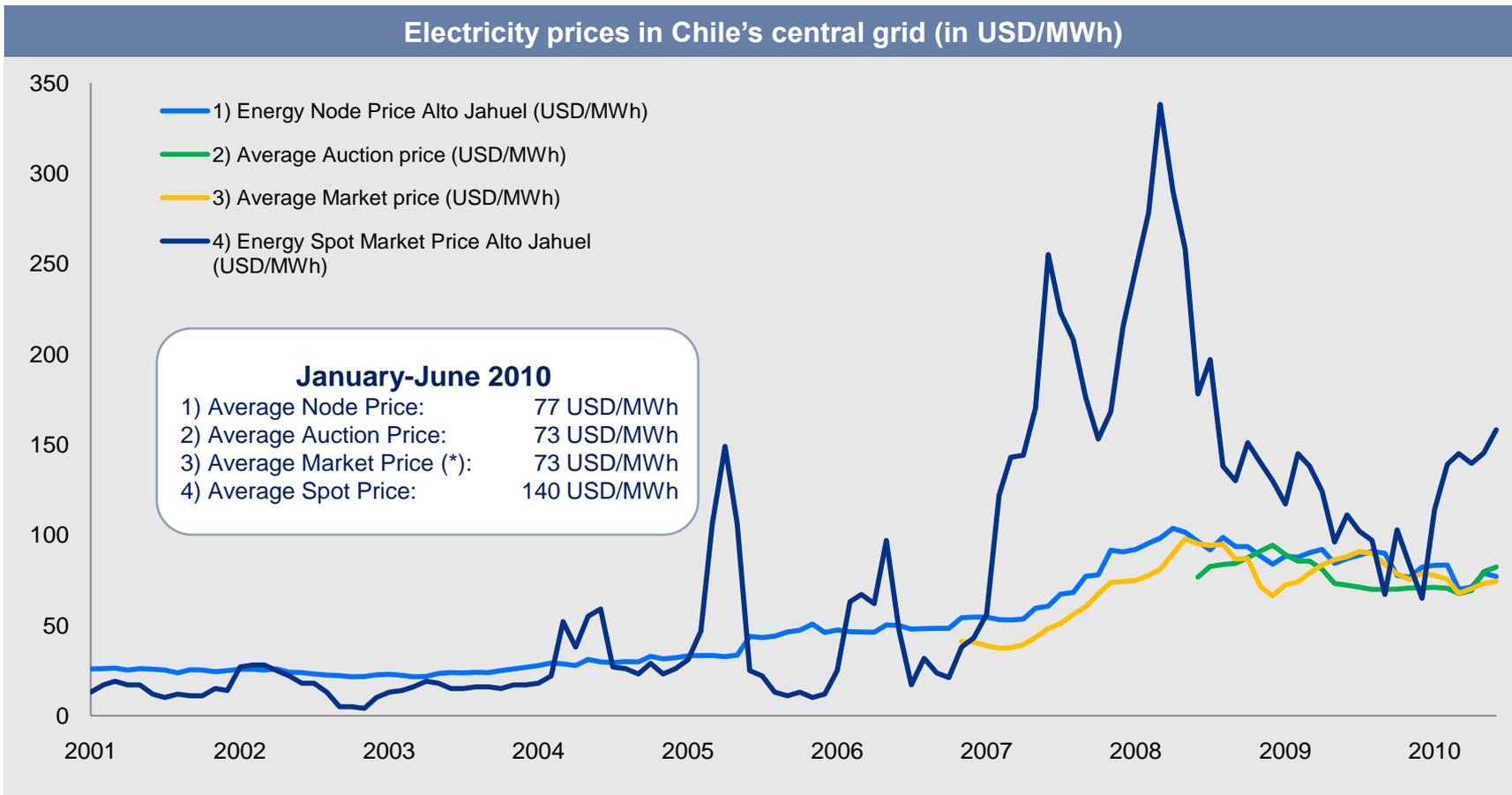
Source: Generación Bruta SIC. CNE – June 2010

Annual Electricity Demand in the SIC (TWh)



Source: Producción Real por Sistema. CNE/Colbún – December 2009

# Evolution of electricity prices



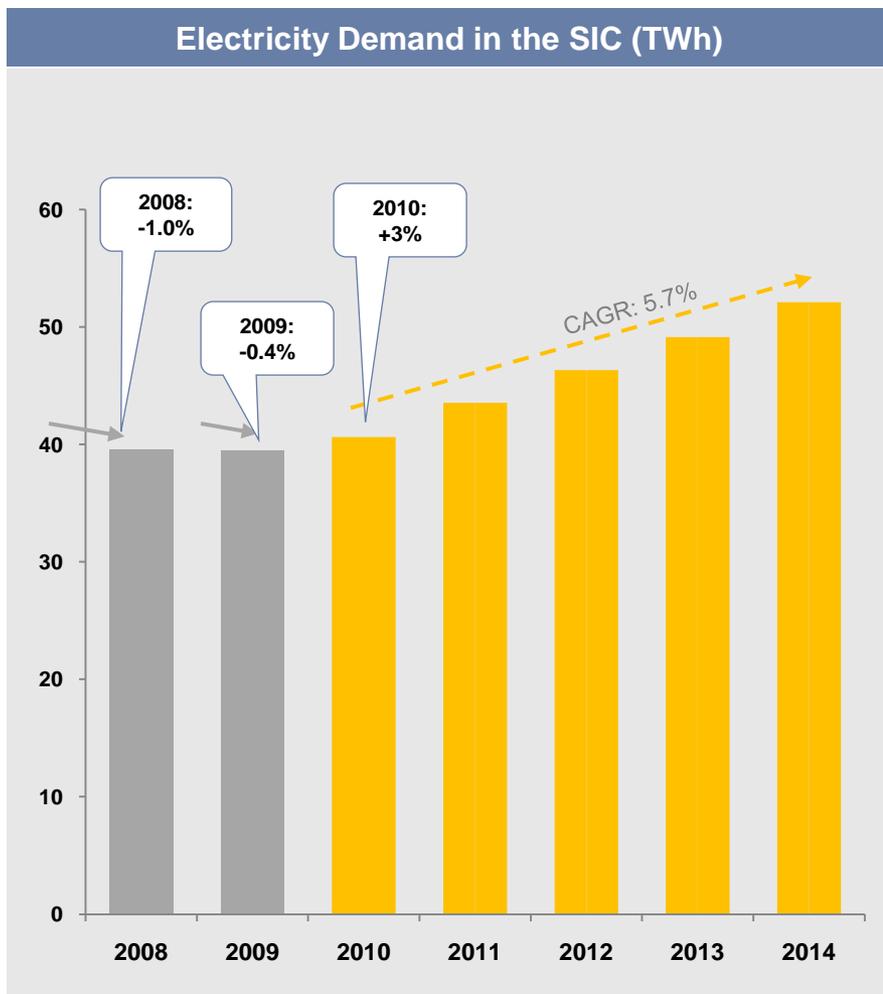
Source: *Costos reales marginales mensuales Alto Jahuel* CDEC/ Colbún

*Historia precios nudos CNE*

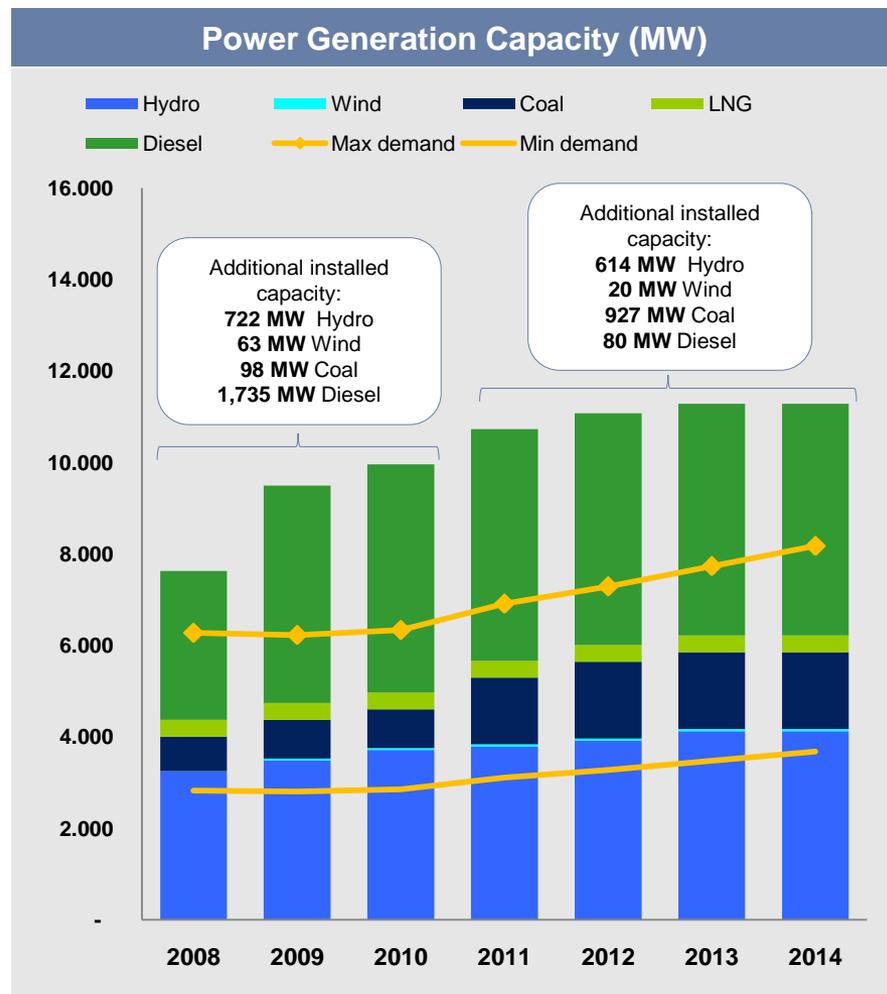
*Informes Mensuales Systeem* [www.systeem.cl](http://www.systeem.cl)

Note (\*): The market Price is calculated by the Regulator upon information provided by all generation companies. This average price was adjusted on a flat basis to exclude the capacity charge component (reduction of 13 USD/MWh).

# Supply and Demand. What to expect in the coming years?



Source: Informe Tecnico Preliminar Precio Nudo SIC Octubre 2010 CNE



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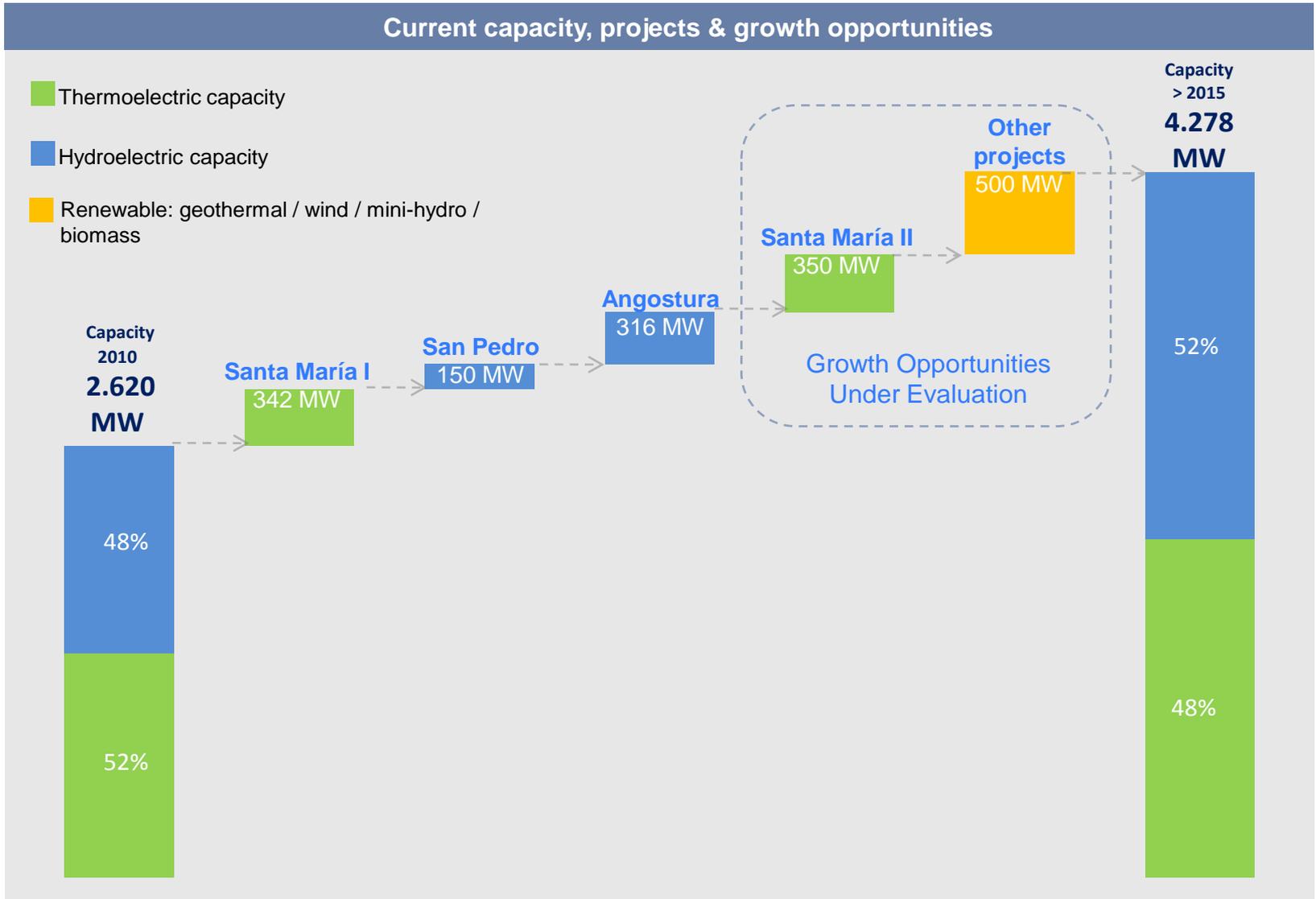
Company Overview

Chilean Electricity Sector

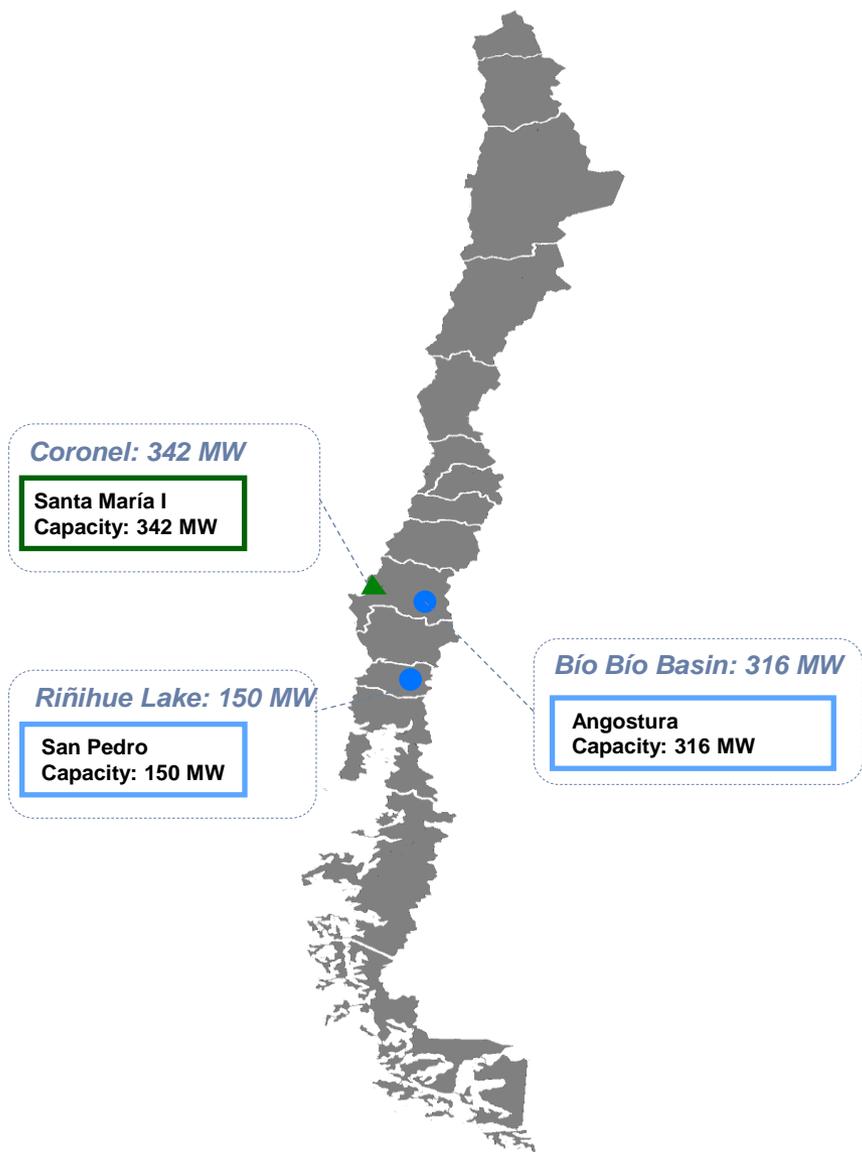
**Business Strategy**

Financial Profile

# Our expansion plan



# Projects under construction



Project	Type	Total Investment (MMUSD) (1)	Spent as of June 2010 (MMUSD)	Estimate start of operation
Santa María I	Thermo Coal	726	601	2 <sup>nd</sup> Half 2011
San Pedro	Hydro	444	53	2013
Angostura	Hydro	657	54	2013
<b>TOTAL</b>		<b>US\$ 1,827 million</b>	<b>US\$ 708 million</b>	

(1): Note that these values may vary according to exchange rate differences and other contingencies

# Drivers of Colbún's commercial policy

*Driver 1:  
Contract level*

Define optimal Contract Level



**Hydro capacity**

(Output of a medium-dry year)

+

**Efficient thermal capacity**

(Output of coal-fueled plant)

*Driver 2:  
Sale Price indexation*

Incorporate indexation formulas of sale prices



that reflect

**our cost structure**

(CPI, Coal, Diesel, Spot Price)

*Driver 3:  
Hedge Program*

Structure tailor-made hedge programs



To protect from more adverse

- 1) Hydrologic conditions
- 2) Fuel prices

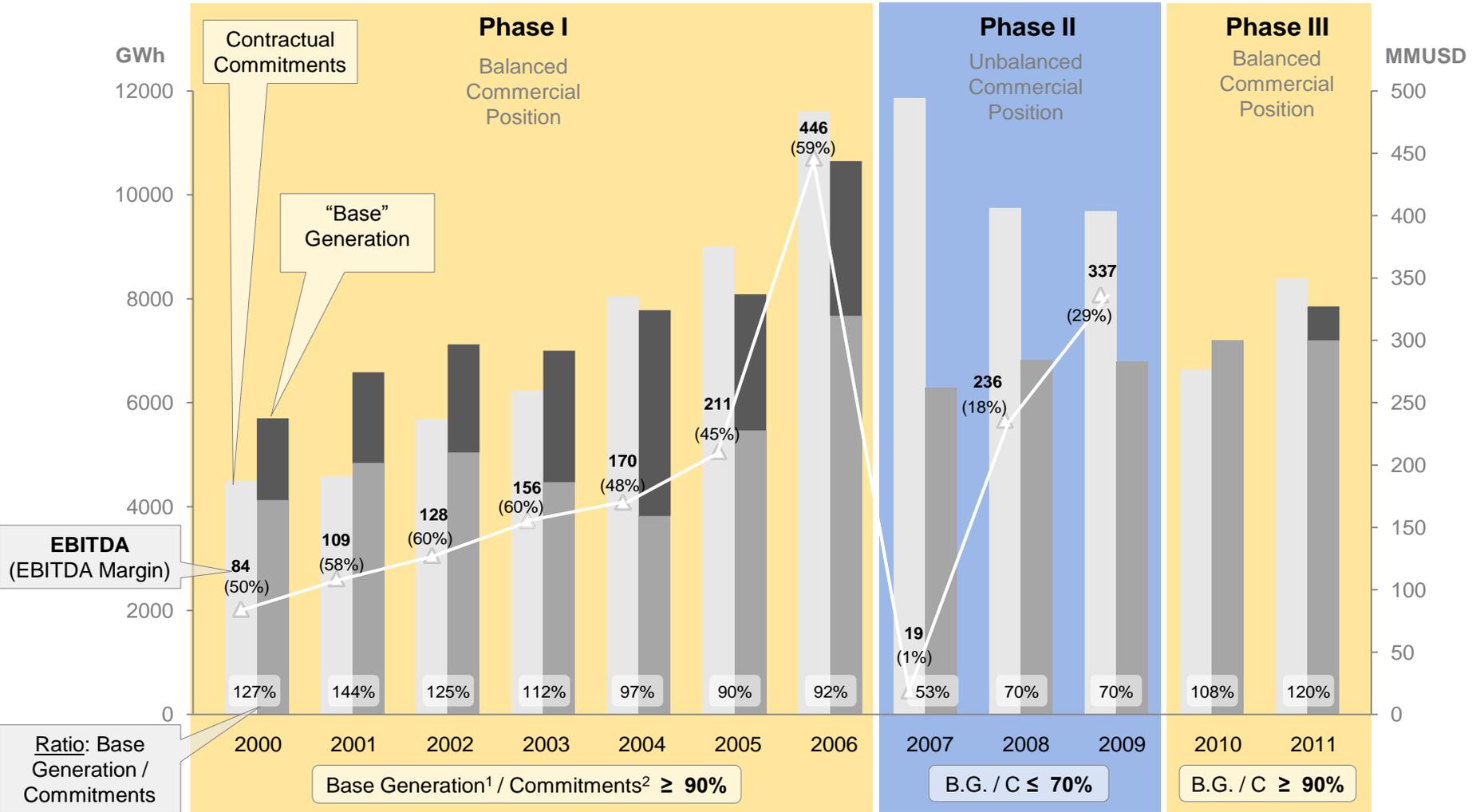
**Supply secure and competitive energy** to our customers

**Maximize Returns** from our current and future assets

**Manage Volatility** given large renewable component

*Commercial Goals*

# Evolution of Colbún's Business Model – reaching back equilibrium...



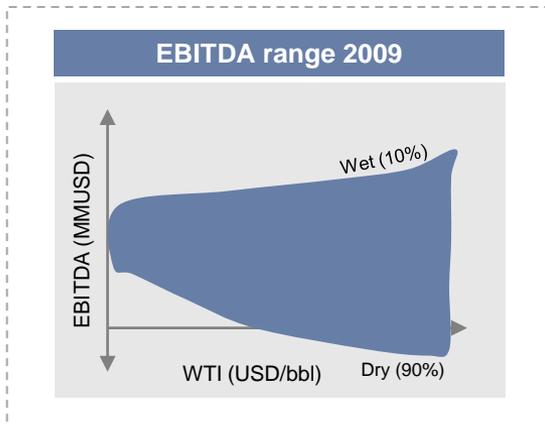
1: Commitments represent Colbún's committed sales (through contracts) excluding commitments which price is defined by the spot price

2: Base Generation represents Colbún's electricity production @ low variable cost (hydro generation + gas generation during Phase I and coal generation in Phase III)



# The transition to stable cash flows... for any level of WTI

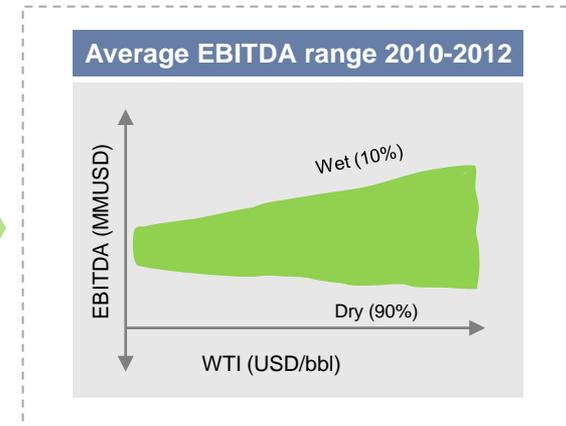
## Pre-transition



## Drivers of transition

- Lower level of **commitments**
- **Indexation** of sales prices (risk sharing mechanisms)
- Incorporation of **new base capacity** (coal and hydro)
- **System** back to **equilibrium** (lower and less volatile spot prices)
- **New equilibrium** with **higher power** prices

## Post-transition



*Disclaimer: these graphs are just provided for illustrative purposes. No assurance can be made that actual results will be within these ranges since many other factors may affect our operations or financial performance.*

# Colbún: a sustainable partner

## Employees

- Safe and healthy working environment
- Strict compliance with labor regulations and union agreement
- Comprehensive employee benefit policy

## Community

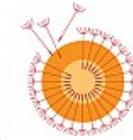
- High citizen participation
- Creating higher living standards with a focus on education, sports and economic development
- Open access policy for our plants

## Environment

- Clear emphasis on renewable energy
- Leader in Clean Development Mechanism projects
- Strict compliance with environmental regulation and permits

## Business Chain

- Strong relation with strategic and large customers
- Trainings to maximize local suppliers and hand labor
- Provider of clean, reliable and competitive energy



THE PRINCE'S  
MAY DAY  
NETWORK

REPUTATION  
INSTITUTE



# Some final considerations...

## Context

Sector needs new base capacity to supply growing demand



LNG



Global Climate Change issues



Local Law to promote NCRE



The HidroAysén Project



Nuclear power in Chile



International expansion



## What about Colbún?

2 large hydro projects and 1 coal project under construction (total of 800 MW)

An opportunity for its over 1,000 MW of installed capacity

50% of its capacity based on renewable sources (70% of production)

Develop “competitive renewables”: mini-hydro projects and maybe geothermal

A valuable stake/option on Chile’s largest water resources...

Wait for political consensus and regulatory framework

Internal growth grants enough opportunities (maintaining current 25% market share)



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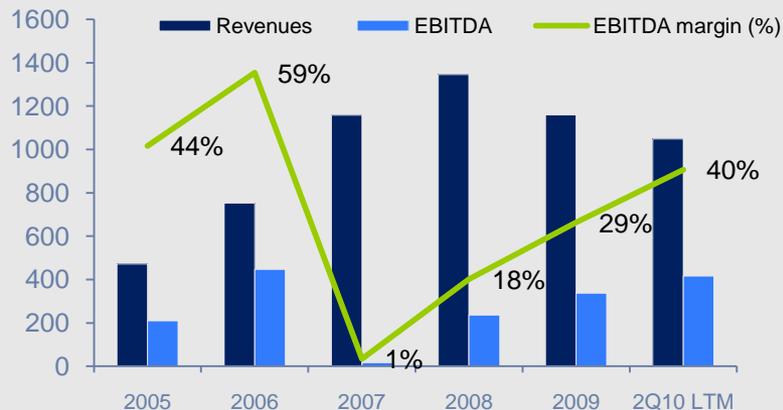
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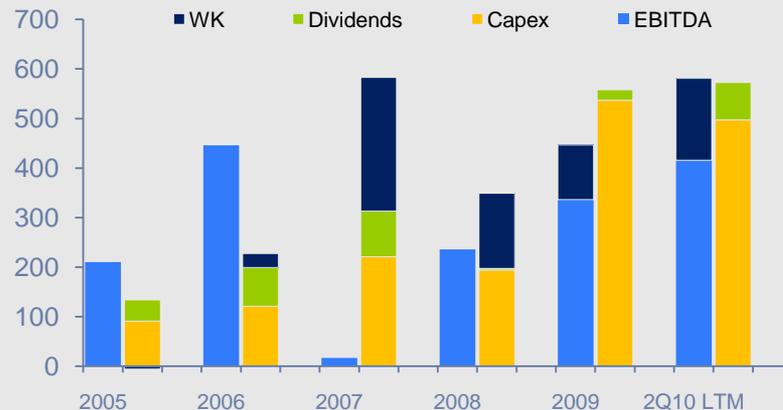
**Financial Profile**

# Historical key financial indicators<sup>1</sup>

## Revenues, EBITDA (MMUSD) & EBITDA Margin



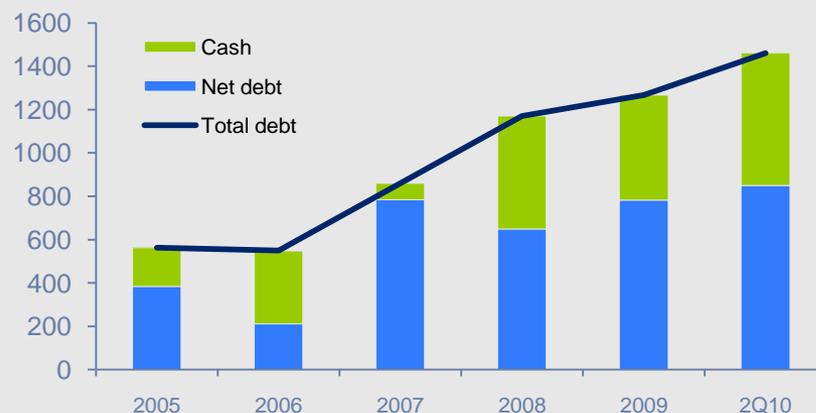
## EBITDA, Capex, Dividends, Δ WK<sup>2</sup> (MMUSD)



## Key Credit Metrics

	2005	2006	2007	2008	2009	2Q10 LTM
<b>Total debt to total capital (%)</b>	22.0	18.8	26.0	25.0	26.0	30.0
<b>Net debt to EBITDA (x)</b>	1.8	0.4	36.6	2.3	2.1	2.0
<b>EBITDA interest coverage (x)</b>	7.8	14.3	0.5	3.9	6.5	8.0

## Cash, Debt & Net Debt (MMUSD)

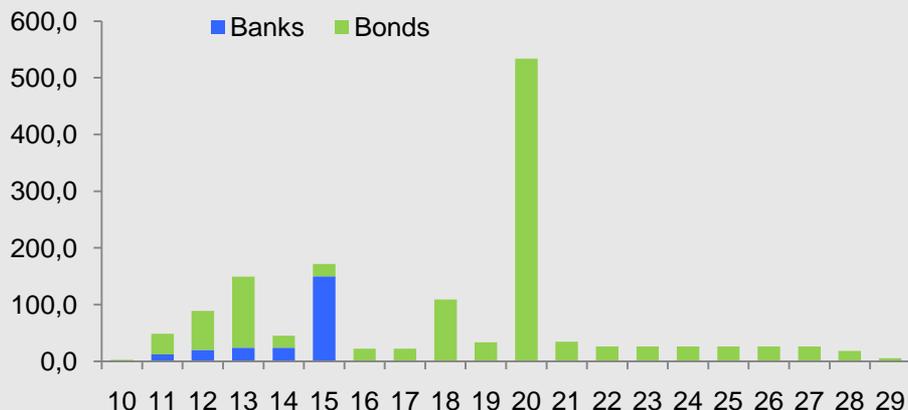


<sup>1</sup> Data for 2005 up to 2007 are under Chilean GAAP and data for 2008 and 2009 are under IFRS.

<sup>2</sup> WK only refers to the increase or reduction of the accounts receivable from Sales to customers w/o contracts and Recoverable taxes.

# Conservative financial strategy - smooth debt profile coupled with a strong liquidity position

## Amortization Schedule of LT Debt (MMUSD)



Note: schedule after refinancing of syndicated loan.

## Liquidity Position

- **Cash:**
  - USD **612 million** of cash and cash equivalents as of June 2010.
- **Committed lines:**
  - Committed back-up facility of USD **200 million (unused)** signed with local counterparties. Plan to maintain a similar level of back-up liquidity facilities during the CAPEX period
- **Other sources of liquidity:**
  - Access to **additional USD 200 million** in credit lines facilities and a registered commercial paper program, which we use from time to time for working capital optimization purposes

## Balance Sheet as of June 10 (MMUSD)

<u>Current Assets</u>	<u>1.117</u>
Cash and equivalents	612
Accounts receivable	273
<i>Normal sales</i>	127
<i>Sales to regulated customers w/o contracts (ST)</i>	(85)
<i>Others</i>	62
Recoverable taxes	(188)
Other current assets	45
 <u>Non-Current Assets</u>	 <u>4,526</u>
Property, Plant and Equipment	4,282
Other non-current assets	245
<i>Sales to regulated customers w/o contracts (LT)</i>	(50)
<b>Total Assets</b>	<b>5,643</b>
 Current Liabilities	 275
Long-Term Liabilities	1,881
Shareholders' Equity	3,488
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,643</b>

