# COMPANY PRESENTATION

## Bank of America Merrill Lynch
## Emerging Markets Corporate Conference

*May 30 – June 1, 2012*

# Agenda

**Company Overview**

Chilean Electricity Sector

Business Strategy

Financial Profile

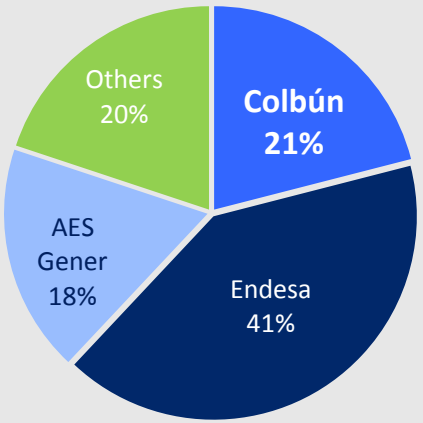


Colbún

# Colbún at a glance

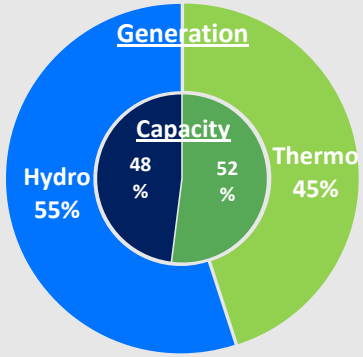
| | | |
|---|---|---|
| Business | → | Power Generation & Trade |
| Size | → | 2nd largest generator in Chile's Central Grid (SIC), with 21% market share (MW).<br>The SIC covers 90% of the population |
| Capacity | → | 2,620 MW<br>52% thermal and 48% hydraulic |
| Generation | → | 9,781 GWh in 2011<br>45% thermal and 55% hydraulic |
| Assets | → | 15 hydro plants in 4 different basins<br>6 thermal plants in 4 different regions |
| People | → | 930 employees as of March'11 |
| Results | → | EBITDA of USD 204.7 million in 2011<br>Revenues of USD 1.3 billion in 2011 |

**Market Share (as a % of Installed Capacity) - SIC**




Source: CNE – December 2011

**Generation (GWh) and Installed Capacity (MW)**




Source: Colbún 2011 Generation and Capacity

# A diversified asset base

## 6 Thermal Power Plants

### Nehuenco Complex: 874 MW
DIESEL/GAS

- **Nehuenco I**
  Capacity: 368 MW
- **Nehuenco II**
  Capacity: 398 MW
- **Nehuenco III**
  Capacity: 108 MW

### Candelaria Power Plant: 270 MW
DIESEL/GAS

- **Candelaria**
  Capacity Unit I : 133 MW
  Capacity Unit II : 137 MW

### Los Pinos Power Plant: 100 MW
DIESEL

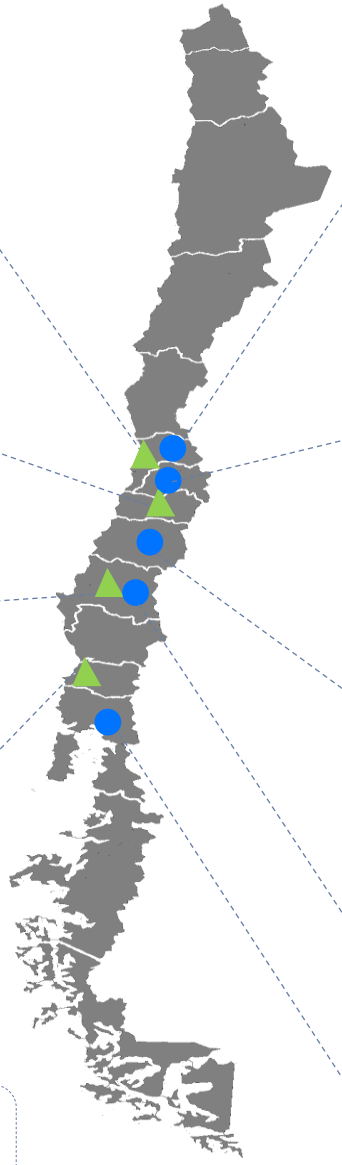
- **Los Pinos**
  Capacity: 100 MW

### Antilhue Power Plant: 103 MW
DIESEL

- **Antilhue**
  Capacity Unit I : 51 MW
  Capacity Unit II : 52 MW

### Transmission Lines

- **47 KM**
  Trunk Transmission System
- **68 KM**
  Sub Transmission System
- **737 KM**
  Additional Transmission System



- Combined Cycle
- Open Cycle
- Run of the River
- Reservoir

## 15 Hydro Power Plants

### Aconcagua Basin: 213 MW

- **Chacabuquito**
  Capacity: 29 MW
- **Blanco**
  Capacity: 60 MW
- **Los Quilos**
  Capacity: 39 MW
- **Juncal**
  Capacity: 29 MW
- **Hornitos**
  Capacity: 55 MW
- **Juncalito**
  Capacity: 1 MW

### Carena Power Plant: 9 MW

- **Carena**
  Capacity: 9 MW

### Maule Basin: 630 MW

- **Colbún**
  Capacity: 474 MW
- **Machicura**
  Capacity: 95 MW
- **San Ignacio**
  Capacity: 37 MW
- **Chiburgo**
  Capacity: 19 MW
- **San Clemente**
  Capacity: 5 MW

### Laja Basin: 249 MW

- **Rucúe**
  Capacity: 178 MW
- **Quilleco**
  Capacity: 71 MW

### Chapo Lake: 172 MW

- **Canutillar**
  Capacity: 172 MW

# A diversified customer base

## REGULATED CUSTOMERS

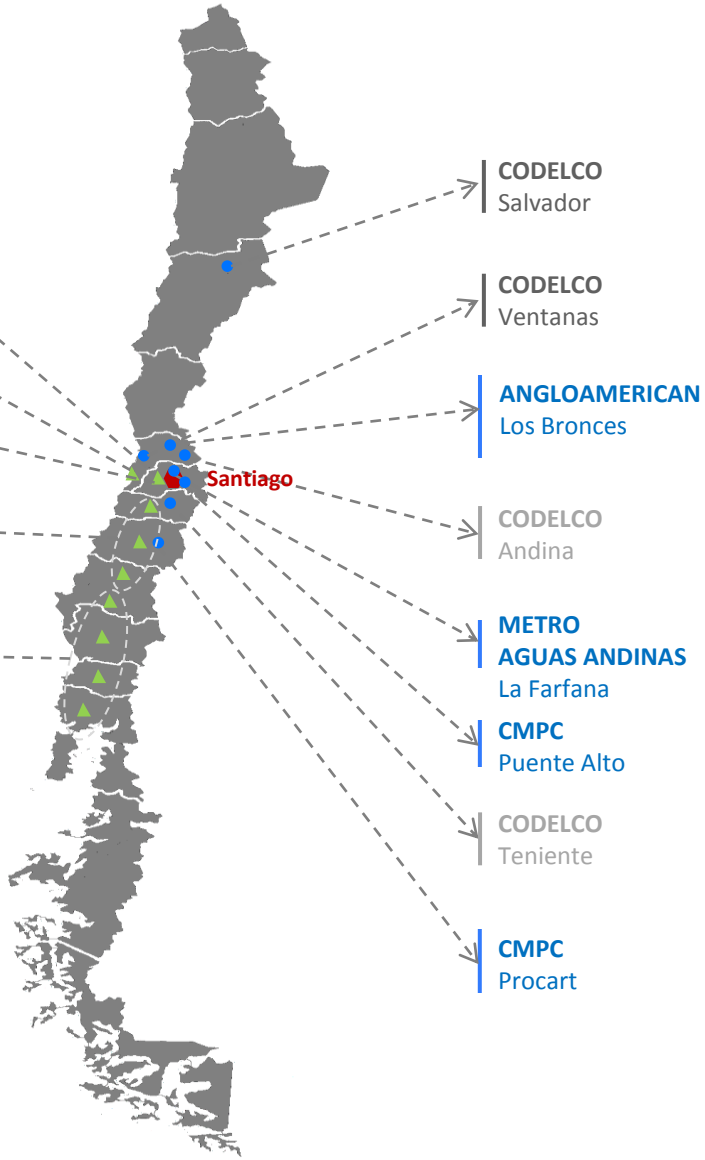
**CHILECTRA**
(2011- 2021/23/25)

**CONAFE**
(Until 2020)

**CGE-Río Maipo**
(2010- 2021)

**CGE-Distribución**
(2010- 2024)

**SAESA**
(2010- 2019)




## UN-REGULATED CUSTOMERS

**CODELCO**
Salvador

**CODELCO**
Ventanas

**ANGLOAMERICAN**
Los Bronces

**CODELCO**
Andina

**METRO**
**AGUAS ANDINAS**
La Farfana

**CMPC**
Puente Alto

**CODELCO**
Teniente

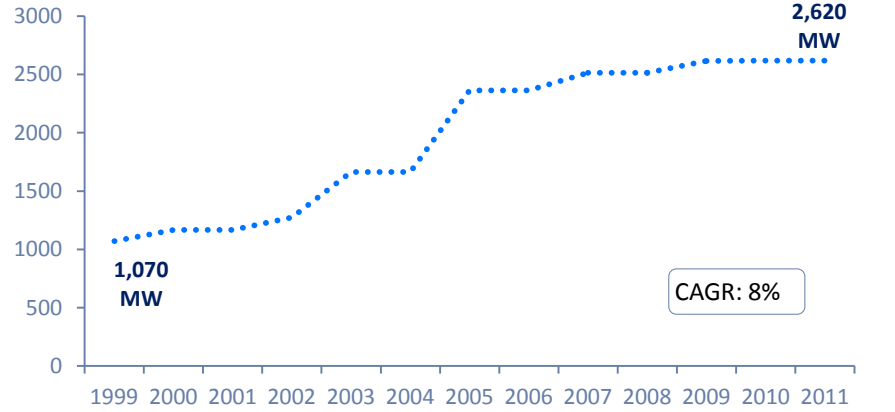
**CMPC**
Procart



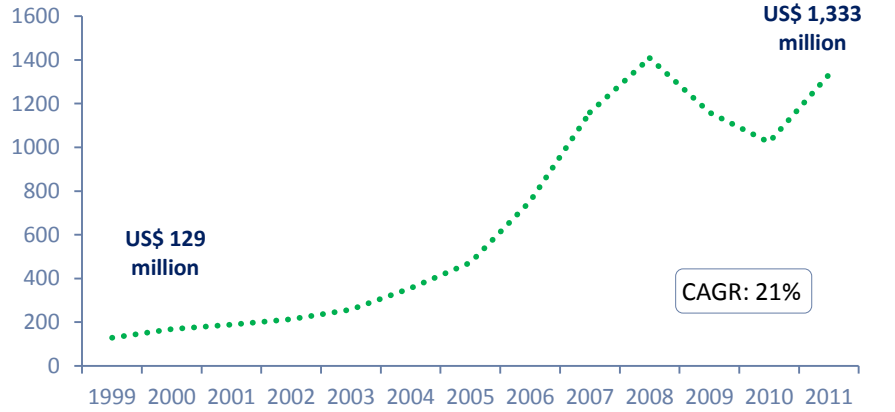
Colbún

# Colbún has grown steadily over the past decade

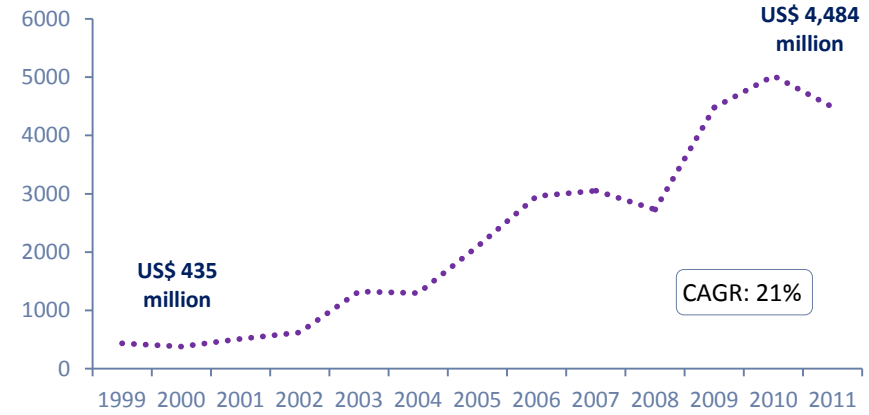
## Capacity (MW)



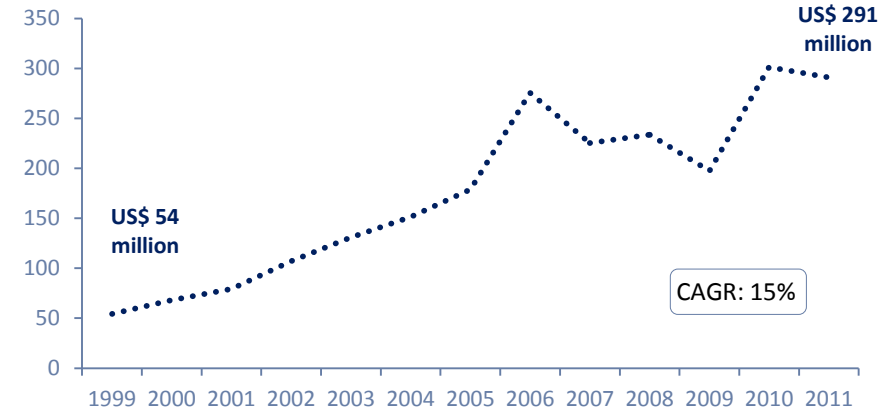

## Total Operating Revenues (MMUSD)




## 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 STAKEHOLDER

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.

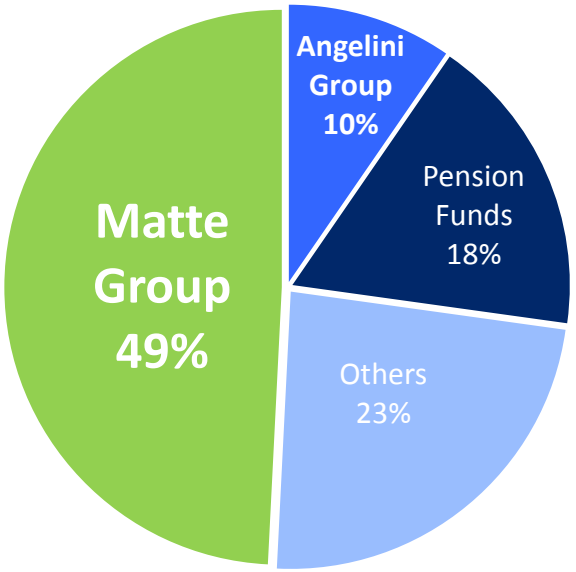
## GOVERNANCE

4 out of 9 are independent directors.

## ACCOUNTING STANDARDS

Disclosure under IFRS standards
Functional currency: US dollar

**Ownership Structure**




Source: Colbún, December 2011

# Agenda

Company Overview

**Chilean Electricity Sector**

Business Strategy

Financial Profile

# Sector Segmentation

## 3 SUB-SECTORS

**GENERATION**

**TRANSMISSION**

**DISTRIBUTION**

Regulated sectors (concessions)

### RELEVANT INSTITUTIONS

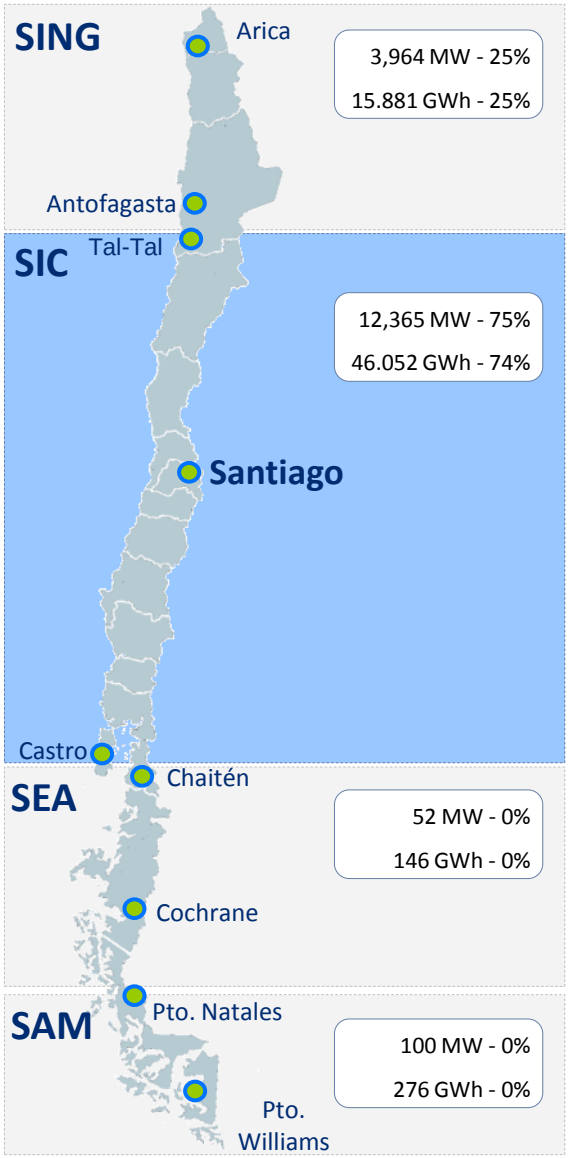
Ministry of **Energy**

Regulator: **CNE**

Supervisor: **SEC**

Coordinator: **CDEC**

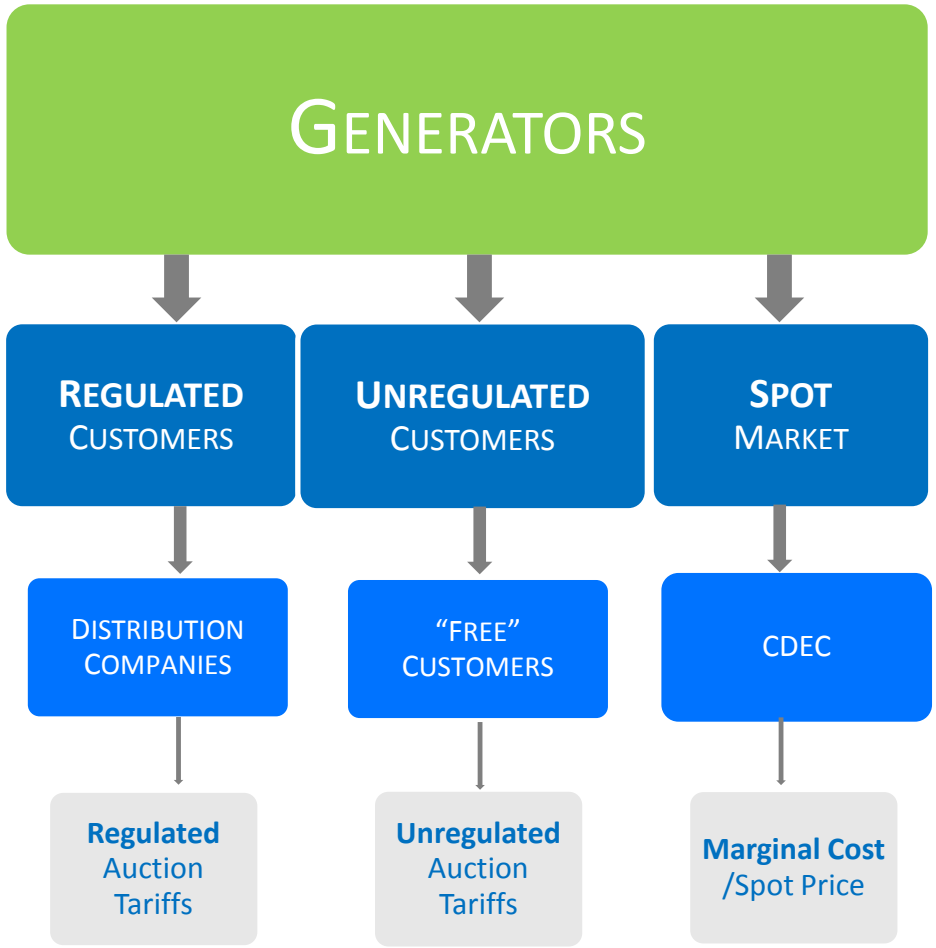
## 4 SEPARATE GRIDS



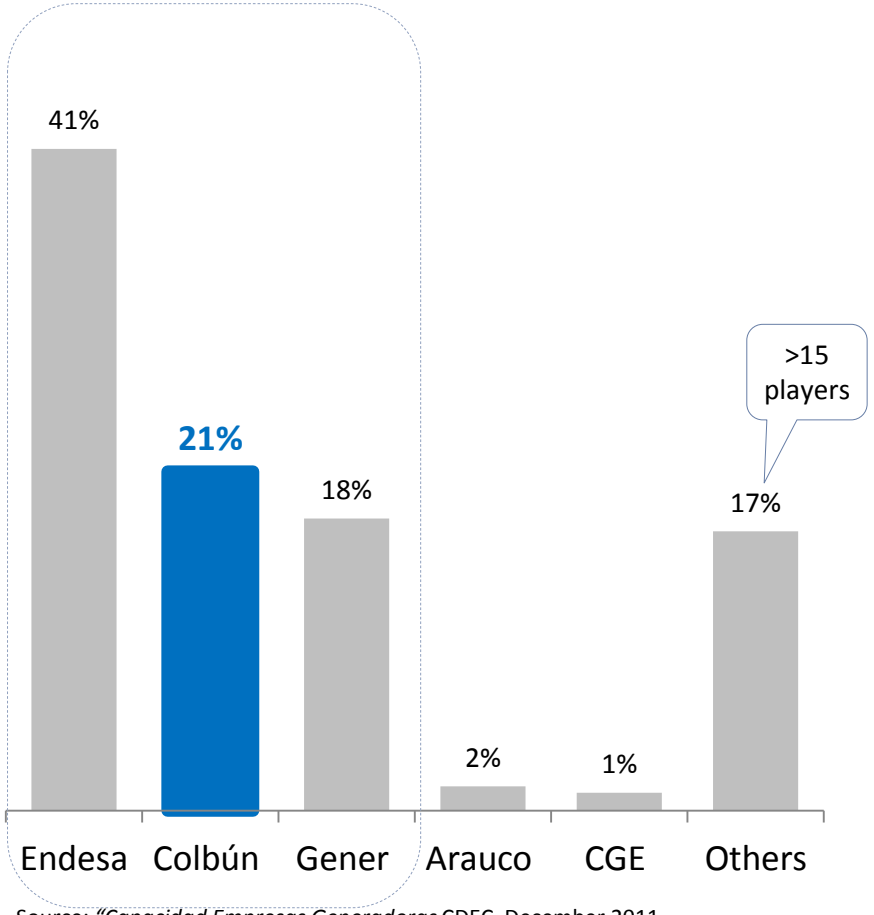

Source: CNE, December 2011

# Market Structure

## Electricity Market Structure



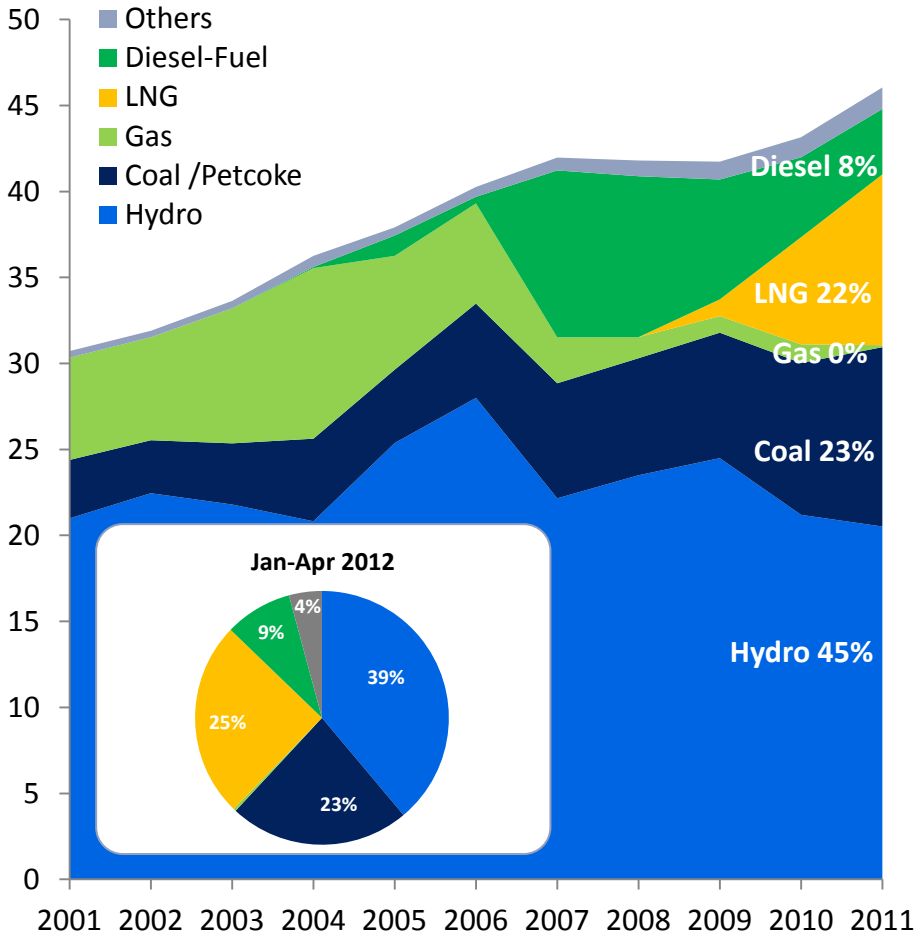

## Main Players in the Generation Sector-SIC




Source: *"Capacidad Empresas Generadoras* CDEC, December 2011

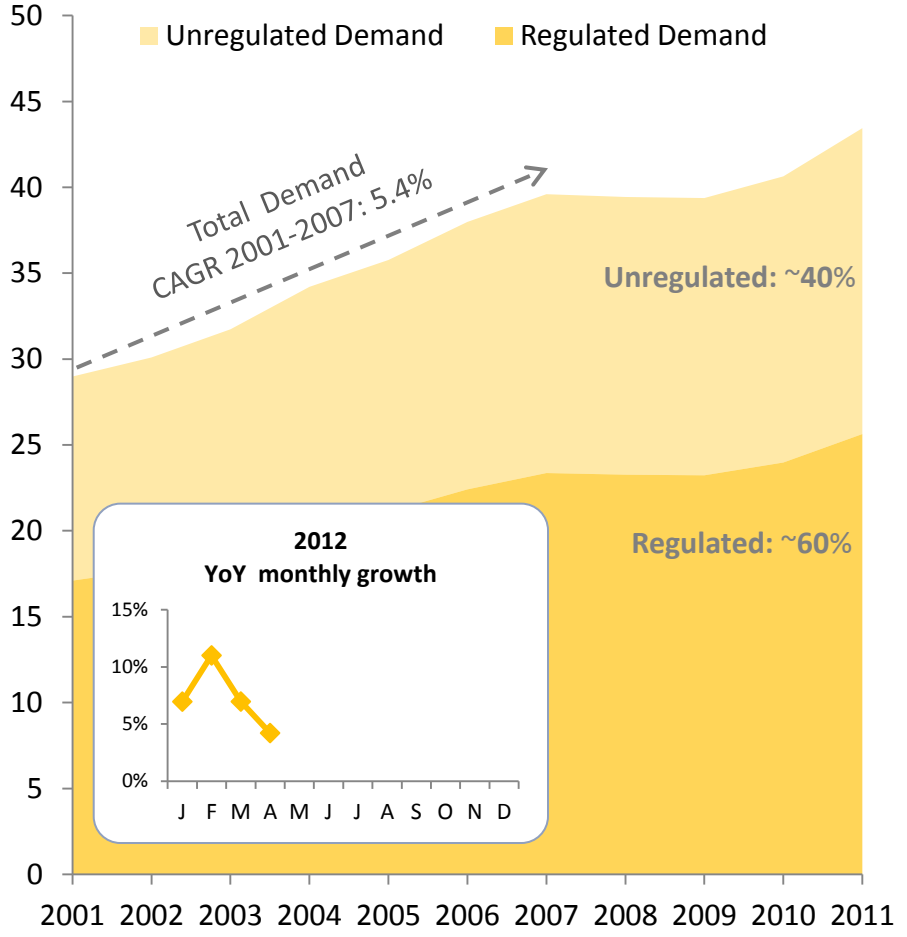
# Evolution of Power Generation and Demand in the SIC

## Annual Power Generation – SIC (TWh)




Source: *"Generación Bruta en el SIC"*, CNE/Colbún, 2012.

## Annual Electricity Demand – SIC (TWh)




Source: *"Producción Real por Sistema"*, CNE/Colbún, 2012
*"Informe Tecnico Definitivo SIC"*, CNE, October 2011
*"Informe Systep"*, Systep, 2012

# Dispatch and pricing model: a technical guide

## Dispatch Model

**OBJECTIVE** → Meet demand at the **lowest cost** possible

**INSTITUTION** → Independent load dispatch center (**CDEC**) coordinates the efficient dispatch of electricity producers

**MODEL** → CDEC dispatches plants in **ascending order of variable production cost**

## Pricing Model

Prices **vary** according to the **type of customer:**

**REGULATED CUSTOMERS**

**1) Node Price:** calculated by the CNE every 6 months

**2) Auction Price:** auctioned under the supervision of the Regulator for bilateral LT contracts

**UNREGULATED CUSTOMERS**

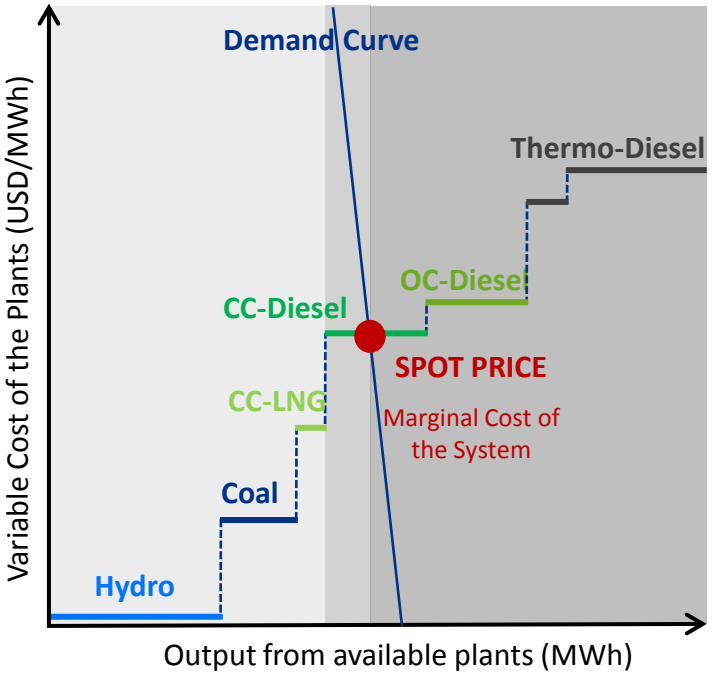
**3) Market Price:** free price settled by both parties for bilateral contracts

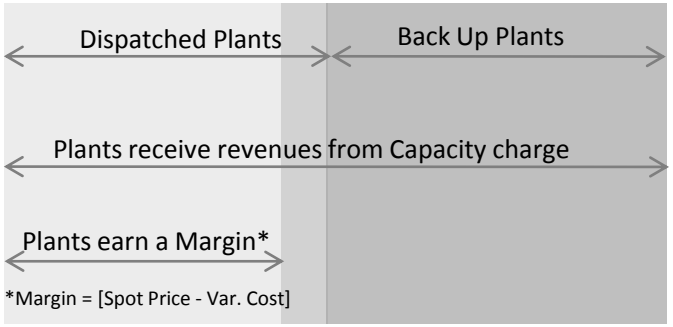
**OTHER GENERATORS**

**4) Spot Market Price:** the variable cost of the most expensive dispatched plant at each moment of the day

All facilities are also paid a capacity charge for being available

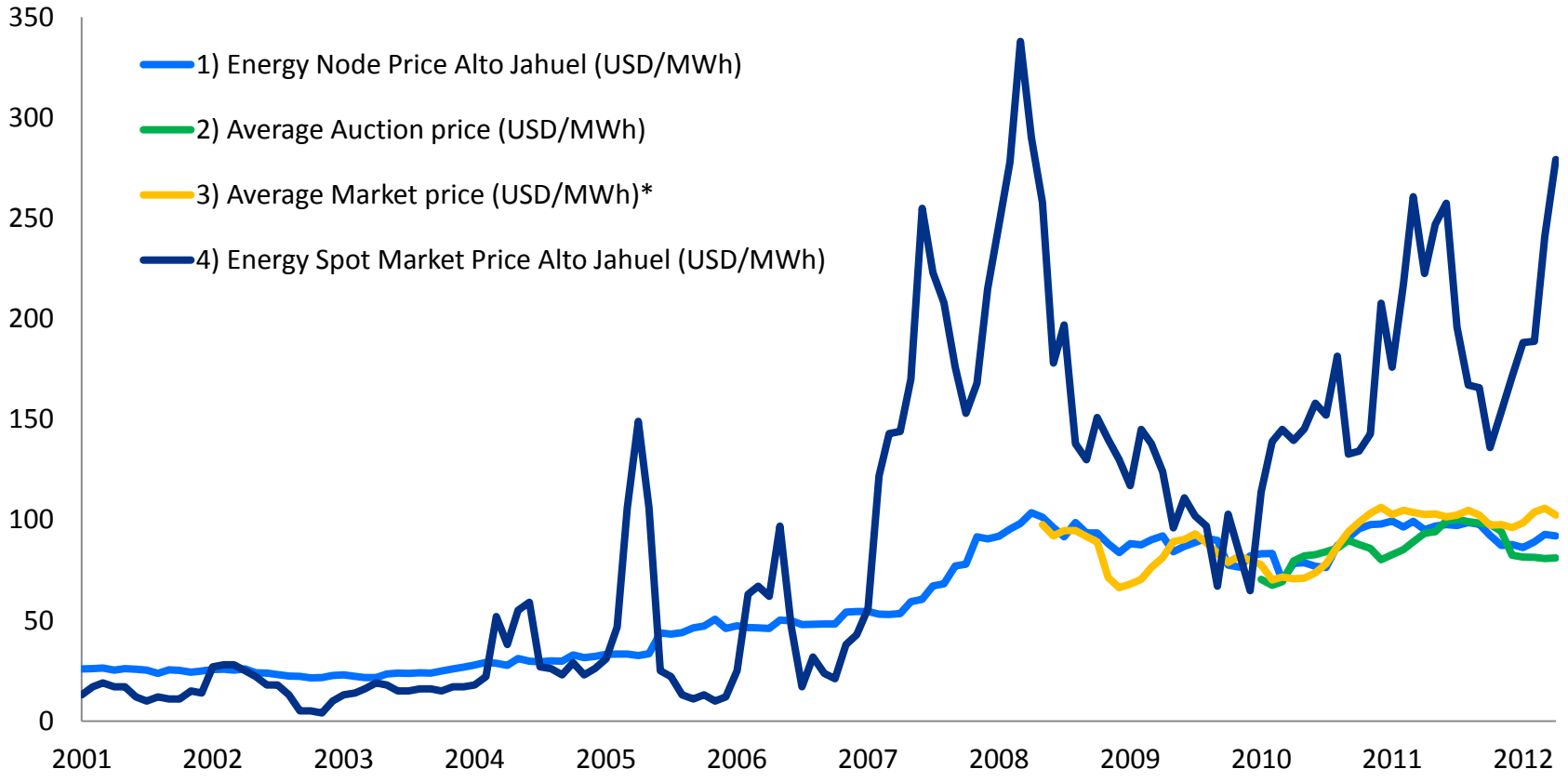
## Dispatch Scheme



# Evolution of electricity prices

## Electricity Prices-SIC (USD/MWh)



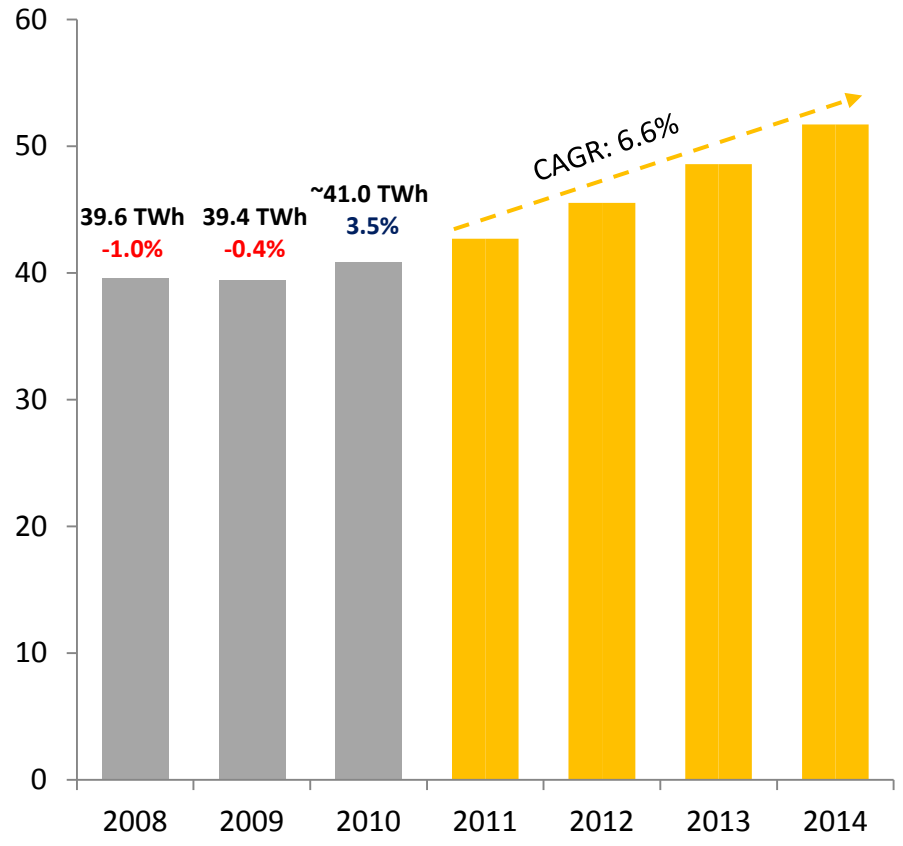

Source: "*Costos reales marginales mensuales Alto Jahuel*", CDEC/ Colbún; "*Historia precios nudos*", CNE; "*Informes Mensuales Systep*", *www.systep.cl*
*Note (*): The market Price is calculated by the Regulator upon information provided by all generation companies. This average price does not includes the capacity charge component.*



Colbún

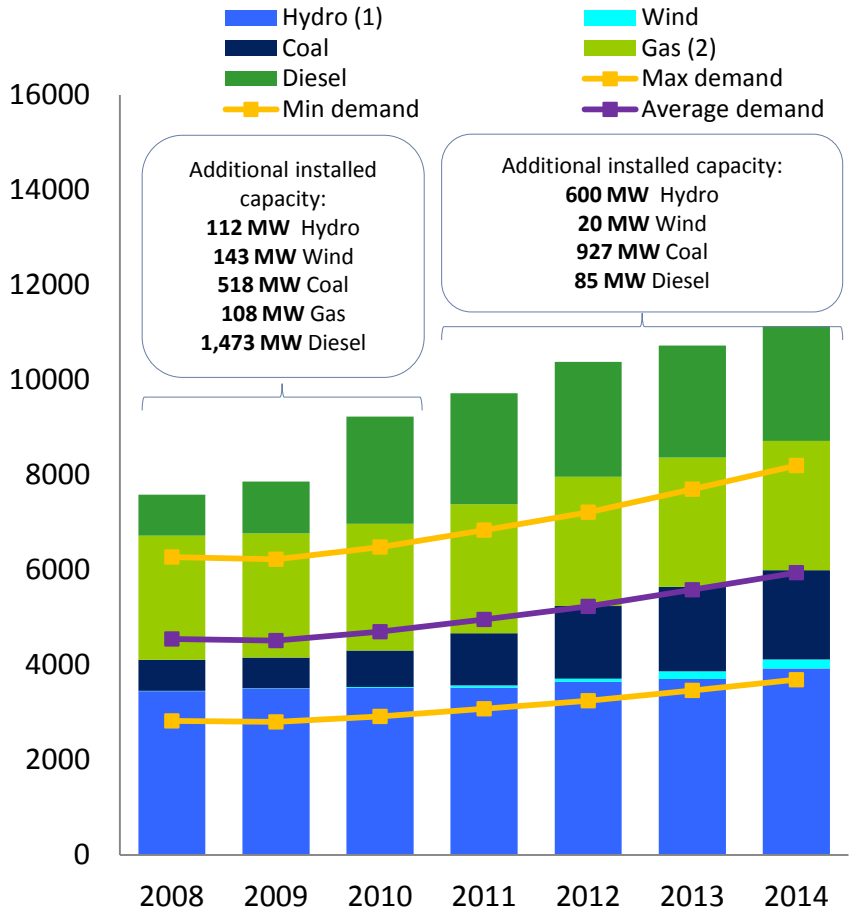
# Demand and Supply: what to expect in the coming years

## Electricity Demand - SIC (TWh)




Source: *"Informe Técnico Definitivo Fijación Precio Nudo SIC"* ,CNE/Colbún, October 2011

## Available Power by type - SIC (MW)




Source: *"Informe Técnico Definitivo Fijación Precio Nudo SIC"* ,CNE/Colbún, October 2011

(1) Considering normal hydro conditions

(2) Real gas output depends on fuel availability

# Agenda

Company Overview

Chilean Electricity Sector

**Business Strategy**

Financial Profile

# Corporate Strategy

## Who are we?

We are a Chilean company, leader in the generation of reliable, competitive and sustainable energy

## What do we do?

We seek to **generate long-term value** by developing projects and managing power infrastructure to meet the country's energy demand.



Colbún

# Strategic Pillars

**3. Growth**

- Identify and develop project options to consolidate our market share.
- Commercial strategy that generates long-term returns consistent with our asset base.

**2. Diversification and Risk Management**

- Narrow our exposure to exogenous variables: diversified asset base (technology, fuel and location) and clients.
- Active risk management policy.

**1. Consolidation**

- Consolidate our people, our operations, our projects, our financials…

**Long-term value generation (Profitability/EBITDA)**



Colbún

# Value Chain

| **Multidimensional challenge:** | **High standards:** | **Risk / return profile combining:** |
|---|---|---|
| Technical<br>+<br>Environmental / Social<br>+<br>Financial | Reliability<br>+<br>Security<br>+<br>Environmental | Commercial policy<br>+<br>Financial strength<br>+<br>Risk management |

**Sustainability**
Value & Trust



Colbún

# Colbún: a sustainable partner

Colbún

# Our expansion plan

## Other Growth Opportunities

**Santa María II (350 MW)**
Environmental approval for the construction of a second unit

**Hydraulic**
Various water rights in different basins

**Geothermal**
Two concessions awarded for exploration, others under process

**Wind**
Two wind measurement towers located in Maule Region



Colbún

# Our projects under construction

## SANTA MARIA I COAL POWER PLANT: 342 MW

Coronel, Biobío Region

| | |
|---|---|
| TOTAL INVESTIMENT: | 748 MMUSD |
| SPENT AS OF MARCH 2012: | 733 MMUSD |
| ADVANCE MARCH 2012: | 99% |
| ESTIMATE START OF OPERATION: | Commissioning |

## ANGOSTURA HYDRO POWER PLANT: 316 MW

Santa Barbara and Quilaco, Biobío Region

| | |
|---|---|
| TOTAL INVESTIMENT: | 668 MMUSD |
| SPENT AS OF MARCH 2012: | 329 MMUSD |
| ADVANCE MARCH 2012: | 59% |
| ESTIMATE START OF OPERATION: | 4Q2013 |

**TOTAL INVESTMENT(*):**
**1,416 MMUSD**

**SPENT AS OF MARCH 2012(*):**
**1,062 MMUSD**

## SAN PEDRO HYDRO POWER PLANT: 150 MW

Riñihue Lake, Los Ríos Region

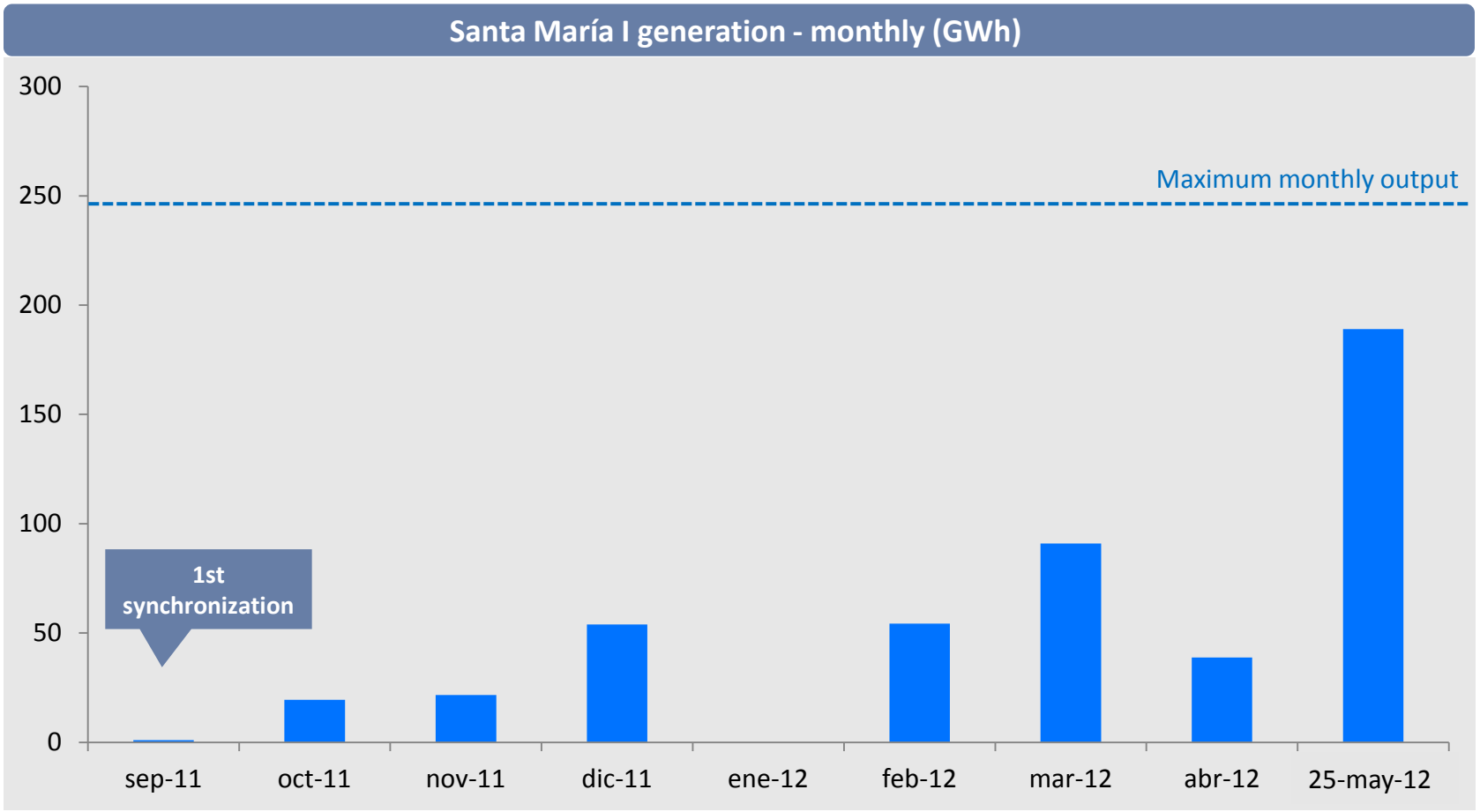
| | |
|---|---|
| TOTAL INVESTIMENT: | Under revision |
| SPENT AS OF MARCH 2012: | 112 MMUSD |
| ESTIMATE START OF OPERATION: | Under revision |



(*): San Pedro not included

Colbún

# Santa María Commissioning




Source: CDEC-SIC



Colbún

# Commercial policy

## 1. CONTRACT LEVEL

Define optimal **Contract Level**

**Hydro capacity**
(Output of a medium-dry year)
**+**
**Efficient thermal capacity**
(Output of coal-fueled plant)

## 2. SALE PRICE INDEXATION

Incorporate **indexation** formulas of sale prices

that reflect our cost structure

| | | |
|---|---|---|
| Hydro | ⟷ | CPI |
| Efficient thermal | ⟷ | Fossil Fuels |
| Transitional periods | ⟷ | Flexible Price |

## 3. HEDGE PROGRAM

Structure tailor-made **hedge** programs

to protect from more adverse

1) Hydrologic conditions
2) Fuel prices

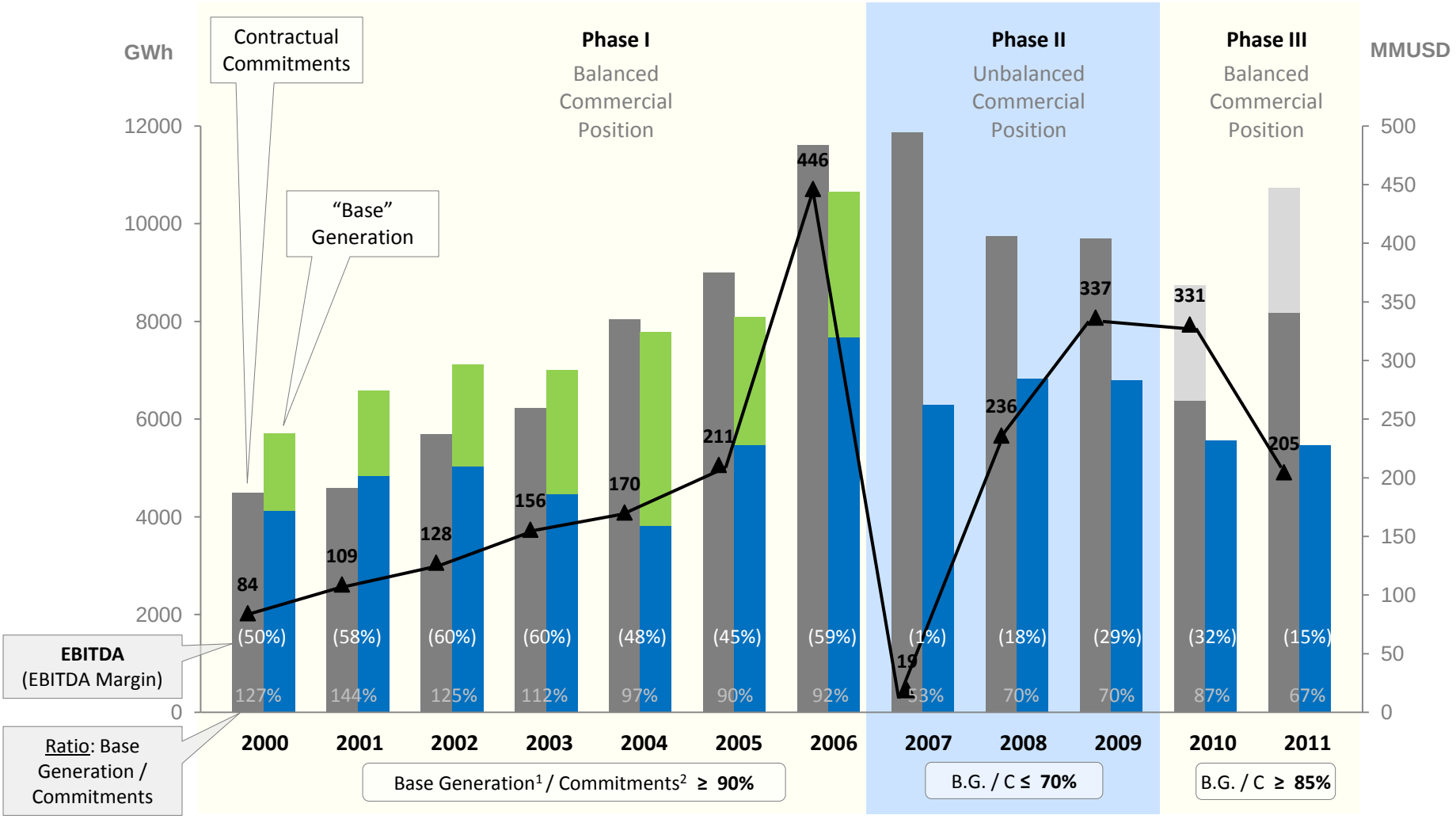
## COMMERCIAL GOALS

**Supply secure and competitive energy** to our customers
**Maximize returns** from our current and future assets
**Manage volatility** given large renewable component



Colbún

# Evolution of Colbún's Business Model

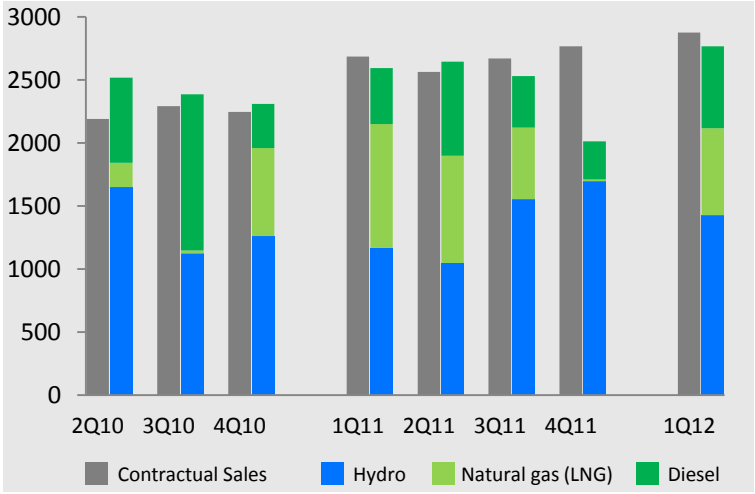



1: Commitments represent Colbún's committed sales (through contracts) excluding commitments which price is indexed to the spot price

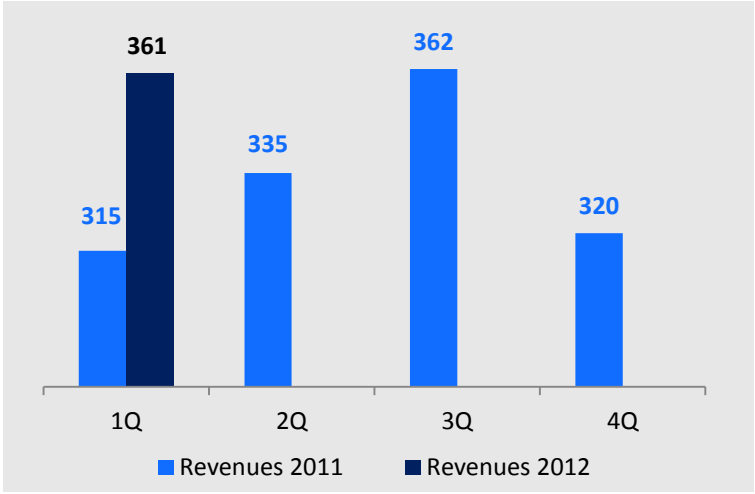
2: Base Generation represents Colbún's electricity production @ low variable cost (hydro generation + gas generation during Phase I and coal generation in Phase III)

# A quarterly look at Colbún's results

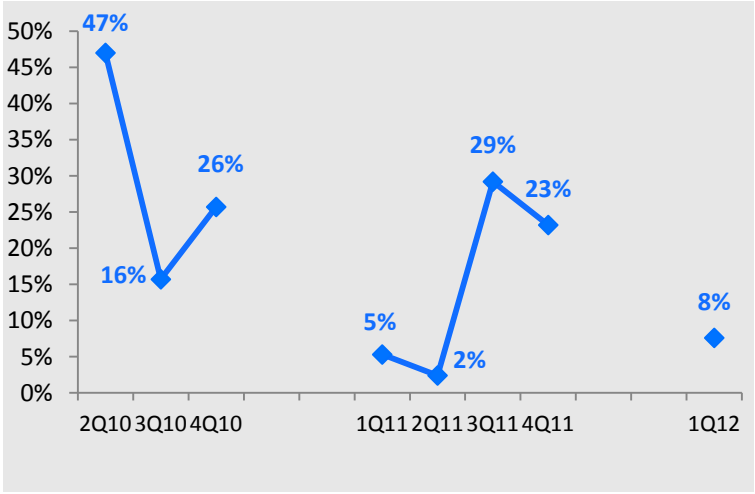
## Sales vs. Generation - quarterly (GWh)



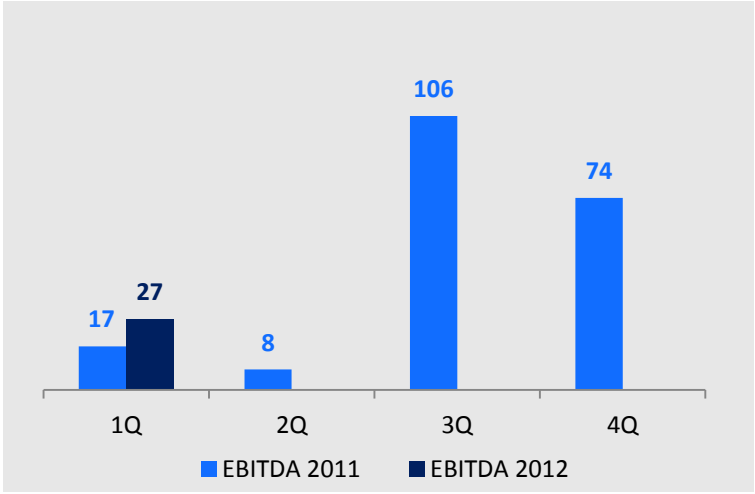

## Revenues - quarterly (MMUSD)




## EBITDA margin - quarterly (%)

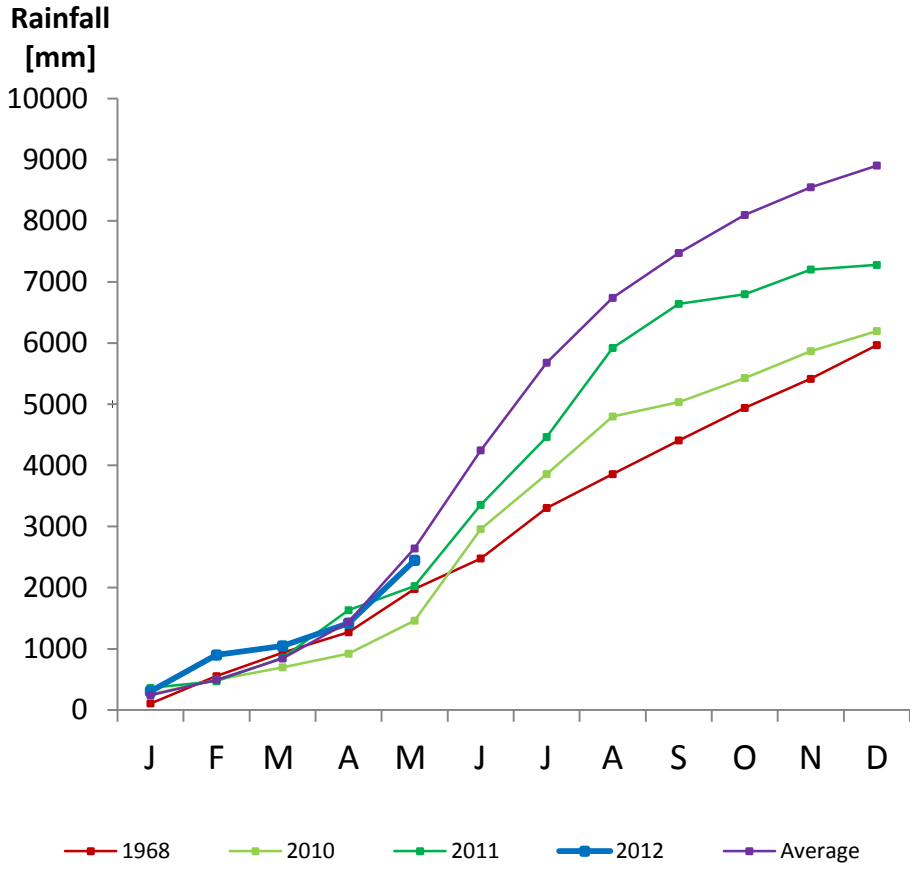



## EBITDA - quarterly (MMUSD)



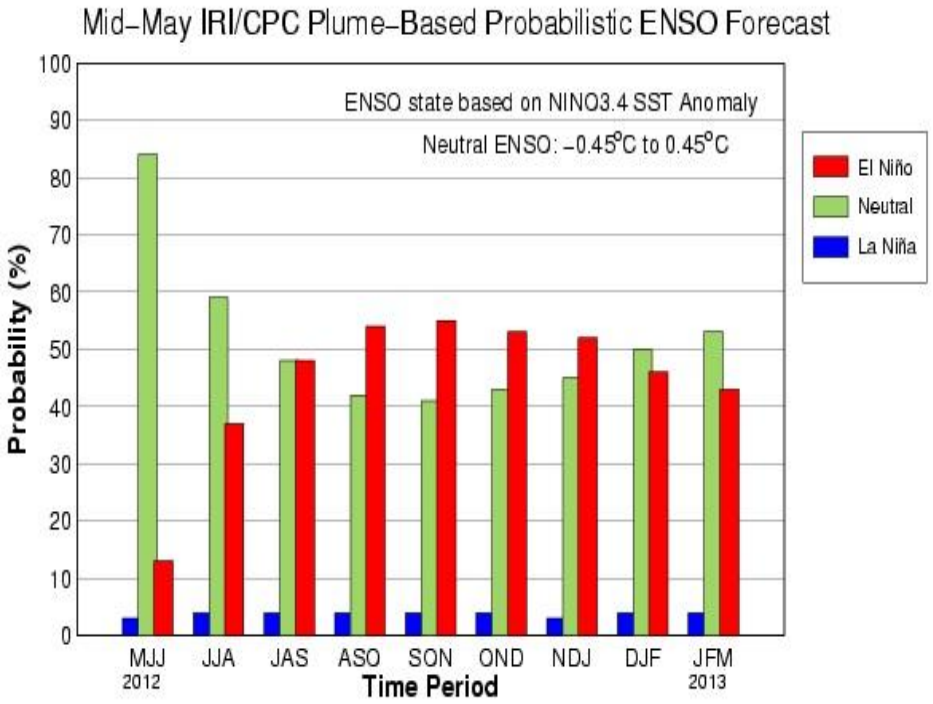
# Hydrological conditions

## Yearly cumulative rainfalls - Colbun's relevant basins




Note: cumulative rainfalls for May 2012 with information up to Monday May 28th

## Probabilistic ENSO Forecast




The International Research Institute for Climate and Society website:
http://iri.columbia.edu/climate/ENSO/currentinfo/figure3.html



Colbún

# Agenda

Company Overview

Chilean Electricity Sector

Business Strategy

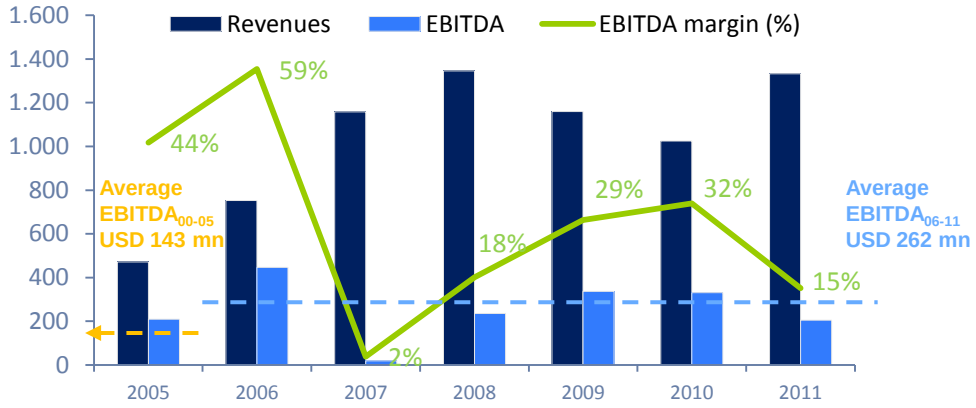
**Financial Profile**



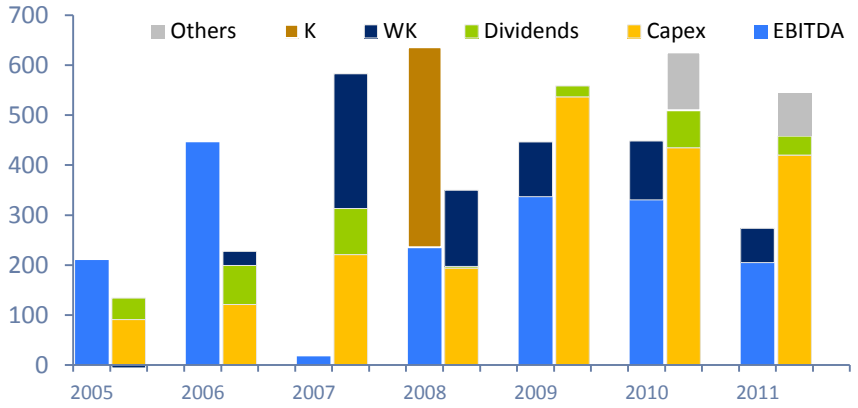
Colbún

# Historical key financial indicators

## Revenues, EBITDA (MMUSD) & EBITDA Margin



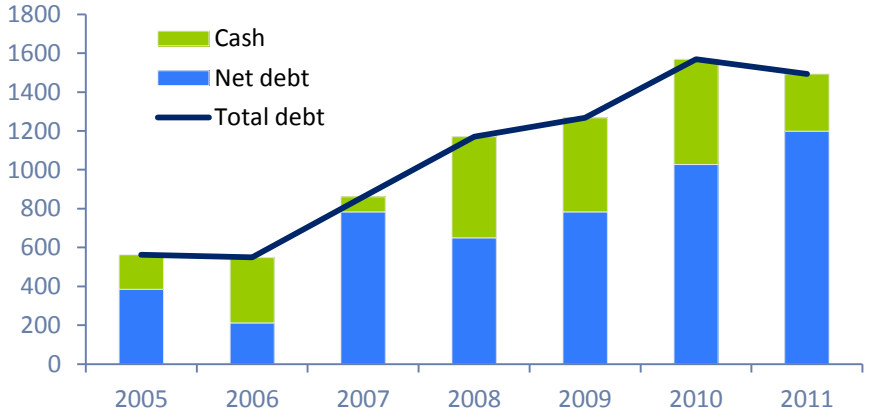

## EBITDA, Capex, Dividends, ΔWK & ΔK (MMUSD)




## Key Credit Metrics

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| **Total debt to total capital (%)** | 22.0 | 18.8 | 26.0 | 25.0 | 27.0 | 31.0 | 30.0 |
| **Net debt to EBITDA (x)** | 1.8 | 0.4 | 36.6 | 2.3 | 2.3 | 3.1 | 5.9 |
| **EBITDA interest coverage (x)** | 7.8 | 14.3 | 0.5 | 3.9 | 6.5 | 6.7 | 7.4 |

## Cash, Debt & Net Debt (MMUSD)

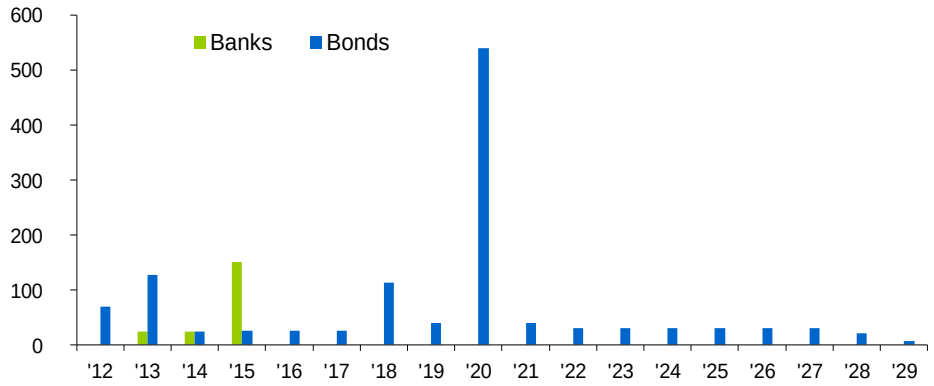





Colbún

# Conservative Financial Strategy

## Amortization Schedule of LT Debt (MMUSD)




## Liquidity Position

**Cash**

USD 203 million of cash and cash equivalents as of March 2012.

**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 150 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 Mar. 2012 (MMUSD)

| | |
|---|---|
| Current Assets | 764 |
| Cash and equivalents | 203 |
| Accounts receivable | 213 |
| *Normal sales* | *158* |
| *Sales to regulated customers w/o contracts (ST)* | *0* |
| *Others* | *56* |
| Recoverable taxes | 240 |
| Other current assets | 108 |
| Non-Current Assets | 4.941 |
| Property, Plant and Equipment | 4.660 |
| Other non-current assets | 281 |
| **Total Assets** | **5.705** |
| Current Liabilities | 401 |
| Long-Term Liabilities | 1.821 |
| Shareholders' Equity | 3.483 |
| **Total Liabilities and Shareholders' Equity** | **5.705** |



Colbún

Colbún