

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

## COMPANY PRESENTATION

4Q 2012





# Agenda

**Company Overview**

Business Strategy

Financial Profile

Chilean Electricity Sector Overview

## Recent developments

### HYDRO CONDITION

- ✓ 2012 3rd consecutive extremely dry year

### SANTA MARIA I COAL PROJECT

- ✓ 1,853 GWh generated during 2012 (out of the estimated 2,500 GWh/year)
- ✓ Dec. 12': Insurance settlement for USD 65 million (USD 40 million for ALOP)

### COMMERCIAL BALANCE

- ✓ Relevant input of coal (efficient thermal complement to hydro)
- ✓ Net seller in the spot market, despite reduced hydro

### NATURAL GAS

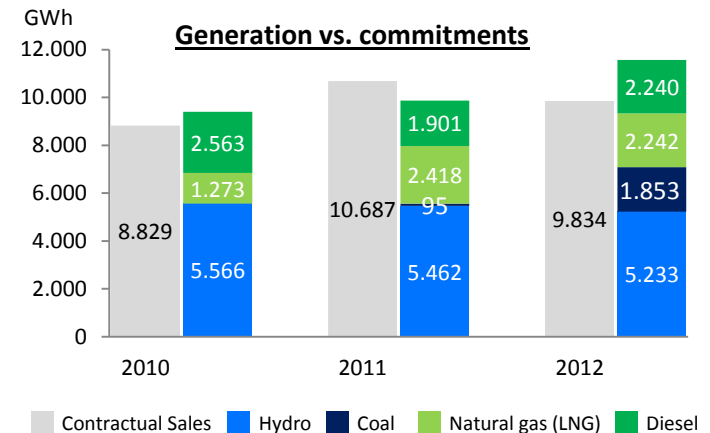
- ✓ Medium-term natural gas supply secured
- ✓ 2 CCGT with gas for Jan-Apr 2013

### ANGOSTURA PROJECT

- ✓ Over 80% of progress, scheduled for end of 2013.

### CREDIT RATING

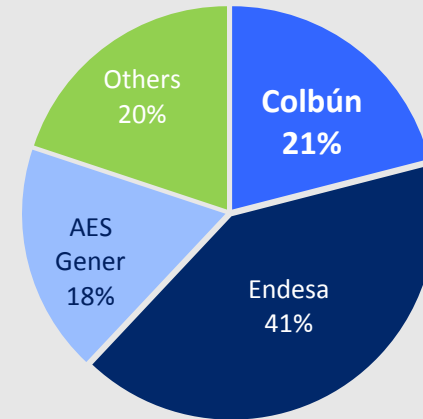
- ✓ Fitch Ratings (12.17.2012): BBB rating reaffirmed
- ✓ S&P (12.28.2012): BBB- rating reaffirmed, maintaining negative outlook



# Colbún at a glance

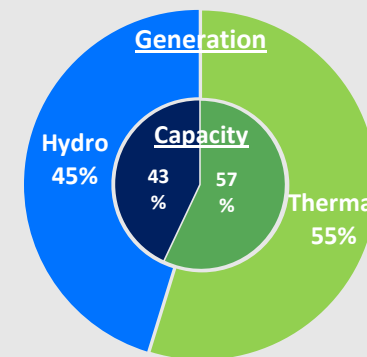
- Business → Power Generation & Trade
- Size → 2<sup>nd</sup> largest generator in Chile's Central Grid (SIC), with over 20% market share (MW).  
The SIC covers 90% of the population
- Capacity → 2,962 MW  
43% hydro and 57% thermal
- Generation → 11,568 GWh in 2012  
45% hydro and 55% thermal
- Assets → 15 hydro plants in 4 different basins  
7 thermal plants in 4 different regions
- People → 962 employees as of December'12
- Results → EBITDA of USD 283.9 million in 2012  
Revenues of USD 1.4 billion in 2012

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



Source: CNE – December 2011

Generation (GWh) and Installed Capacity (MW)

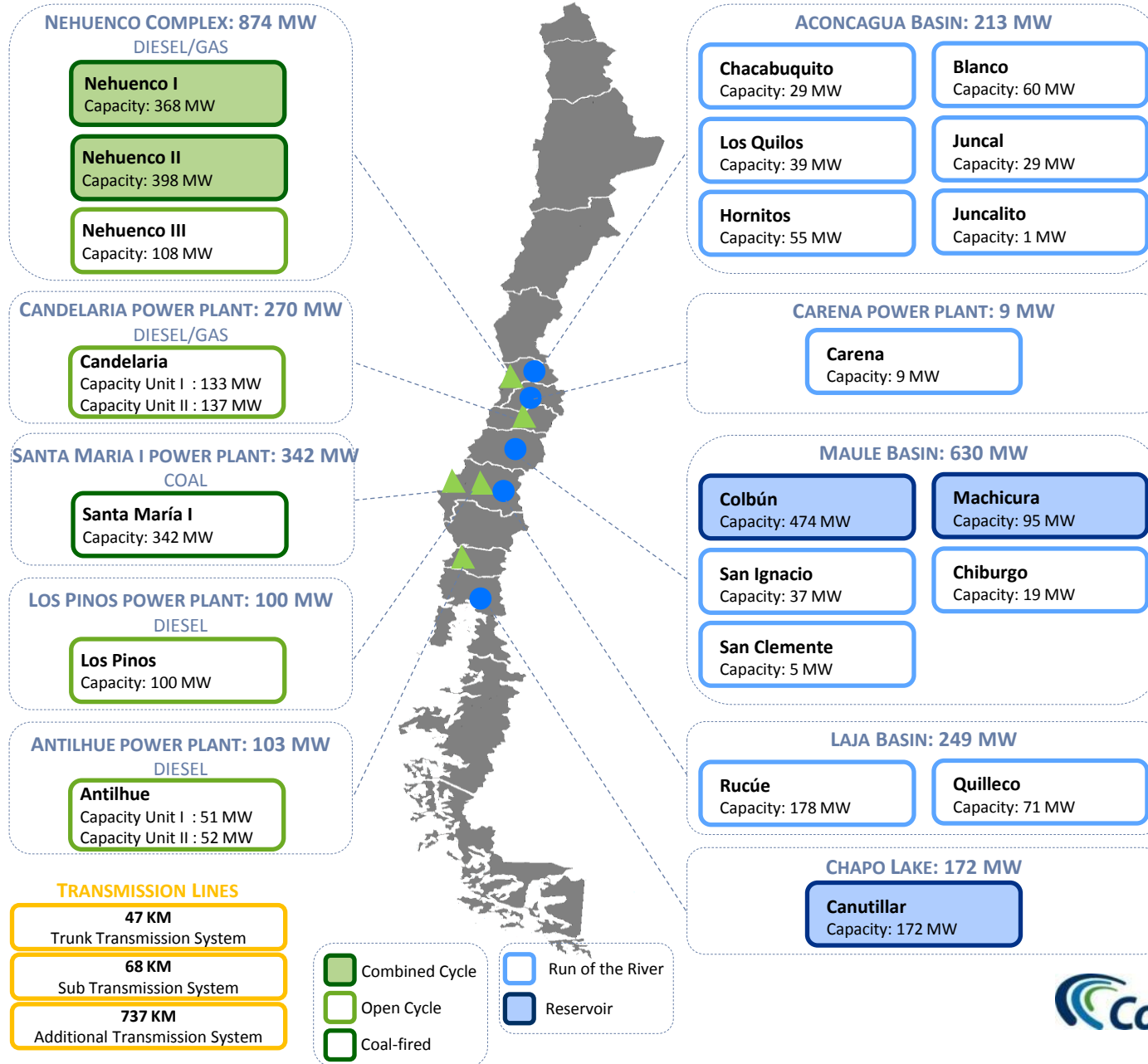


Source: Colbún 2012 Generation and Capacity

7 THERMAL POWER PLANTS

A diversified asset base

15 HYDRO POWER PLANTS



# A diversified customer base

REGULATED CUSTOMERS

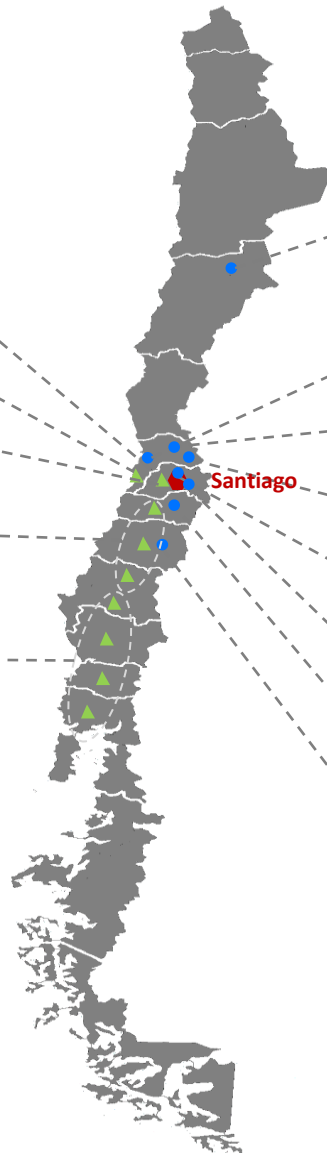
**CHILECTRA**  
(2011- 2021/23/25)

**CONAFE**  
(Until 2020)

**CGE-Río Maipo**  
(2010- 2021)

**CGE-Distribución**  
(2010- 2024)

**SAESA**  
(2010- 2019)



**CODELCO**  
Salvador

**CODELCO**  
Ventanas

**ANGLOAMERICAN**  
Los Bronces

**CODELCO**  
Andina

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

**CMPC**  
Puente Alto

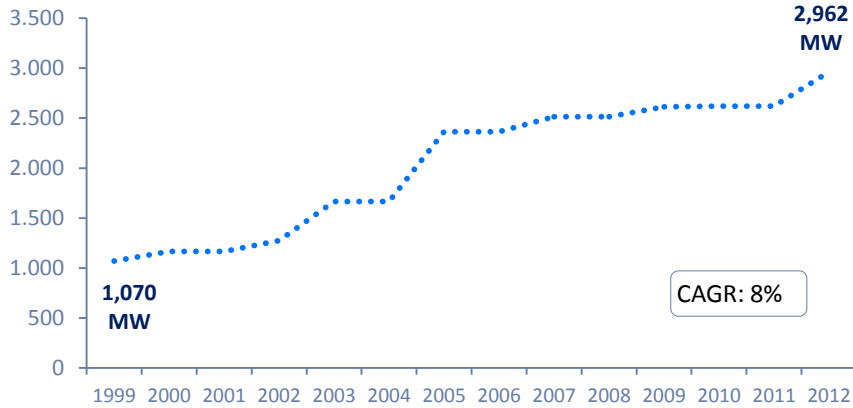
**CODELCO**  
Teniente

**CMPC**  
Procart

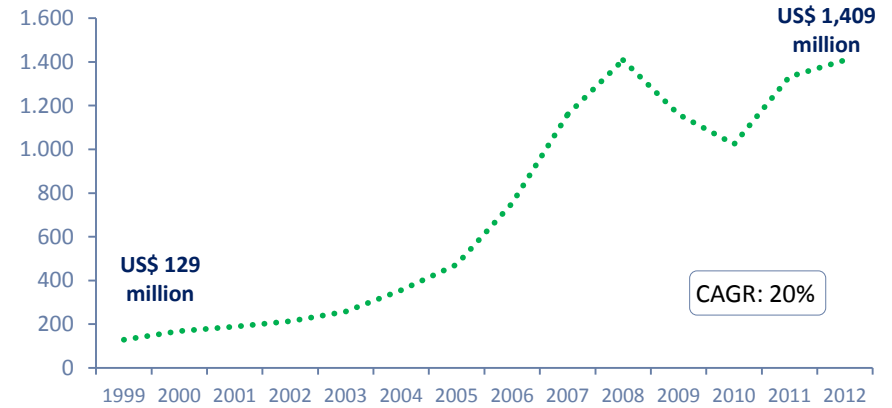
UN-REGULATED CUSTOMERS

# Colbún has grown steadily over the past decade

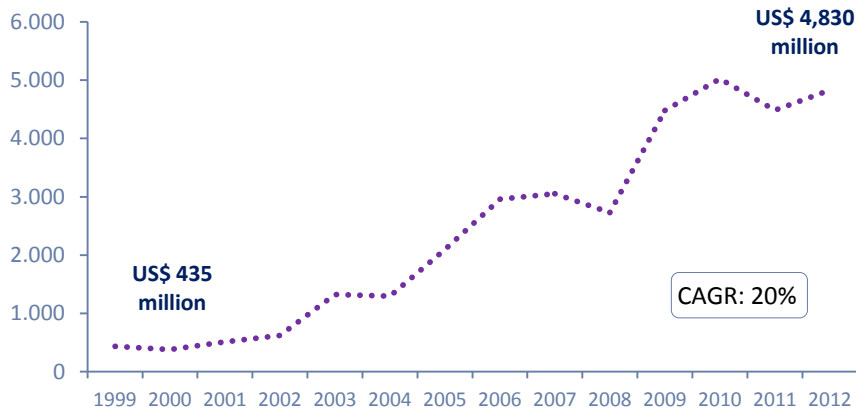
### Capacity (MW)



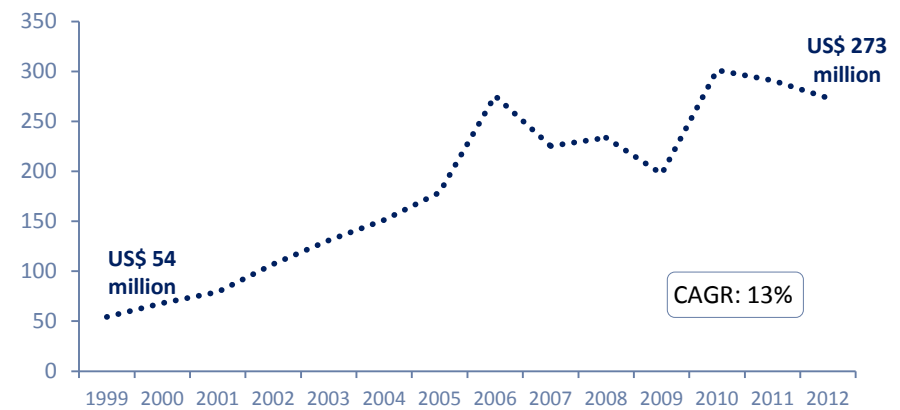
### Total Operating Revenues (MMUSD)



### 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.

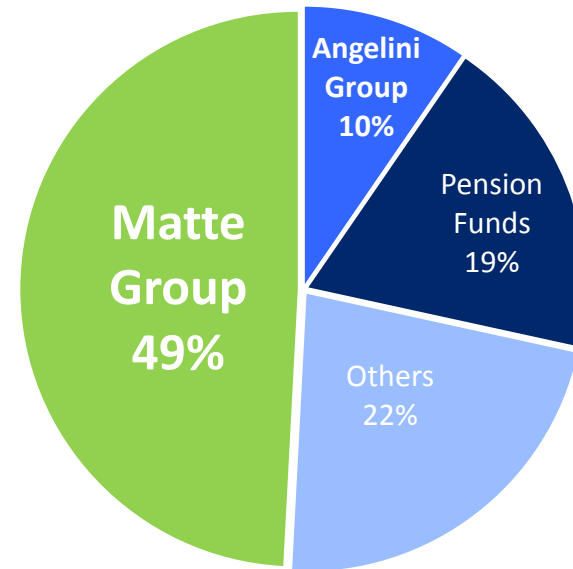
### GOVERNANCE

4 out of 9 are **independent directors**.

### ACCOUNTING STANDARDS

Disclosure under **IFRS standards**  
Functional currency: **US dollar**

### Ownership Structure



Source: Colbún, December 2012





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**Business Strategy**

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## 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.



## Strategic Pillars





## Value Chain

Project  
Development

Operational  
Excellence

Risk / Return  
Profile

**Multidimensional  
challenge:**

Technical  
+  
Environmental / Social  
+  
Financial

**High  
standards:**

Reliability  
+  
Security  
+  
Environmental

**Risk / return profile  
combining:**

Commercial policy  
+  
Financial strength  
+  
Risk management

**Sustainability**  
Value & Trust

# Colbún: a sustainable partner



Commercial policy

**COMMERCIAL GOALS**

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

**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**

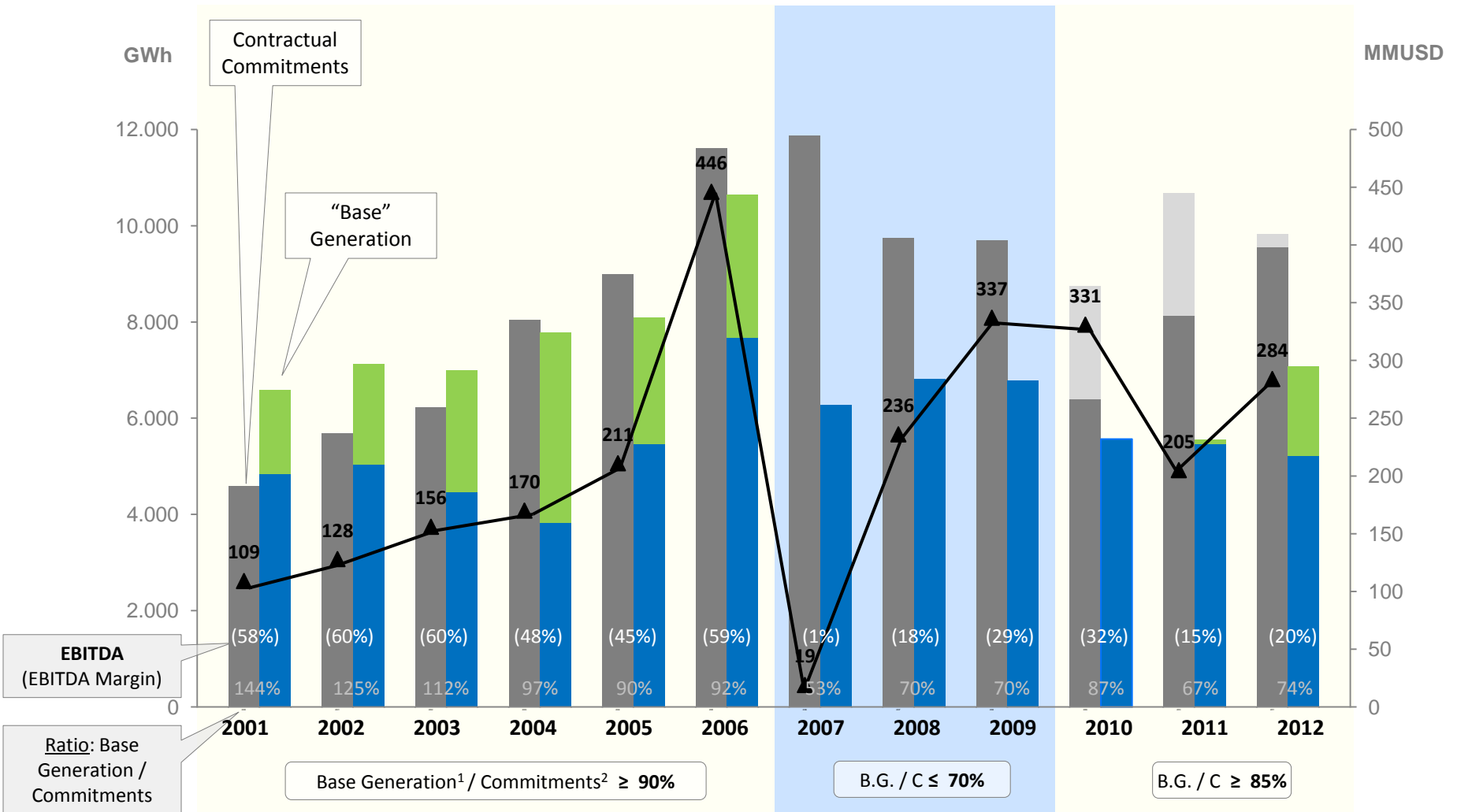
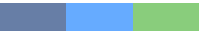
Structure tailor-made  
**hedge** programs



to protect from more  
**adverse**

- 1) Hydrologic conditions
- 2) Fuel prices

# 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)

# Our expansion plan

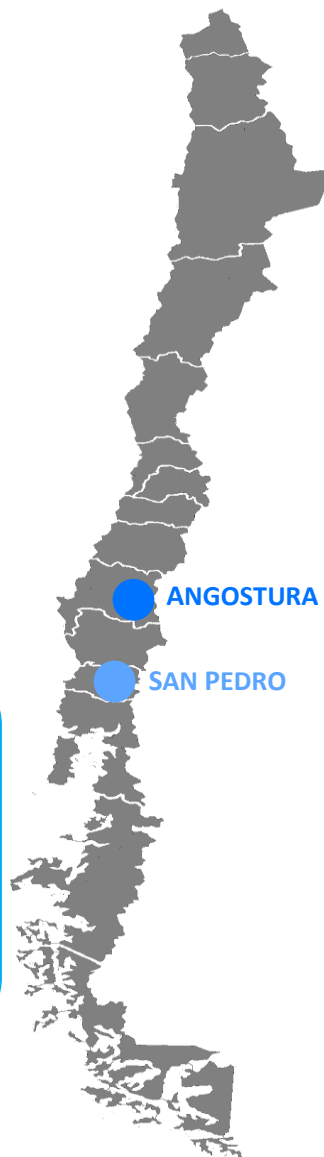
 Thermoelectric capacity

 Hydroelectric capacity





# Our projects under development



## ANGOSTURA HYDRO POWER PLANT: 316 MW

Santa Barbara and Quilaco, Biobío Region

INVESTMENT POWER PLANT:	675 MMUSD
INVESTMENT TX LINE:	45 MMUSD
SPENT AS OF DEC. 2012:	532 MMUSD
ADVANCE DEC. 2012:	84%

ESTIMATE START OF OPERATION: 4Q2013

## SAN PEDRO HYDRO POWER PLANT: 150 MW

Riñihue Lake, Los Ríos Region

INVESTMENT:	Under revision
SPENT AS OF SEP 2012:	112 MMUSD

ESTIMATE START OF OPERATION: Under revision



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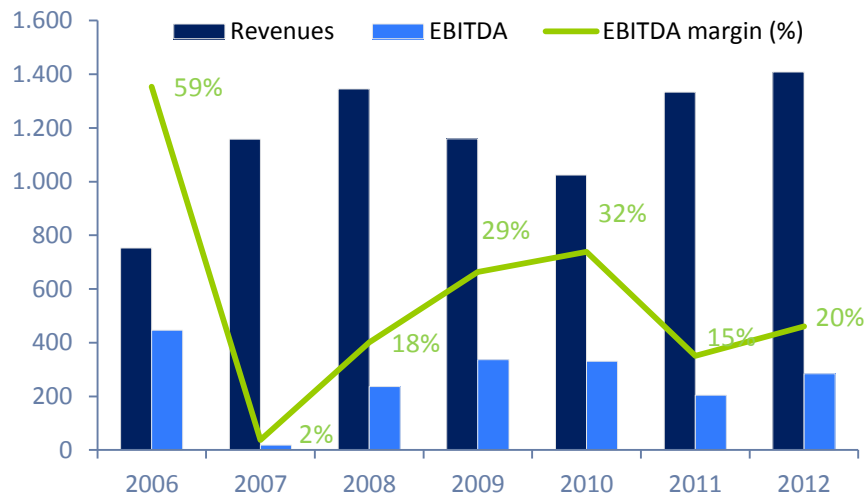
Business Strategy

**Financial Profile**

Chilean Electricity Sector Overview

# Income Statement

## Revenues, EBITDA (MMUSD) & EBITDA Margin



- ✓ Average EBITDA 2006-2012: MMUSD 265
- ✓ Non-operational result from past years affected by payments to early terminate old natural gas transport contracts
- ✓ 2012 Income Tax: one-time MMUSD 74 charge from increase in tax rate

MMUSD	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>	753	1,160	1,346	1,159	1,024	1,333	1,409
<b>EBITDA</b>	446	19	236	337	331	205	284
<b>Depreciation</b>	(107)	(118)	(117)	(122)	(124)	(125)	(136)
<b>Non-operational result</b>	(43)	75	106	(51)	(103)	(37)	(45)
<b>Exchange rate differences</b>	12	(65)	(120)	82	18	(14)	10
<b>Income Tax</b>	(32)	(1)	(37)	(7)	(6)	(24)	(64)
<b>Net Income</b>	276	(90)	67	239	116	5	49

# Capital Structure and Credit Metrics

## Key Credit Metrics

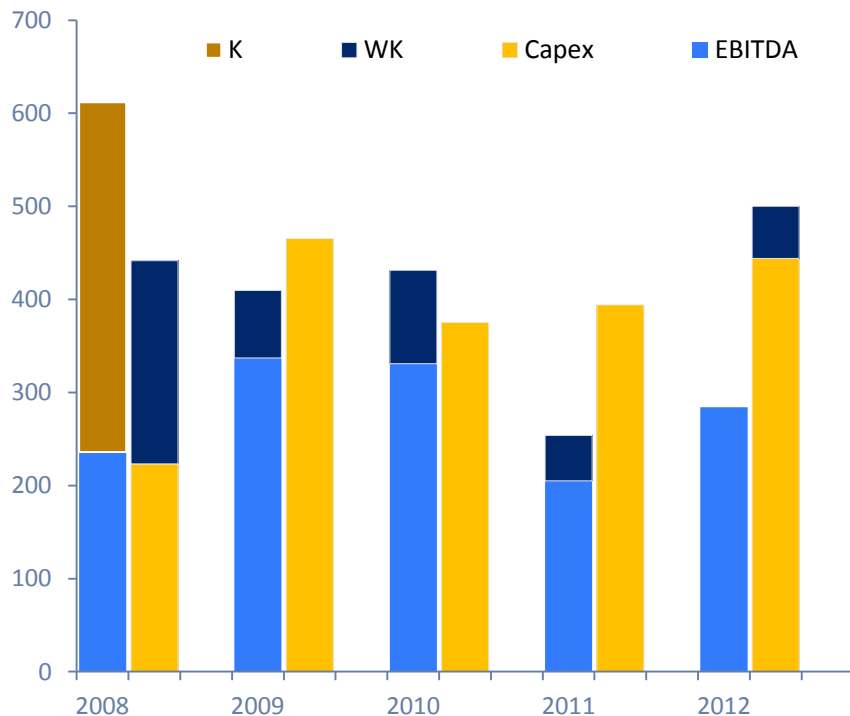
	2006	2007	2008	2009	2010	2011	2012
<b>Total debt to total capital (%)</b>	18.8	26.0	25.0	27.0	31.1	30.1	32.9
<b>Net debt to EBITDA (x)</b>	0.4	36.6	2.3	2.3	3.1	5.9	5.3
<b>EBITDA Interest coverage (x)</b>	14.3	0.5	3.9	6.5	6.7	7.4	8.7

## Cash, Debt & Net Debt (MMUSD)



## Free Cash Flow Analysis

### Selected Sources & Uses of Funds (MMUSD)

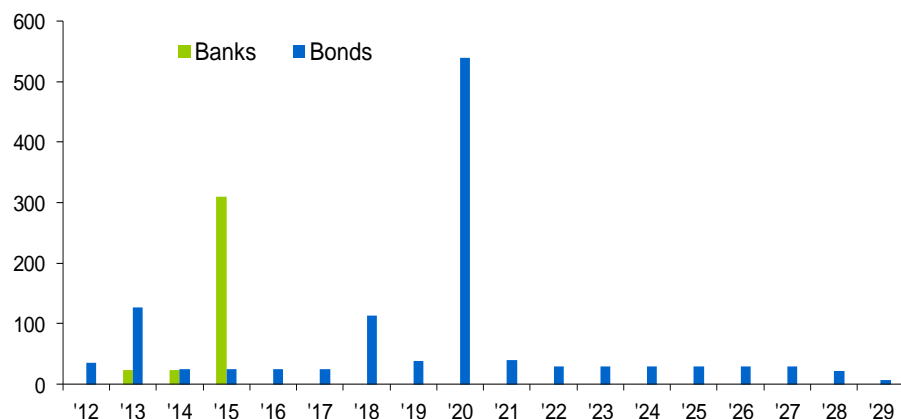


- ✓ Negative FCF in past years due to intensive capex program
- ✓ Intensity of capex diminishes in 2013
- ✓ Expected recovery of VAT Credit in coming years (current stock of MMUSD 258)
- ✓ Low dividend policy (30% of Net Income)

## Conservative Financial Strategy:

Smooth debt profile coupled with a strong liquidity position

### Amortization Schedule of LT Debt (MMUSD)



### Liquidity Position

#### Cash

USD 218 million of cash and cash equivalents as of December 2012.

#### Committed lines

Committed back-up facility of UF 8 million (~USD 380 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

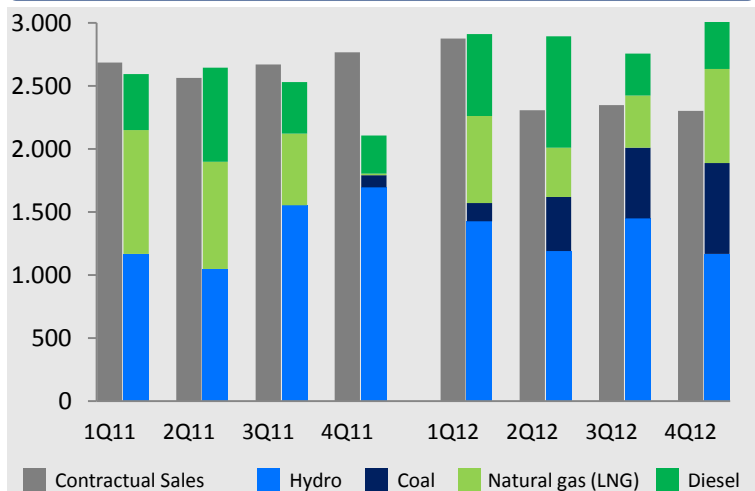
Access to additional USD 150 million in credit lines facilities and a registered commercial paper program, which we use from time to time for working capital optimization purposes

### Balance Sheet as of December 2012 (MMUSD)

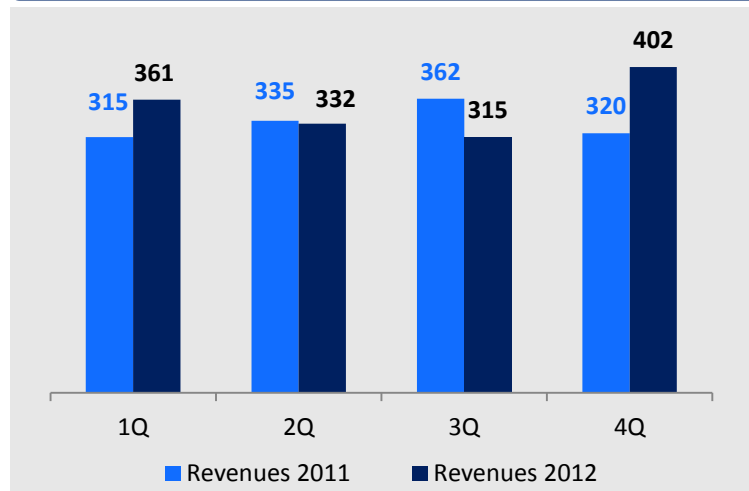
<u>Current Assets</u>	<u>789</u>
Cash and equivalents	218
Accounts receivable	203
Recoverable taxes	258
Other current assets	110
<u>Non-Current Assets</u>	<u>5,215</u>
Property, Plant and Equipment	4,904
Other non-current assets	311
<b>Total Assets</b>	<b>6,003</b>
Current Liabilities	551
Long-Term Liabilities	1,940
Shareholders' Equity	3,513
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,003</b>

# A quarterly look at Colbún's results

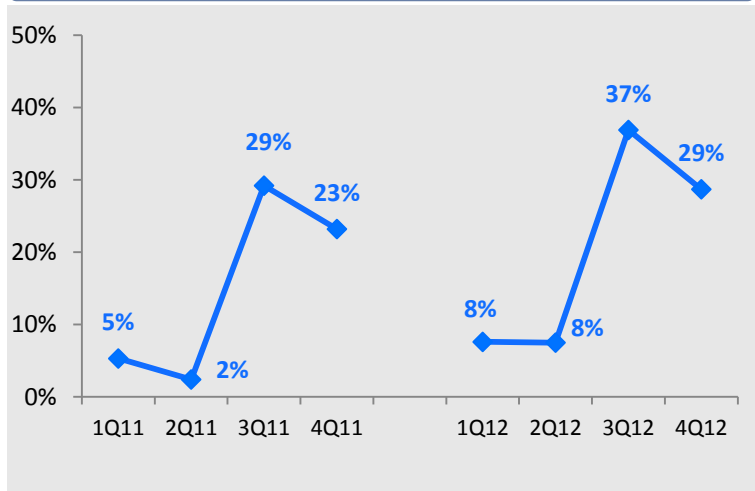
### Sales vs. Generation - quarterly (GWh)



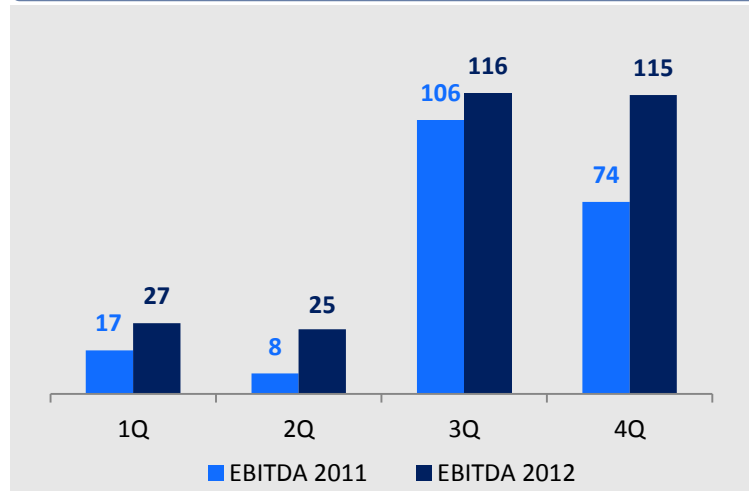
### Revenues - quarterly (MMUSD)



### EBITDA margin - quarterly (%)



### EBITDA - quarterly (MMUSD)





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Company Overview

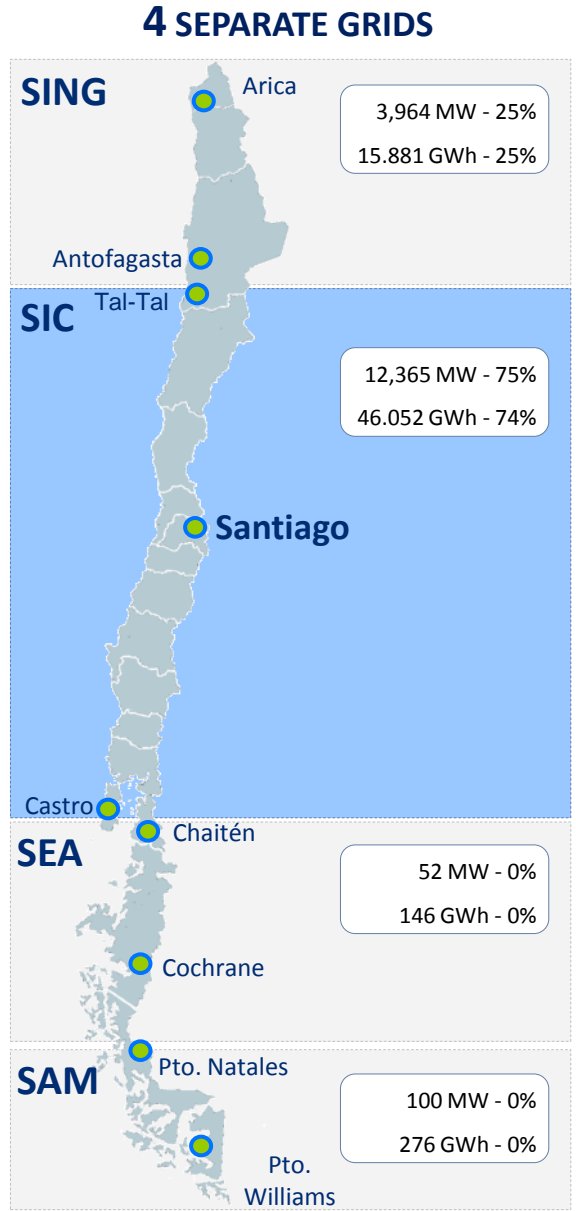
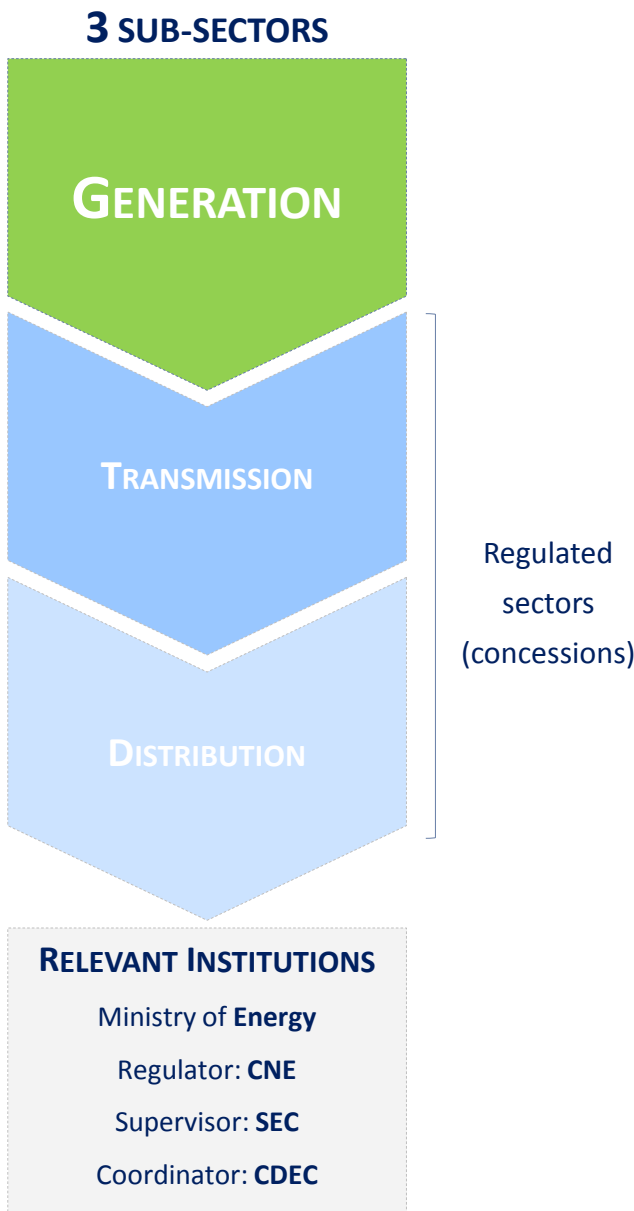
Business Strategy

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**Chilean Electricity Sector Overview**



# Sector Segmentation



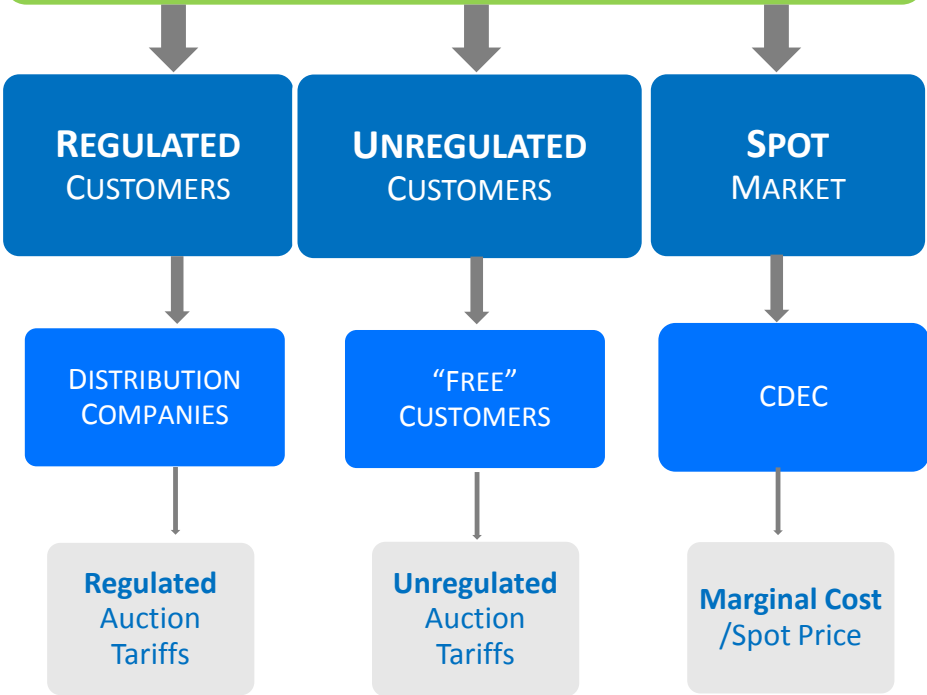
Source: CNE, December 2011



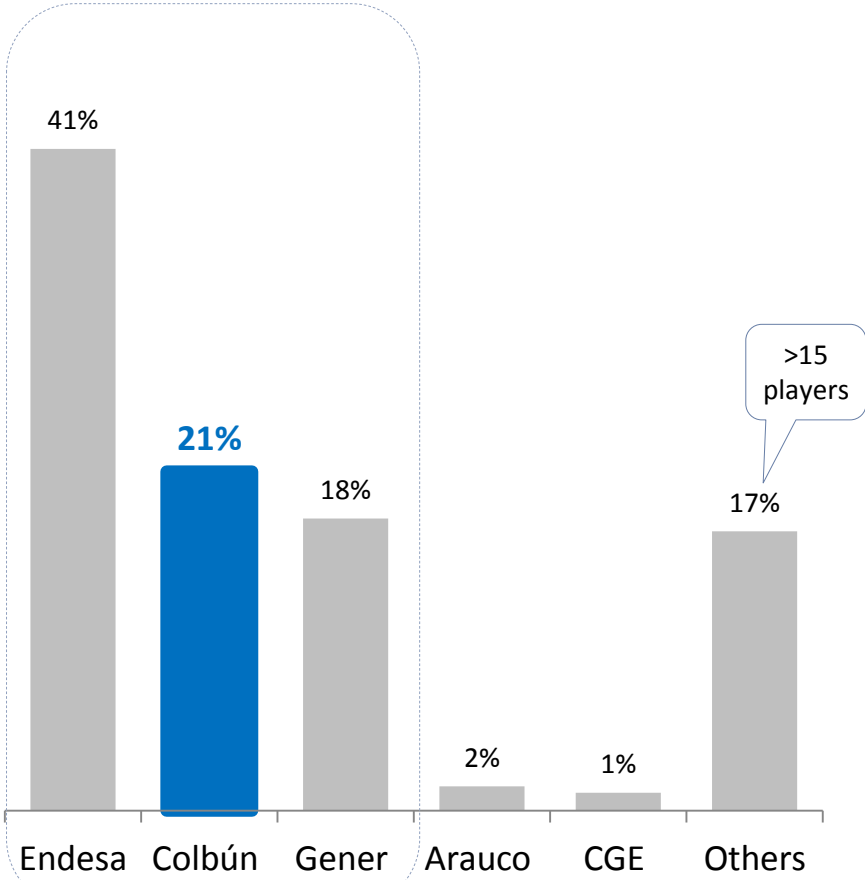
# Market Structure

## Electricity Market Structure

### GENERATORS



## Main Players in the Generation Sector-SIC

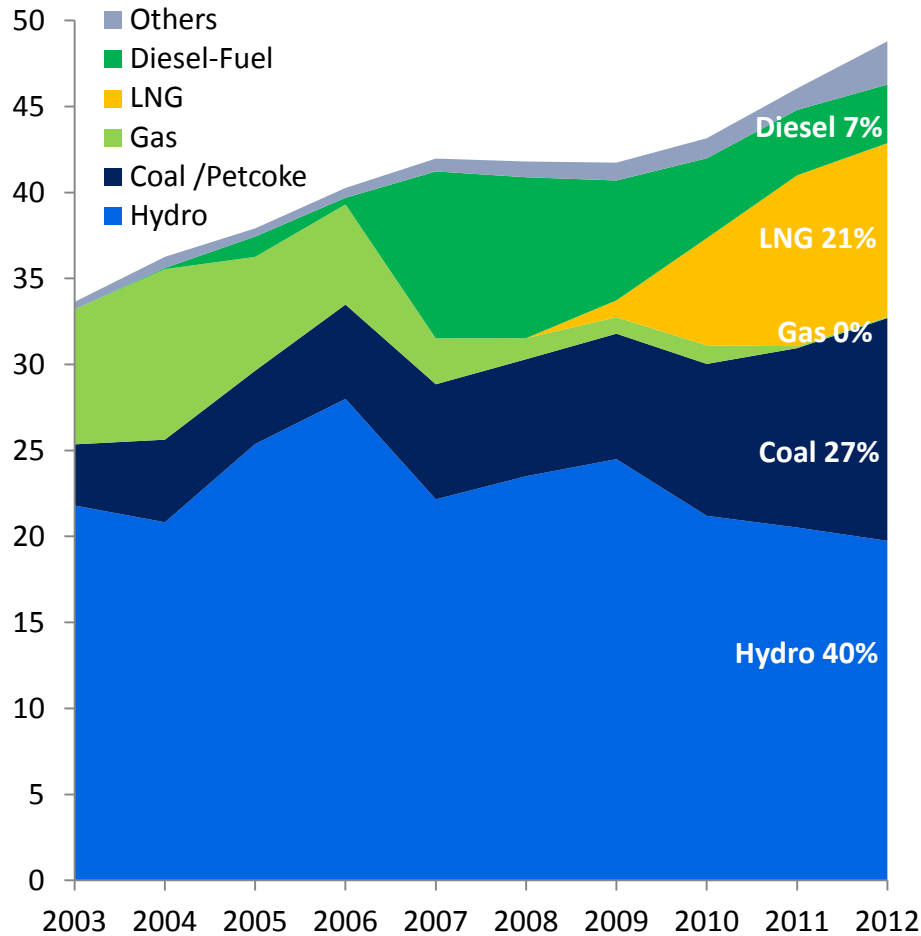


Source: "Capacidad Empresas Generadoras CDEC, December 2011



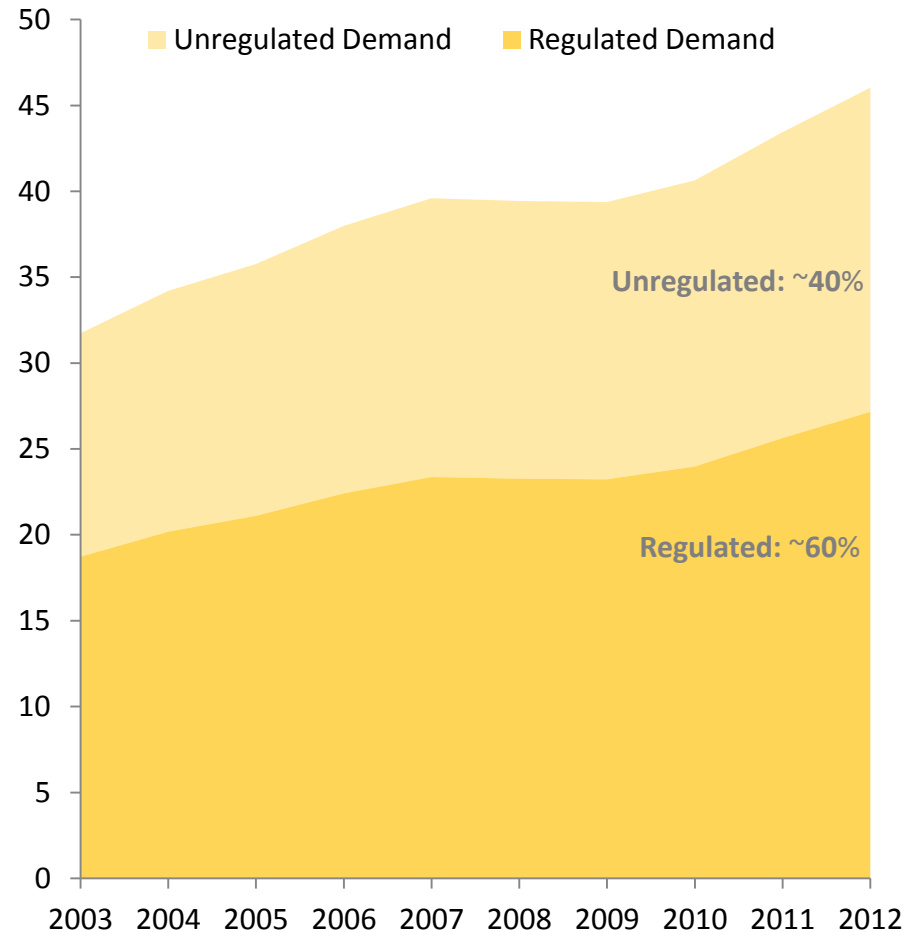
# Evolution of Power Generation and Demand in the SIC

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 Técnico Definitivo SIC", CNE, October 2011.

"Informe Systeem", Systeem, 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

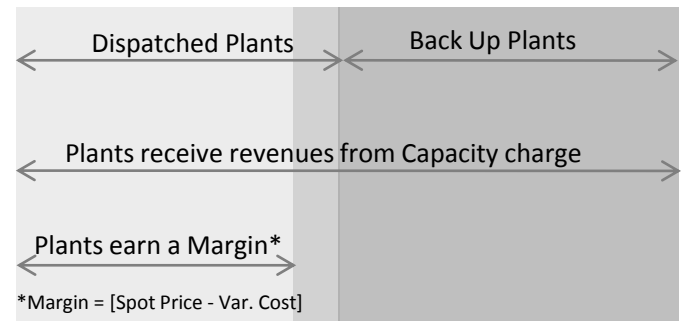
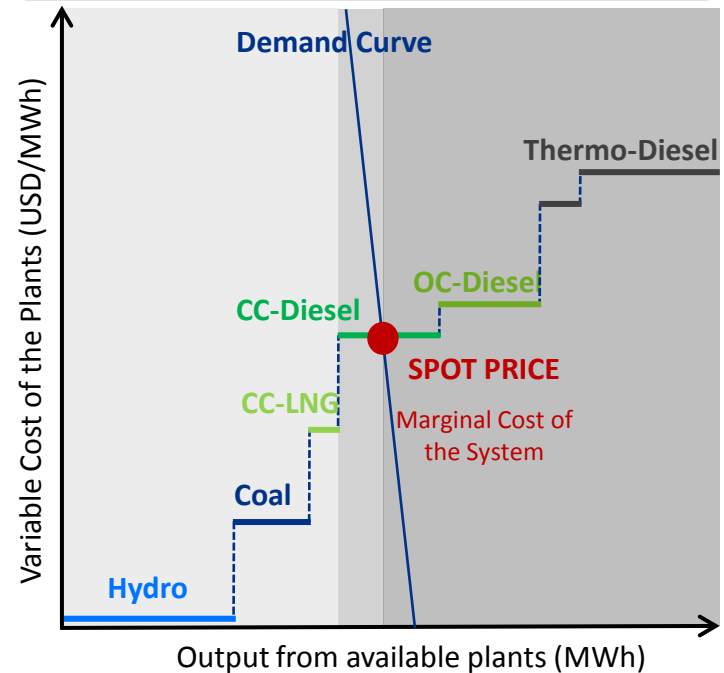
- 3) **Market Price**: free price settled by both parties for bilateral contracts

### OTHER GENERATORS

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

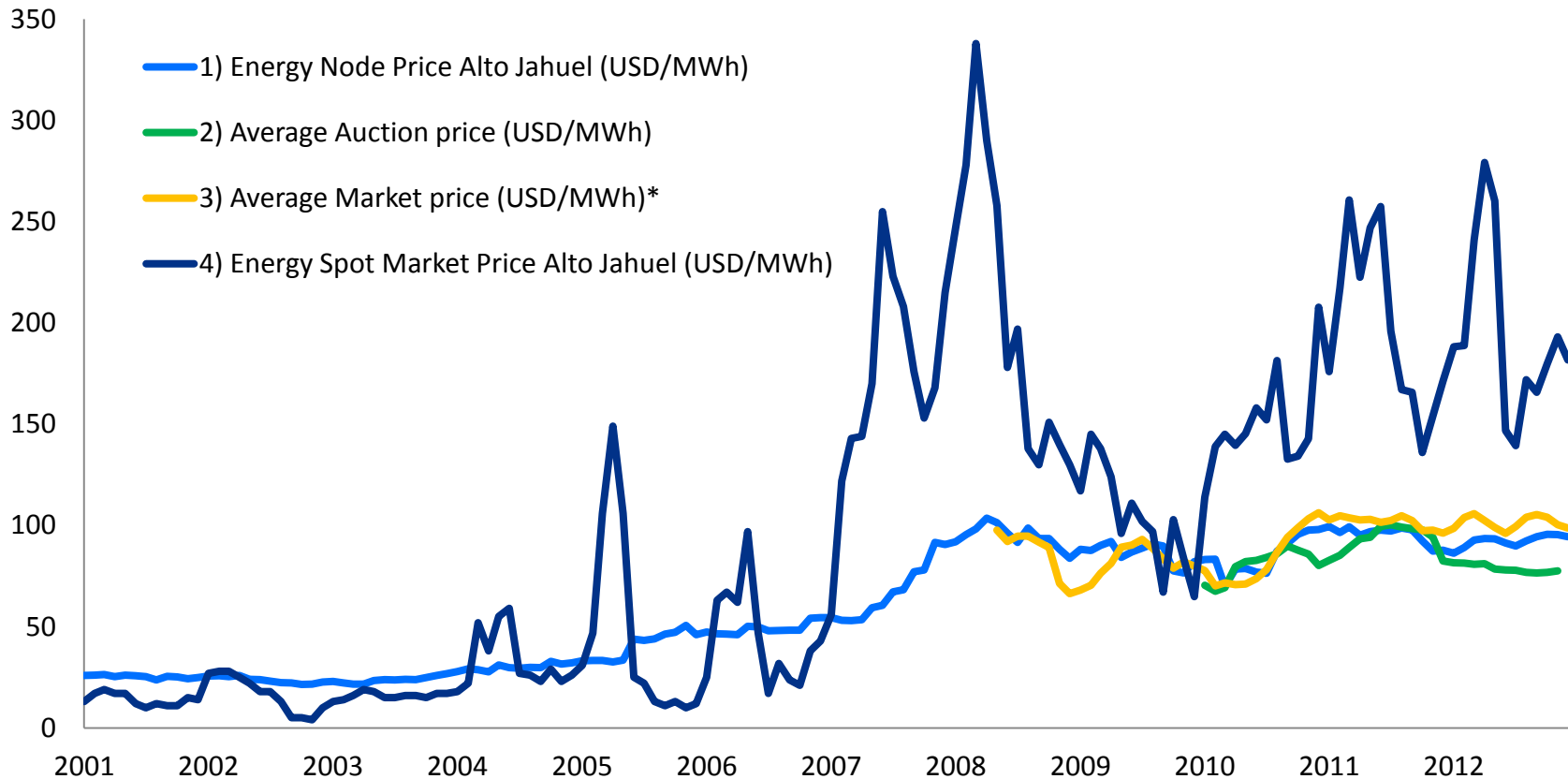
All facilities are also paid a capacity charge for being available

## Dispatch Scheme



## Evolution of electricity prices

### Electricity Prices-SIC (USD/MWh)

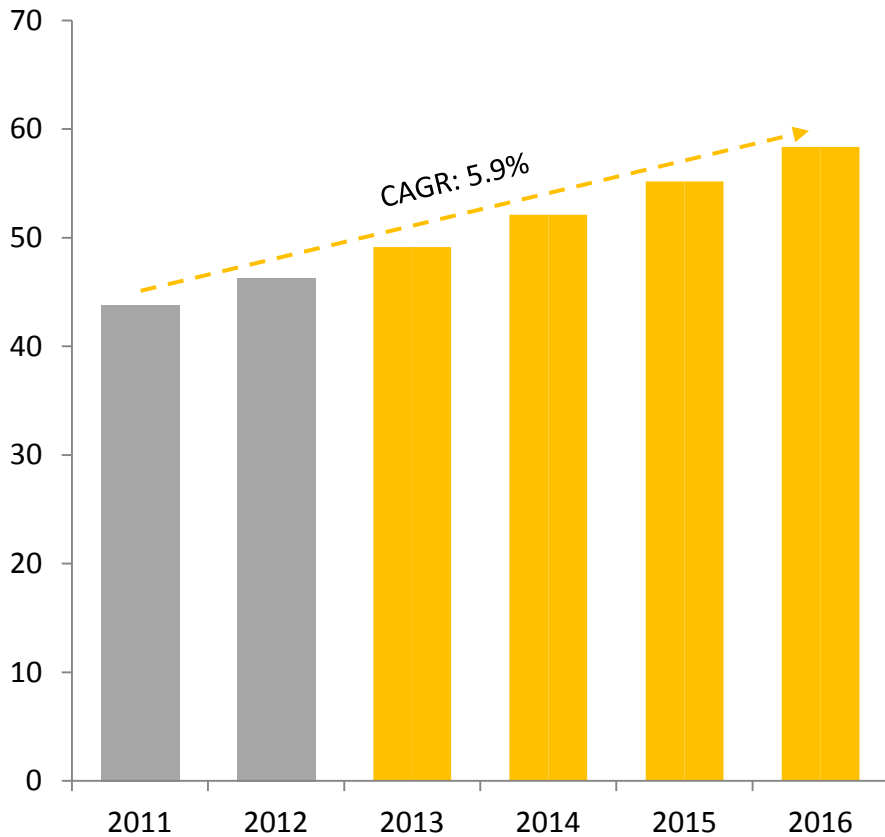


Source: "Costos reales marginales mensuales Alto Jahuel", CDEC/ Colbún; "Historia precios nudos", CNE; "Informes Mensuales Systepl", [www.systepl.cl](http://www.systepl.cl)

Note (\*): The market Price is calculated by the Regulator upon information provided by all generation companies. This average price does not include the capacity charge component.

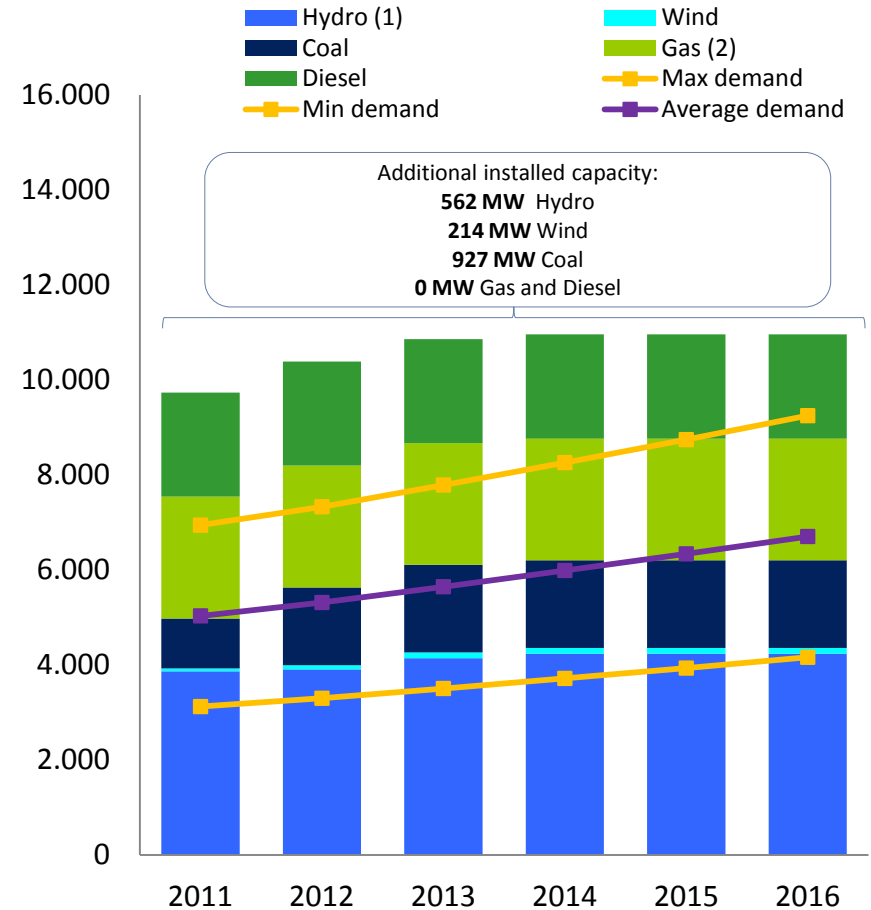
# Demand and Supply: what to expect in the coming years

## Electricity Demand - SIC (TWh)



Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, April 2012

## Available Power by type - SIC (MW)



Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, April 2012

(1) Considering normal hydro conditions

(2) Real gas output depends on fuel availability



