



**COMPANY PRESENTATION**

**1Q 2013**





# Agenda

**Company Overview**

Business Strategy

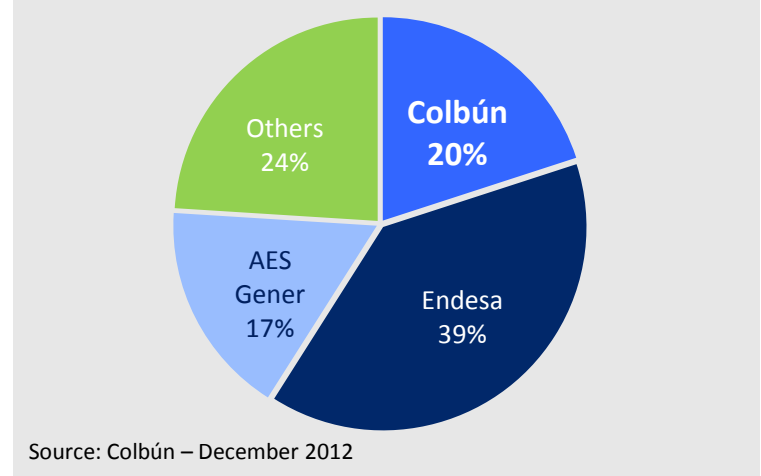
Financial Profile

Chilean Electricity Sector Overview

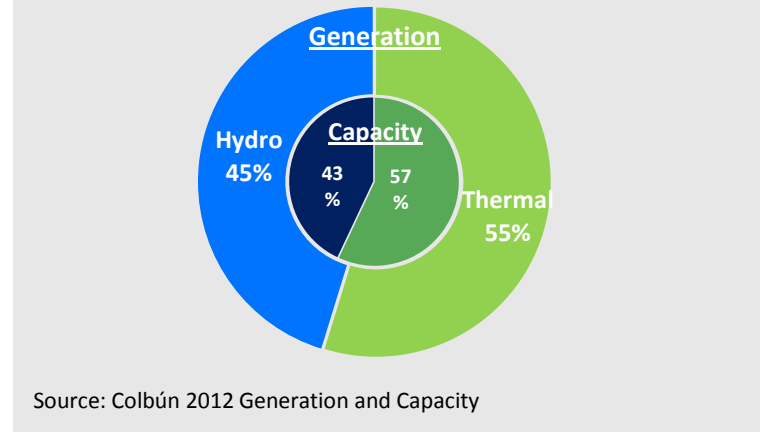
# Colbún at a glance

- 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 → 968 employees as of March'13
- Results → EBITDA of USD 284 million in 2012  
EBITDA of USD 347 million LTM  
Revenues of USD 1.4 billion in 2012  
Revenues of USD 1.4 billion LTM

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



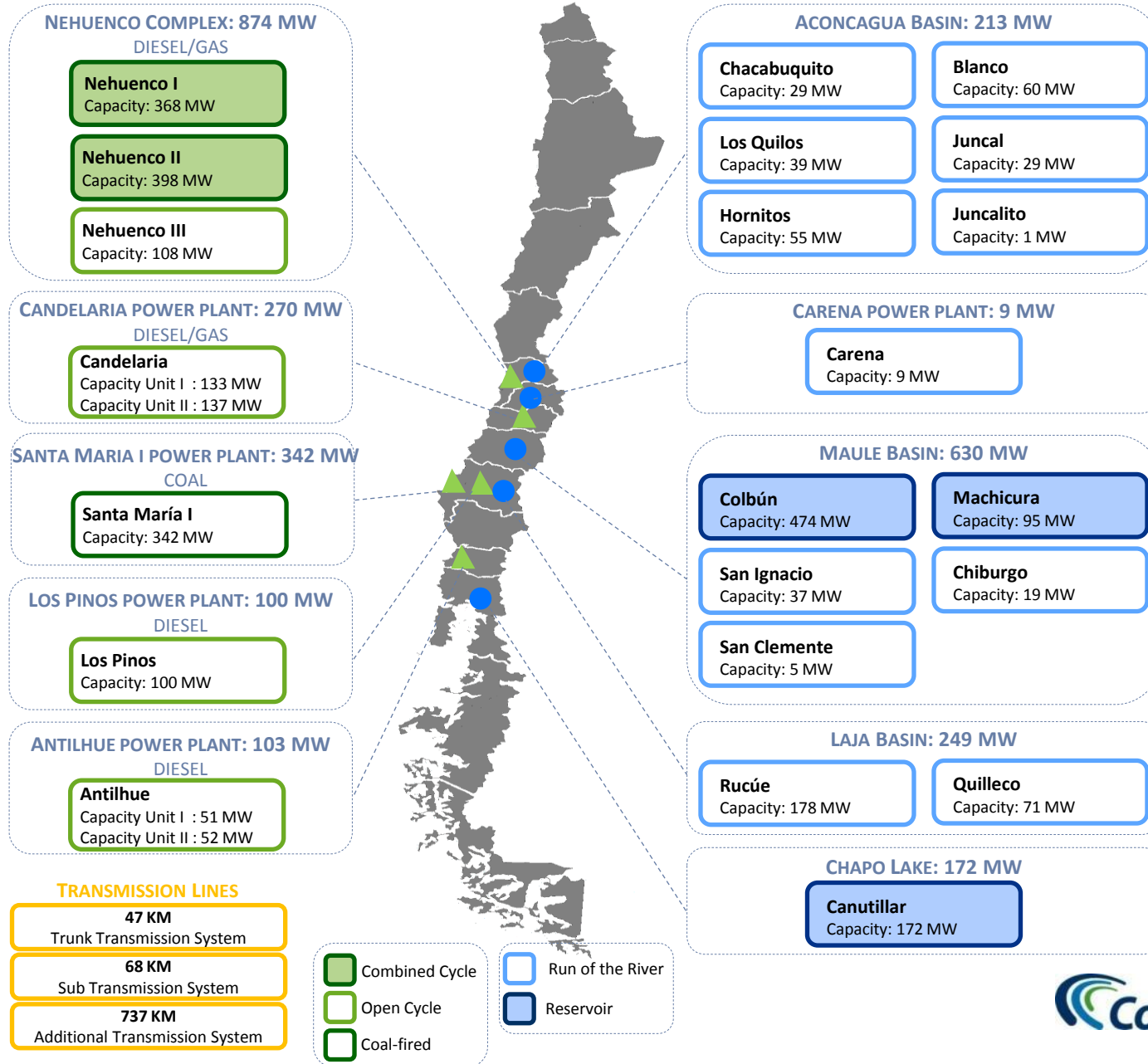
Generation (GWh) and Installed Capacity (MW)



7 THERMAL POWER PLANTS

A diversified asset base

15 HYDRO POWER PLANTS



# A diversified customer base

REGULATED CUSTOMERS

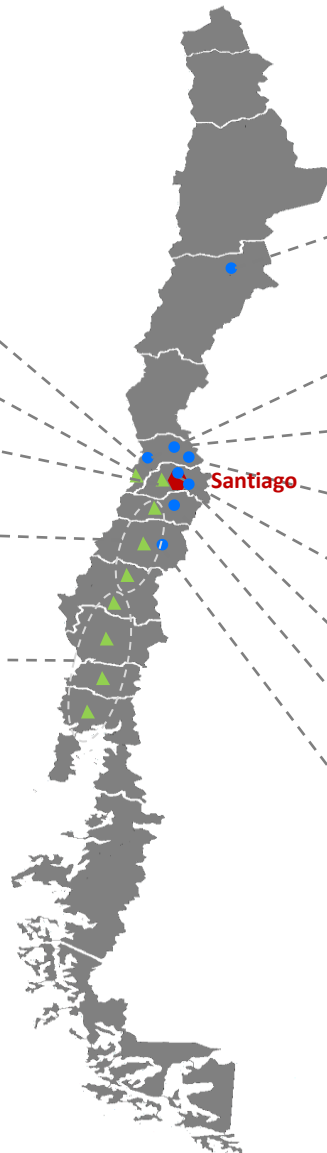
**CHILECTRA**  
(2011- 2021/23/25)

**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

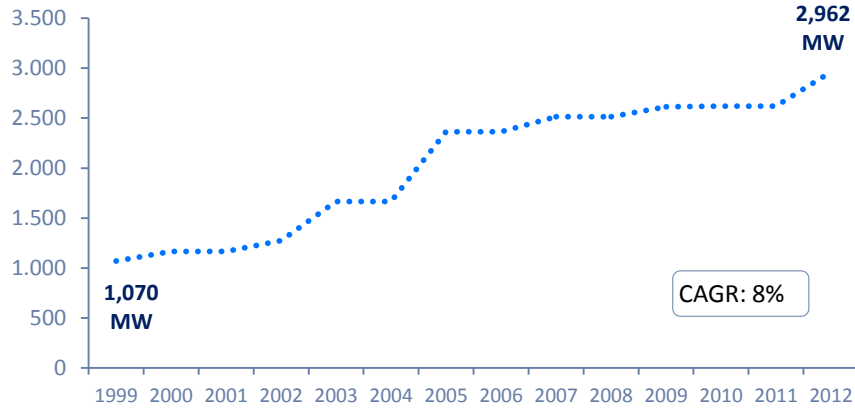
**CODELCO**  
Teniente

**CMPC**  
Procart

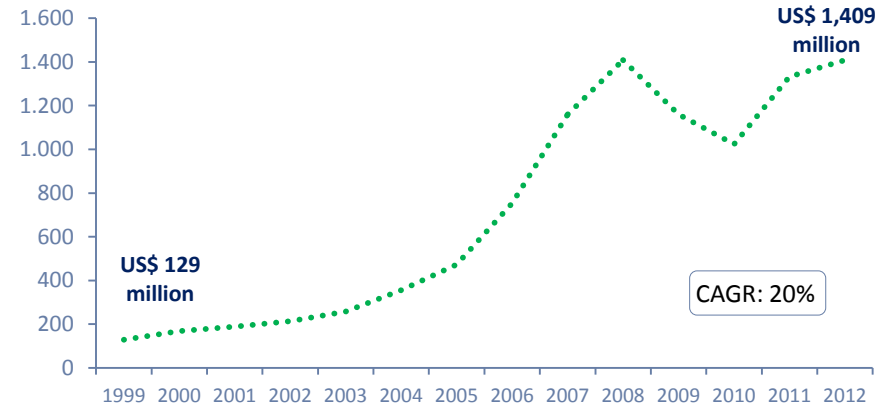
UN-REGULATED CUSTOMERS

# Colbún has grown steadily over the past decade

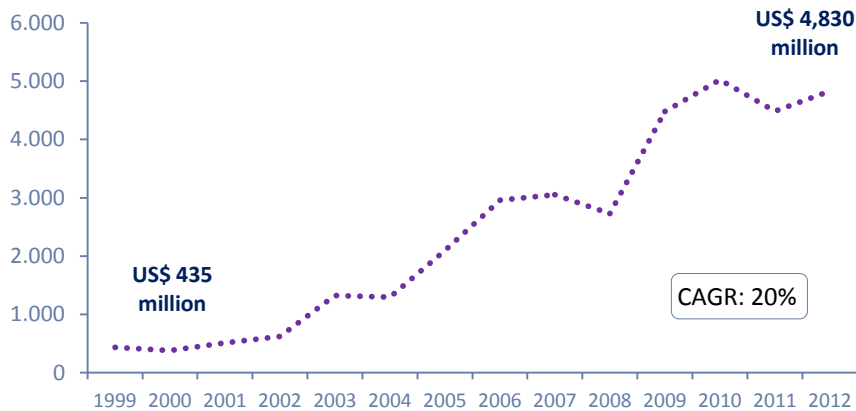
### Capacity (MW)



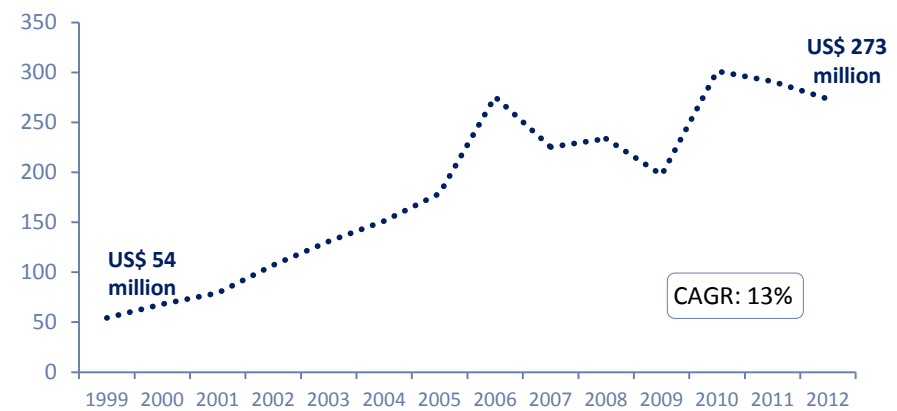
### Total Operating Revenues (MMUSD)



### 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

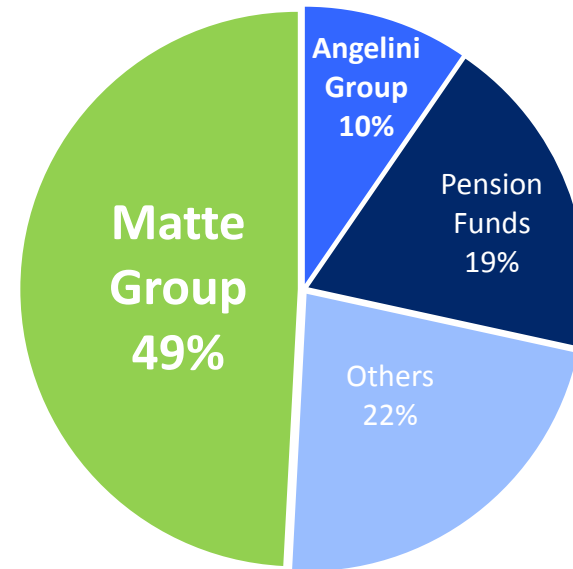
4 out of 9 are independent directors.

### ACCOUNTING STANDARDS

Disclosure under IFRS standards

Functional currency: US dollar

### Ownership Structure



Source: Colbún, December 2012



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Company Overview

**Business Strategy**

Financial Profile

Chilean Electricity Sector Overview



## 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, integrating with excellence the economical, technical, environmental and social dimensions.



## 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**

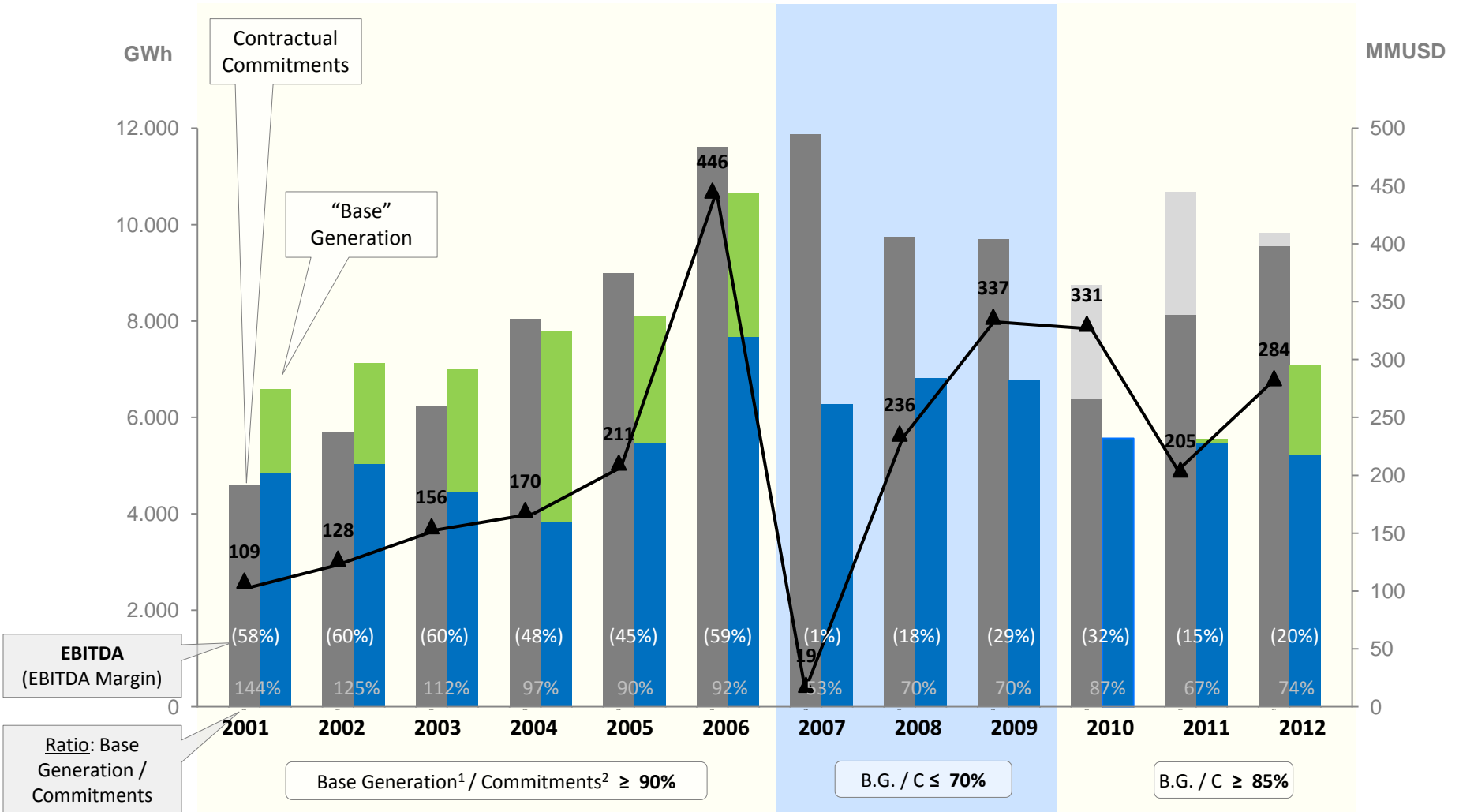
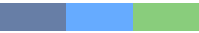
Structure tailor-made  
**hedge programs**



to protect from more  
**adverse**

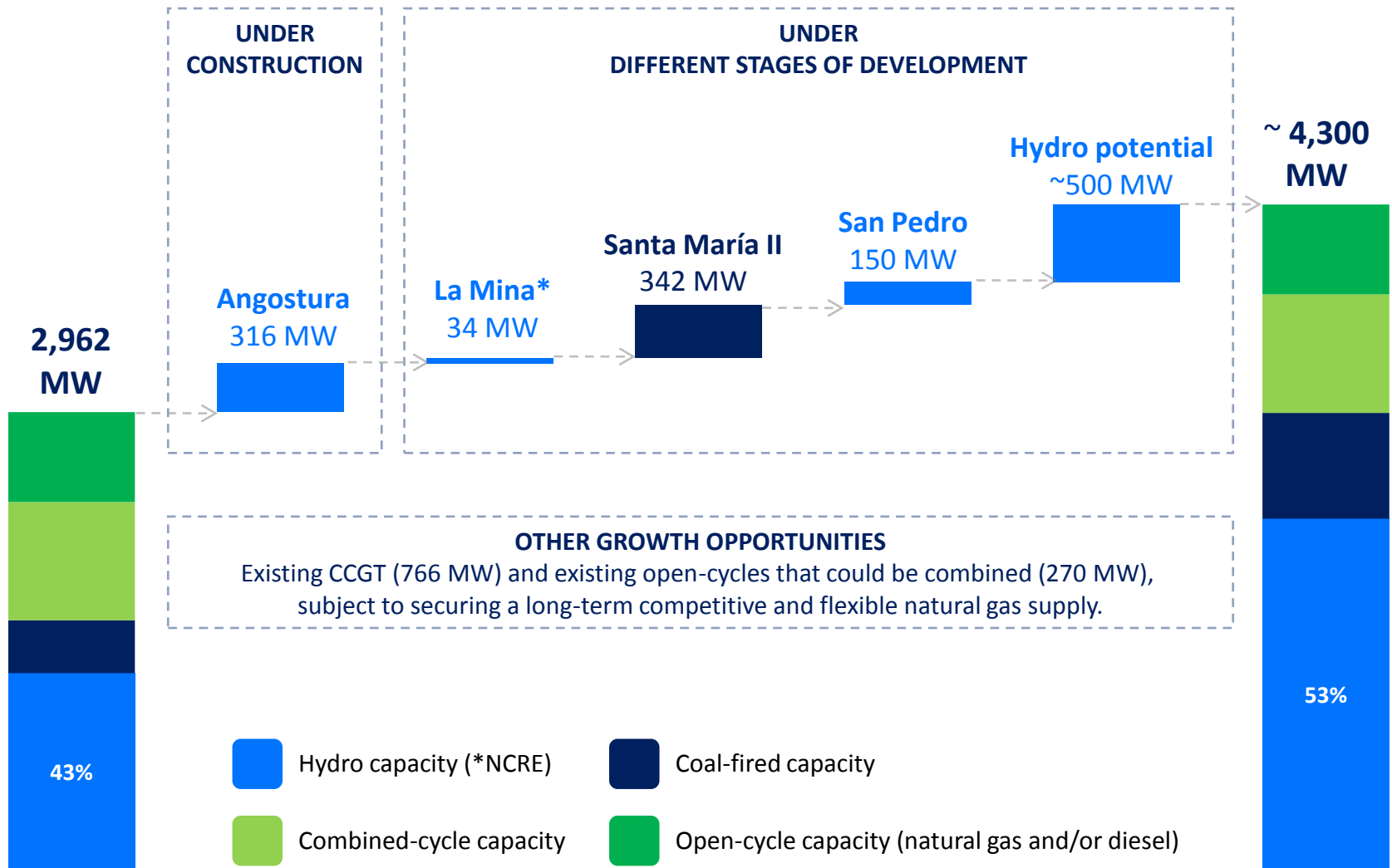
- 1) Hydrologic conditions
- 2) Fuel prices

# Evolution of Colbún's Business Model

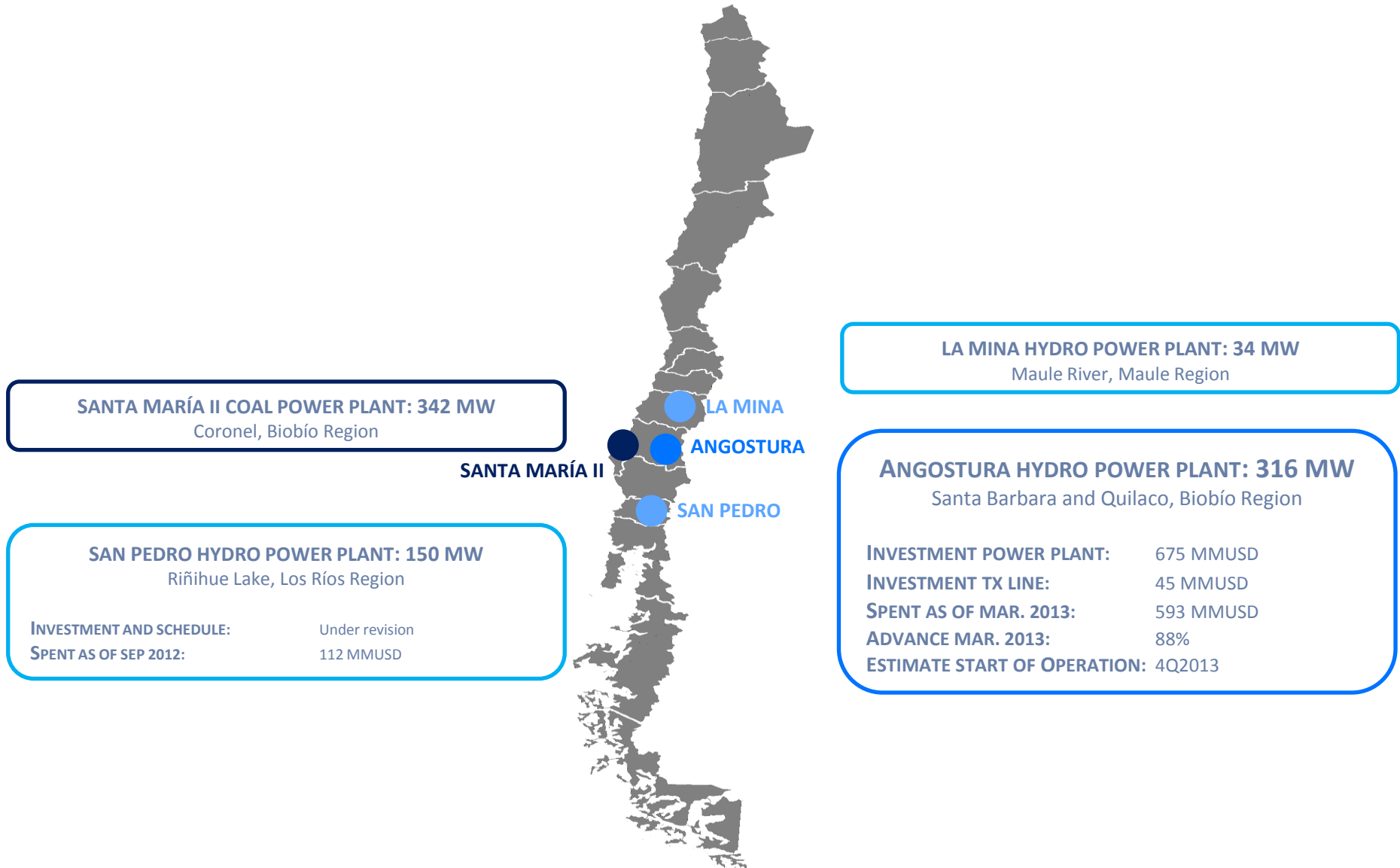


1: Commitments represent Colbún's committed sales (through contracts) excluding commitments which price is indexed to the spot price  
 2: Base Generation represents Colbún's electricity production @ low variable cost (hydro generation + gas generation pre-2007 and coal generation afterwards)

# Our expansion plan



# Our projects under development



**SANTA MARÍA II COAL POWER PLANT: 342 MW**  
 Coronel, Biobío Region

**SAN PEDRO HYDRO POWER PLANT: 150 MW**  
 Riñihue Lake, Los Ríos Region

<b>INVESTMENT AND SCHEDULE:</b>	Under revision
<b>SPENT AS OF SEP 2012:</b>	112 MMUSD

**LA MINA HYDRO POWER PLANT: 34 MW**  
 Maule River, Maule Region

**ANGOSTURA HYDRO POWER PLANT: 316 MW**  
 Santa Barbara and Quilaco, Biobío Region

<b>INVESTMENT POWER PLANT:</b>	675 MMUSD
<b>INVESTMENT TX LINE:</b>	45 MMUSD
<b>SPENT AS OF MAR. 2013:</b>	593 MMUSD
<b>ADVANCE MAR. 2013:</b>	88%
<b>ESTIMATE START OF OPERATION:</b>	4Q2013





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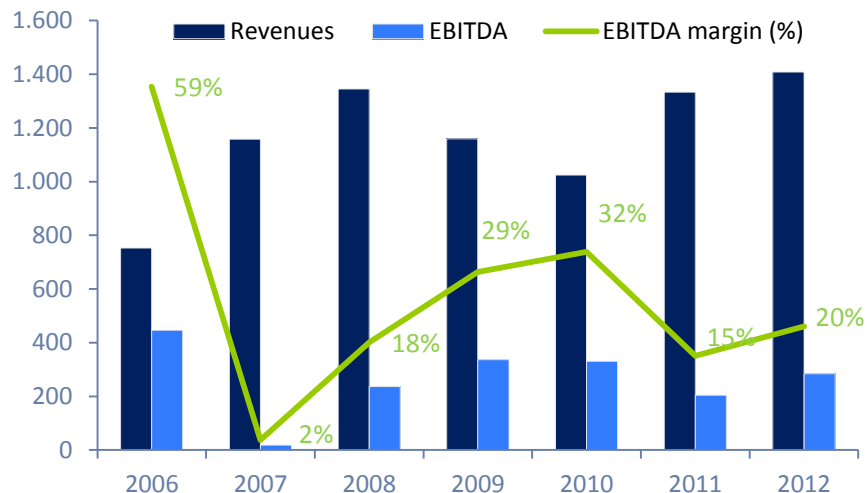
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# Income Statement

## 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

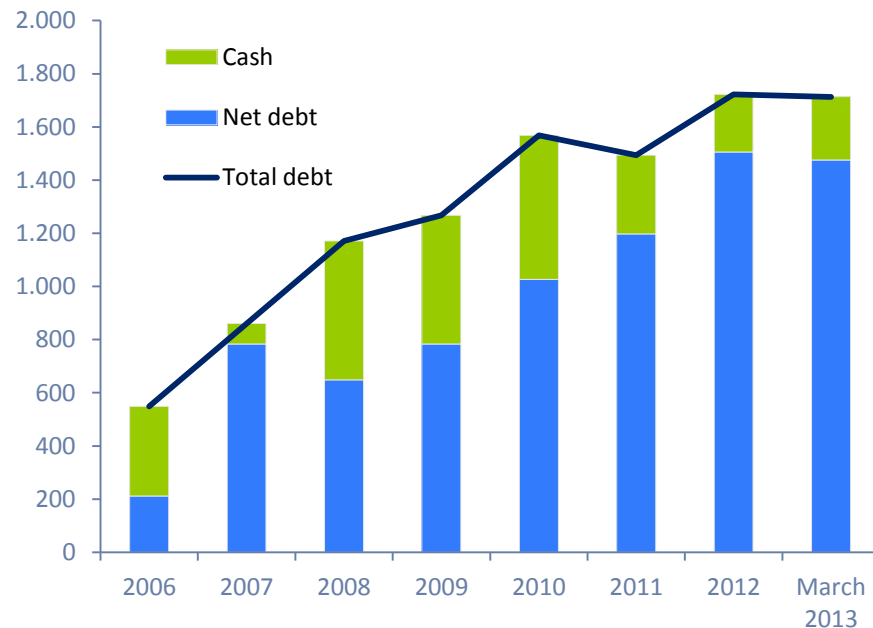
MMUSD	2006	2007	2008	2009	2010	2011	2012	March 2013 LTM
<b>Revenues</b>	753	1,160	1,346	1,159	1,024	1,333	1,409	1,415
<b>EBITDA</b>	446	19	236	337	331	205	284	346
<b>Depreciation</b>	(107)	(118)	(117)	(122)	(124)	(125)	(136)	(145)
<b>Non-operational result</b>	(43)	75	106	(51)	(103)	(37)	(45)	(58)
<b>Exchange rate differences</b>	12	(65)	(120)	82	18	(14)	10	(3)
<b>Income Tax</b>	(32)	(1)	(37)	(7)	(6)	(24)	(64)	(75)
<b>Net Income</b>	276	(90)	67	239	116	5	49	64

# Capital Structure and Credit Metrics

## Key Credit Metrics

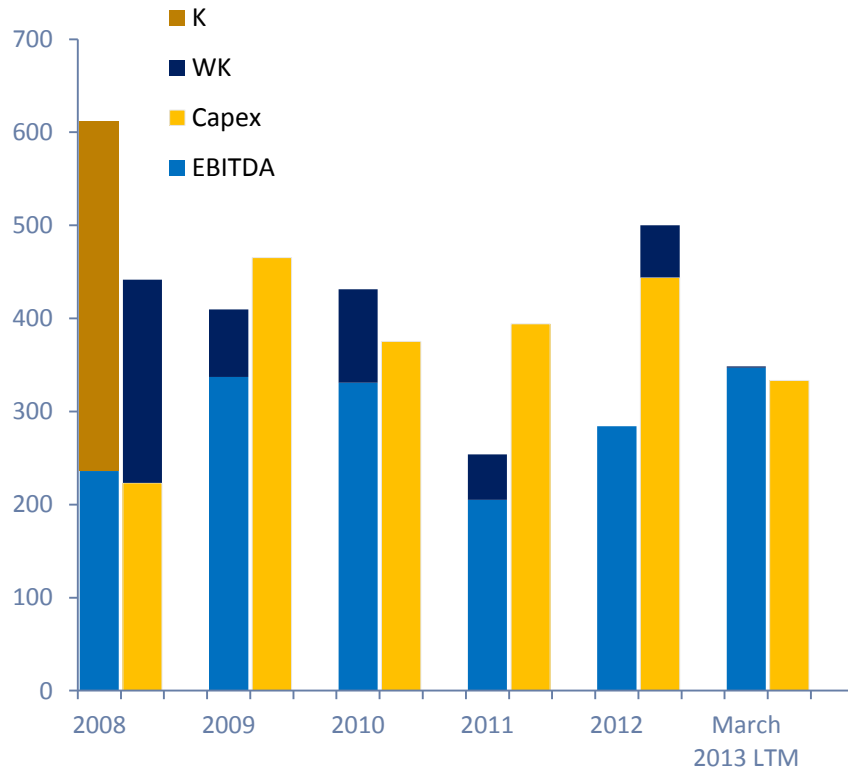
	2006	2007	2008	2009	2010	2011	2012	March 2013 LTM
<b>Total debt to total capital (%)</b>	18.8	26.0	25.0	27.0	31.1	30.1	32.9	32,6
<b>Net debt to EBITDA (x)</b>	0.4	36.6	2.3	2.3	3.1	5.9	5.3	4,3
<b>EBITDA Interest coverage (x)</b>	14.3	0.5	3.9	6.5	6.7	7.4	8.7	8,0

## Cash, Debt & Net Debt (MMUSD)



# Free Cash Flow Analysis

## Selected Sources & Uses of Funds (MMUSD)

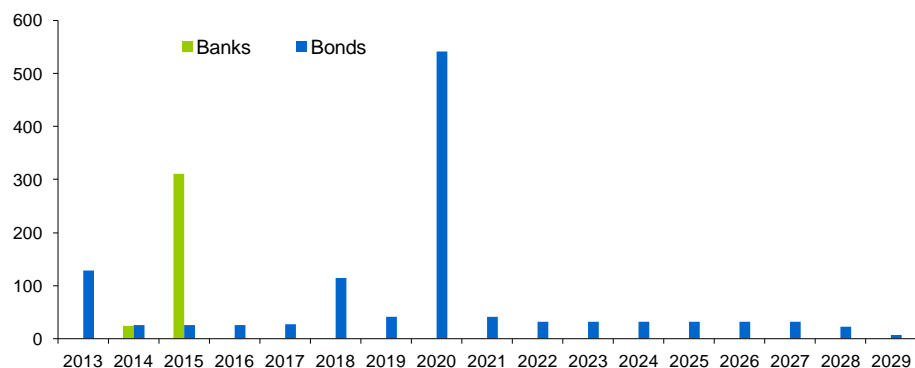


- ✓ Negative FCF in past years due to intensive capex program
- ✓ Intensity of capex diminishes in 2013
- ✓ Expected recovery of VAT Credit in coming years (current stock of MMUSD 258)
- ✓ Low dividend policy (30% of Net Income)

## Conservative Financial Strategy:

Smooth debt profile coupled with a strong liquidity position

### Amortization Schedule of LT Debt (MMUSD)



### Liquidity Position

#### Cash

USD 238 million of cash and cash equivalents as of March 2013.

#### 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

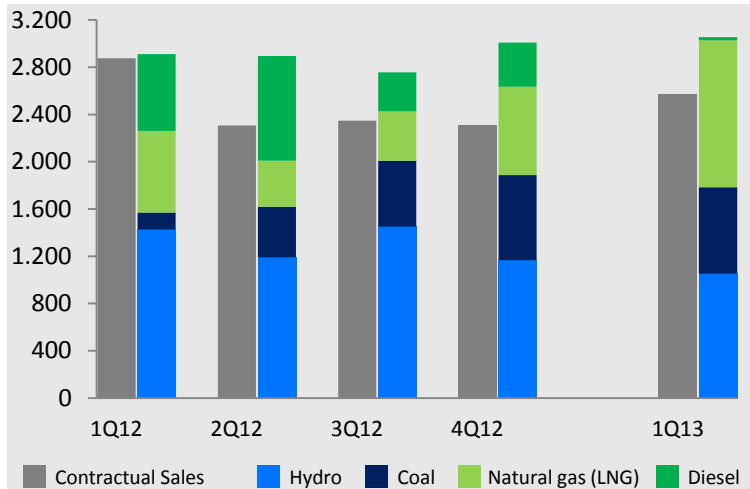
Access to additional USD 150 million in credit lines facilities and a registered commercial paper program, which we use from time to time for working capital optimization purposes

### Balance Sheet as of March 2013 (MMUSD)

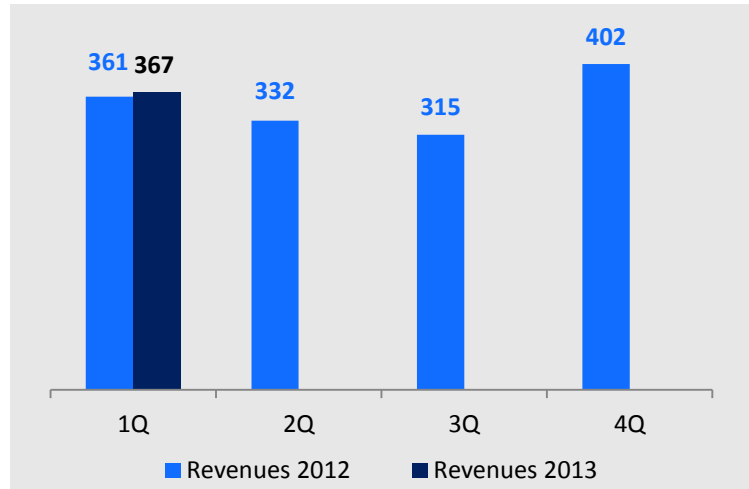
<u>Current Assets</u>	<u>750</u>
Cash and equivalents	238
Accounts receivable	173
Recoverable taxes	119
Other current assets	110
<u>Non-Current Assets</u>	<u>5,363</u>
Property, Plant and Equipment	4,933
Other non-current assets	430
<b>Total Assets</b>	<b>6,002</b>
Current Liabilities	553
Long-Term Liabilities	1,908
Shareholders' Equity	3,541
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,00</b>

# A quarterly look at Colbún's results

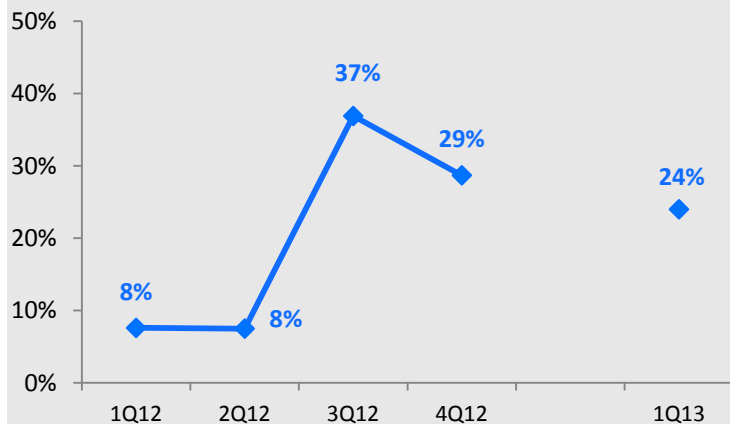
Sales vs. Generation - quarterly (GWh)



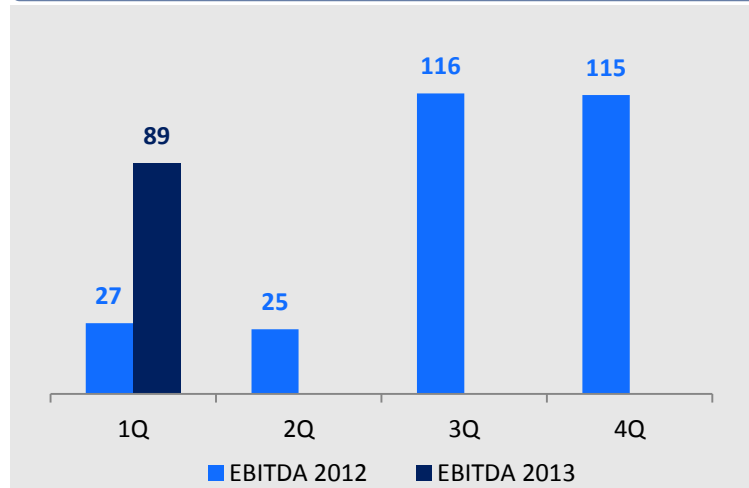
Revenues - quarterly (MMUSD)



EBITDA margin - quarterly (%)



EBITDA - quarterly (MMUSD)





# Agenda

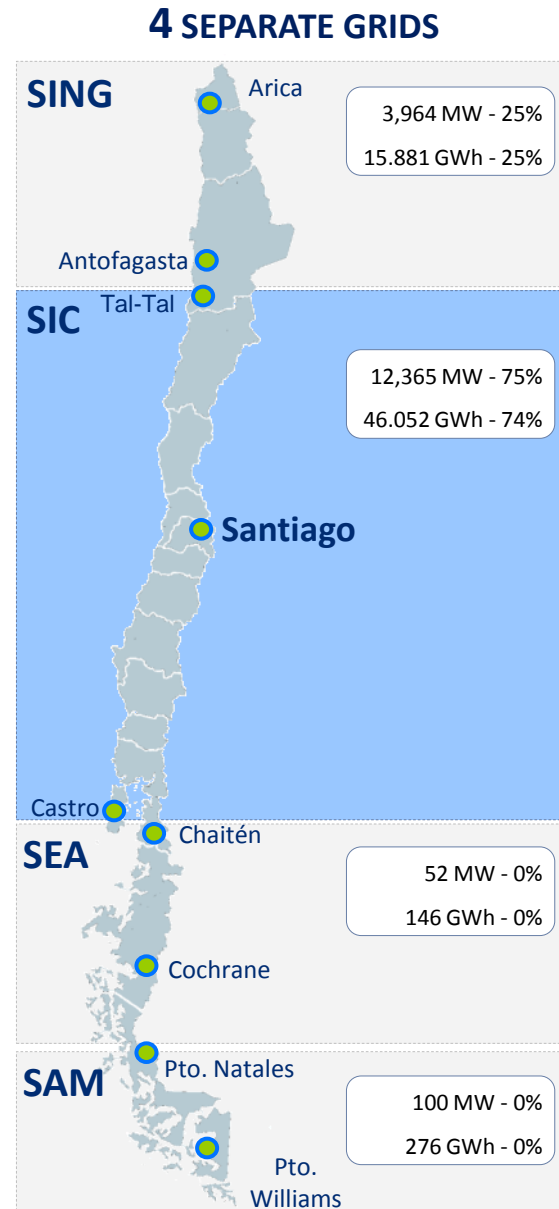
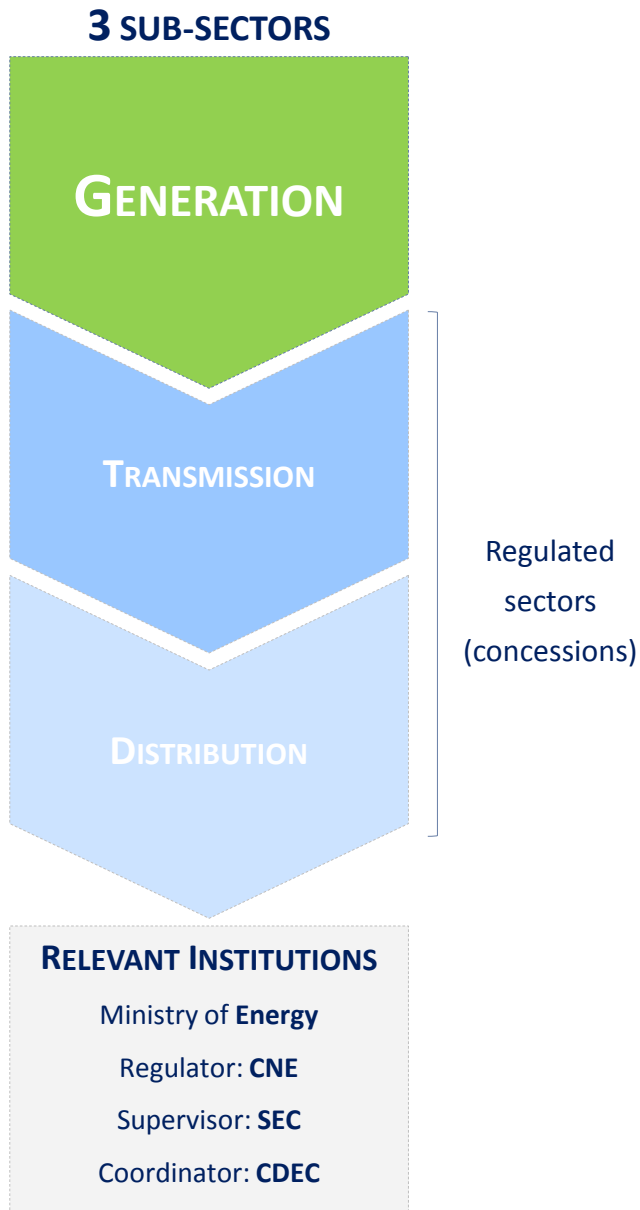
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# Sector Segmentation

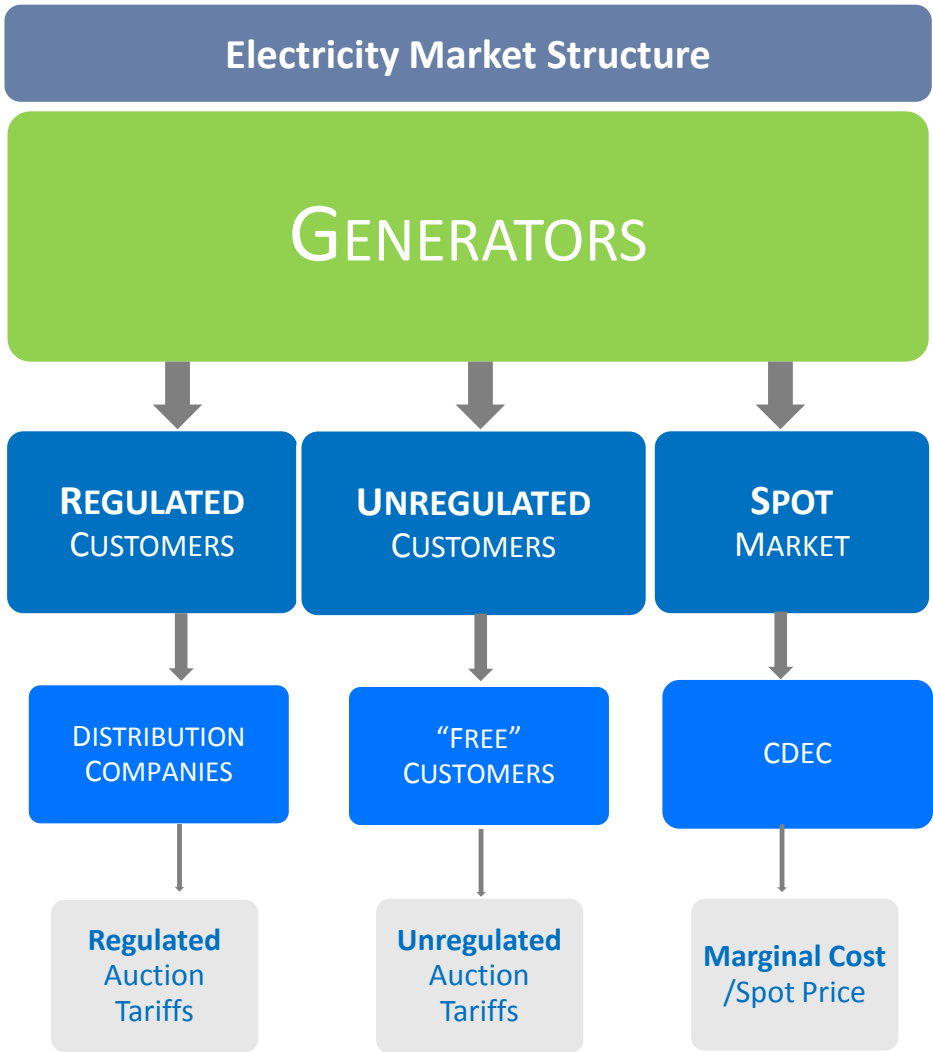


Source: CNE, December 2011

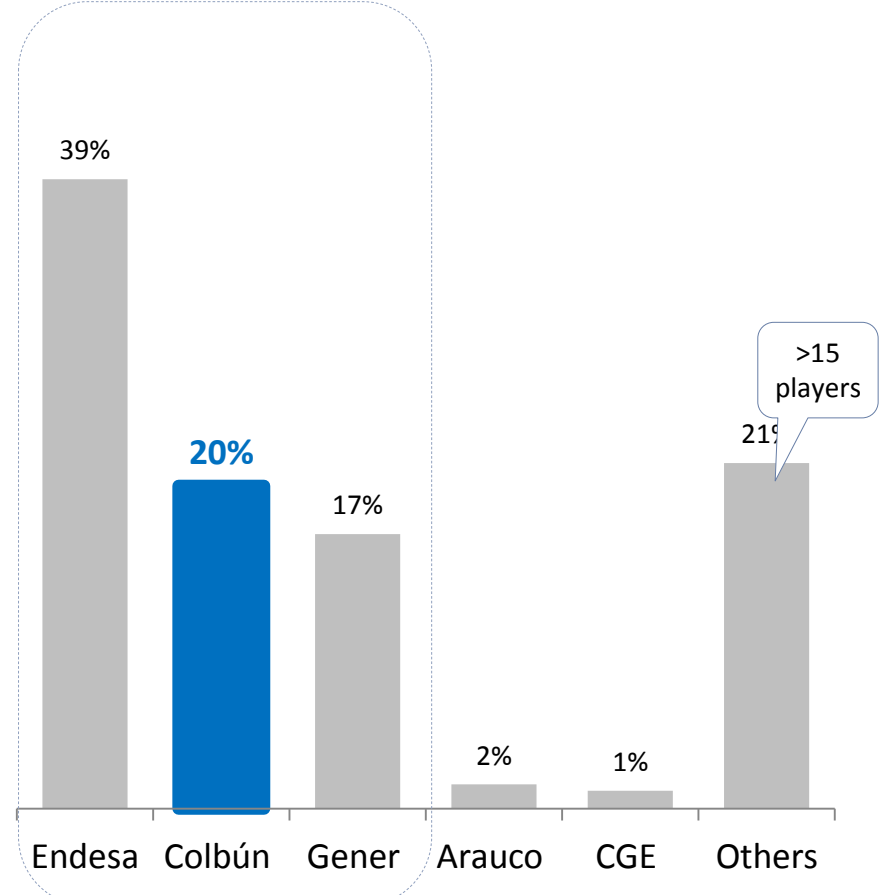




# Market Structure



## Main Players in the Generation Sector-SIC

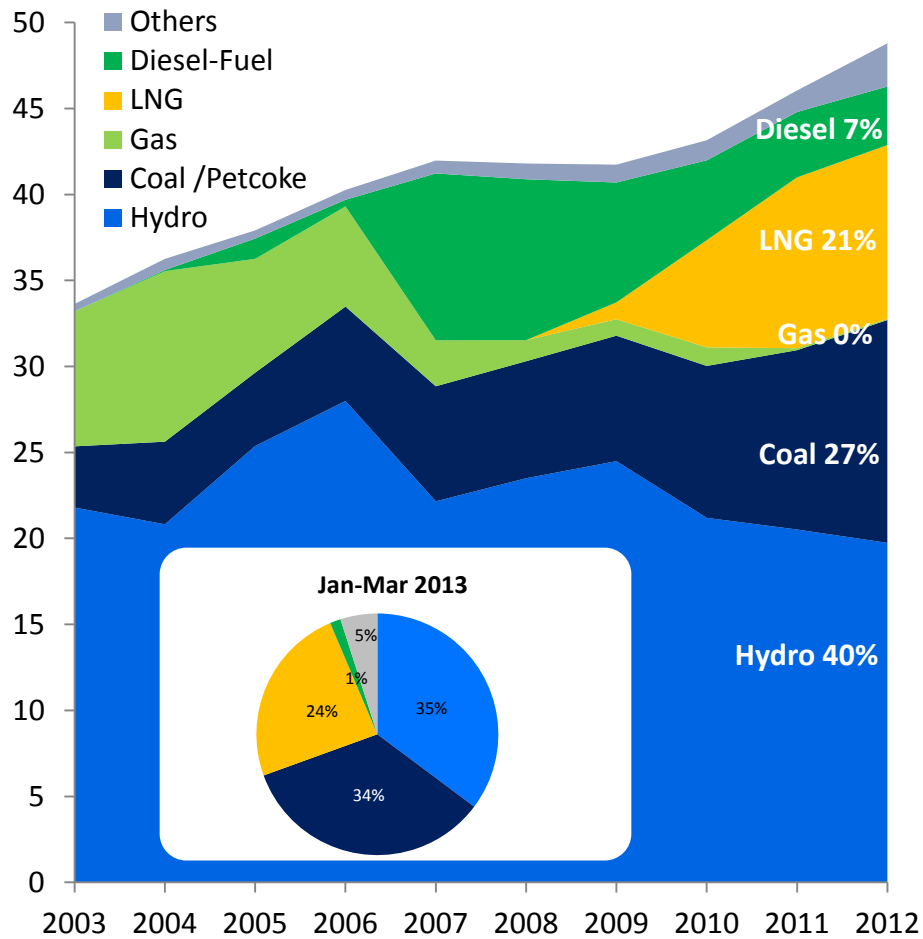


Source: Colbún, December 2012



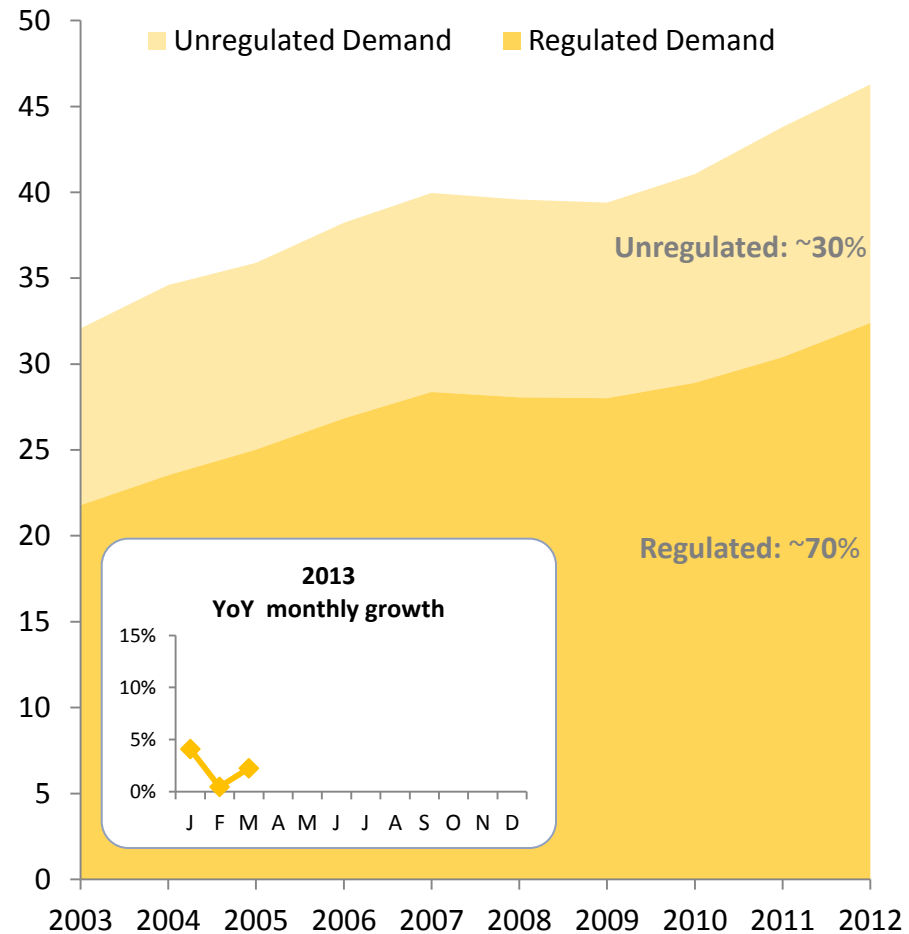
# Evolution of Power Generation and Demand in the SIC

## 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, 2013.  
Anuarios CDEC-SIC



# 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

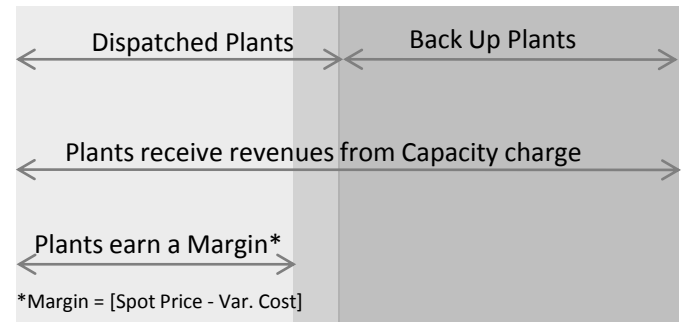
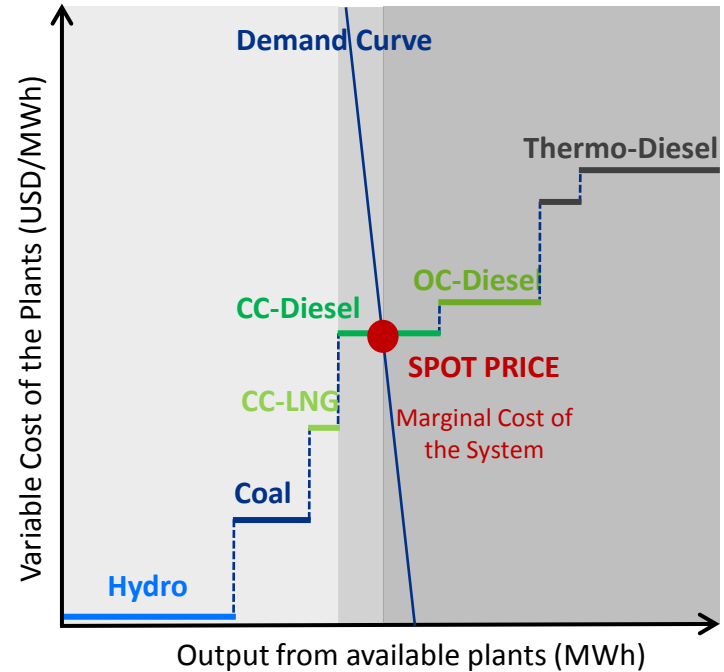
- 3) **Market Price**: free price settled by both parties for bilateral contracts

### OTHER GENERATORS

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

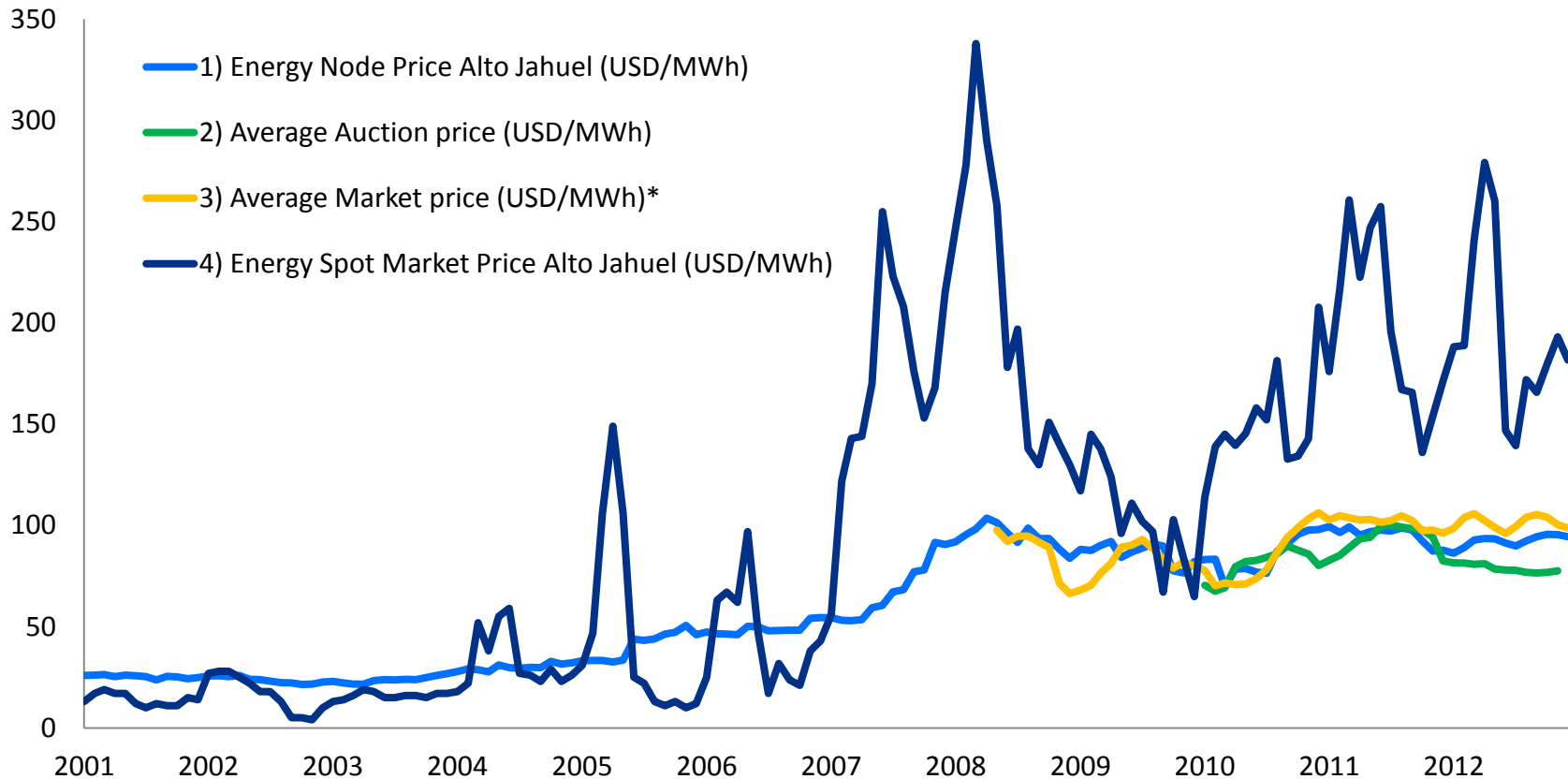
All facilities are also paid a capacity charge for being available

## Dispatch Scheme



## Evolution of electricity prices

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

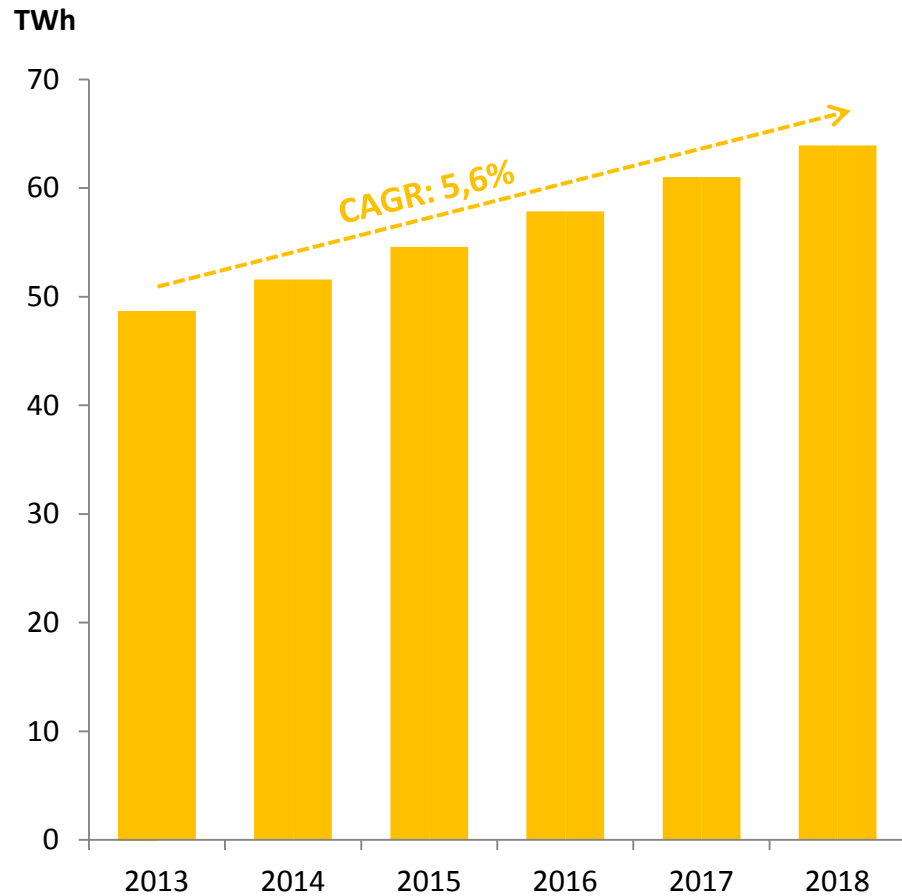


Source: "Costos reales marginales mensuales Alto Jahuel", CDEC/ Colbún; "Historia precios nudos", CNE; "Informes Mensuales Systepl", [www.systepl.cl](http://www.systepl.cl)

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.

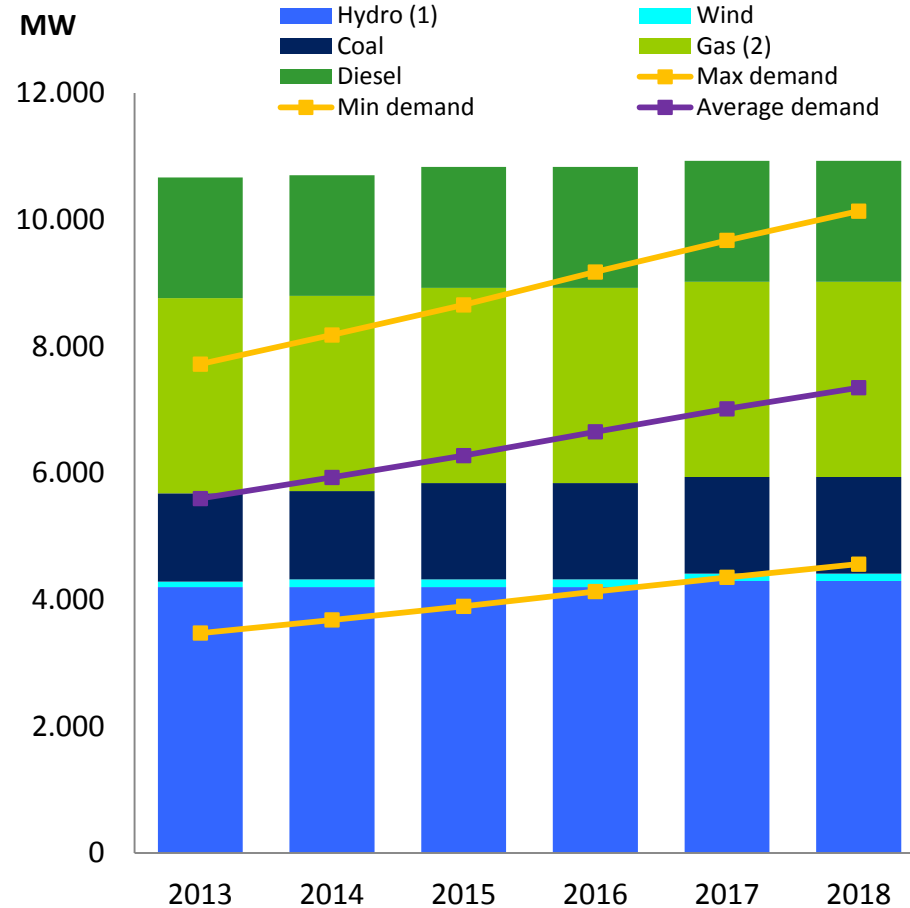
# Demand and Supply: what to expect in the coming years

## Electricity Demand - SIC (TWh)



Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, April 2013

## Available Power by type - SIC (MW)



Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, April 2013

(1) Considering normal hydro conditions

(2) Real gas output depends on fuel availability



