



## COMPANY PRESENTATION

**BTG Pactual & Celfin  
Southern Cone / Andean Conference**

*Santiago, June 5<sup>th</sup>-6<sup>th</sup> 2013*



# Colbún at a glance

## Who are we?

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

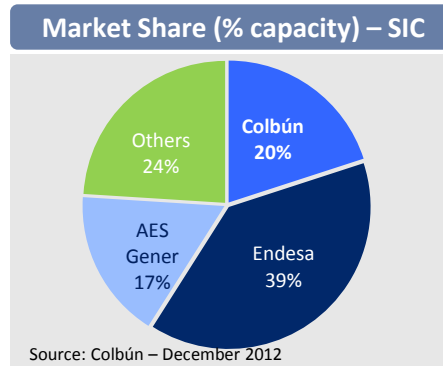
## What is our corporate strategy?

We seek to generate **long-term value** by **developing projects and managing power infrastructure**, integrating with excellence the economical, technical, environmental and social dimensions.

We **commit our power** through long-term power purchase agreements with distribution, industrial and mining companies.

## Some relevant figures

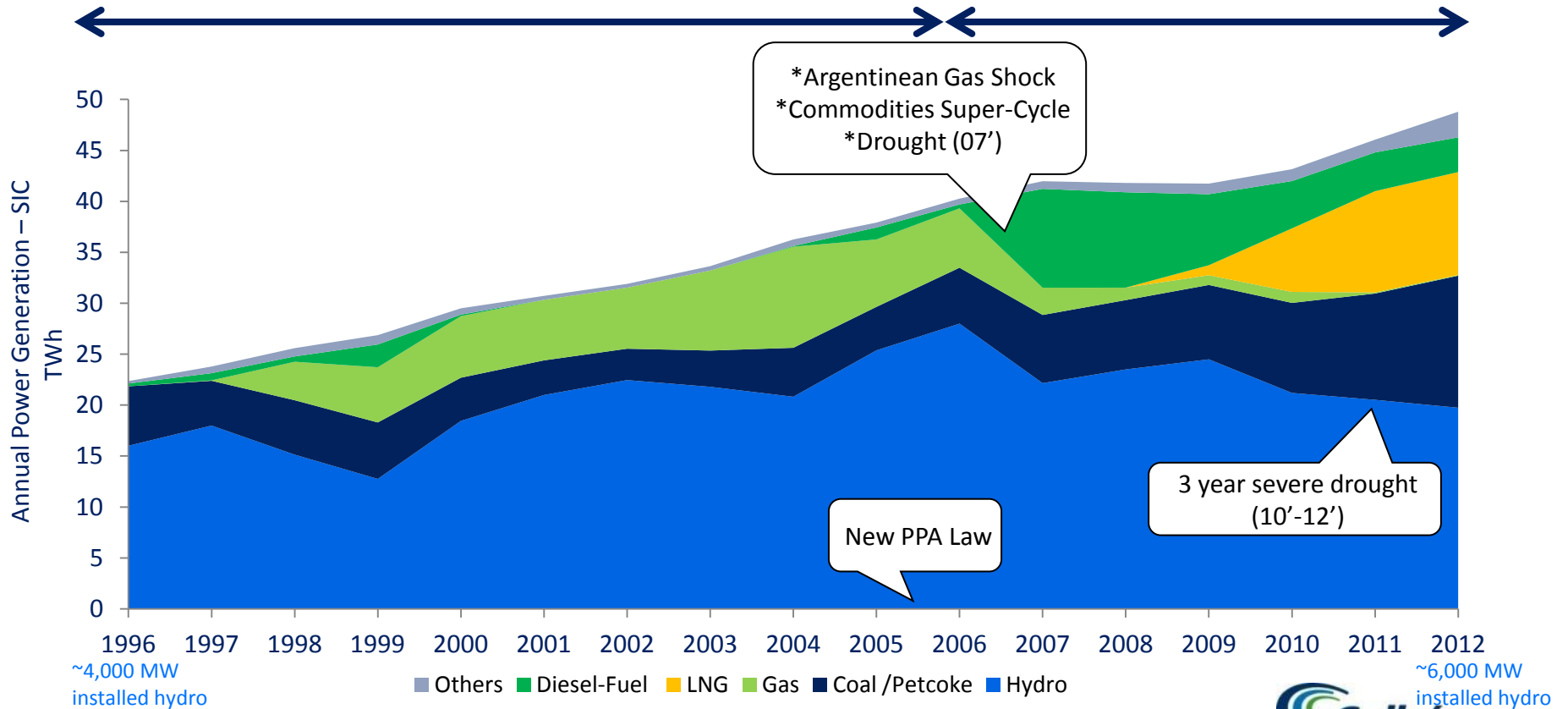
- Presence only in the Central Grid (SIC) of Chile.
- Almost 3,000 MW of installed power capacity.
- US\$ 5.4 billion market cap (03.31.13).
- Revenues of US\$ 1.4 billion in 2012.
- EBITDA of US\$ 284 million in 2012.  
EBITDA of US\$ 346 million LTM March 2013



# A brief history of the Chilean power sector and Colbún...

- Strong power development based on private investment
- Capacity growth = hydro + competitive natural gas
- Power purchase agreements signed under fixed prices (Set by regulator for distribution clients)

- (+) Back-up capacity (diesel)
- (+) LNG re-gasification terminal since 2009
- (+) Coal-fired capacity
- New law: PPA tenders with price indexation



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

# ...currently with 22 operating power plants and one under construction

Depending on natural gas availability, up to ~5,000 GWh/year

~2,500 GWh/year

**NEHUENCO COMPLEX: 874 MW**  
GAS/DIESEL

- Nehuenco I (368 MW)
- Nehuenco II (398 MW)
- Nehuenco III (108 MW)

**CANDELARIA POWER PLANT: 270 MW**  
GAS/DIESEL

- Candelaria Unit I (133 MW)
- Candelaria Unit II (137 MW)

**SANTA MARIA I POWER PLANT: 342 MW**  
COAL

- Santa María I (342 MW)

**LOS PINOS POWER PLANT: 100 MW**  
DIESEL

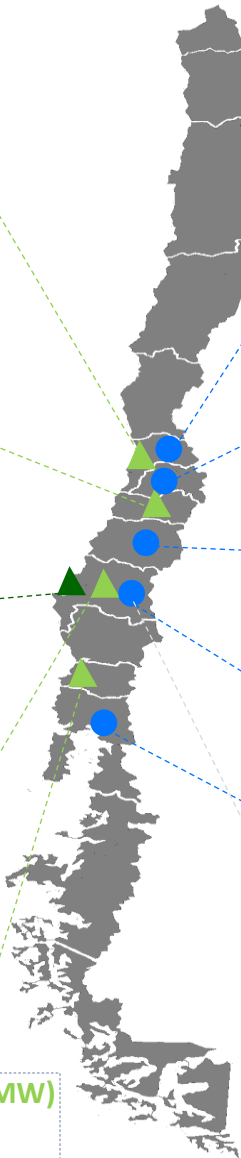
- Los Pinos (100 MW)

**ANTILHUE POWER PLANT: 103 MW**  
DIESEL

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

7 thermal power plants (1.689 MW)

- Combined Cycle
- Open Cycle
- Coal-fired



**ACONCAGUA BASIN: 213 MW**

- Chacabuco (29 MW)\*
- Blanco (60 MW)
- Los Quilos (39 MW)\*
- Juncal (29 MW)\*
- Hornitos (55 MW)
- Juncalito (1 MW)\*

**CARENA POWER PLANT: 9 MW**

- Carena (9 MW)\*

**MAULE BASIN: 630 MW**

- Colbún (474 MW)
- Machicura (95 MW)
- San Ignacio (37 MW)\*
- Chiburgo (19 MW)\*
- San Clemente (5 MW)\*

**LAJA BASIN: 249 MW**

- Rucúe (178 MW)
- Quilleco (71 MW)

**CHAPO LAKE: 172 MW**

- Canutillar (172 MW)

**BIOBÍO BASIN:**

- Angostura (316 MW)

15 hydro power plants (1.273 MW)

- Run of the River (\*NCRE mini-hydro)
- Reservoir

Average-to-dry hydrological conditions: ~6,500 GWh/year

~1,500 GWh/year



# A solid and reliable controlling group with a strategic and long term vision

## CONTROL

Matte Group (49%): leading economic group in Chile, with stakes in various sectors (forestry, financial, telecommunications, among others).

## LARGE STAKEHOLDER

Angelini Group (10%): another leading Chilean economic group.

## FLOAT

41% free float, with relevant local institutional investor presence.

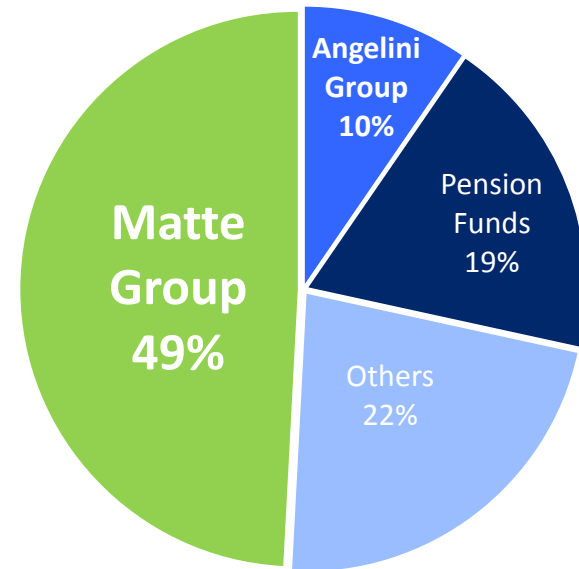
## GOVERNANCE

4 out of 9 are independent directors.

## ACCOUNTING STANDARDS

Disclosure under IFRS standards  
Functional currency: US dollar

## Ownership Structure



Source: Colbún, December 2012

# The key driver in our results is our commercial policy...

## COMMERCIAL GOALS

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

1. Define optimal  
contract level

2. Incorporate **indexation**  
formulas in sale prices,  
which reflect our  
cost structure

3. Business, operational  
and financial **management**

### Hydro capacity

Output of a average-dry year:  
Today: ~6.5 TWh/year  
2014 and on: ~8 TWh/year

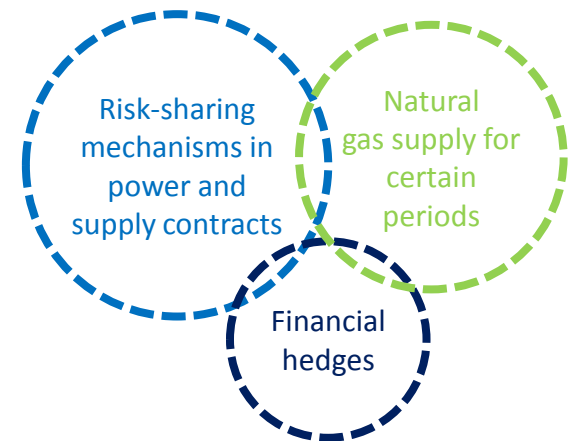
CPI

### Efficient thermal capacity

Output of a coal-fired plant:  
~2.5 TWh/year

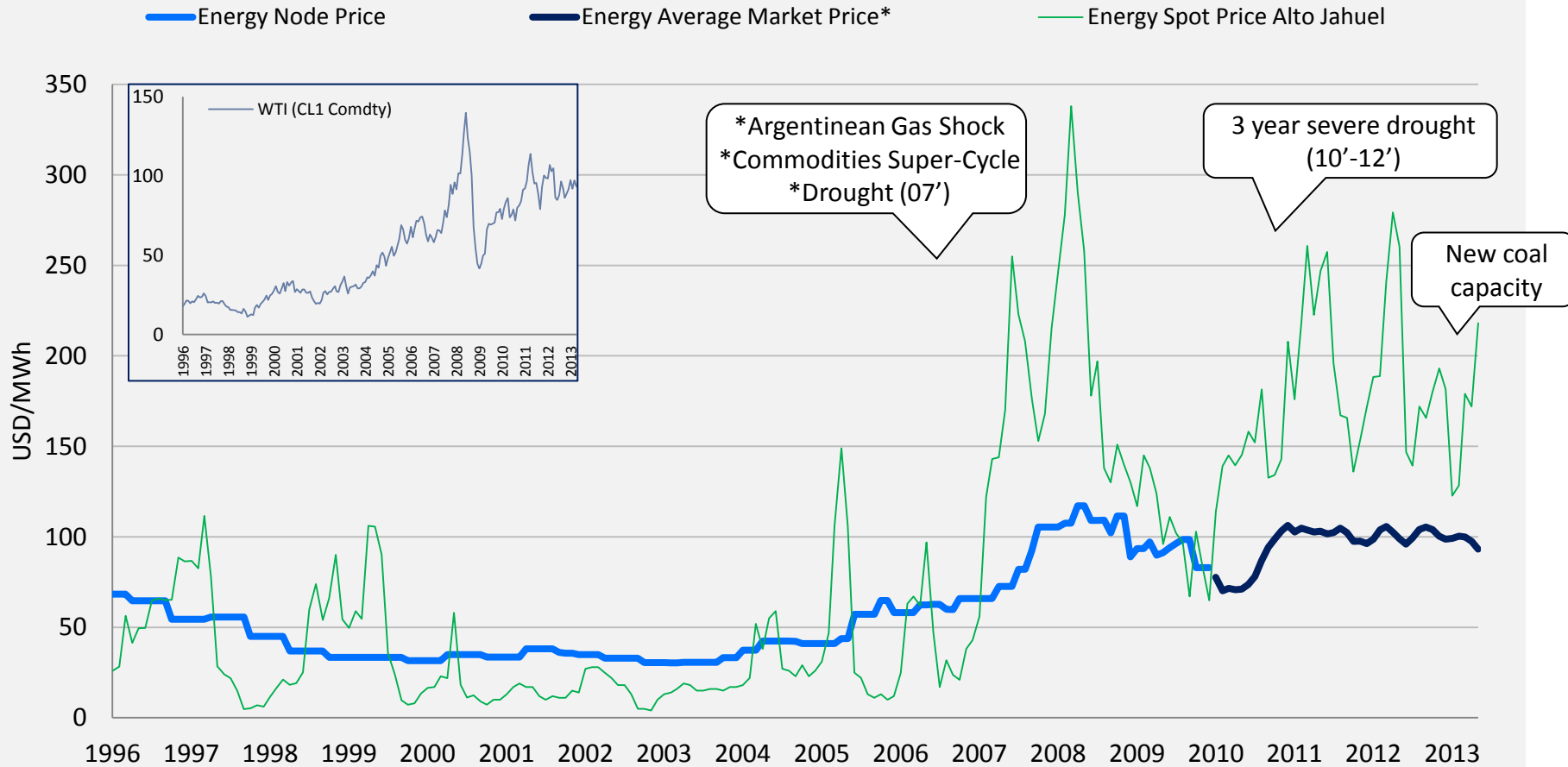
Fossil Fuels prices

Flexible prices for transitional  
periods



...so as to minimize exposure to exogenous variables

### Electricity Prices SIC



Source: "Costos reales marginales mensuales Alto Jahuel", CDEC/ Colbún; "Historia precios nudos", CNE; "Informes Mensuales Systepl", 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.

Our income statement shows our growth and recent transitional period...

Income Statement (MMUSD)								
	2006	2007	2008	2009	2010	2011	2012	March 2013 LTM
<b>Revenues from operating activities</b>	753	1,160	1,346	1,159	1,024	1,333	1,409	1,415
<b>Costs of materials, consumables and others</b>	(307)	(1,141)	(1,110)	(822)	(694)	(1,128)	(1,124)	(1,069)
<b>EBITDA</b>	446	19	236	337	331	205	284	346
<b>Depreciation and amortization</b>	(107)	(118)	(117)	(122)	(124)	(125)	(136)	(145)
<b>Non-operational result and taxes</b>	(63)	9	(51)	24	(91)	(75)	(99)	(136)
<b>Net Income</b>	276	(90)	68	239	116	5	49	64

Operational Figures (GWh)								
	2006	2007	2008	2009	2010	2011	2012	March 2013 LTM
<b><u>Generation</u></b>								
<b>Hydro</b>	7,674	6,284	6,822	6,580	5,566	5,462	5,233	4,859
<b>Gas</b>	2,976	861	319	172	1,273	2,418	2,242	2,795
<b>Diesel</b>	149	4,216	3,442	2,802	717	1,901	2,240	1,618
<b>Coal</b>	-	-	-	-	-	96	1,853	2,440
<b>Total Generation</b>	10,799	11,360	10,583	9,554	9,403	9,877	11,568	11,711
<b>Total Commitments</b>	12,345	12,976	9,745	9,638	8,829	10,687	9,834	9,526



...we are strengthening our balance sheet...

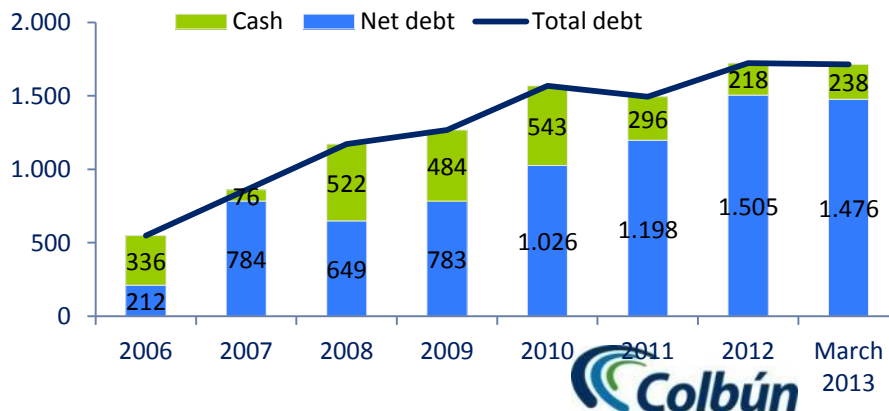
### Balance Sheet as of March 2013 (MMUSD)

<u>Current Assets</u>	<u>639</u>	<u>Current Liabilities</u>	<u>553</u>
Cash and equivalents	238	Financial liabilities, current	340
Accounts receivable	173	Accounts payable	177
Recoverable taxes	119	Other current liabilities	36
Other current assets	110		
<u>Non-Current Assets</u>	<u>5,363</u>	<u>Non-Current Liabilities</u>	<u>1,908</u>
Property, Plant and Equipment	4,933	Financial liabilities, non-current	1,373
Other non-current assets	430	Differed taxes	502
		Other non-current liabilities	33
		<u>Shareholders' Equity</u>	<u>3,541</u>
<b>Total Assets</b>	<b>6,002</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>6,002</b>

### Key Credit Metrics

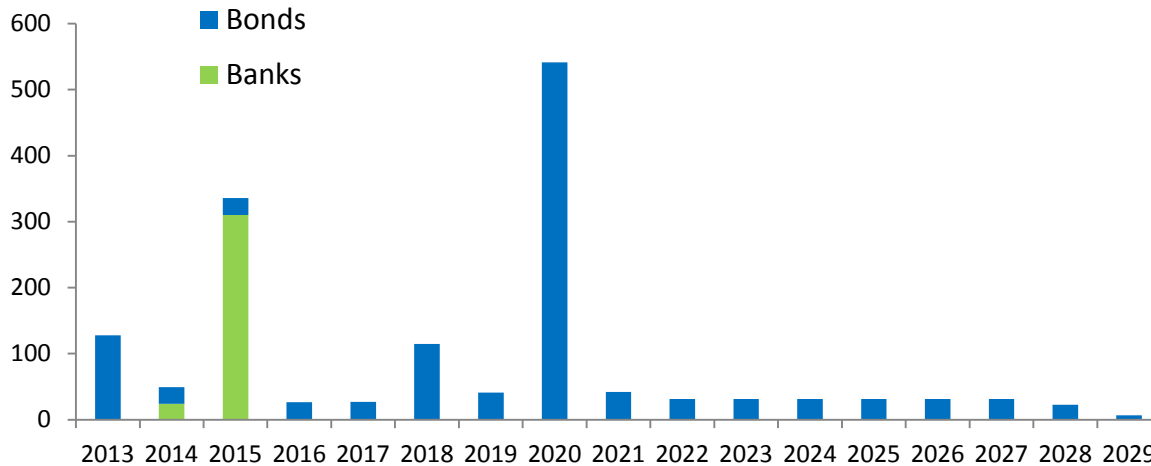
	2006	2007	2008	2009	2010	2011	2012	March 2013 LTM
Total debt to total capital (%)	18.8	26.0	25.0	27.0	31.1	30.1	32.9	32.6
Net debt to EBITDA (x)	0.4	36.6	2.3	2.3	3.1	5.9	5.3	4.3
EBITDA Interest coverage (x)	14.3	0.5	3.9	6.5	6.7	7.4	8.7	80

### Cash, Debt & Net Debt (MMUSD)



# ...and have a strong liquidity position

## Amortization Schedule of LT Debt as of March 2013 (MMUSD)



## Rating

Local	Rating	Last Update
Fitch Ratings	A+	Dec-12
Humphreys	AA-	Jul-12
International		
Fitch Ratings	BBB	Dec-12
Standard & Poors	BBB- (Neg.)	Dec-12

## Liquidity Position as of March 2013

### 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.

### Dividend policy

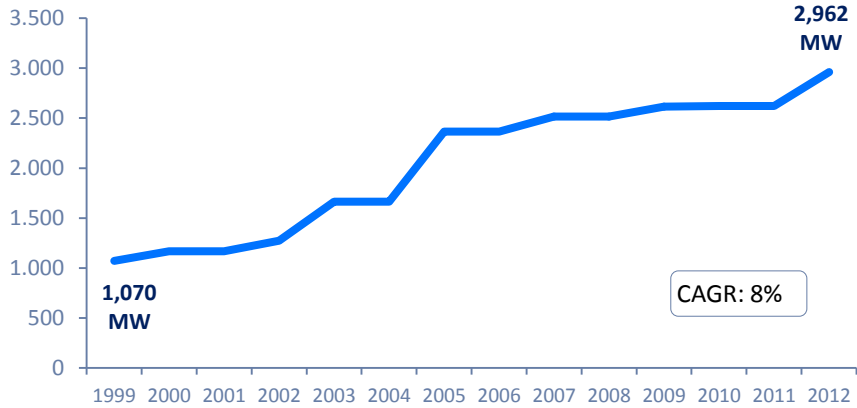
30% (minimum required by Chilean law).

### Other sources of liquidity

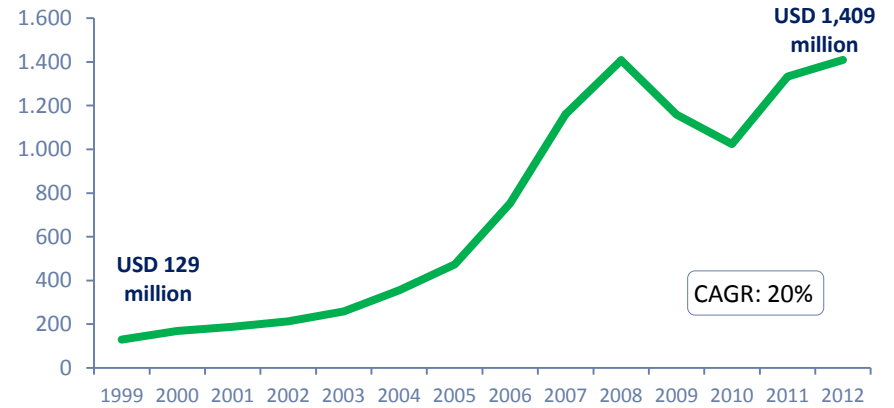
Access to additional USD 150 million in credit lines facilities, USD 300 million registered domestic bonds and a registered commercial paper program (USD 100 million), which we use from time to time for working capital optimization purposes.

# Colbún has grown steadily over the past decade...

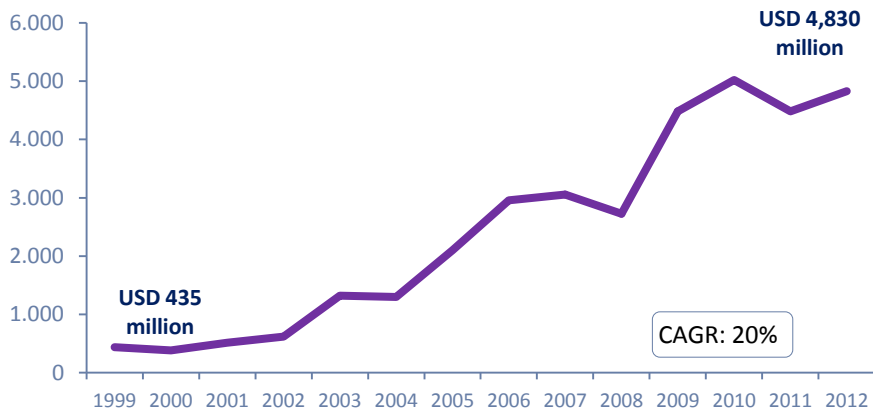
### Capacity (MW)



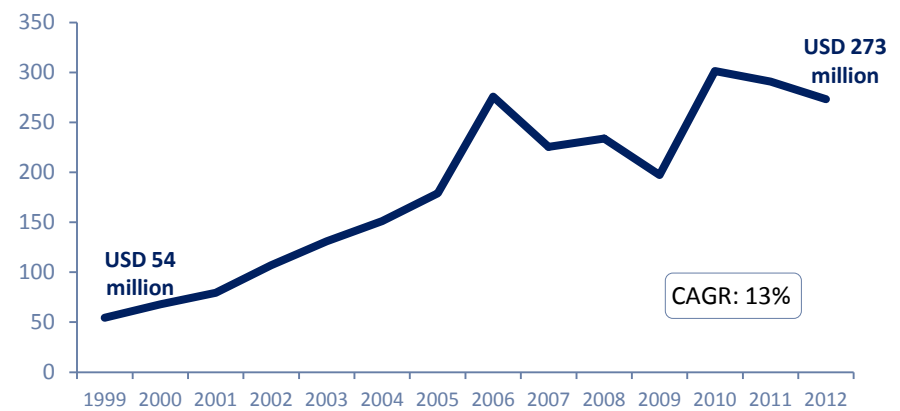
### Total Operating Revenues (MMUSD)



### Market Cap (MMUSD)



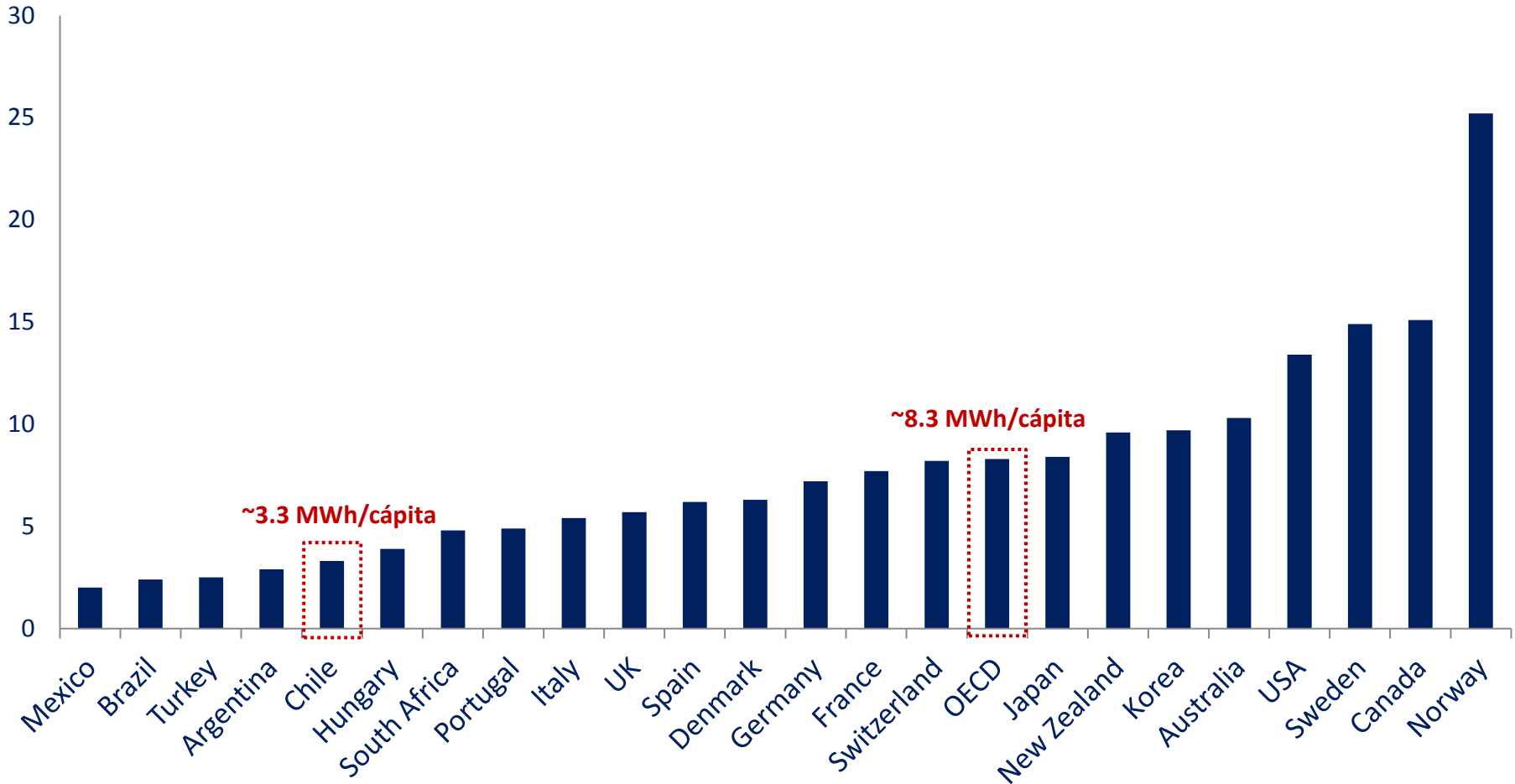
### 3-year Moving Average EBITDA (MMUSD)



# ...and plans to continue contributing to Chile's energy needs

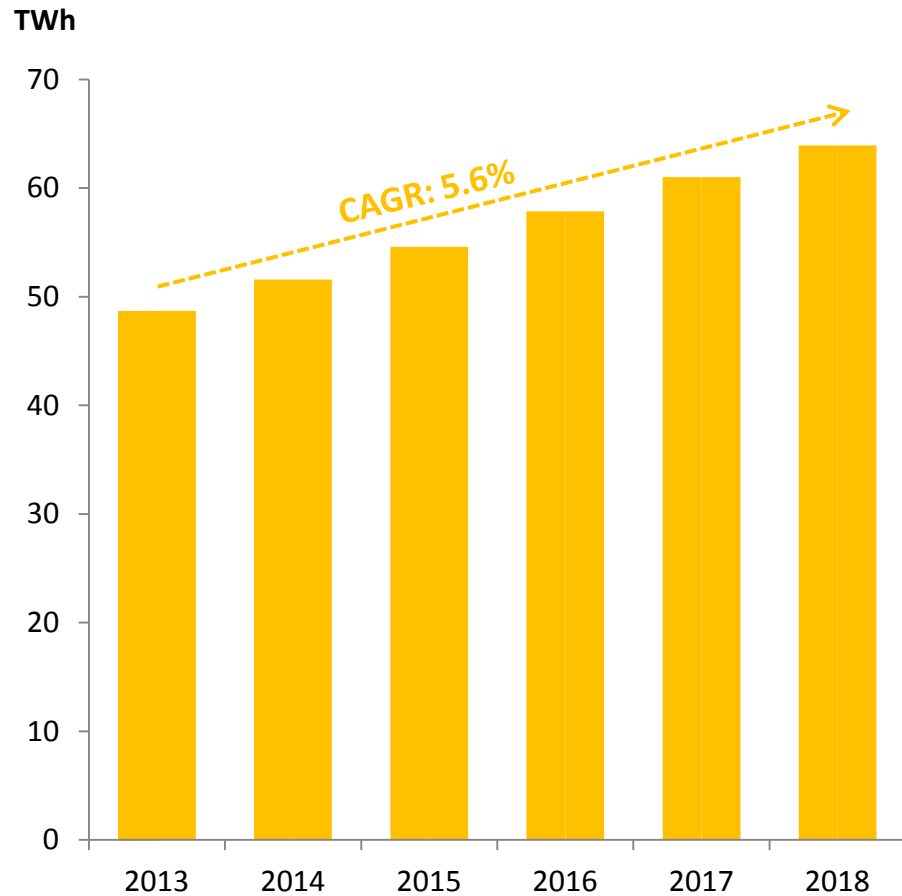
## Electricity per capita consumption

MWh/person



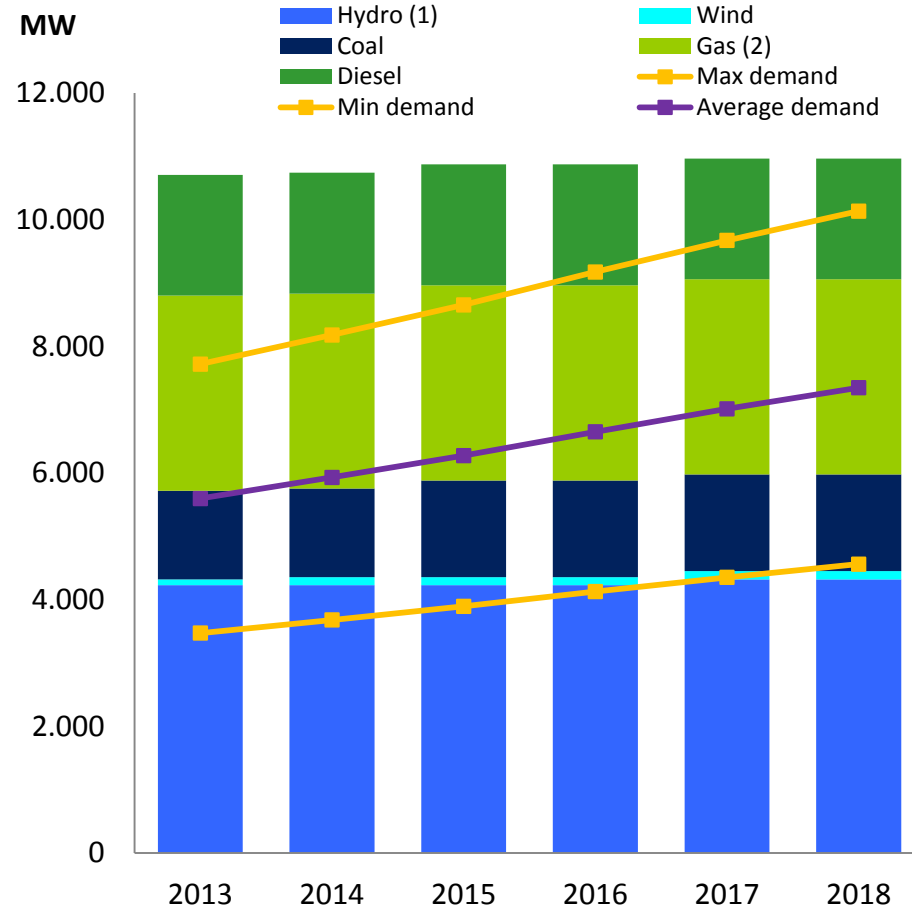
# Demand and Supply: what to expect in the coming years

Estimated Future Electricity Demand – SIC



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

Available Power by type – SIC



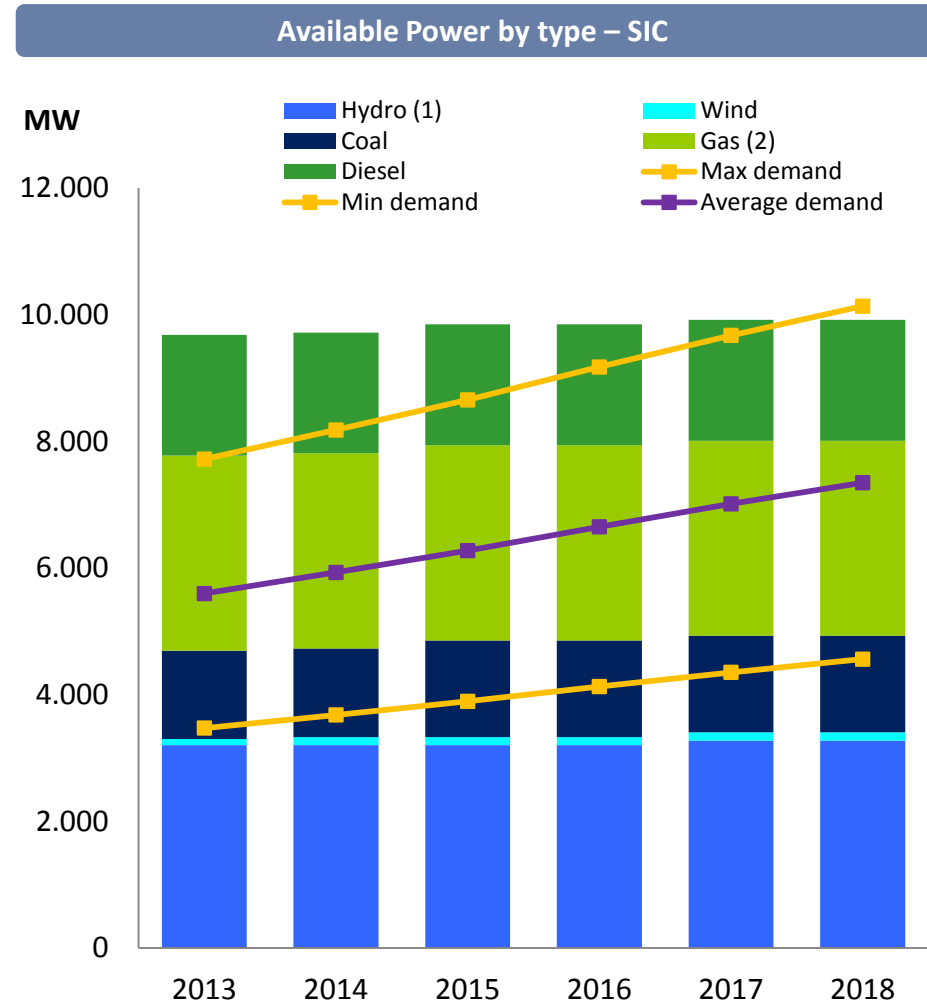
Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, April 2013

(1) Considering normal hydro conditions

(2) Real gas output depends on fuel availability



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



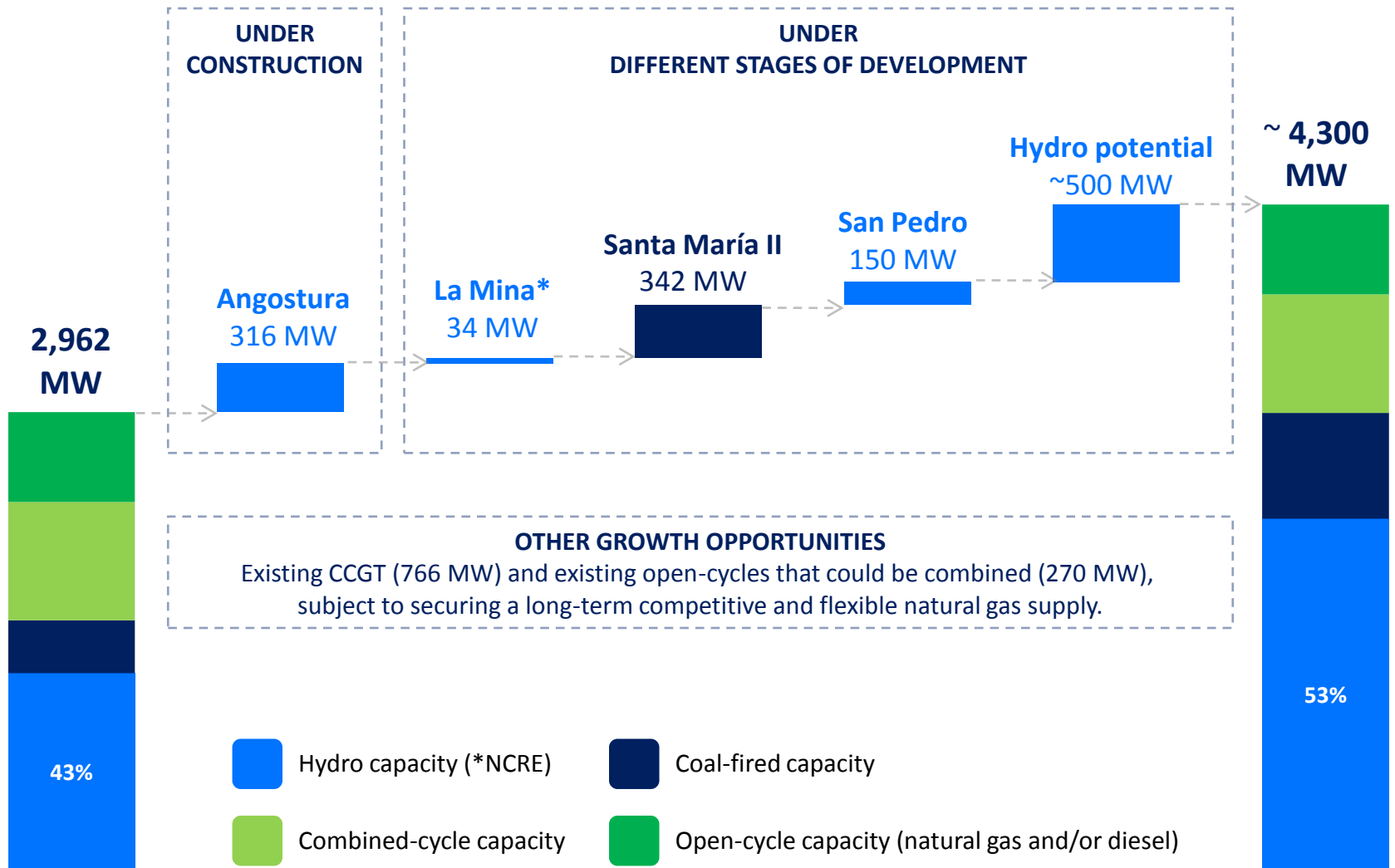
Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, April 2013

(1) Considering dry hydro conditions

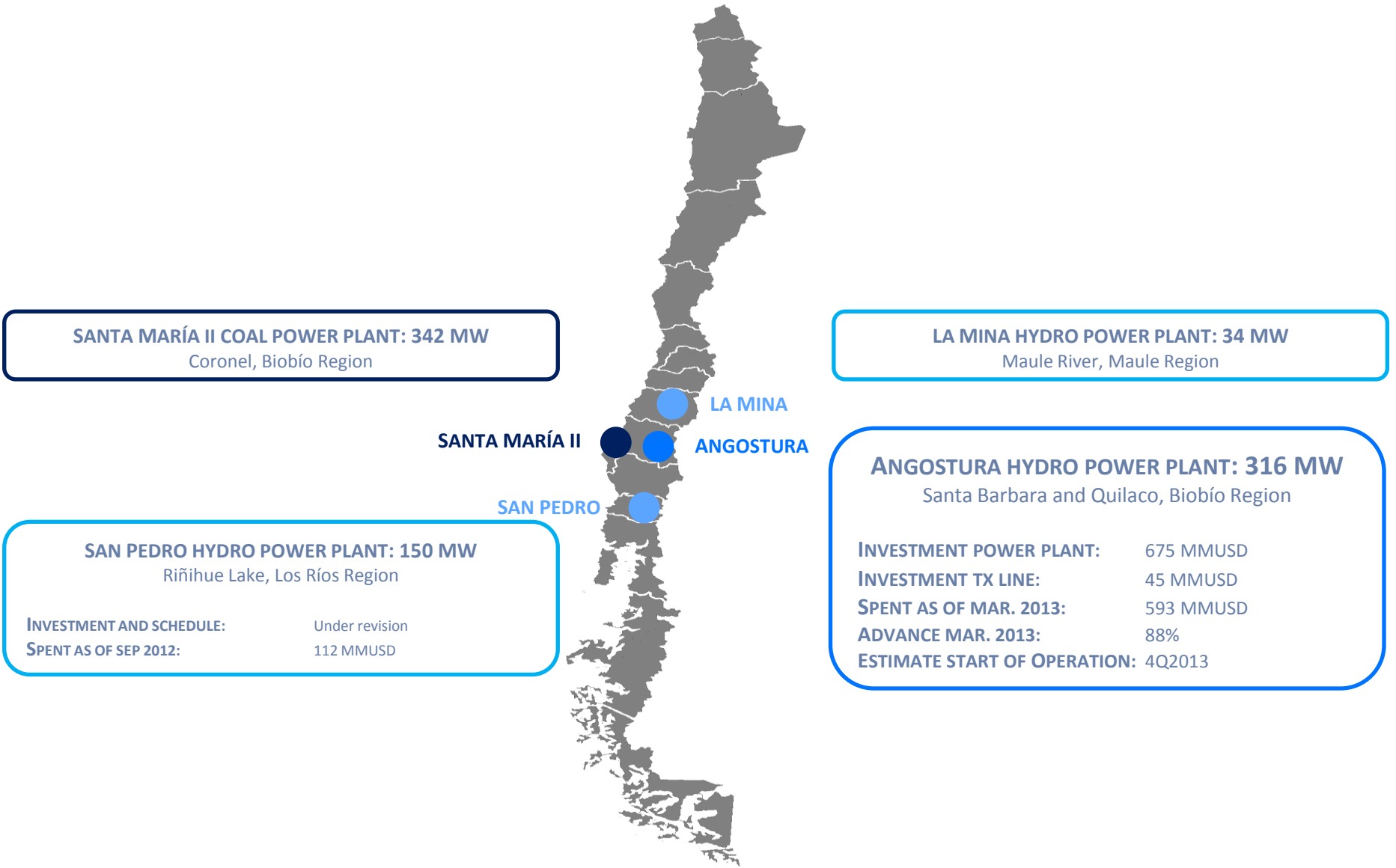
(2) Real gas output depends on fuel availability



# Colbún plans to continue developing projects that contribute to the country's growth requirements



To develop projects, as important as the financial back-up...



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

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

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

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

**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 MAR. 2013:	593 MMUSD
ADVANCE MAR. 2013:	88%
ESTIMATE START OF OPERATION:	4Q2013



...is the know-how to achieve their social and environmental license



# To sum up what Colbún is focused on today

## 1. Consolidation

- Consolidate our people, our operations, our projects, our financial...

## 2. Diversification and Risk Management

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

## 3. Growth

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

Long-term value generation

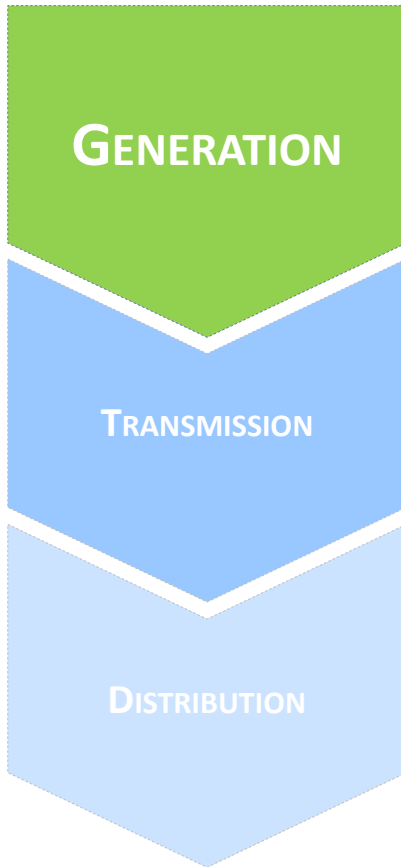




# Supporting Material

# Power Sector Segmentation

## 3 SUB-SECTORS

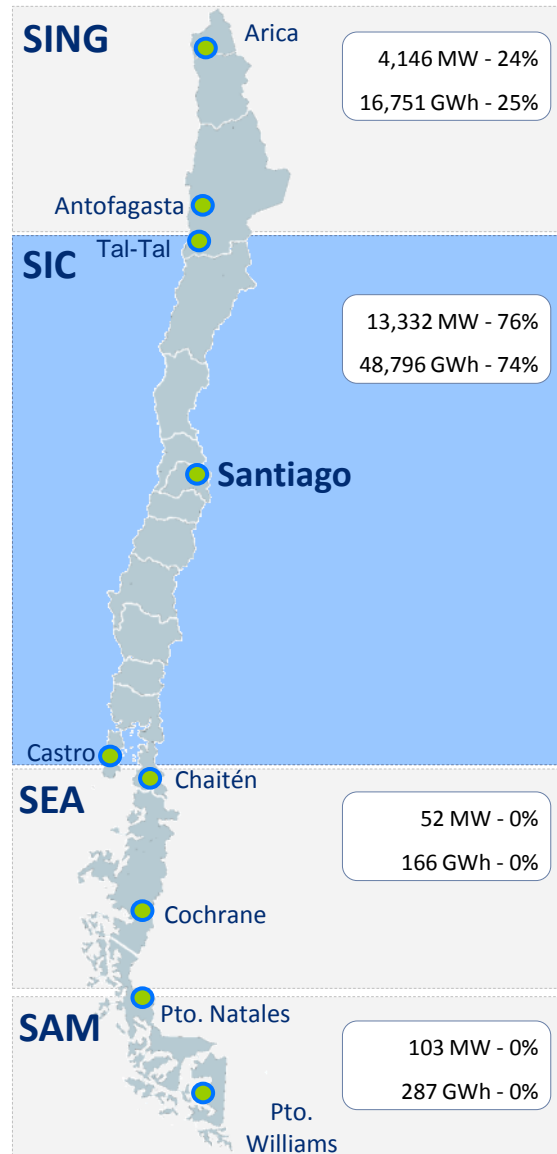


Regulated sectors  
(concessions)

### RELEVANT INSTITUTIONS

- Ministry of **Energy**
- Regulator: **CNE**
- Supervisor: **SEC**
- Coordinator: **CDEC**

## 4 SEPARATE GRIDS



Source: CNE, December 2012



# Power Market Structure

## Electricity Market Structure

GENERATORS

REGULATED CUSTOMERS

UNREGULATED CUSTOMERS

SPOT MARKET

DISTRIBUTION COMPANIES

"FREE" CUSTOMERS

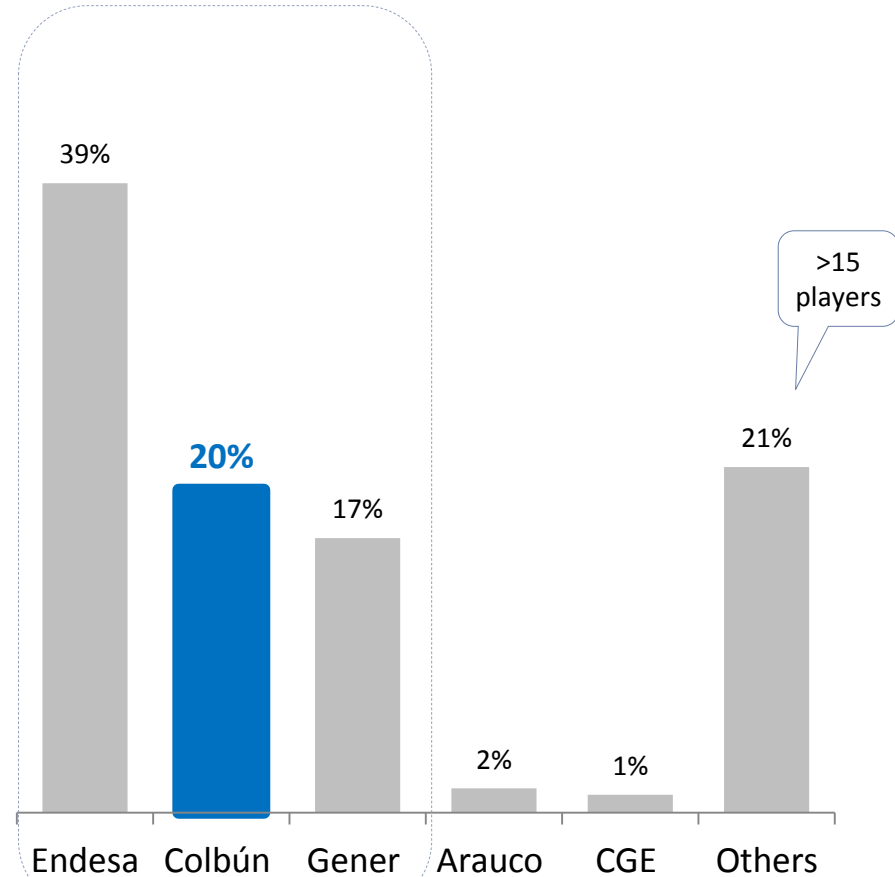
CDEC

Regulated Tender Tariffs

Unregulated Tariffs

Marginal Cost /Spot Price

## Main Players in the Generation Sector-SIC



Source: Colbún, December 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

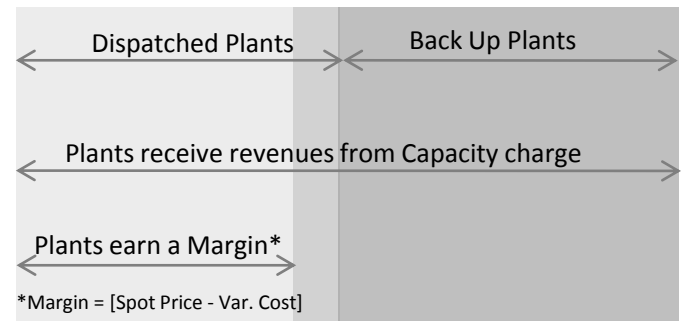
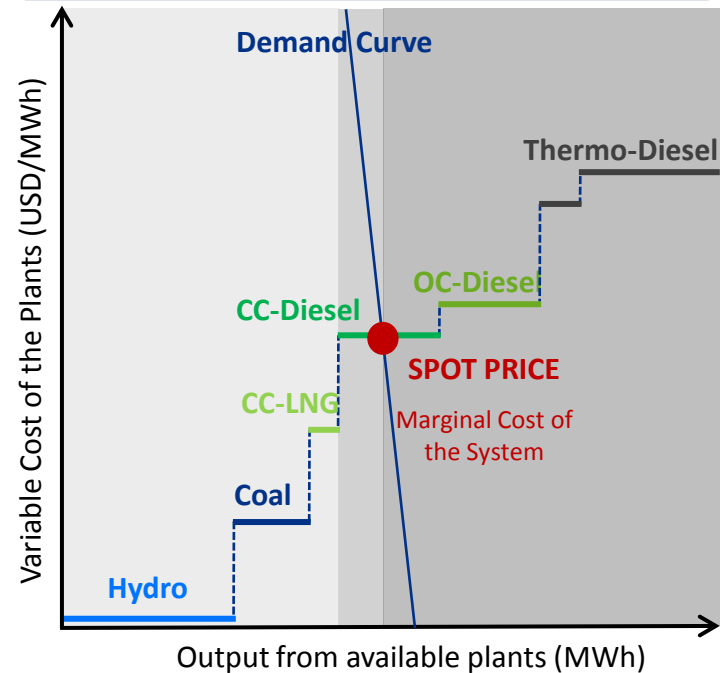
- 3) Market Price:** free price settled by both parties for bilateral contracts

### 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



# Colbun's 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

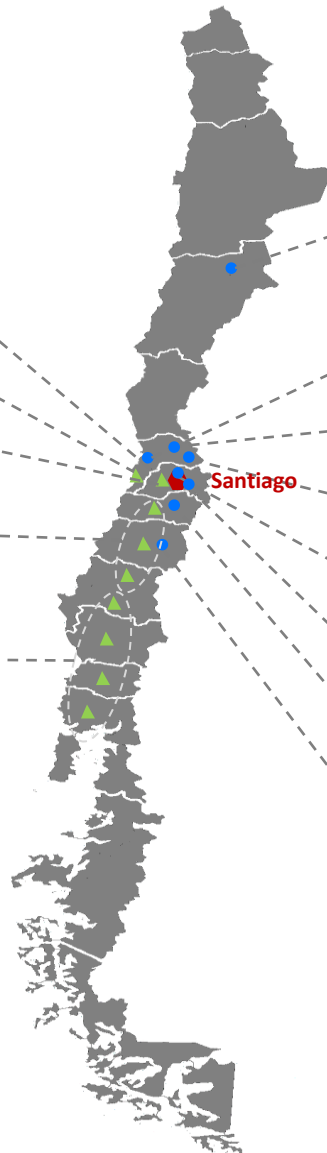
CODELCO  
Andina

METRO  
AGUAS ANDINAS  
La Farfana

CMPC  
Puente Alto

CODELCO  
Teniente

CMPC  
Procart



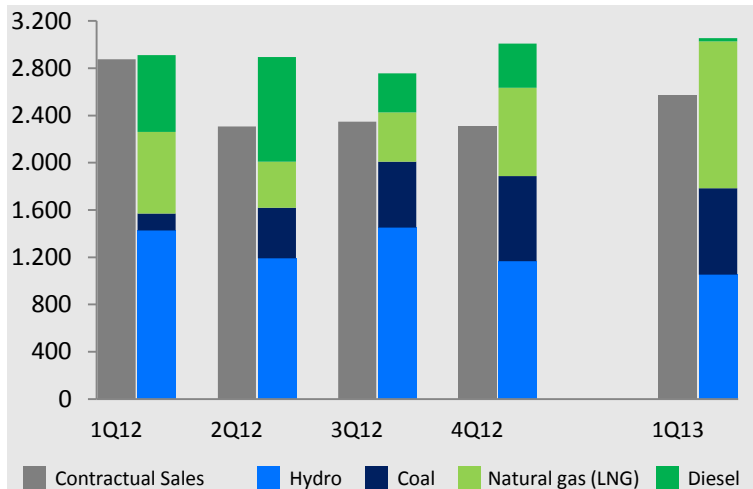
UN-REGULATED CUSTOMERS



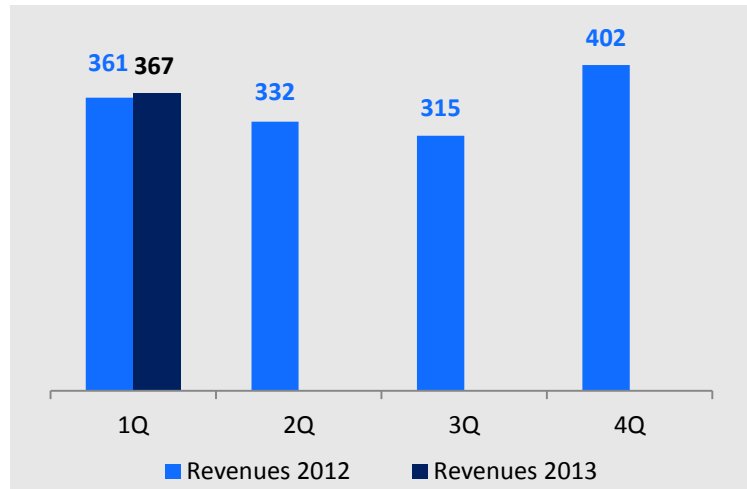


# A quarterly look at Colbún's results

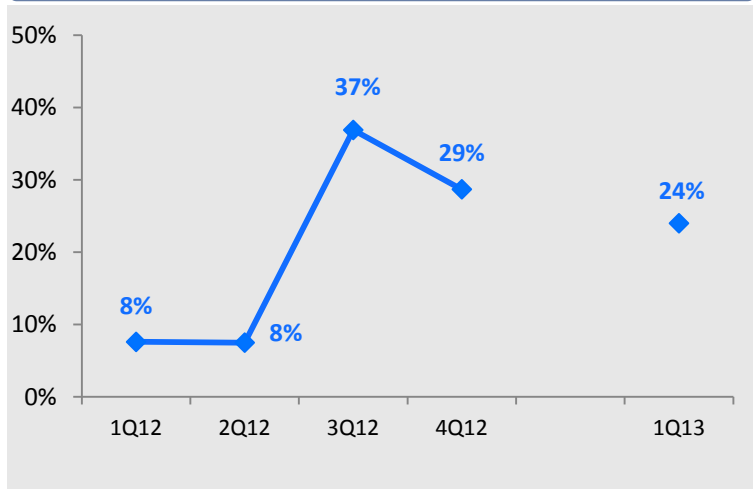
## Sales vs. Generation - quarterly (GWh)



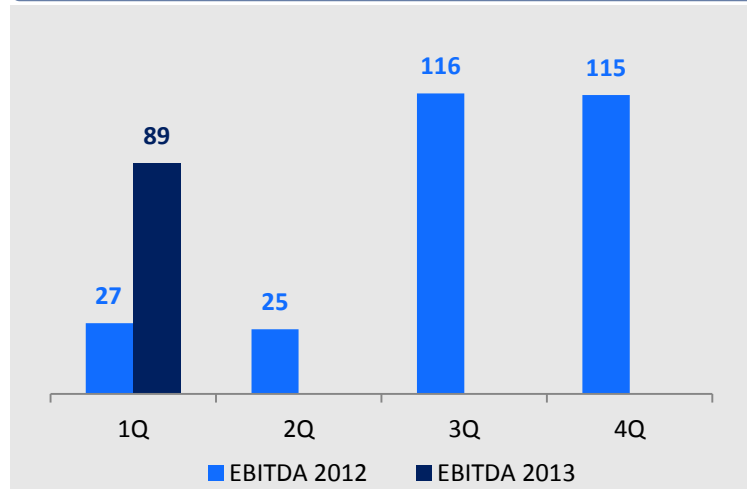
## Revenues - quarterly (MMUSD)



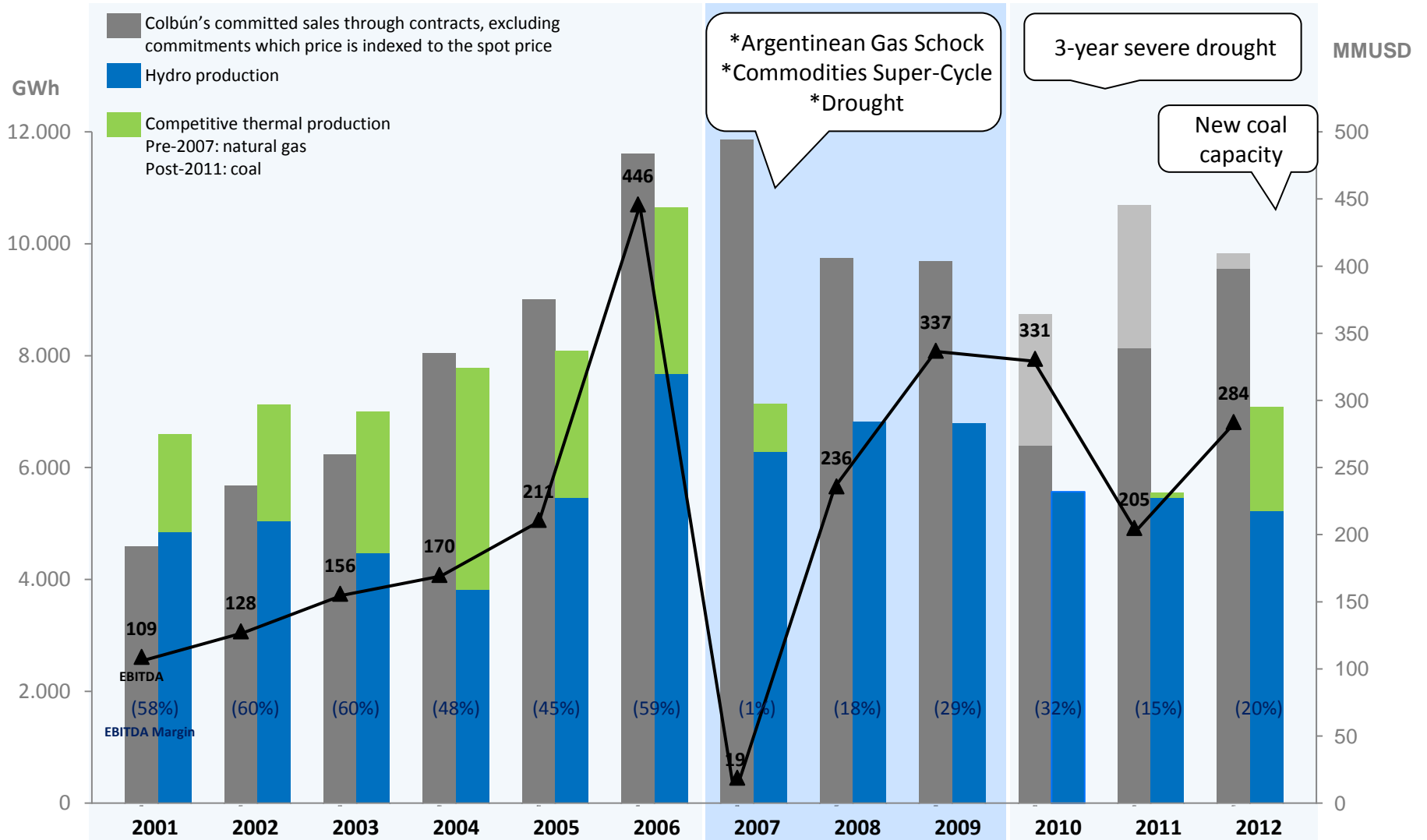
## EBITDA margin - quarterly (%)



## EBITDA - quarterly (MMUSD)

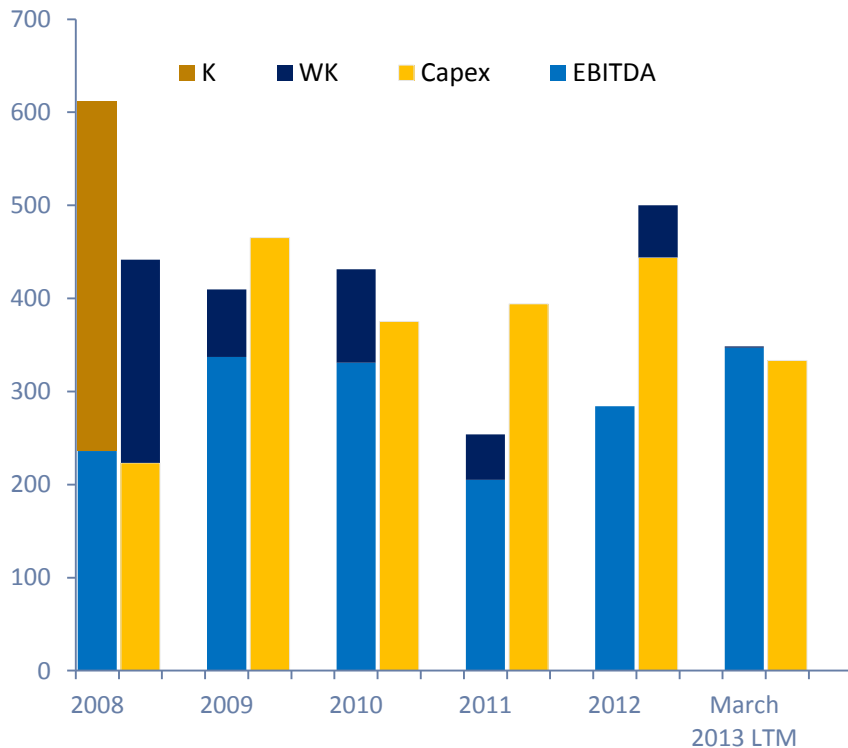


# A yearly look at Colbún's results



# 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 230)
- ✓ Low dividend policy (30% of Net Income)

