

**8th Annual Andean Conference 2014 - LarrainVial  
March, 2014**

# AGENDA

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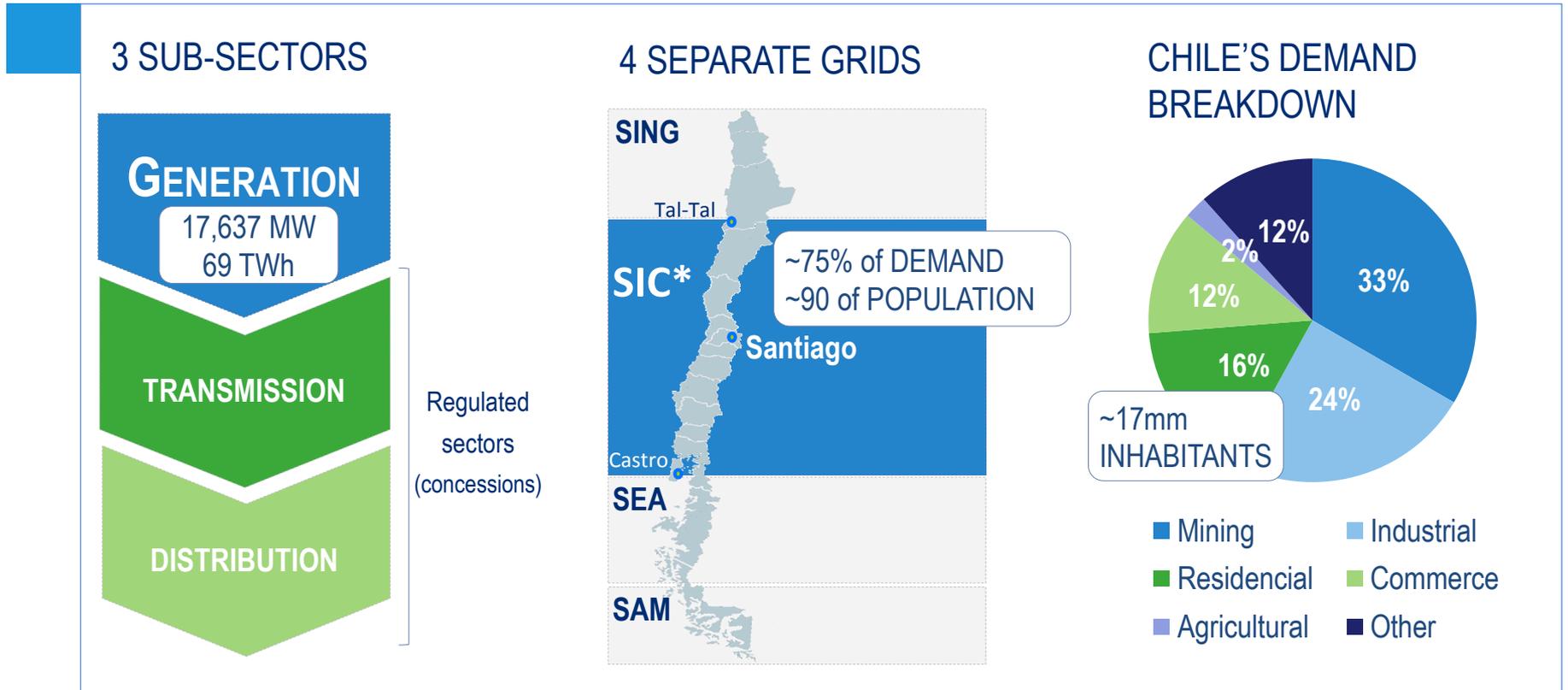
CHILEAN ELECTRICITY MARKET OVERVIEW

COLBUN OVERVIEW

INVESTMENT CONSIDERATIONS

FINAL REMARKS

# CHILE ATTRACTIVE ELECTRICITY SECTOR



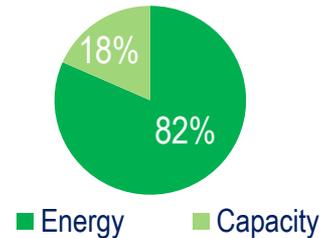
Graphs Sources: 1) / 2) CNE, December 2013 / 3) Energy Minister December 2011.  
 (\*) Central Interconnected System

# STRONG AND STABLE REGULATION IN AN A+ RATED COUNTRY

## SHORT TERM PRICE

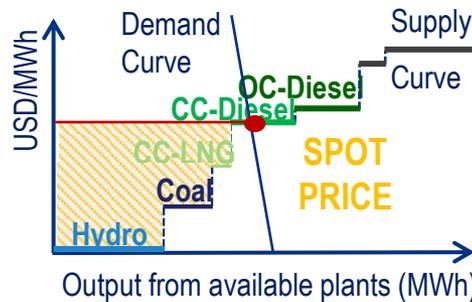
Monomic Price

Monomic Price Breakdown



## ENERGY

Price Signal =  $f$  (Variable Audited Cost)



## CAPACITY

Price Signal =  $f$  (Annuity for a return on Capital Investment)

SECURITY

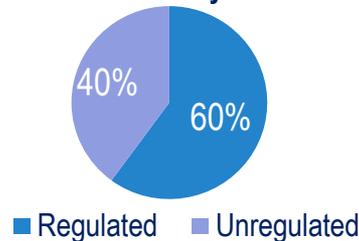
Independent of technology

US\$/Kw-Month

## LONG TERM PRICE

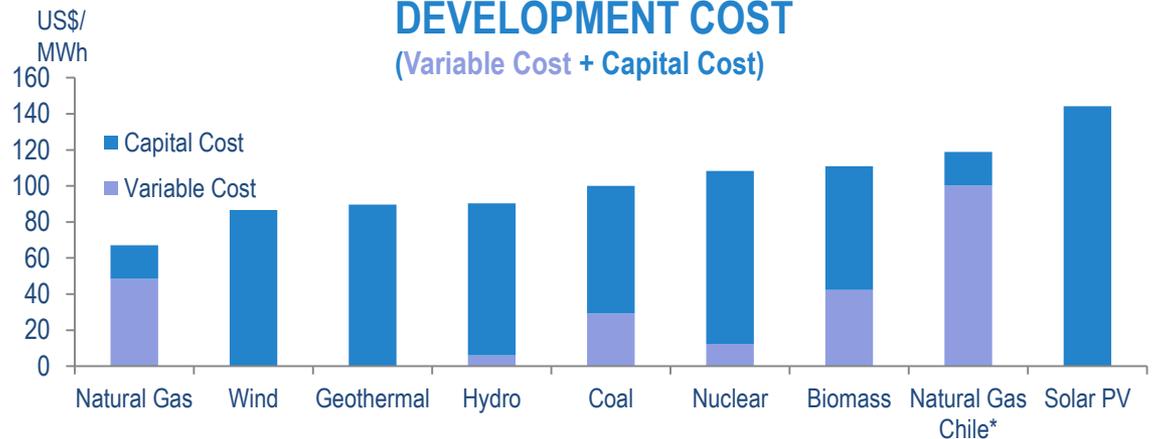
Price Signal =  $f$  (Arm's Length Negotiation)  
 $f$  (Tendered Price)

SIC's Demand By Customer



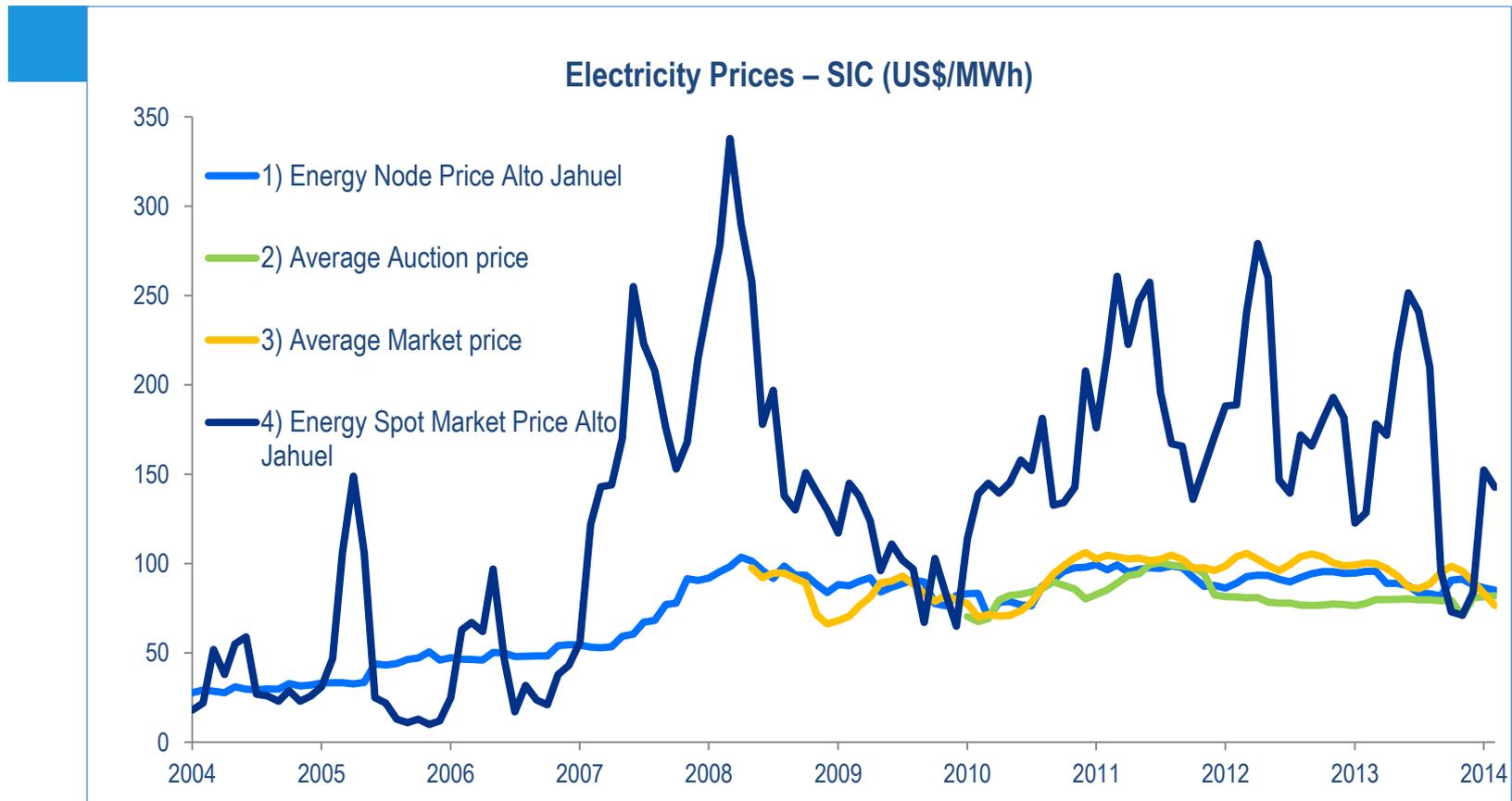
## DEVELOPMENT COST

(Variable Cost + Capital Cost)



Graphs Sources: 1) Last 5 years average of regulated short-term node price in Alto Jahuel. / 2) CNE, December 2012 / 3) Annual Energy Outlook 2013 – EIA, does not consider taxes.  
(\* ) Natural gas considers variable cost of US\$100/MWh

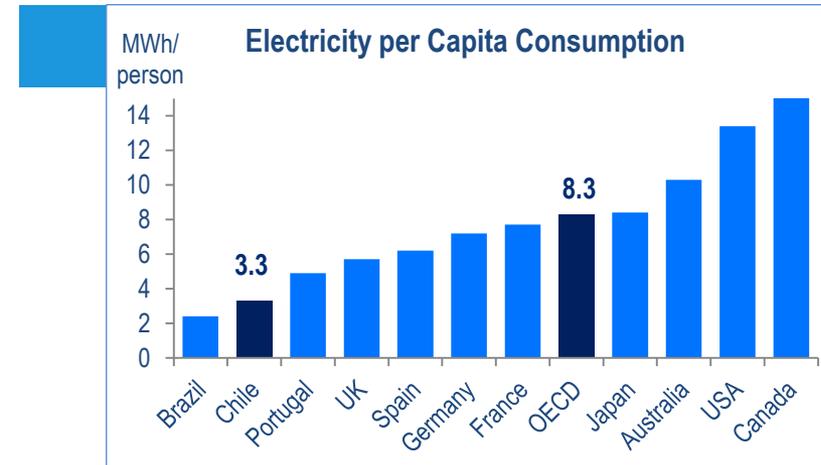
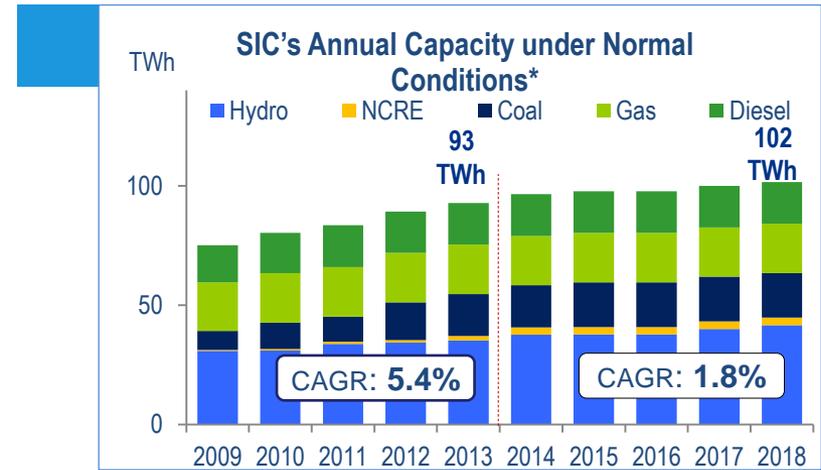
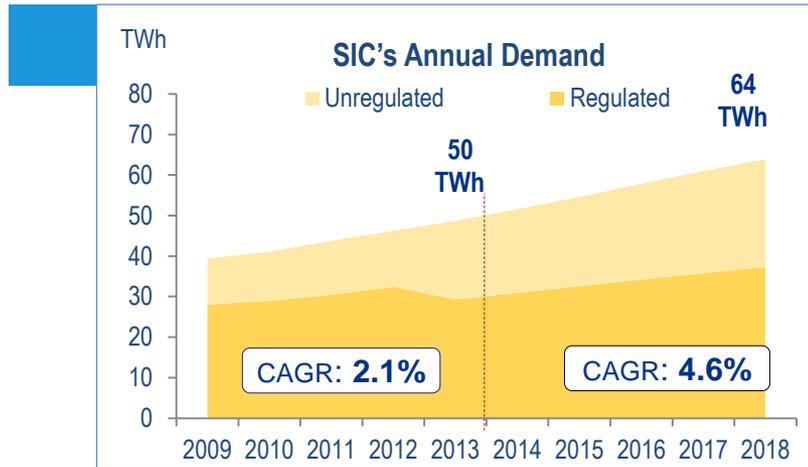
## LACK OF EFFICIENT SUPPLY HAS LEAD TO VOLATILE PRICES



Graph Sources: “Costos reales marginales mensuales Alto Jahuel”, CDEC/ Colbún; “Historia precios nudos”, CNE; “Informes Mensuales Systep”.

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

## GROWING ENERGY DEMAND IN THE SIC



Graphs Sources: 1) / 2) / 3) "Producción Real por Sistema", CNE. Colbún, 2013. CDEC-SIC Annual Report. "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE, October 2013. 4) World Bank. (\*) Normal Conditions: Hydro 66%; Thermal 85%; NCRE 30%

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COLBUN OVERVIEW

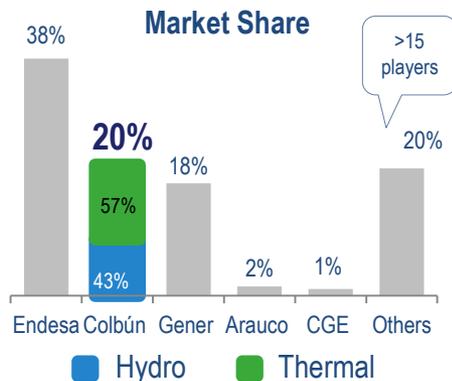
INVESTMENT CONSIDERATIONS

FINAL REMARKS

## COLBUN OVERVIEW

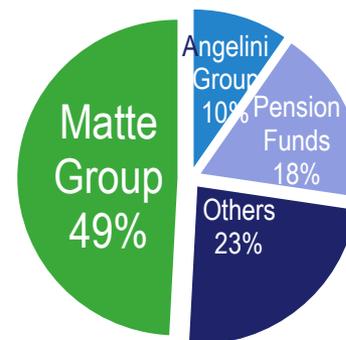
- **Leading diversified** Chilean generation company providing reliable, competitive and sustainable energy.
- **Develop projects and manage power infrastructure** to generate long term value.
- **Contract our power** through long-term power purchase agreements.

### LEADING PLAYER IN THE SIC



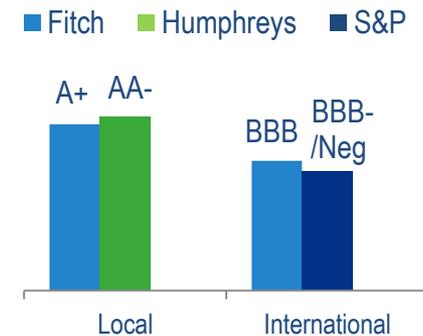
- Installed Capacity: 2,962 MW
- 2013 Generation: 11,253 GWh

### COMMITTED SHAREHOLDERS



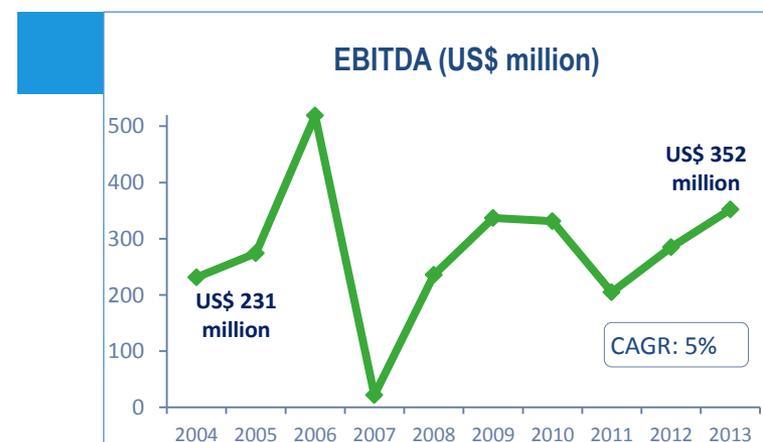
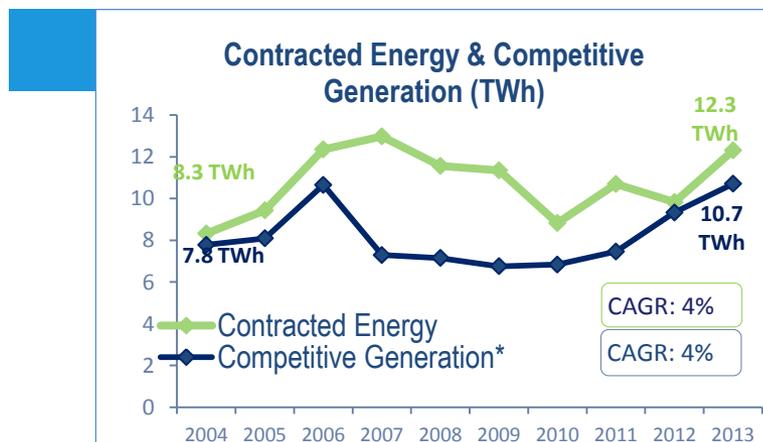
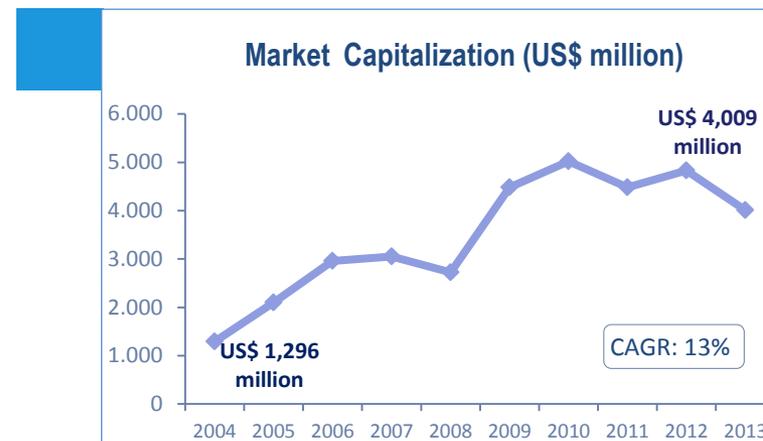
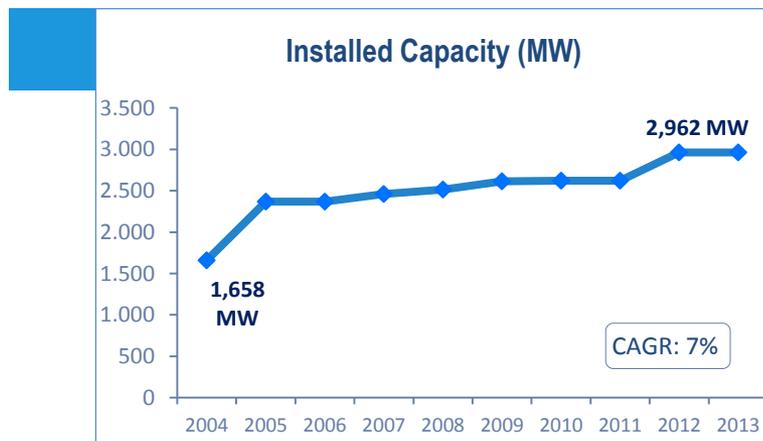
- Market Cap.: US\$ 4.0 billion
- EV: US\$ 5.5 billion

### INVESTMENT GRADE COMPANY



- 2013 EBITDA: US\$ 352 million
- Net Debt to EBITDA: 4.1 times

# BALANCED GROWTH



Graphs Sources: 1) / 2) / 3) / 4) Colbún Annual Report.

(\*) Competitive Generation means: hydro, coal, natural gas and LNG.

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## INVESTMENT THESIS

**1. Diversified asset** base for flexibility,  
lower generation risk



**2. Advanced commercial strategy**  
focused on high quality customers, risk  
sharing contracts



**5. Strong pipeline of new projects**  
with improving efficiency and  
diversification of generation sources



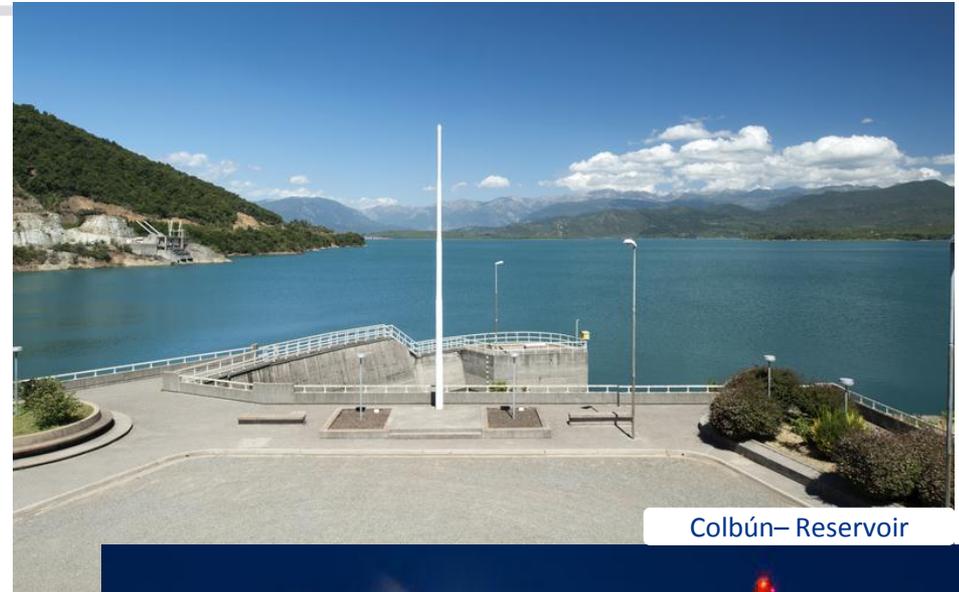
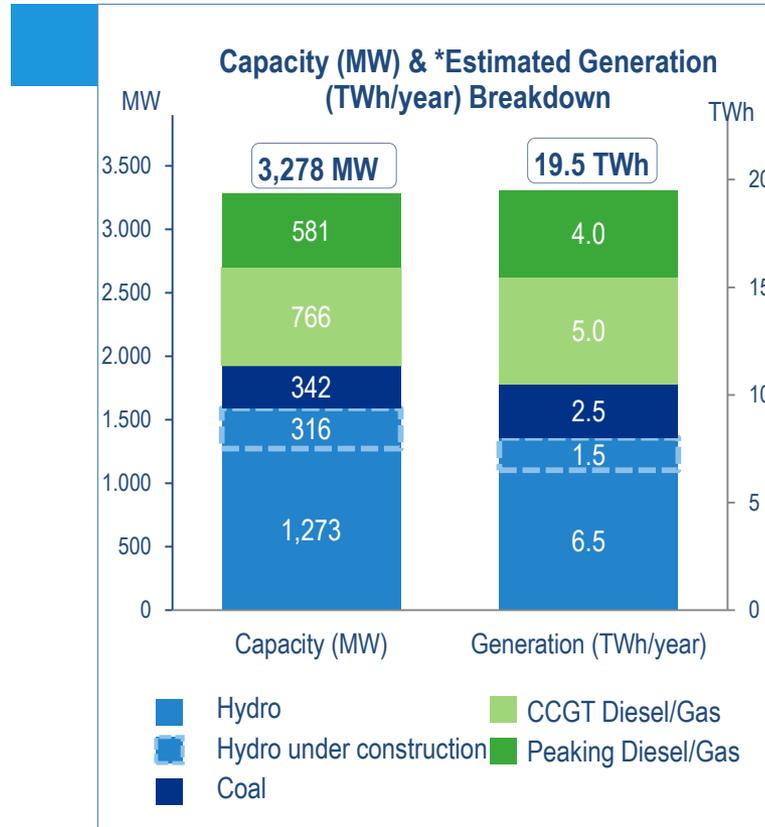
**3. Strong financial discipline** will  
lead to improved credit metrics



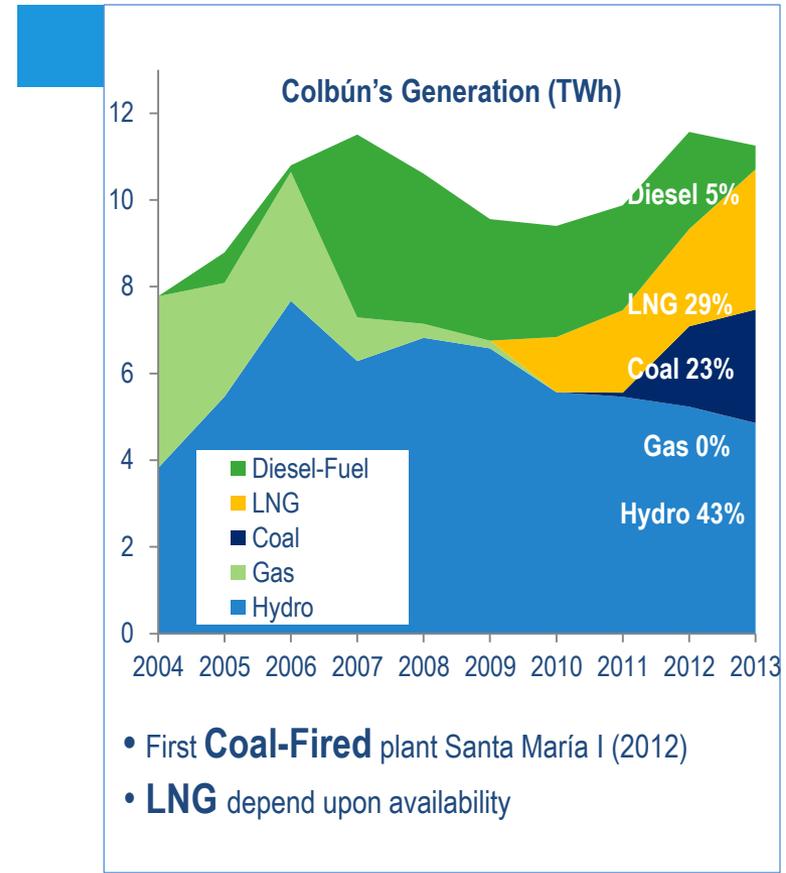
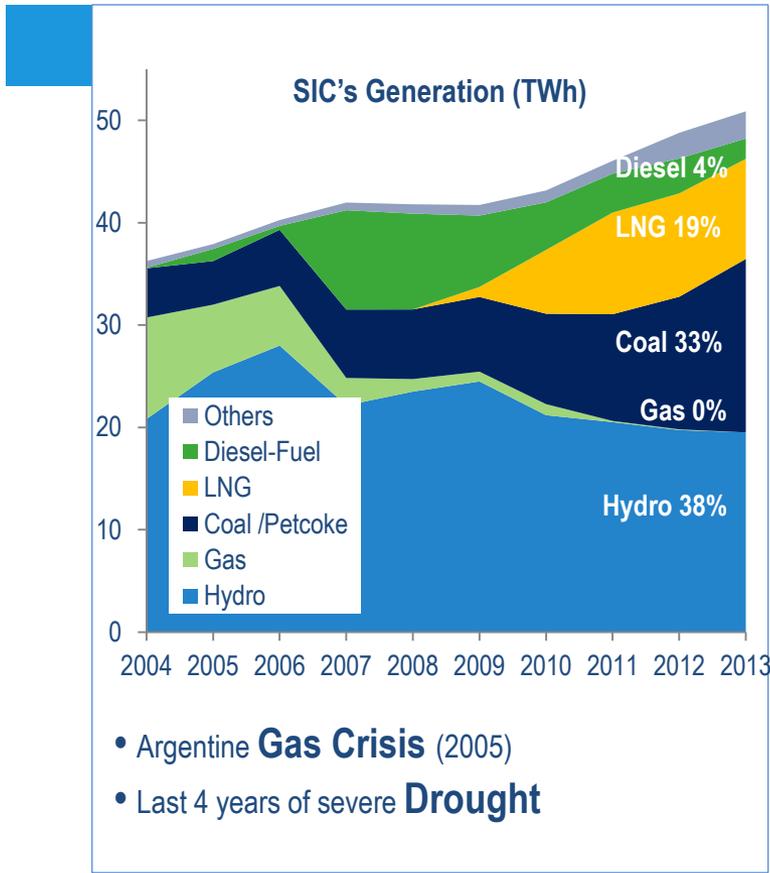
**4. Leading corporate citizen,**  
committed to **sustainability**



## HIGH QUALITY GENERATION ASSETS

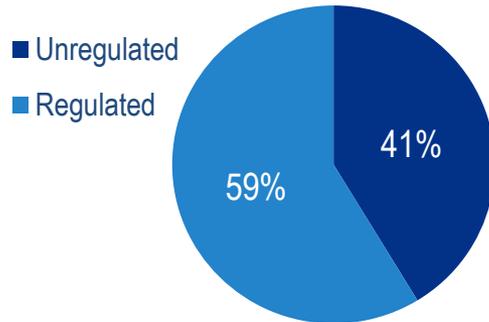


## GENERATION MIX: HYDRO VARIABILITY AND FUEL SUPPLY

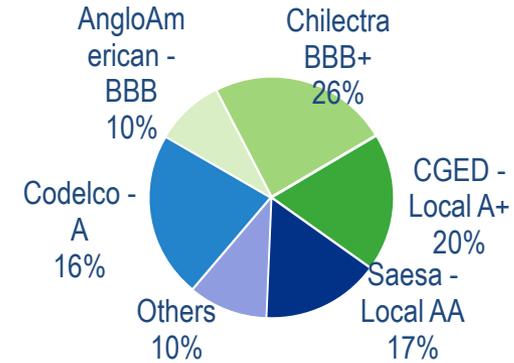


## HIGH QUALITY CLIENTS

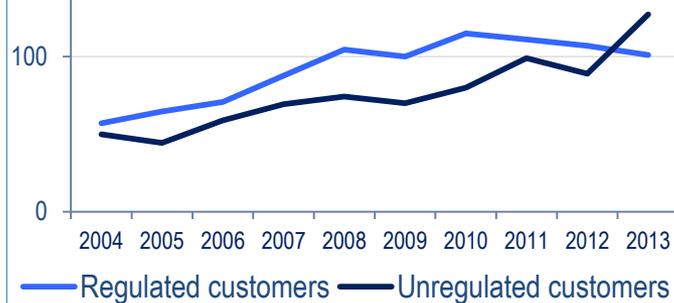
Sales by Type of Customer (%)



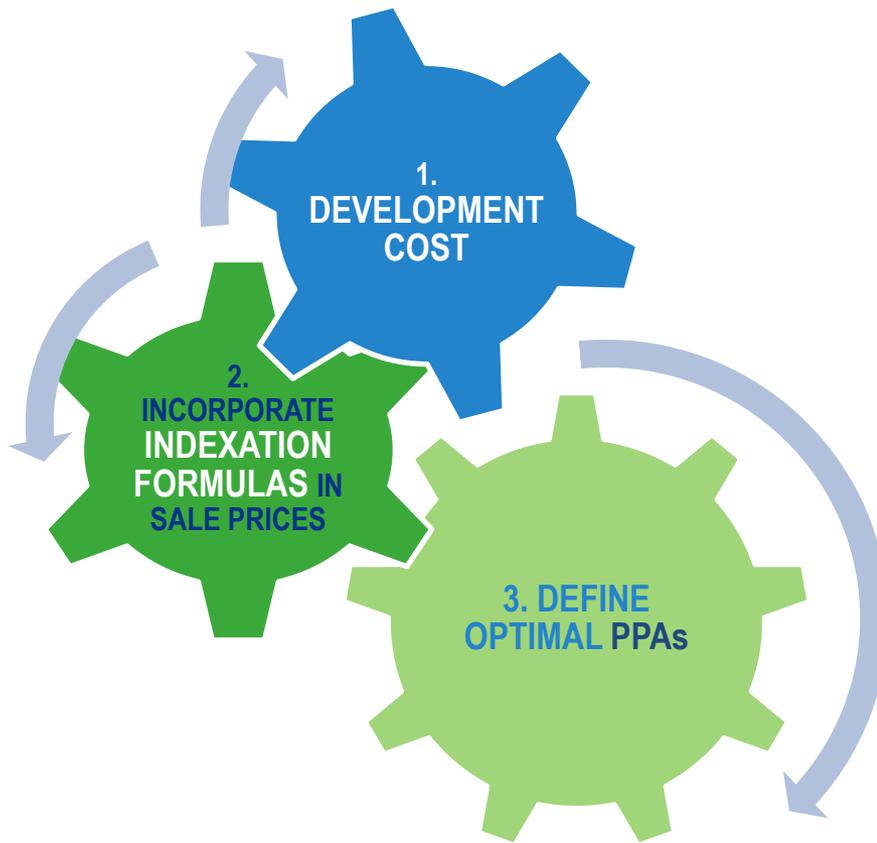
Sale Volume by Customer (%)



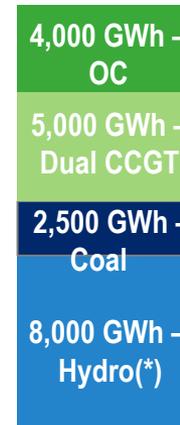
USD/MWh Historical Average Monomic Price (US\$/MWh)



## ADVANCED COMMERCIAL STRATEGY



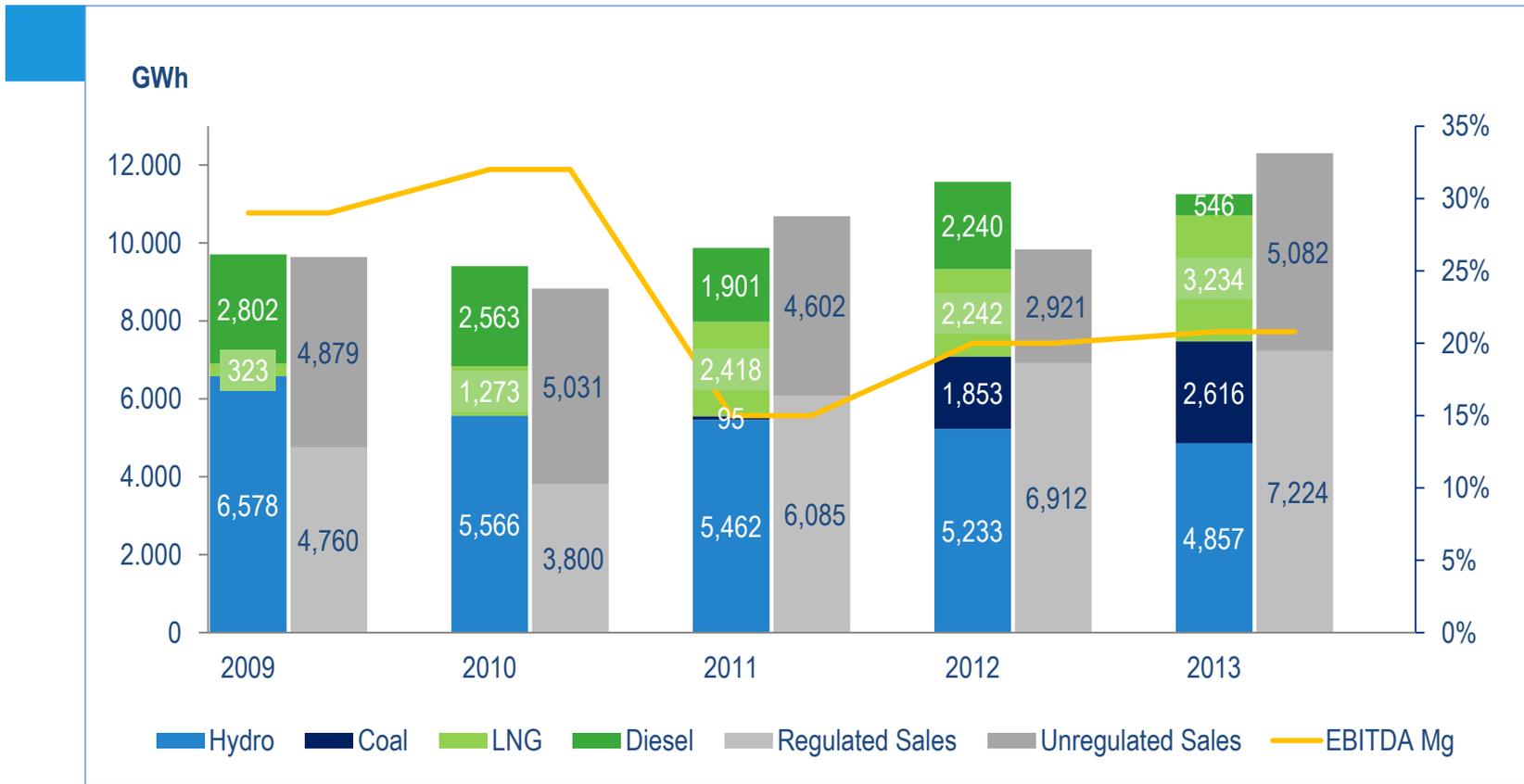
**Maximize returns** from our current and future assets  
**Manage volatility** given relevant hydro component  
**Predictable Cash Flows**



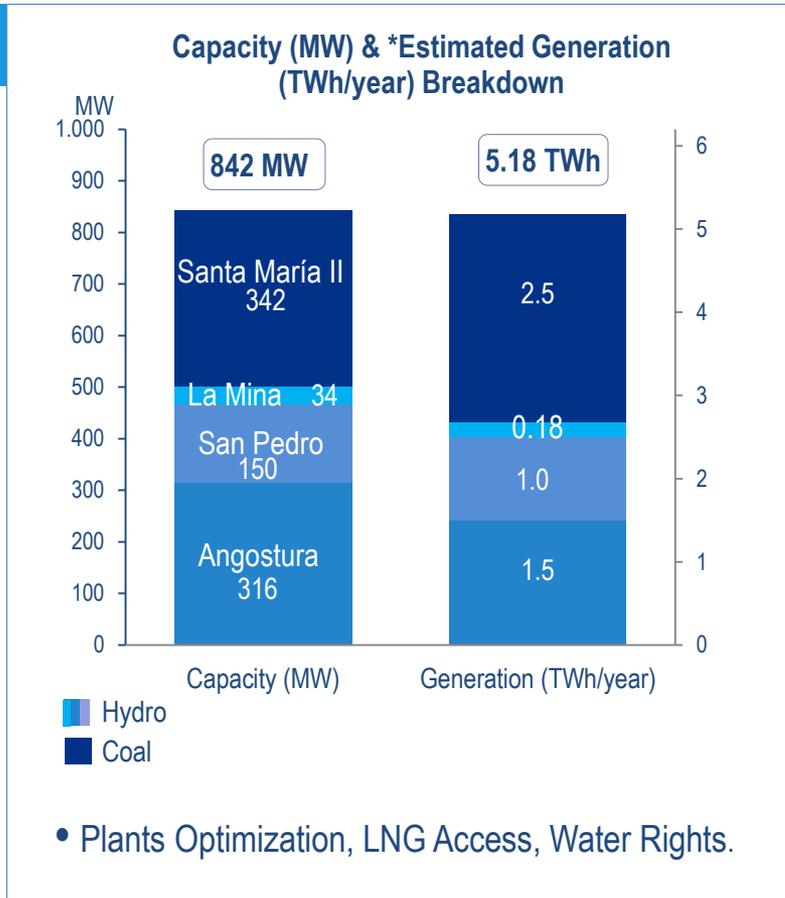
- Active Risk Management
- Financial Hedges
- Natural gas for certain periods

(\*) Under medium-to-dry hydrological conditions. This includes output of the Angostura hydroelectric power project  
 For CCGT and peaking, they are estimated yearly productions (85% plant factor). Gas generation will depend upon gas availability

## COMMERCIAL STRATEGY: MOVING TOWARDS BALANCE



## EXPANSION PLAN: NEW PROJECTS ENHANCE FLEXIBILITY



\*For hydro this estimation considers medium-to-dry hydrological conditions, for CCGT and peaking, they are estimated yearly productions (85% plant factor). Gas generation will depend upon gas availability.

## RENEWABLE HYDRO PROJECTS



Angostura Project



Projects	Description	Capacity (MW)	GWh/year expected	Phase	CAPEX (MMUS\$)	Spent Dec13 (MMUS\$)	Completion
Angostura	Hydro-Reservoir	316	1,500	Construction	760*	708	98%
San Pedro	Hydro-Reservoir	150	930	EIA Approved	Under revision	115	-
La Mina	Mini Hydro	34	180	EIA Approved	Under revision	-	-

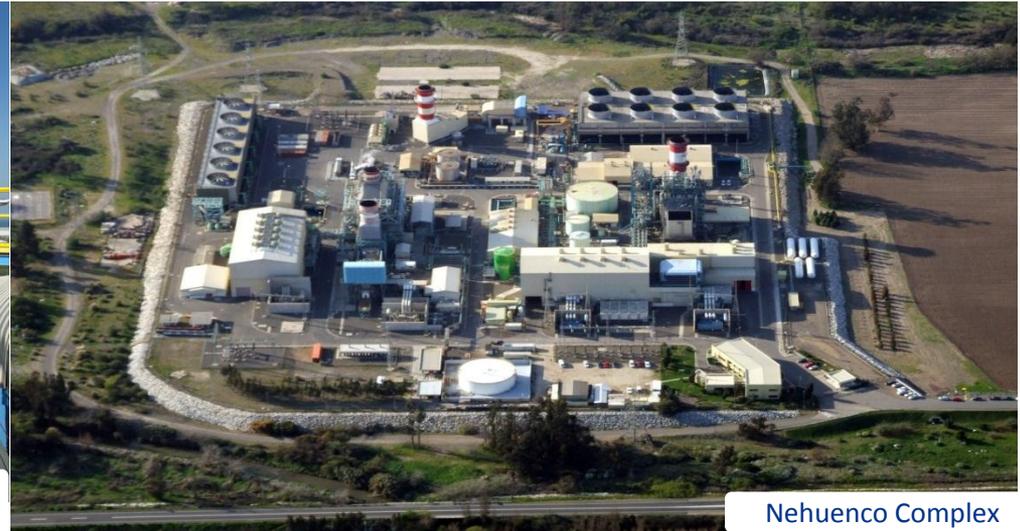
+ **Water rights** for over 500 MW of hydro potential

(\* Includes the power plant and the transmission line)

## EFFICIENT BASE-LOAD THERMAL PROJECTS



Santa María II Project

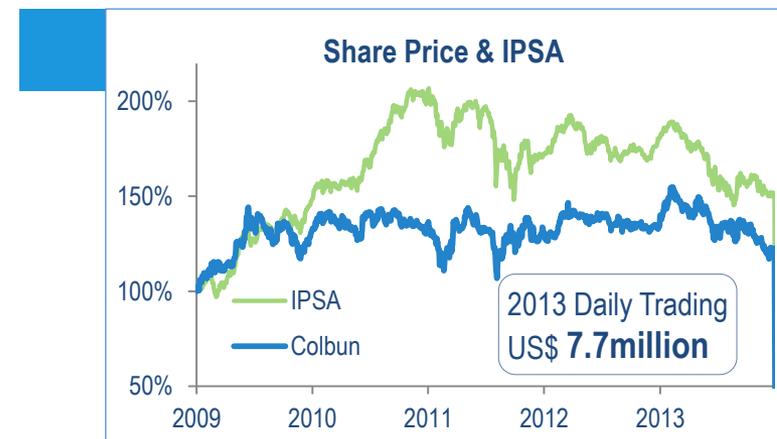
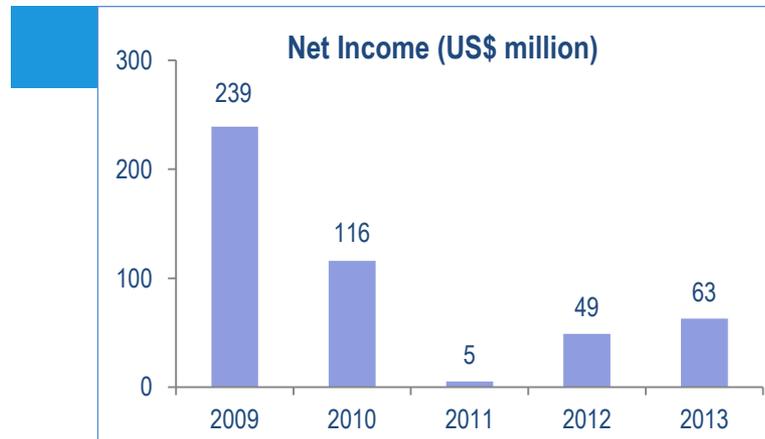
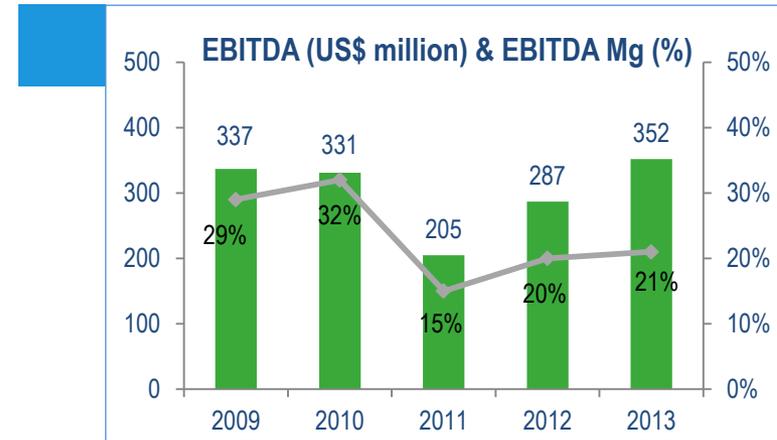


Nehuenco Complex

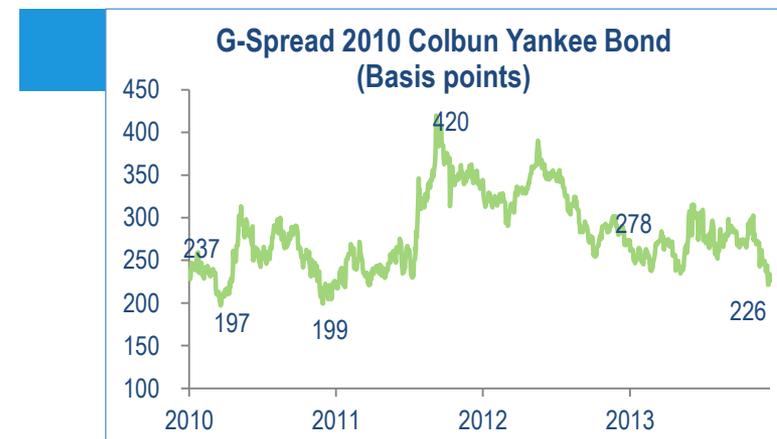
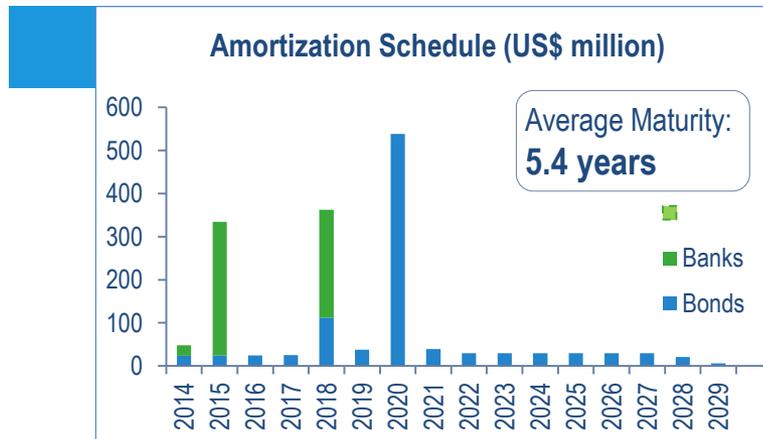
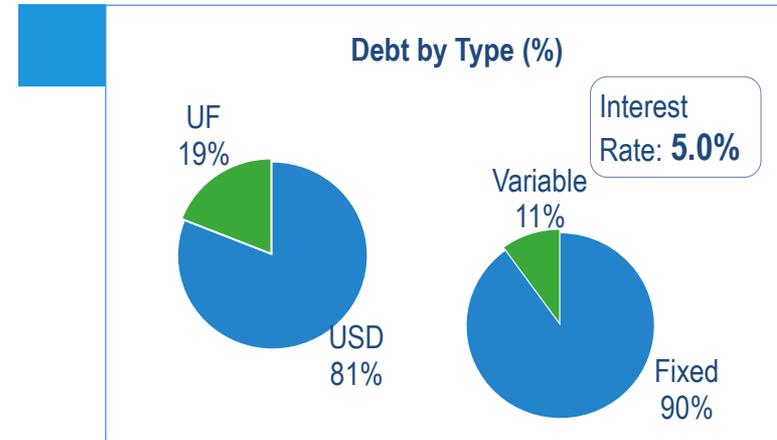
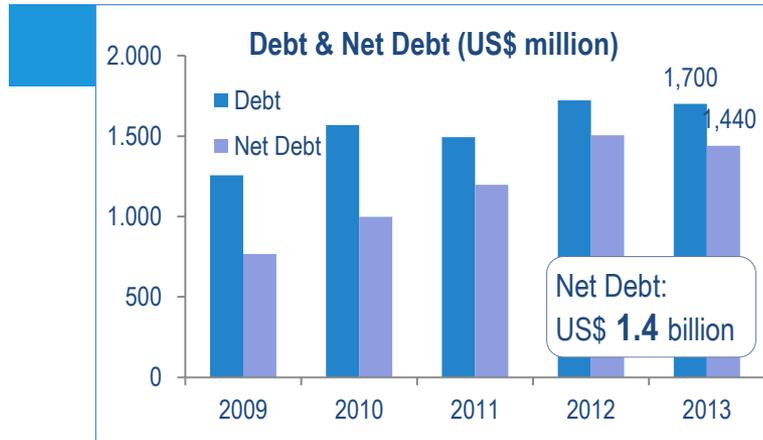


Projects	Description	Capacity (MW)	GWh/year expected	Phase
■ Sta. María II	Coal	350	2,500	EIA Approved
■ Optimization of existing plants	Nehuenco (766 MW) / Candelaria (270 MW), subject to flexible and competitive gas supply			

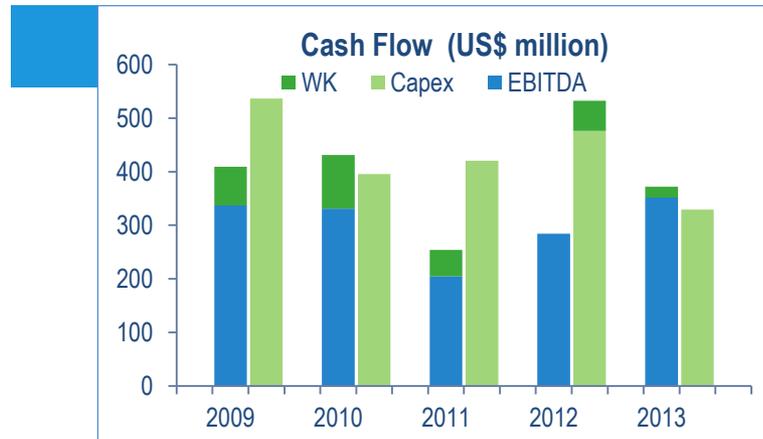
## CLEAR PATH, IMPROVING RESULTS



## BALANCED DEBT POSITION AND BROAD ACCESS TO ADDITIONAL LIQUIDITY



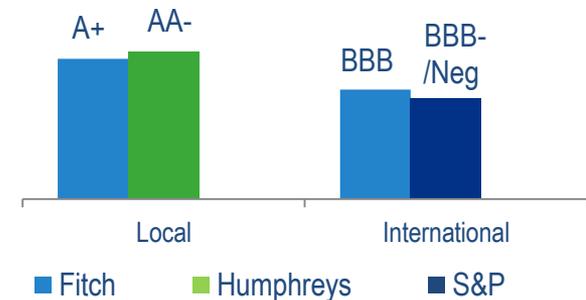
## MOVING TOWARDS A POSITIVE CASH FLOW AND IMPROVING CREDIT METRICS



Strong Liquidity Position	Amount (US\$ million)
- Cash	261
- Committed lines	200
- Uncommitted lines	150
- Registered domestic bonds	300
- Registered commercial papers	100
- <b>Dividend Policy</b>	<b>30%</b>

	2009	2010	2011	2012	2013
Leverage Ratio (%)*	27	31	30	33	32
Net debt to EBITDA (x)	2.3	3.0	5.8	5.2	4.1
EBITDA to Interest coverage (x)	8.9	9.1	10.9	10.4	7.8

### Local & International Credit Ratings



## COMMITTED TO SUSTAINABILITY

### POLICY:

Colbún's relationships with all of its stakeholders generate long-term value and mutual benefits because they are integrated in the business model

Investors

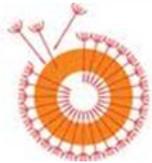
Workers

Environment

Community  
& Society

Contractors  
& Providers

Clients &  
Suppliers



THE MAY DAY  
NETWORK



### LATEST ACHIEVEMENTS:

- Chile's First Lady recognized Colbún for supporting rural women 'Nov13
- Top three most-prepared companies to confront Climate Change - Fundación Chile and Revista Capital - 'Oct13
- Good Corporate Citizen Award on the Environmental category – AmCham-, related to an irrigation agreement reached with farmers in the Maule region, 'Oct13

## HIGH STANDARDS OF CORPORATE GOVERNANCE

### OUR BOARD

- Is governed by our “**Board policies and procedures**”
- 4 out of 9 are independent directors
- Elected every 3 years (no limits on reelection)
- 2 out of 3 independent directors in the Board Committee
- First women director elected 2012
- Monthly meetings
- Two annual meetings with our external auditors
- No directors in management positions
- Board and board committee remunerations approved in the annual shareholders meeting (no equity options)

### OUR VALUES

- **INTEGRITY**
- **EXCELLENCE**
- **PASSION**
- **INNOVATION**
- **COLLABORATION**

#### **CODE OF ETHICS**

(ruling both workers and directors)

- Dedicated Investor Relations Team
- Website updated daily

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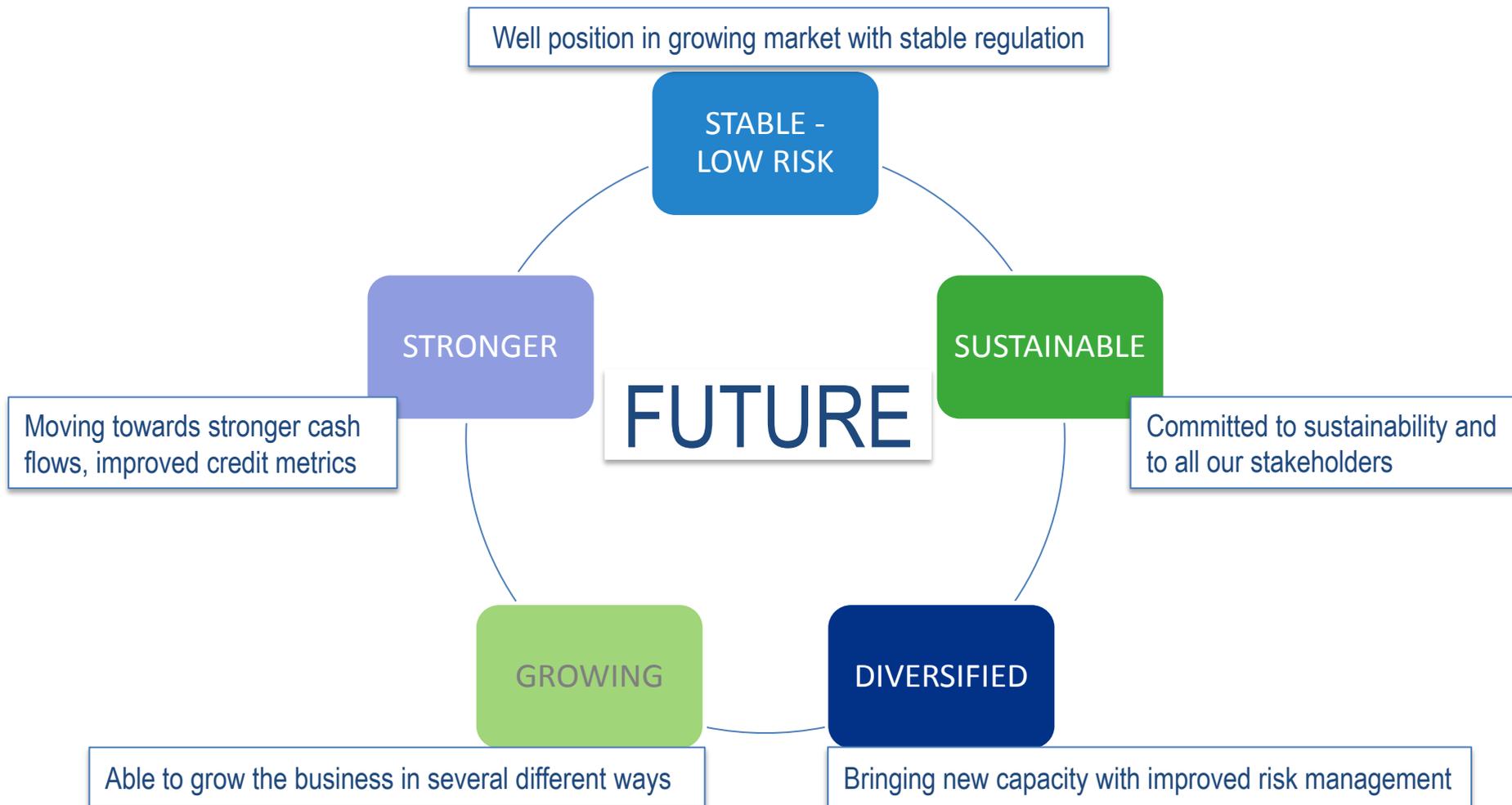
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## COLBUN IS...ENERGY FOR THE FUTURE





Angostura Reservoir and Viewpoint

## ANGOSTURA (316 MW)

- In mid Dec we finished the filling of the reservoir.
- 1st Unit (135 MW) synchronized in 29Dec.
- 2nd (46 MW) synchronized in 25Jan.
- 3rd (135 MW) synchronized in 6Mar.
- 2014 Accumulated Generation: 91 GWh





[www.colbun.cl](http://www.colbun.cl)

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*In compliance with the applicable rules, Colbún S.A. publishes on its Web Site ([www.Colbún.cl](http://www.Colbún.cl)) and sends the financial statements of the Company and its corresponding notes to the Superintendencia de Valores y Seguros, those documents should be read as a complement to this report.*