

CREDICORP Investor Conference  
Mercado de Capitales

# COMPANY PRESENTATION

SEPTEMBER 2018



Colbun

MEJOR ENERGÍA

# AGENDA

1.

OVERVIEW

2.

VALUE PROPOSAL

3.

CONCLUDING REMARKS



# Company overview

## Leading position in Chile & Peru

### THE COMPANY



Installed Capacity

**3,893 MW**

 **3,328 MW** /  **565 MW**



Market Share<sup>1</sup>

 **17%** /  **8%**



Ownership

- **49.96%** Matte Group
- **9.58%** Angelini Group
- **20.70%** Pension Funds
- **19.76%** Others



Power-Plants

**26**

 **25** /  **1**



Transmission Lines

**~940 km**

### KEY FINANCIALS



Total Assets

**US\$6.7 bn**



EBITDA LTM

**US\$696 mm**

 **US\$643 mm** /  **US\$53 mm**



Cash

**US\$696 mm**



Net Debt / EBITDA

**1.3 x**



Ratings

**Baa2**

Moody's

**BBB**

S&P

**BBB**

Fitch

Note: All figures as of Jun18

<sup>1</sup> In terms of generation in the SEN in Chile (23% in the SIC, prior to the interconnection with the SING effective as of October 2017) and in the SEIN in Peru.

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# Value proposal

## Leading position supported by competitive strengths

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**COST  
EFFICIENT AND  
DIVERSIFIED  
ASSET BASE**

2

**STABLE &  
PREDICTABLE  
CASH FLOWS**

3

**PRUDENT  
FINANCIAL  
MANAGEMENT**

4

**ATTRACTIVE  
PORTFOLIO OF  
GROWTH  
OPTIONS**

5

**MAXIMIZING  
VALUE TO ALL  
OF OUR  
STAKEHOLDERS**



# Value proposal

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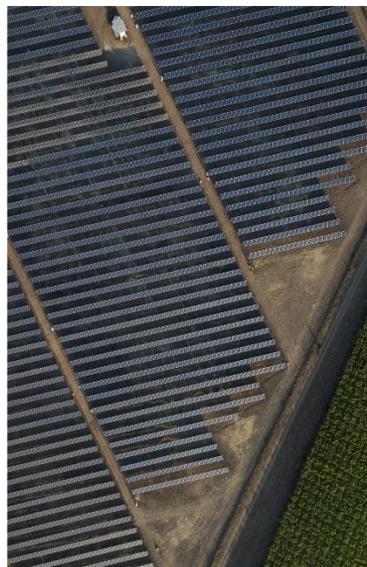
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# 1. Cost efficient & diversified asset base

## Generation assets diversified by technology & geography

**3,893 MW Inst. Capacity:**

- Hydro: 1,634 MW



- 4 Reservoir: 1,065 MW

- 12 Run-of-the-river: 532 MW

- Solar: 9 MW

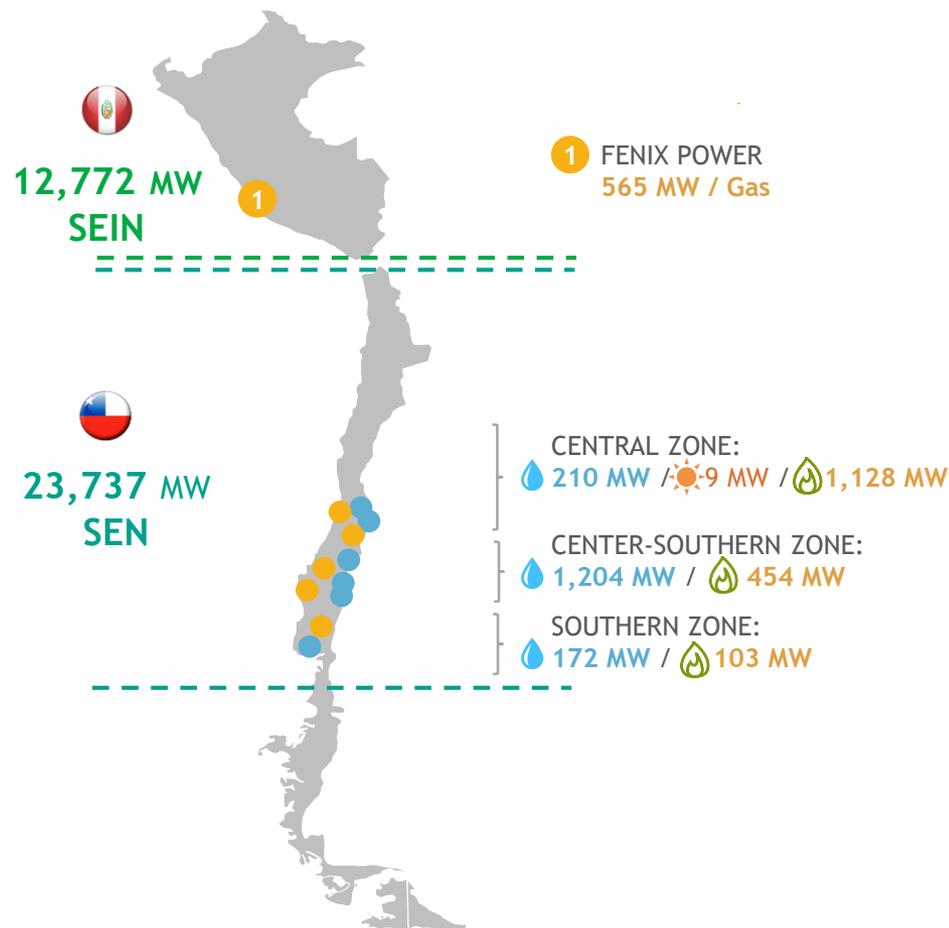
- Thermal: 2,250 MW



- 3 CCGT: 1,332 MW

- 4 Diesel: 568 MW

- 1 Coal: 350 MW



# 1. Cost efficient & diversified asset base

## Fenix Power: a relevant & efficient CCGT in Peru



### Most efficient CCGT in Peru

Based on Heat Rate



### 40 miles south of Lima

Capital of Peru and largest city of the country



### 565 MW

Gross effective capacity



### 3.5 TWh

Net annual generation



### 3 TWh / year

Long term contracts (~75% capacity)

### SHAREHOLDERS

- 51% Colbún
- 36% ADIA
- 13% Sigma

### KEY FIGURES



LTM EBITDA

US\$ **53** mm



Cash

US\$ **53** mm

Internacional Ratings



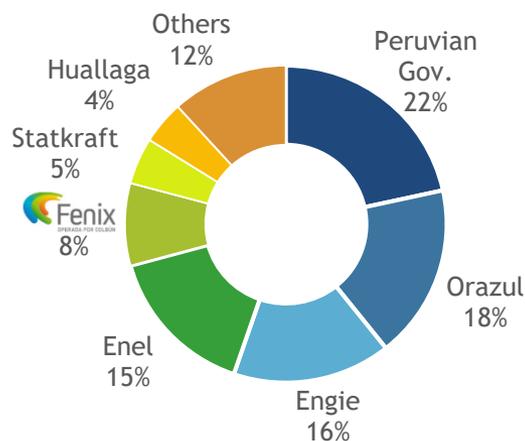
**Baa3** Stable

Moody's

**BBB-** Stable

S&P/Fitch

### MARKET SHARE<sup>1</sup>



Note: All figures as of Jun18

<sup>1</sup> In terms of generation

# 1. Cost efficient & diversified asset base

## Secured long-term regasification capacity & LNG supply

**Long-term strategy:** leveraging our efficient natural gas power facilities and diversifying our supply sources; contributing to a competitive, flexible, secure and sustainable power supply.

### MEDIUM AND SHORT TERM LNG SUPPLY

#### LNG supply with Metrogas and ENAP

- Short term contracts (~3 months) available.
- Medium term contracts: signed for 2 TWh of natural gas generation in 2018 and 2019 <sup>1</sup>.

### LONG TERM LNG SUPPLY

#### Regasification capacity and supply contract with ENAP

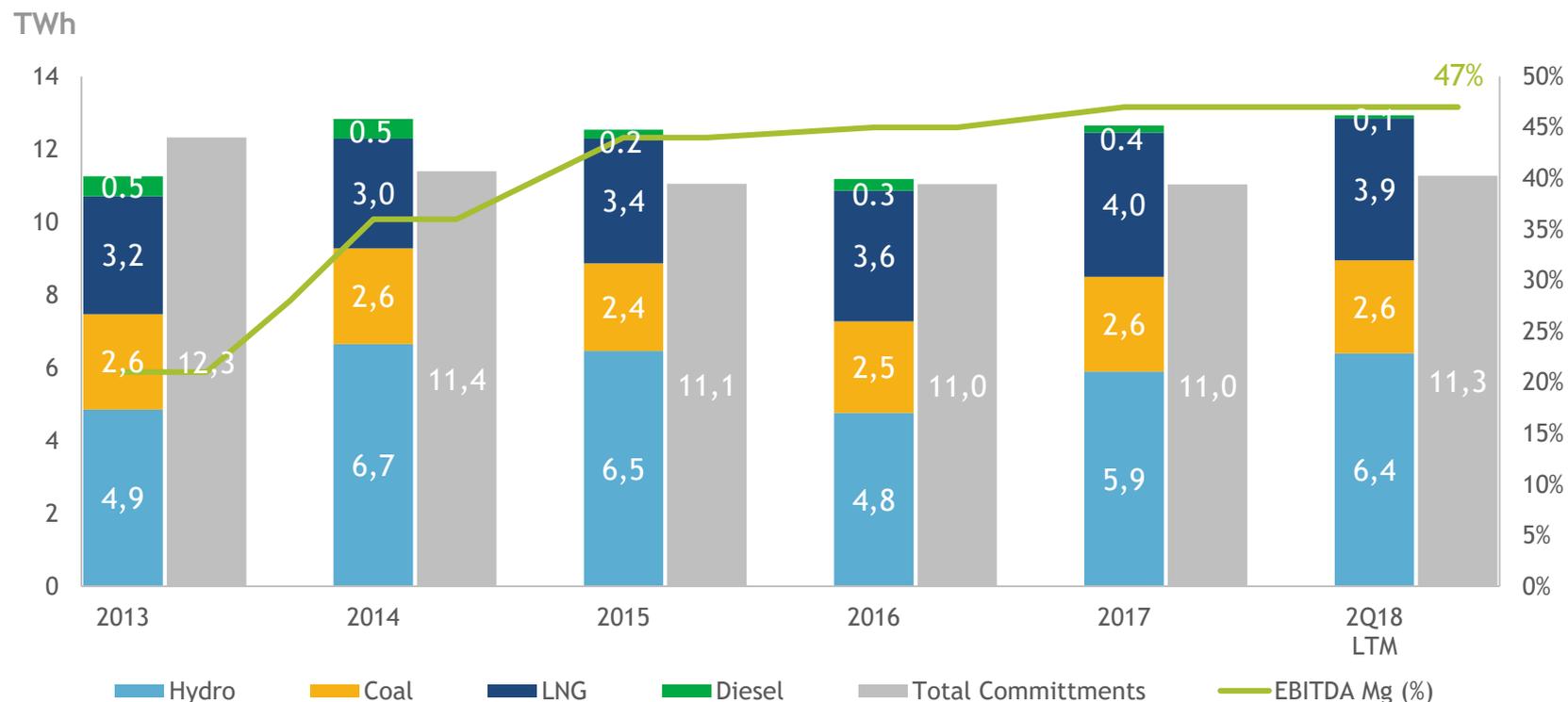
- Effective from 2018 onwards, for a period of 13 years.
- Competitive LNG supply with ENAP and international providers.
- Capacity for up to two combined-cycle units per year.

<sup>1</sup> For 2019, 1 TWh is optional.

# 1. Cost efficient & diversified asset base

## 100% of PPAs supplied with cost-efficient generation

CONTRACTUAL COMMITMENTS VS GENERATION. (TWh)



# 1. Cost efficient & diversified asset base

## Relevant transmission assets


**Transmission lines**  
 ~**940** km


**Substations**  
**28**


**Market share <sup>1</sup>**  
 ~**6%**


**Annual EBITDA<sup>2</sup>**  
 ~**US\$23** mm

	Length (km)
Nacional	331
Zonal	79
Dedicada	531
<b>Total</b>	<b>941</b>

~**US\$60** million in expansion projects in transmission



Note: All figures as of Jun18

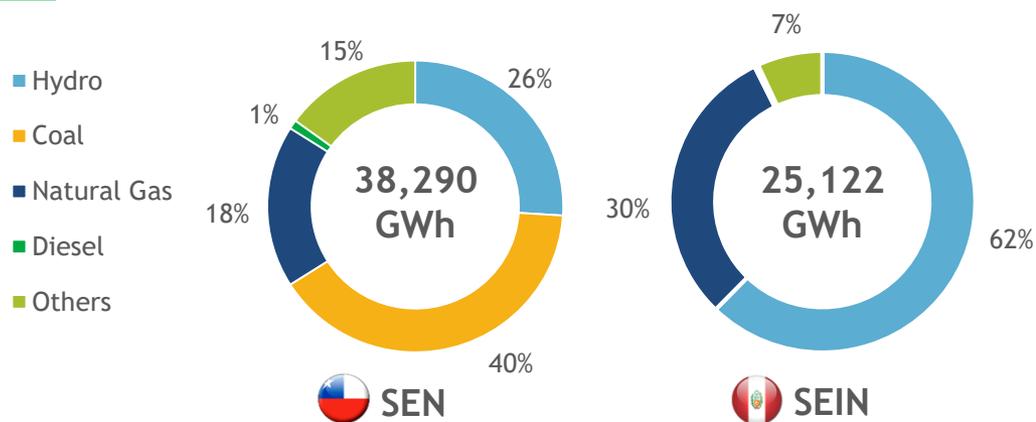
<sup>1</sup> Nacional Transmission

<sup>2</sup> Corresponds to Colbún Transmisión EBITDA as of Dec17

# 1. Cost efficient & diversified asset base

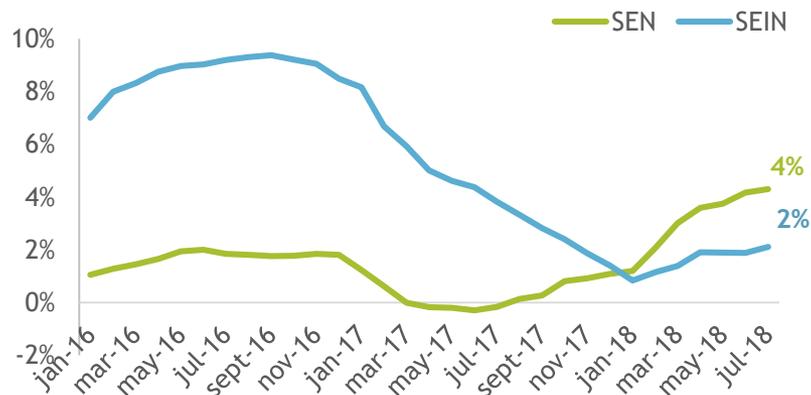
## Attractive markets

### 1 GENERATION MATRIX. (%)

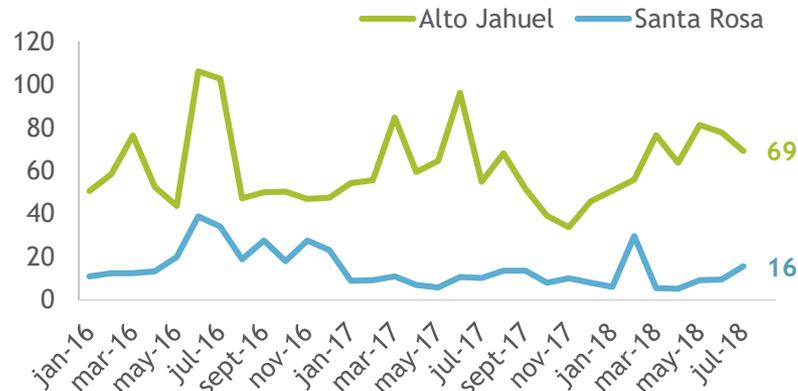


- **Diversified** generation profile.
- **Stable** regulatory framework.
- **US\$ currency** denominated markets.
- **Investment grade** countries.
- **High growth potential.**

### 2 POWER DEMAND GROWTH. (12 month average %)



### 3 MARGINAL COST. (US\$/MWh)



# Value proposal

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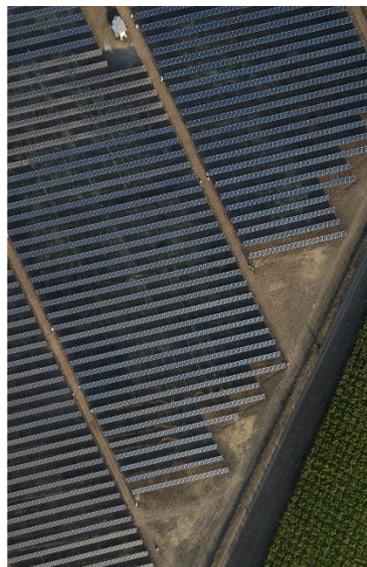
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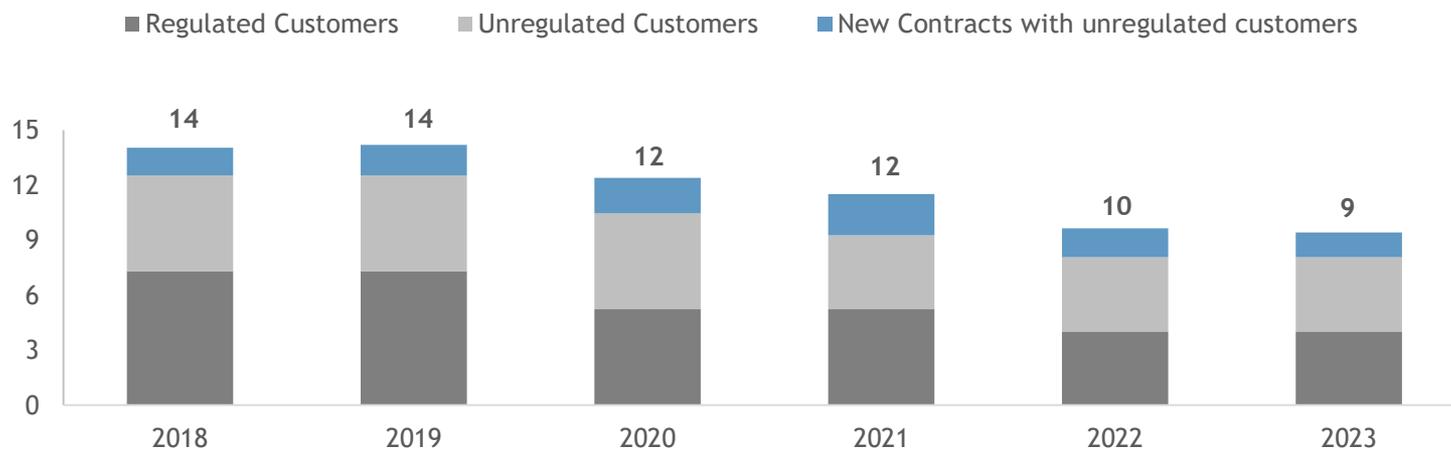
## 2. Stable & predictable cash flows

# High quality clients in Chile

### 1 CUSTOMER BASE PROFILE



### 2 PPAs IN CHILE: MAXIMUM CONTRACTED ENERGY COMMITMENT (TWh)



Note: All figures as of Jun18

<sup>1</sup> Average monomic prices are calculated by dividing the total amount of sales in US\$, by physical energy sales in MWh

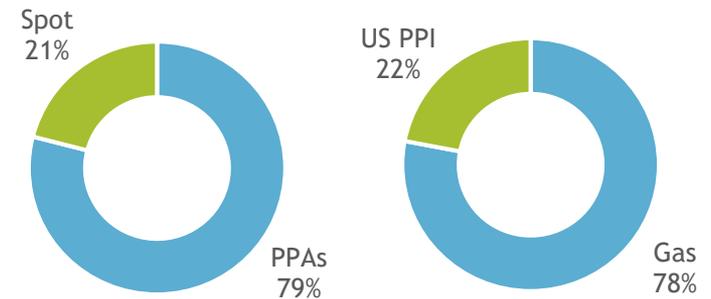
## 2. Stable & predictable cash flows

# Stable cash flow profile supported by long-term PPAs in Peru

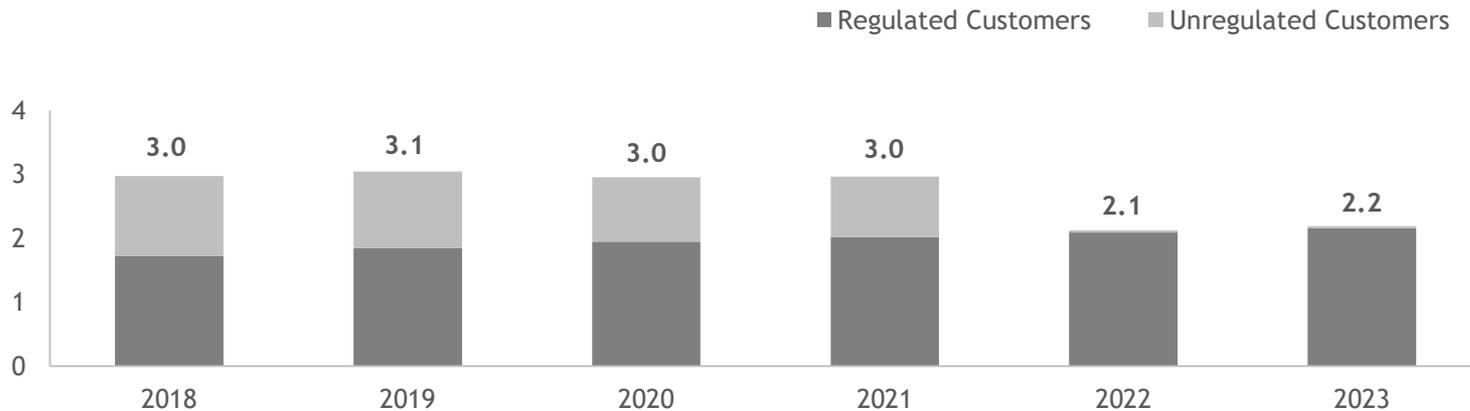
### 1 PPA PROFILE.

- Average life of long-term PPAs of ~6 years.
- US\$ FX adjusted and US\$ denominated capacity payments.
- ~75% contracted through 2023.
- Strong AAA locally-rated off takers.

### 2 ENERGY SALES & INDEXATION. (%)



### 3 PPA PORTFOLIO. (TWh)



## 2. Stable & predictable cash flows

# Significant increase in number of clients over the past 2 years in Chile

2016

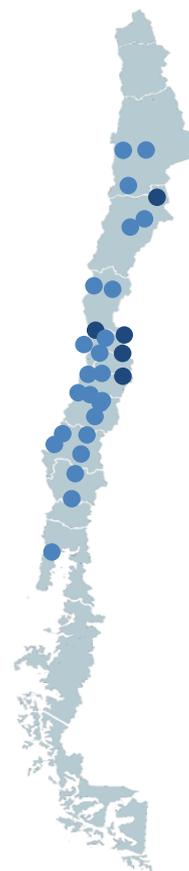


**3**  
UNREGULATED  
CUSTOMERS

**15**  
REGULATED  
CUSTOMERS

**6**  
SELLING  
POINTS

2018



**+100**  
UNREGULATED  
CUSTOMERS

**15**  
REGULATED  
CUSTOMERS

**+300**  
SELLING  
POINTS

## 2. Stable & predictable cash flows

### Long-term PPAs to ensure cash flow stability

#### WHOLE-SALE POWER COMMERCIAL POLICY

##### 1 Optimal Contracting level

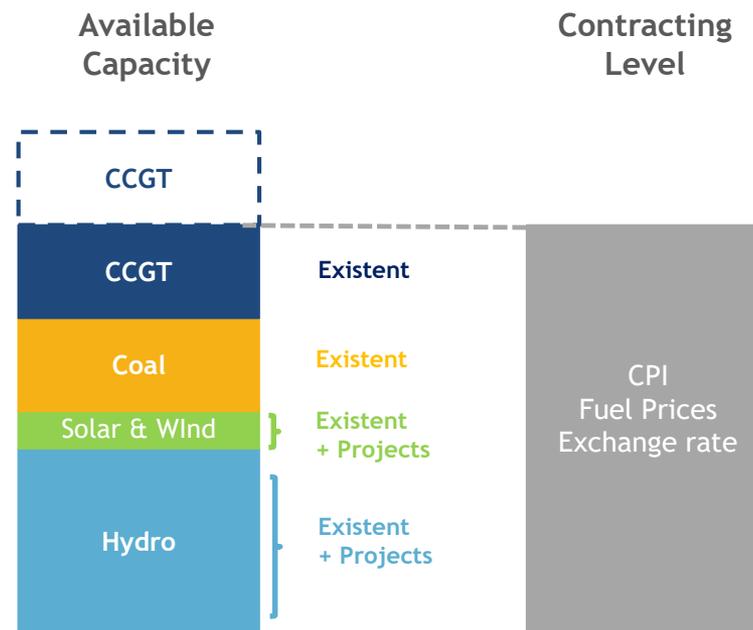
- I. Renewable Capacity:  
Hydro, solar and wind
- II. Efficient thermal capacity:  
Coal and CCGTs

##### 2 Cost structure properly reflected in sale prices

##### 3 Active risk management

- I. LNG purchases in the short and mid term
- II. Financial hedges

#### BASE OF ASSETS & PPAS LEVEL



## 2. Stable & predictable cash flows

# PPAs renewal opportunities in Chile

### UNREGULATED CUSTOMERS

- In the coming years there is a **relevant amount of energy for large unregulated clients to be re-contracted.**
- Since 2017, Colbun has signed new contracts with large and medium-size clients for a total of ~2.3 TWh/year.
  - Minera Zaldivar, signed in Jun18 for a total supply of **550 GWh/year, for 10.5 years** starting in Jul20.
  - CMPC, signed in Oct17 for the supply of power for **630 GWh per year over a 10-year**, started in Jan18.
  - Walmart, signed in Dec17 for **~300 GWh/year for 4 years**, started in Jan18.
  - Other customers signed during 2017 for ~800 GWh/year with average tenors ranging from 4 to 6 years.

### REGULATED CUSTOMERS

1. Upcoming regulated auctions:
  - According to the CNE's preliminary report, around **10 TWh will be auctioned in the next years**, based on the following energy requirements:
    - ~5.4 TWh for 2024
    - ~4.2 TWh for 2026
2. Decreasing prices in the last regulated auctions in Chile:

Year	2013	2014	2015	2016	2017
Energy (TWh)	4.7	12.0	1.2	12.5	2.2
Price (US\$/MWh)	126	108	79	48	33
Supply starting	2016/2019	2016/2019	2023	2023	2024

# Value proposal

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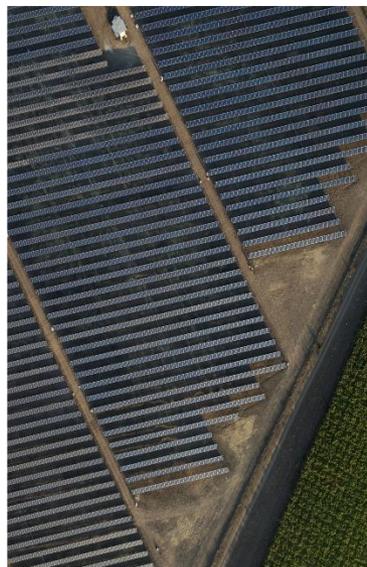
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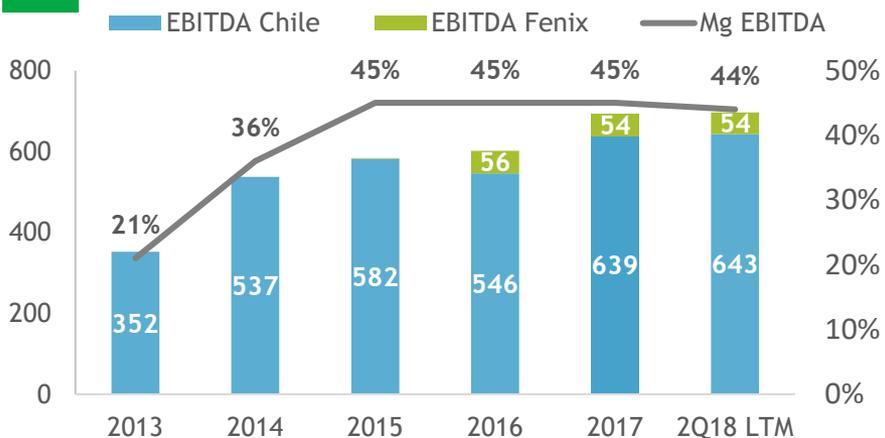
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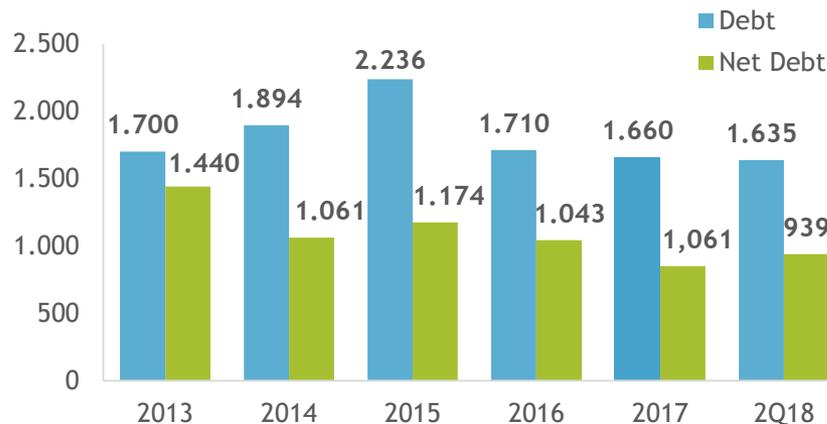
# 3. Prudent financial management

## Stable operational results & solid metrics

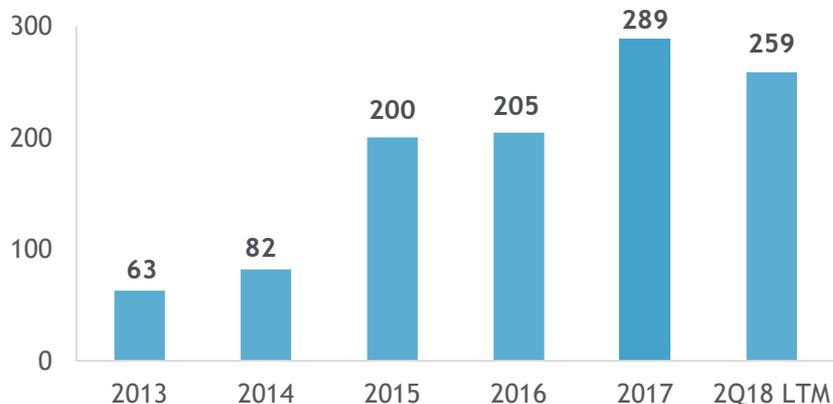
**1 EBITDA & EBITDA MG. (US\$ million & %)**



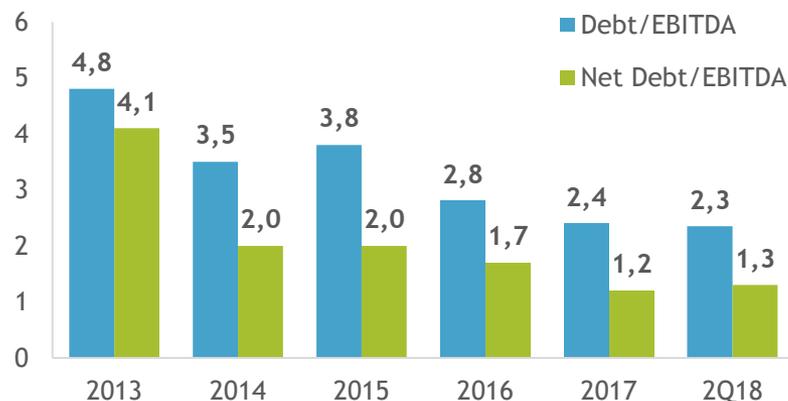
**3 DEBT & NET DEBT. (US\$ million)**



**2 NET INCOME. (US\$ million)**



**4 DEBT/EBITDA & NET DEBT/EBITDA. (x)**

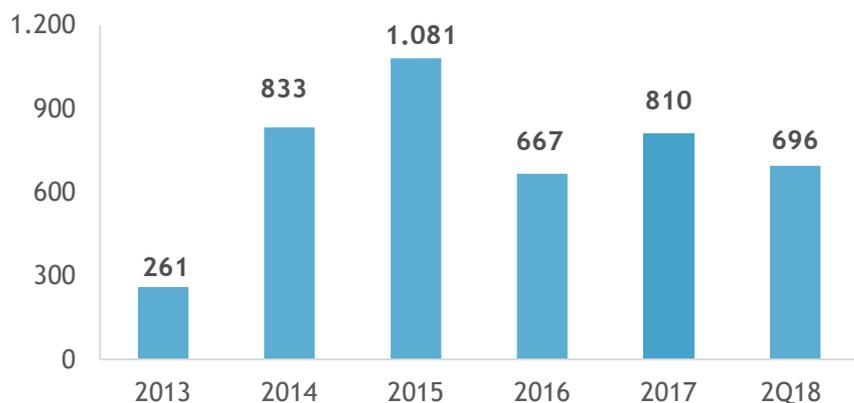


Note: All figures as of Jun18

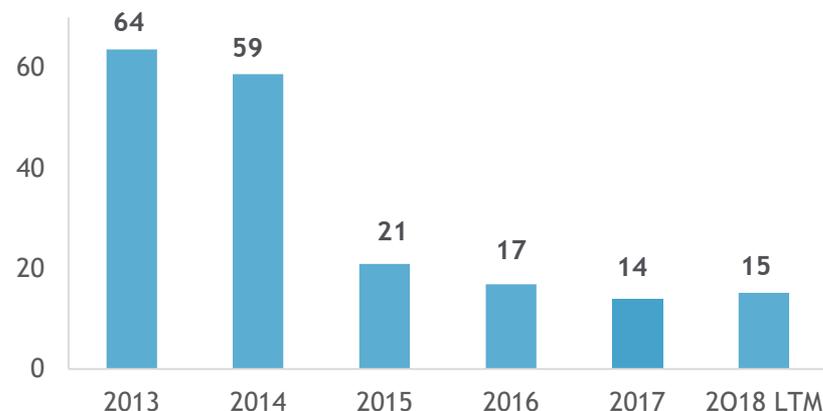
# 3. Prudent financial management

## Stable operational results & solid metrics

**1 CASH POSITION.** (US\$ million)



**3 P/E. (X)**



**2 DIVIDEND DISTRIBUTION.** (US\$ million & %)



**4 G-SPREAD 144A BONDS.** (basis points)



Note: figures as of Jun18

### 3. Prudent financial management

## Clean debt profile

#### 1 DEBT PROFILE

**US\$1,635 million**

US\$1,281 million

US\$354 million



**100% bonds**

94% USD and 6% UF

100% Fixed rate

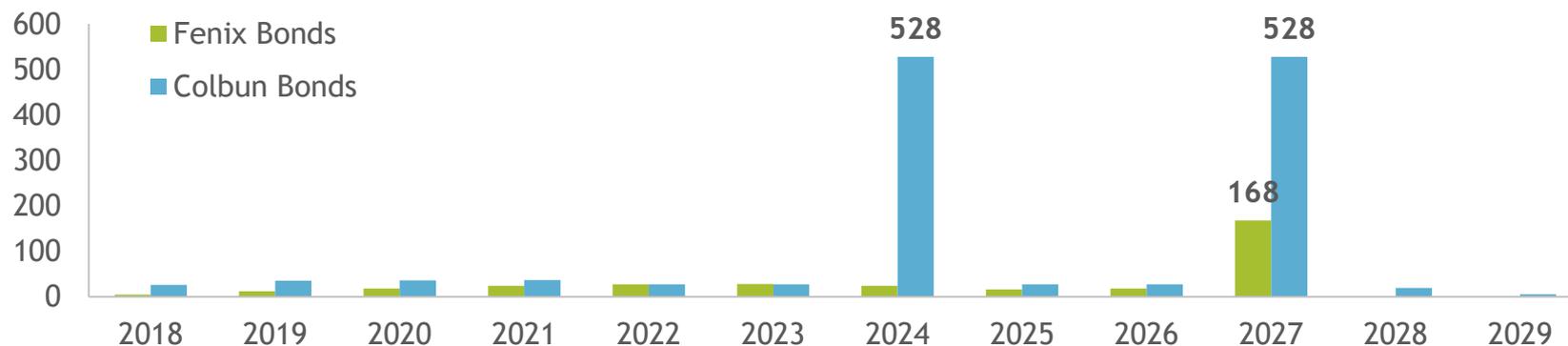


**4.5%** Interest Rate average

**7.2** years average life



#### 2 AMORTIZATION STRUCTURE. (US\$ million)



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## 4. Attractive portfolio of growth options

### Expansion considerations

#### STRATEGY

##### MAIN GUIDELINES

1. **Increase presence** in Chile and Perú
2. **Expand operations** to selected countries in the region (Argentina and Colombia)
  - a. Low per capita energy consumption
  - b. Stable regulatory frameworks
  - c. Expected increases in economic activity and power demand
3. **Diversification** of technologies and locations
4. **Incorporate renewable energy** to our portfolio

#### LOCAL EXPANSION



1. Pipeline of Renewable Projects
  - a. Hydro
  - b. Solar and wind
2. M&A Opportunities
3. Purchase energy from third parties

#### INTERNATIONAL EXPANSION



1. Preference for assets in operation (brownfields)
2. Incorporate partners with local knowledge but maintain control
3. Investment amounts subject on maintain investment grade international ratings

## 4. Attractive portfolio of growth options

# Diversify our operations at a regional level



## 4. Attractive portfolio of growth options

### Large pipeline of growth options

#### HYDRO PROJECTS



#### SAN PEDRO

- Los Rios Region
- Inst. capacity: 170 MW
- Gx: ~980 GWh/year
- Status: Preparing EIA

#### GUAQUIVILO MELADO

- La Puente y Melado, Maule Region
- Inst. capacity: 316 MW
- Gx: ~1,600 GWh/year
- Pre-feasibility completed

#### LOS CUARTOS

- Biobío River, Maule Region
- Inst. capacity: 93 MW
- Gx: ~530 GWh/year
- Basic engineering

#### EL MÉDANO

- San Clemente, Maule Region
- Inst. capacity: 6 MW
- Gx: ~25GWh/year
- Processing DEI<sup>1</sup>

#### SOLAR & WIND PROJECTS



#### HORIZONTE

- Tal Tal, II Region
- Inst. capacity :~607 MW
- Gx: ~1,900 GWh/year
- Under study

#### SOL DE TARAPACÁ

- La Tirana, Tarapacá Region
- Inst. capacity: ~150 MW
- Gx: ~470 GWh/year
- Under study

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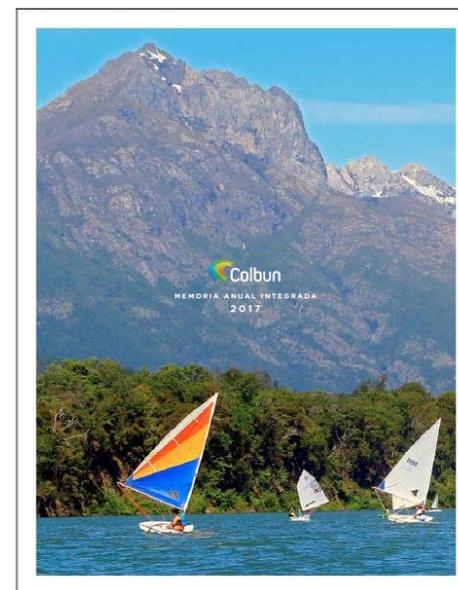
# 5. Maximizing value to all of our stakeholders

## Sustainability strategy

**SUSTAINABILITY IS OUR BUSINESS AND IT IS INTEGRATED IN ALL AREAS OF THE COMPANY**



- Since 2015 we started publishing an **Integrated Annual Report**, with all the financial, social and environmental information of the Company.



# 5. Maximizing value to all of our stakeholders

## Adding value to all of our stakeholders

STAKEHOLDER	EXAMPLES OF ADDED VALUE
 <p><b>CUSTOMERS</b></p> <ul style="list-style-type: none"> <li>▪ Secure, competitive and sustainable energy</li> <li>▪ Long-term relationships</li> </ul>	<p><b>16,587 GWh</b> of energy sold</p>
 <p><b>INVESTORS</b></p> <ul style="list-style-type: none"> <li>▪ Profitability and economic value</li> </ul>	<p><b>US\$692 million</b> of EBITDA <b>100%</b> Payout ratio</p>
 <p><b>WORKFORCE</b></p> <ul style="list-style-type: none"> <li>▪ Quality employment</li> <li>▪ Professional development</li> </ul>	<p><b>87%</b> of total employees trained</p>
 <p><b>CONTRACTORS</b></p> <ul style="list-style-type: none"> <li>▪ Hiring local suppliers and contractors</li> </ul>	<p><b>2,970</b> supplier companies in Chile <b>61%</b> of suppliers and contractors are SMEs in Chile</p>
 <p><b>COMMUNITY</b></p> <ul style="list-style-type: none"> <li>▪ Local development</li> <li>▪ Constant dialogue</li> </ul>	<p><b>US\$8.5 million</b> in social investments <b>19,124</b> people visit our power plants in 2017</p>
 <p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>▪ Excellence in environmental management</li> </ul>	<p><b>382</b> Thousand Tons of CO<sub>2</sub> reduced by power plants (CDM)<sup>1</sup> <b>33%</b> of water used in hydro generation is reused in other power plants of Colbún</p>

<sup>1</sup> registered power plants under the Clean Development Mechanism (CDM)  
Note: Annual figures as of Dec17, consolidated

# 5. Maximizing value to all of our stakeholders

## Awards and recognitions

<p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p> <p><b>2018</b></p> <p>Colbún listed in the Dow Jones Sustainability Index Chile</p>	<p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p> <p><b>2017</b></p> <p>Colbún listed in the Dow Jones Sustainability Index Emerging Markets</p>	<p><b>2017</b></p> <p>Colbún listed in the ranking Best Place to Innovate</p>	<p><b>2017</b></p> <p>Angostura power plant was chosen as a Sustainable Hydroelectricity study case</p>	<p><b>2017</b></p> <p>Colbún obtained the first place in the "Relevance" category</p>	<p><b>2017</b></p> <p>Fenix power plant was distinguished as a socially responsible company</p>
<p><b>2016</b></p> <p>Colbún is recognized for the "CO2 neutral Lastarria - Bellas Artes route"</p>	<p><b>2016</b></p> <p>Colbún Board's president and CEO were recognized as sustainability leaders</p>	<p><b>2016</b></p> <p>Colbún received an international award for the reforestation of its viewpoints</p>	<p><b>2016</b></p> <p>Colbún is recognized for its emissions management by the Environmental Ministry</p>	<p><b>2016</b></p> <p>Rucúe and Quilleco power plants are recognized</p>	<p><b>2016</b></p> <p>Colbún is recognized for its initiatives in favor of the quality life of its employers</p>



## 5. Maximizing value to all of our stakeholders

# Colbún listed for third and second consecutive year in the DJSI Chile and DJSI MILA

MEMBER OF  
**Dow Jones  
 Sustainability Indices**  
 In Collaboration with RobecoSAM



- Selective ranking, “**Best in Class**”, based in S&P indexes, since 1999.
- Questionnaire of approx. **100 questions**, evaluated by the rating agency **RobecoSAM** (Switzerland).
- **Economic, environmental, social** criteria and main sustainability challenges are evaluated.

# 5. Maximizing value to all of our stakeholders

## Highest standards of corporate governance

### 1 CORPORATE GOVERNANCE STRUCTURE.

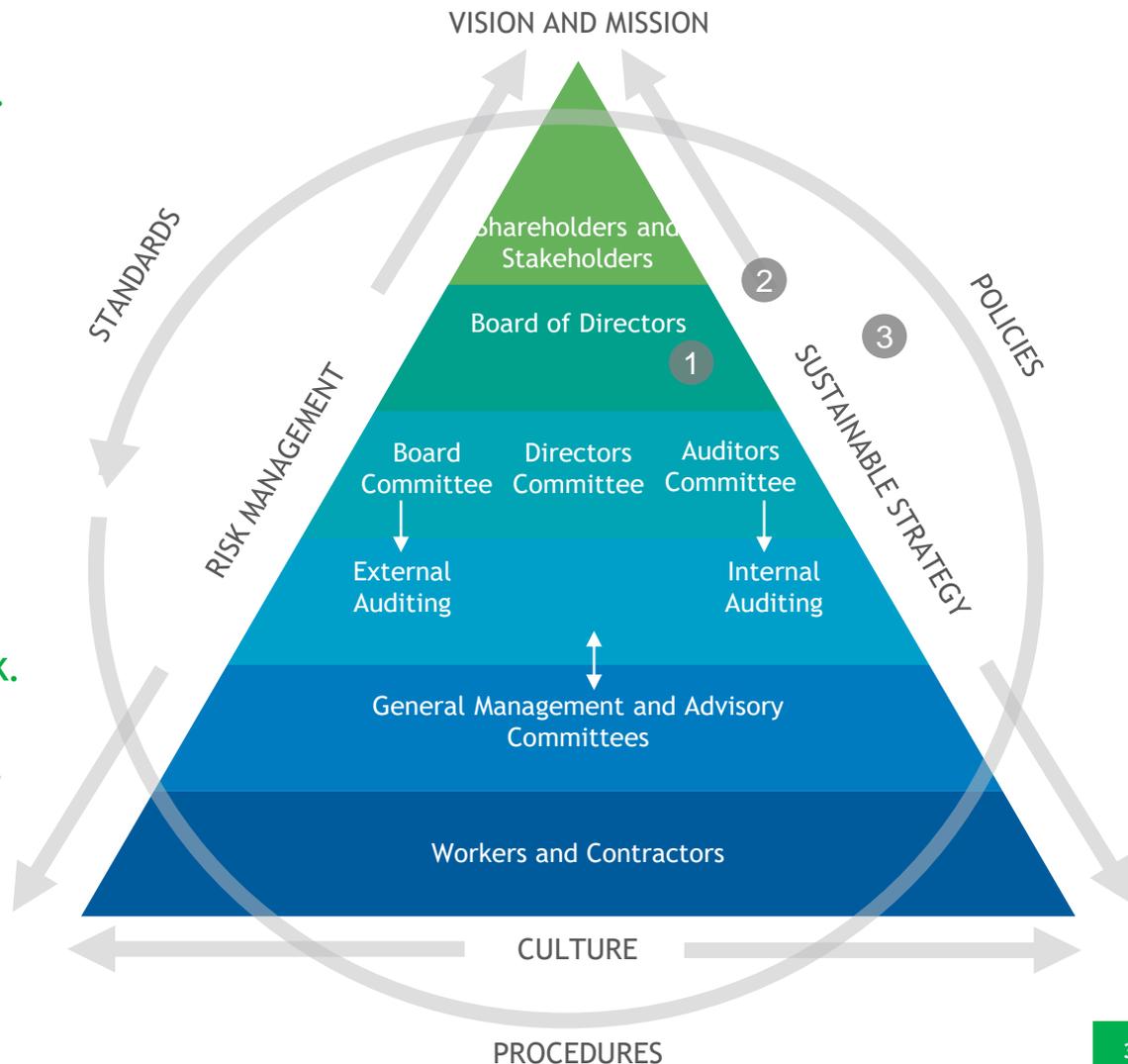
Personnel, managers, directors and the Board's advisory committees are responsible for enforcing Colbún's corporate governance.

### 2 CORPORATE GOVERNANCE STRATEGY.

Main interrelated elements that promote an adequate governance of the Company and its affiliates.

### 3 CORPORATE GOVERNANCE FRAMEWORK.

Internal (policies and procedures) and external standards (regulations) ruling the manner in which Colbún's corporate governance is implemented.



# AGENDA

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CONCLUDING REMARKS



## Concluding remarks

- ① **Shareholders:** Strong, reliable controlling group with a strategic and long-term vision of the business.
- ② **Size:** Leading position in Chile's power market and a relevant presence in Peru.
- ③ **Management:** Experienced management and high standards of corporate governance.
- ④ **Customers:** Diversified, solid and creditworthy portfolio of clients.
- ⑤ **Sustainability:** Integrated in all areas of the Company.
- ⑥ **Financial:** Strong metrics, conservative financial strategy and ample access to financial markets.

## Disclaimer & Contact Information

- This document provides information about Colbún S.A. In no case this document constitutes a comprehensive analysis of the financial, production and sales situation of the company.
- To evaluate whether to purchase or sell securities of the company, the investor must conduct its own independent analysis.
- This presentation may contain forward-looking statements concerning Colbún's future performance and should be considered as good faith estimates by Colbún S.A.
- In compliance with the applicable rules, Colbún S.A. publishes on its Web Site ([www.colbun.cl](http://www.colbun.cl)) and sends the financial statements of the Company and its corresponding notes to the Comisión para el Mercado Financiero, those documents should be read as a complement to this presentation.

### INVESTOR RELATIONS

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# Colbun

MEJOR ENERGÍA



Colbun  
CENTRAL LA MINA