



COMPANY PRESENTATION

**7th Annual Larraín Vial
Andean Conference**

March 19th & 20th, 2013





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

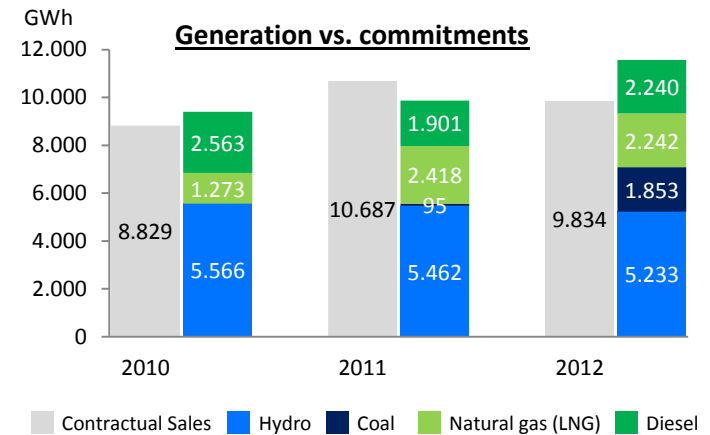
- ✓ Short and medium-term natural gas supply secured
- ✓ 1 CCGT with gas for Jan-Apr 2013
- ✓ 1 CCGT with gas for Jan-May 2013

ANGOSTURA PROJECT

- ✓ Over 85% of progress, scheduled for end of 2013

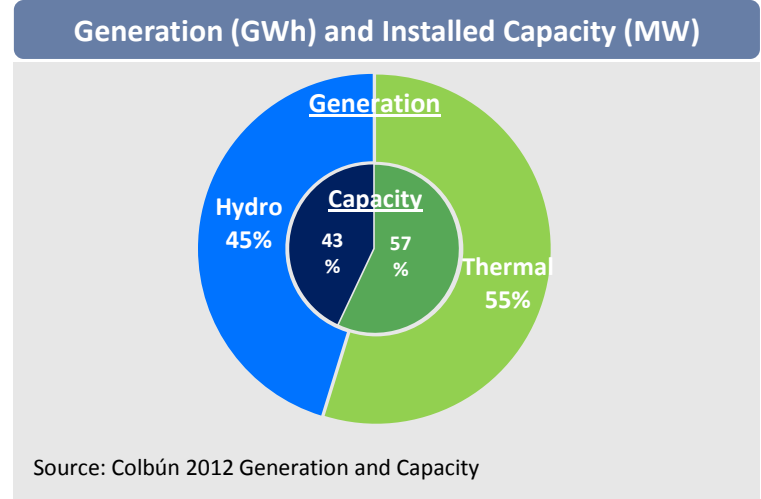
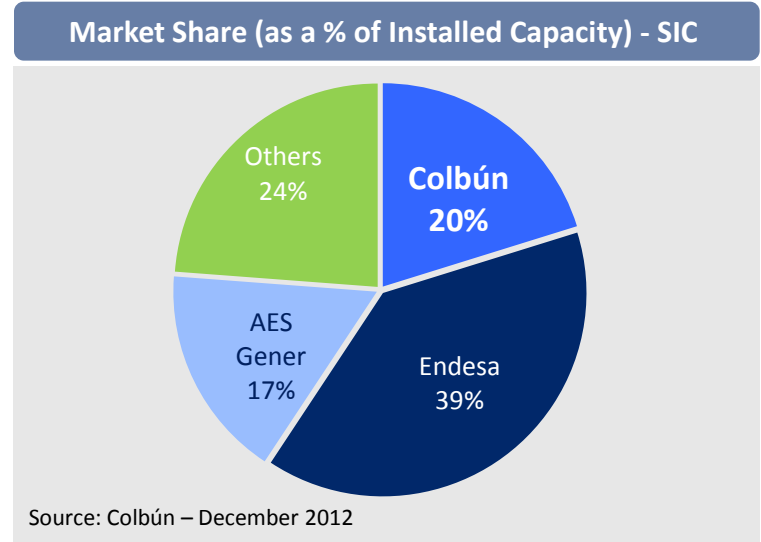
CREDIT RATING

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



Colbún at a glance

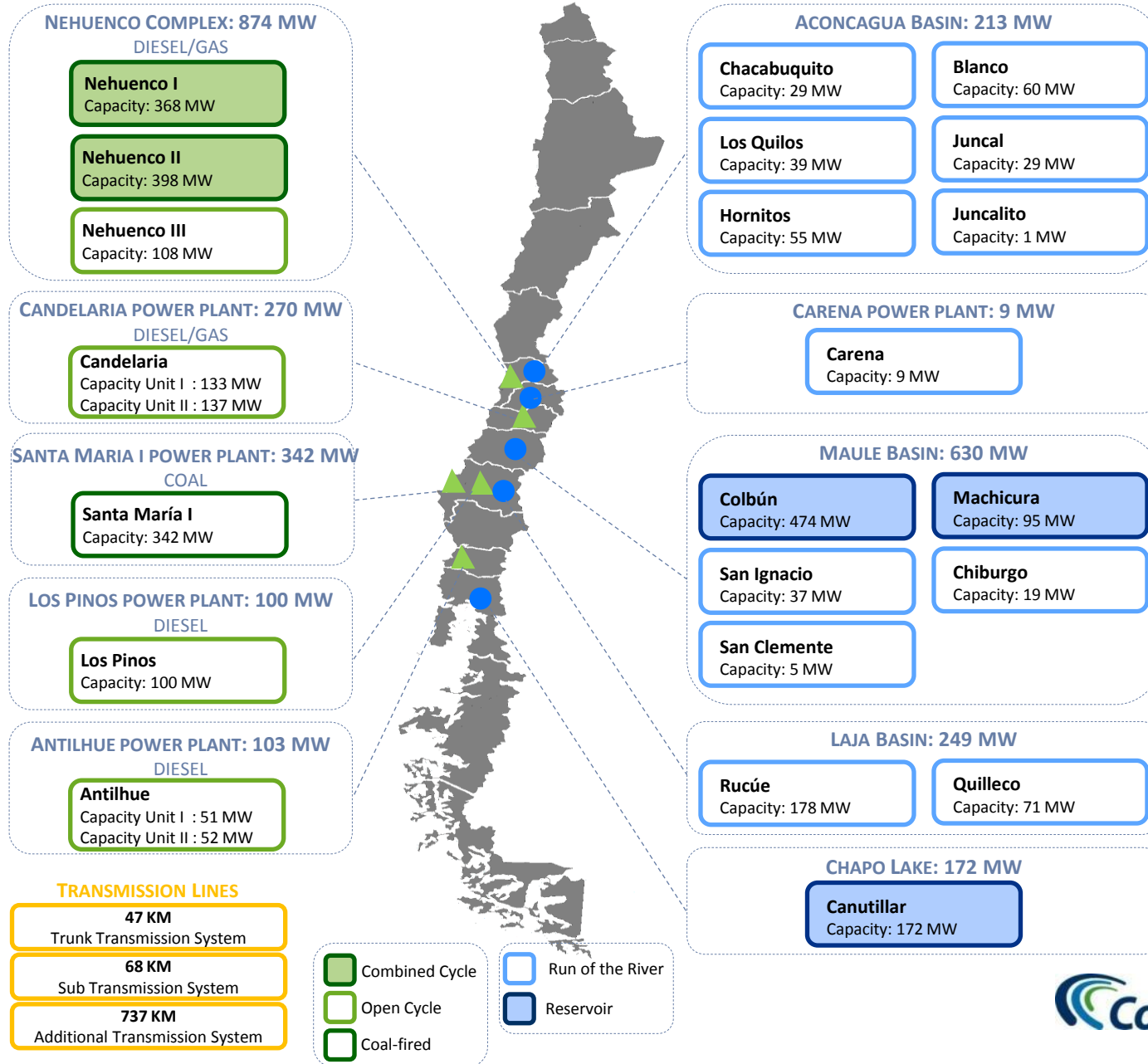
- Business → Power Generation & Trade
- Size → 2nd largest generator in Chile's Central Grid (SIC), with over 20% market share (MW).
The SIC covers 90% of the population
- Capacity → 2,962 MW
43% hydro and 57% thermal
- Generation → 11,568 GWh in 2012
45% hydro and 55% thermal
- Assets → 15 hydro plants 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



7 THERMAL POWER PLANTS

A diversified asset base

15 HYDRO POWER PLANTS



A diversified customer base

REGULATED CUSTOMERS

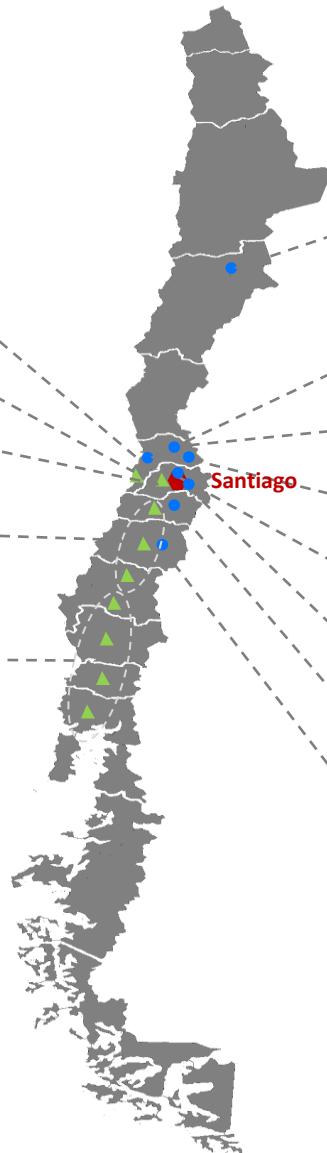
CHILECTRA
(2011- 2021/23/25)

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

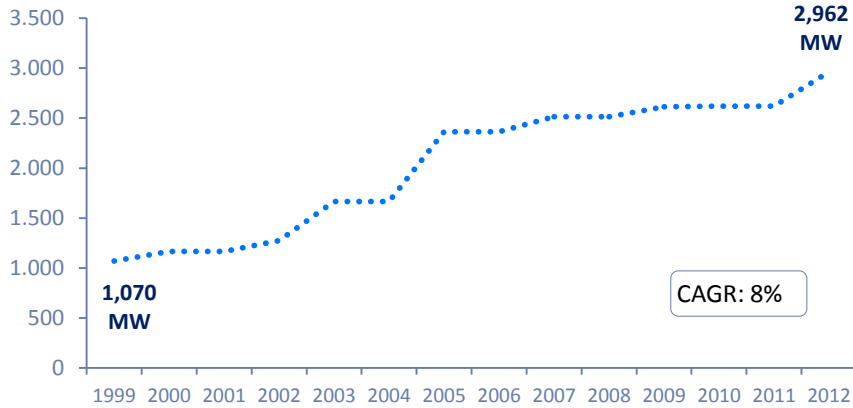
CODELCO
Teniente

CMPC
Procart

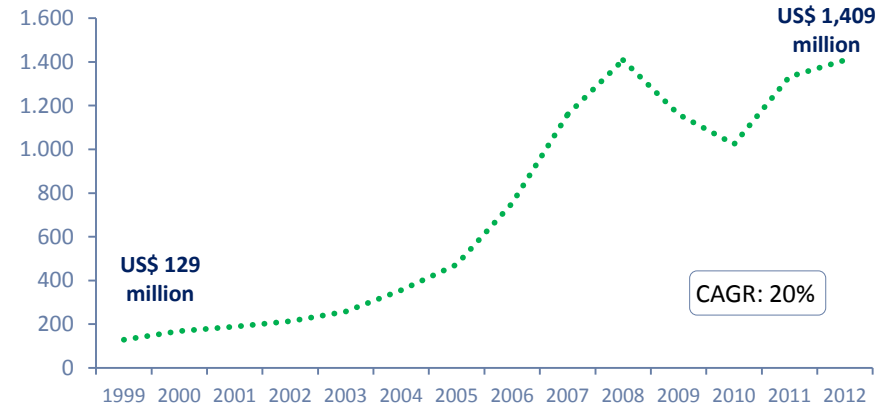
UN-REGULATED CUSTOMERS

Colbún has grown steadily over the past decade

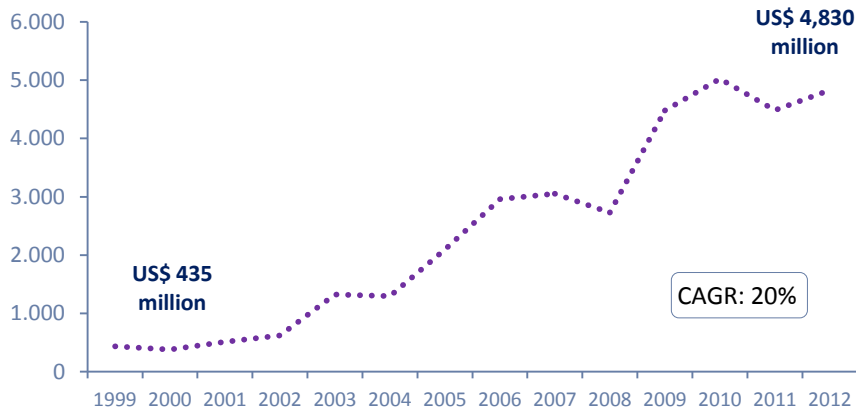
Capacity (MW)



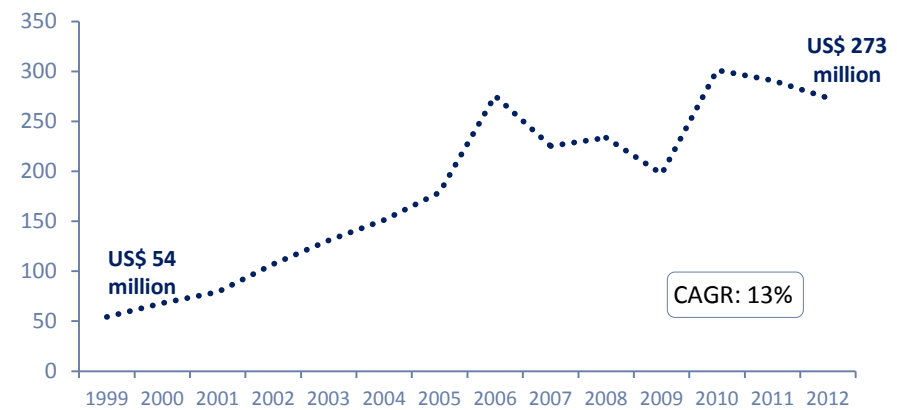
Total Operating Revenues (MMUSD)



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

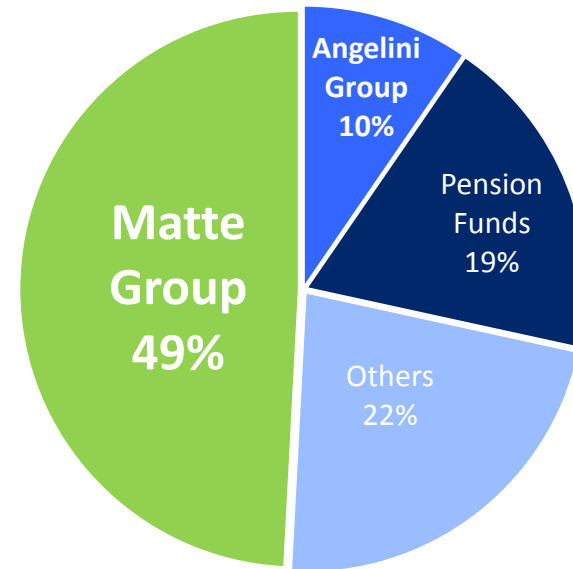
4 out of 9 are independent directors.

ACCOUNTING STANDARDS

Disclosure under IFRS standards

Functional currency: US dollar

Ownership Structure



Source: Colbún, December 2012



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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 to meet the country's energy demand.



Strategic Pillars



 Value Chain

The diagram illustrates a three-stage value chain. It consists of three blue chevron-shaped boxes pointing to the right, each containing a stage name. Below each stage is a grey rectangular box listing its key components. At the bottom, a wide blue bar contains the overall goal: 'Sustainability Value & Trust'.

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

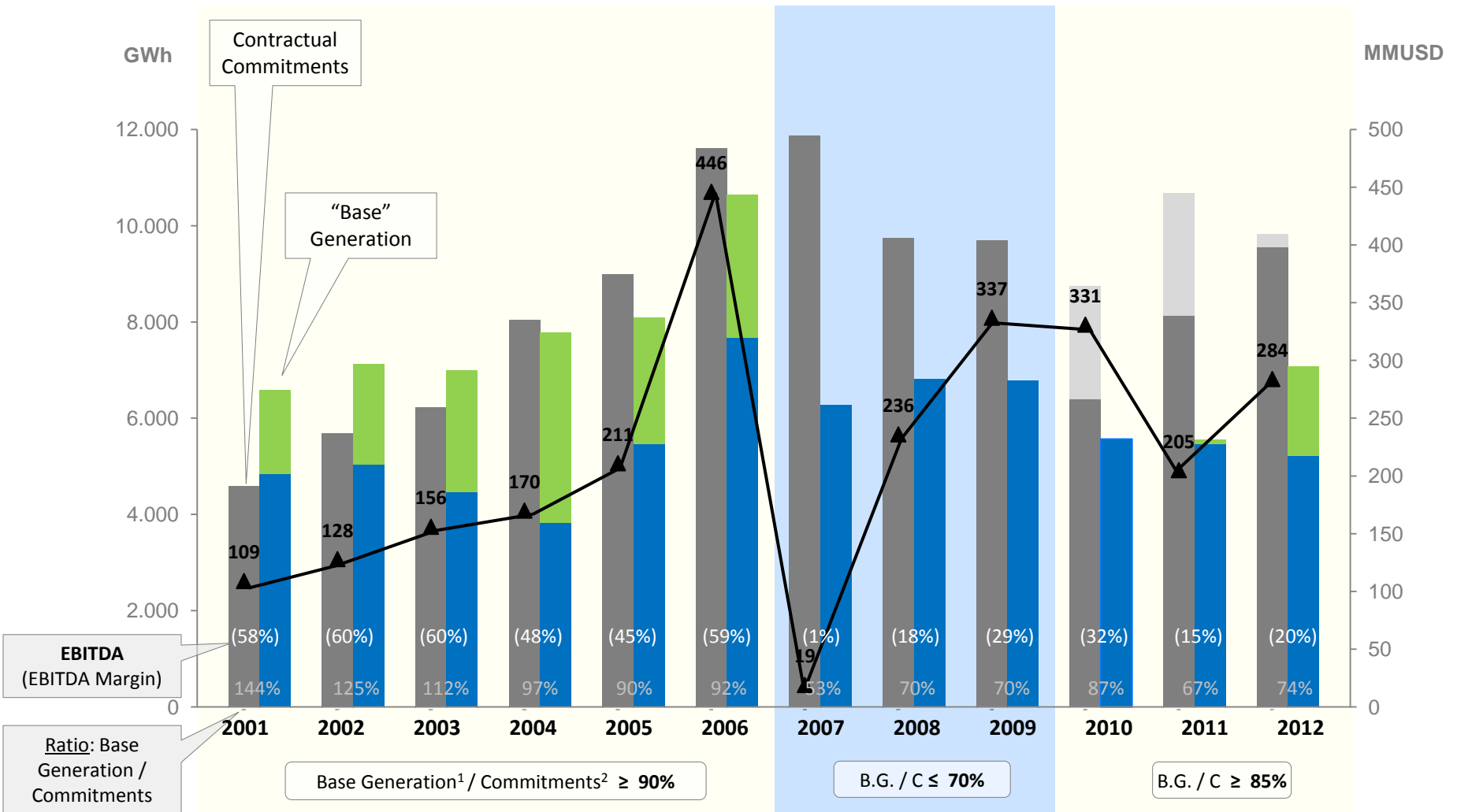
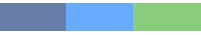
Structure tailor-made
hedge programs



to protect from more
 adverse

1) Hydrologic conditions
 2) Fuel prices

Evolution of Colbún's Business Model

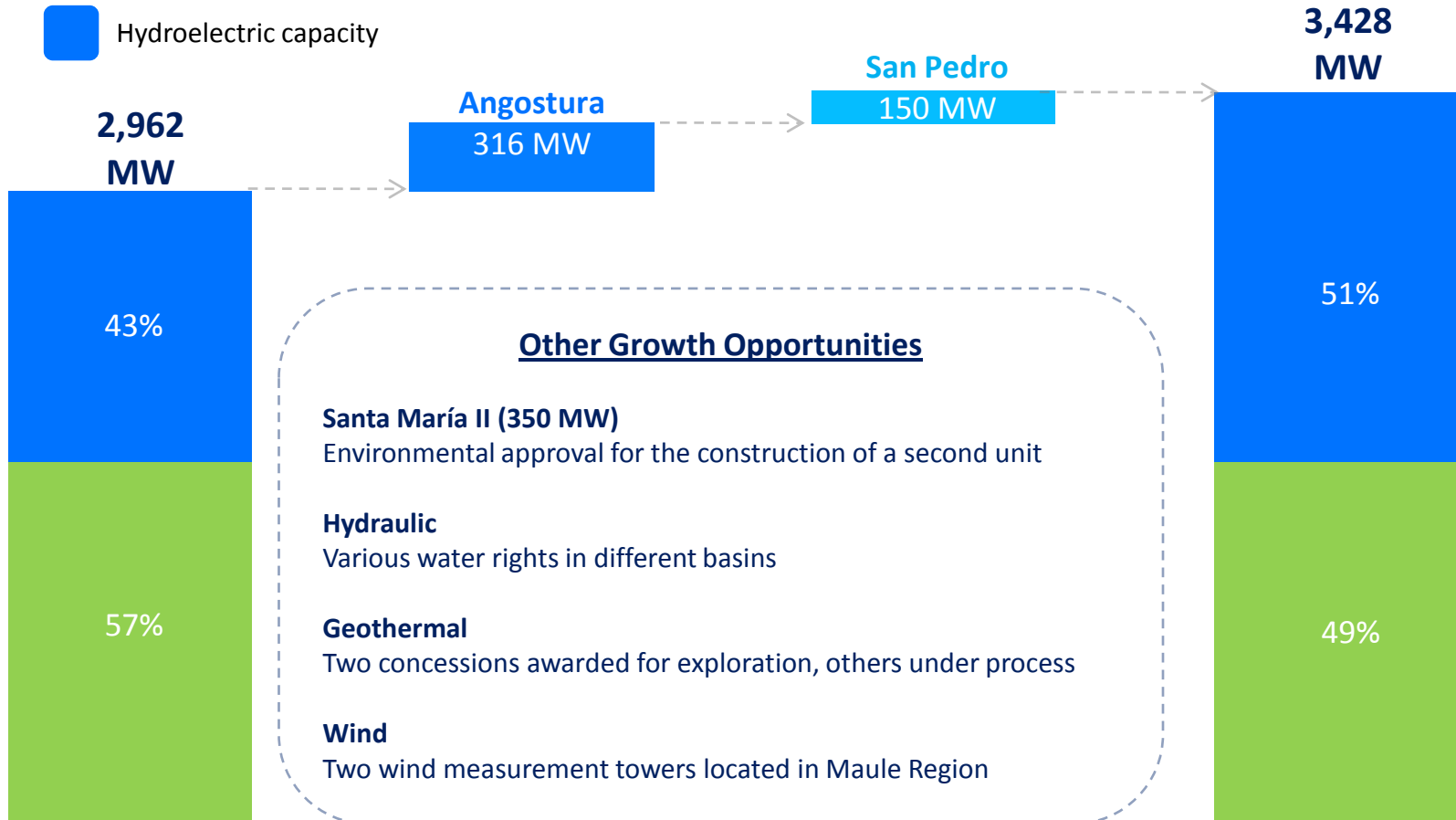


1: Commitments represent Colbún's committed sales (through contracts) excluding commitments which price is indexed to the spot price
 2: Base Generation represents Colbún's electricity production @ low variable cost (hydro generation + gas generation during Phase I and coal generation in Phase III)

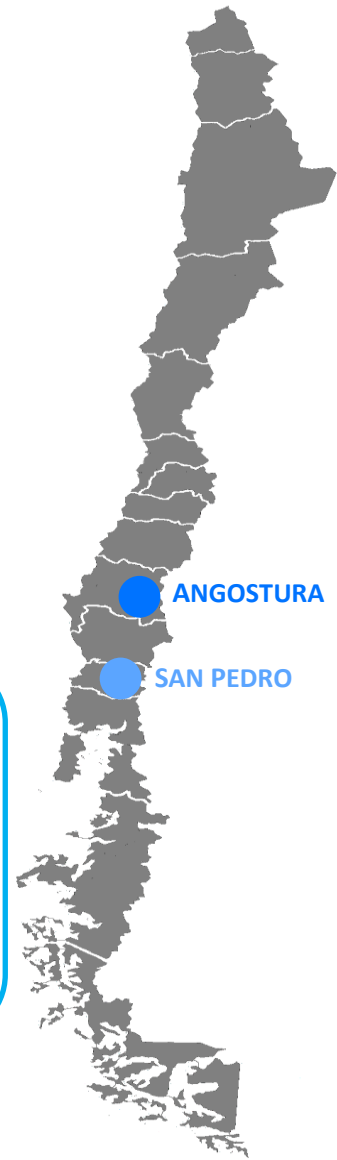
Our expansion plan

 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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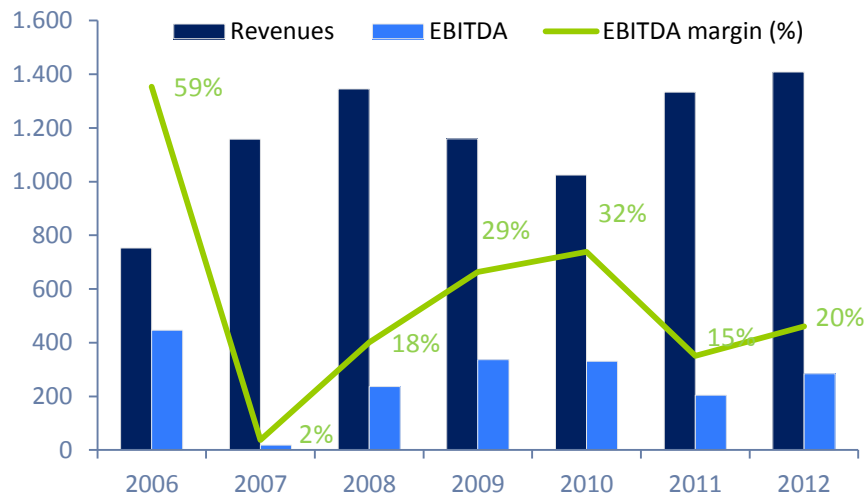
Business Strategy

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

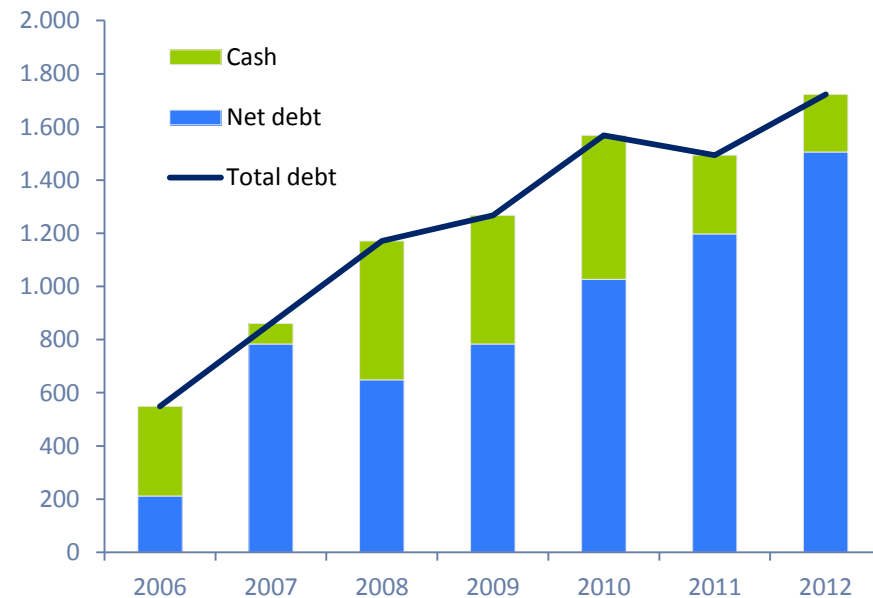
MMUSD	2006	2007	2008	2009	2010	2011	2012
Revenues	753	1,160	1,346	1,159	1,024	1,333	1,409
EBITDA	446	19	236	337	331	205	284
Depreciation	(107)	(118)	(117)	(122)	(124)	(125)	(136)
Non-operational result	(43)	75	106	(51)	(103)	(37)	(45)
Exchange rate differences	12	(65)	(120)	82	18	(14)	10
Income Tax	(32)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

Capital Structure and Credit Metrics

Key Credit Metrics

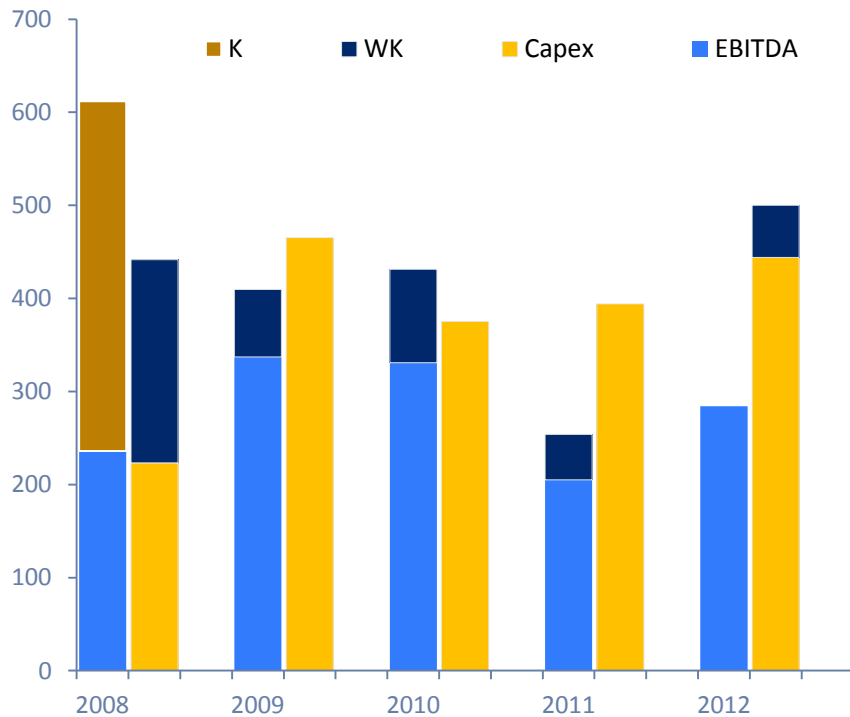
	2006	2007	2008	2009	2010	2011	2012
Total debt to total capital (%)	18.8	26.0	25.0	27.0	31.1	30.1	32.9
Net debt to EBITDA (x)	0.4	36.6	2.3	2.3	3.1	5.9	5.3
EBITDA Interest coverage (x)	14.3	0.5	3.9	6.5	6.7	7.4	8.7

Cash, Debt & Net Debt (MMUSD)



Free Cash Flow Analysis

Selected Sources & Uses of Funds (MMUSD)

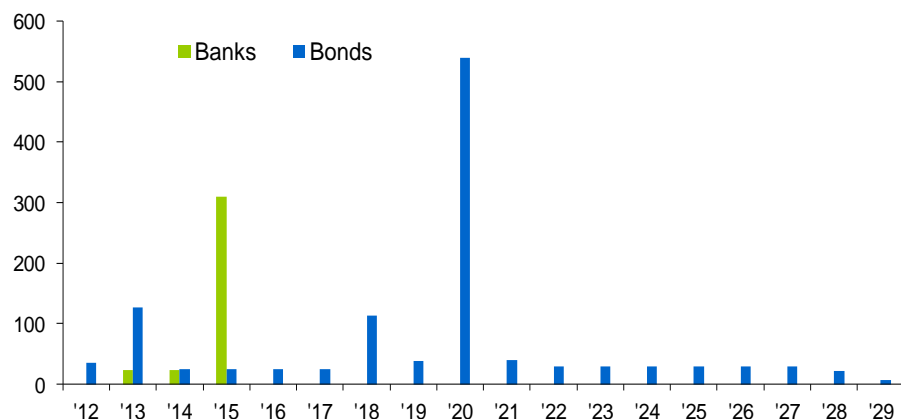


- ✓ Negative FCF in past years due to intensive capex program
- ✓ Intensity of capex diminishes in 2013
- ✓ Expected recovery of VAT Credit in coming years (current stock of MMUSD 258)
- ✓ Low dividend policy (30% of Net Income)

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

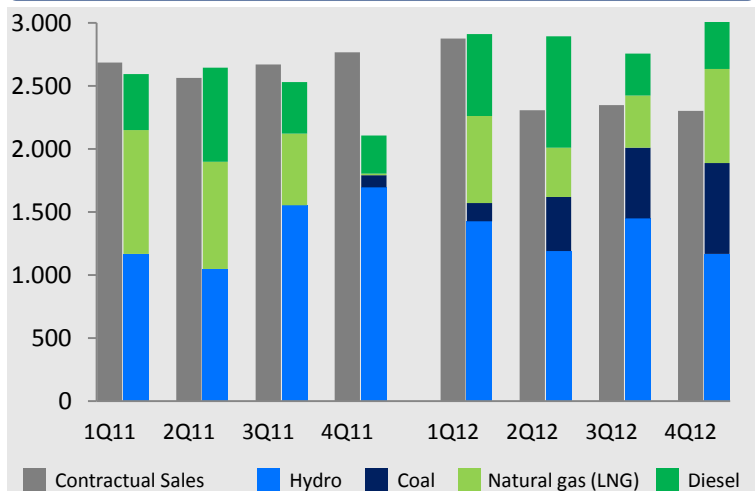
Access to additional USD 150 million in credit lines facilities and a registered commercial paper program, which we use from time to time for working capital optimization purposes

Balance Sheet as of December 2012 (MMUSD)

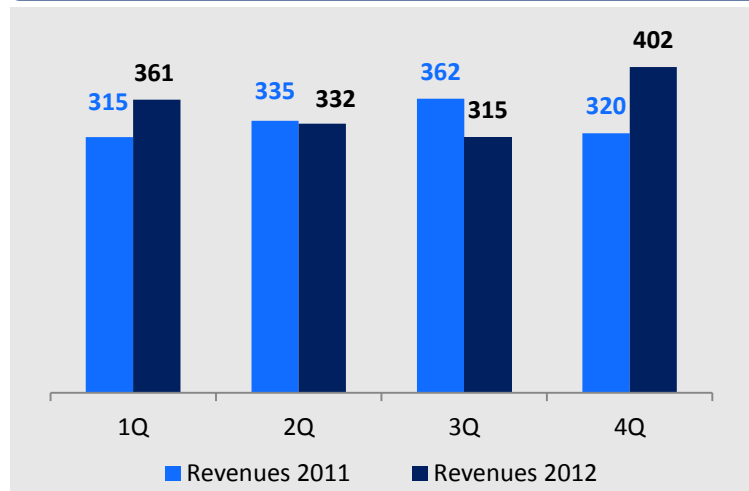
<u>Current Assets</u>	<u>789</u>
Cash and equivalents	218
Accounts receivable	203
Recoverable taxes	258
Other current assets	110
<u>Non-Current Assets</u>	<u>5,215</u>
Property, Plant and Equipment	4,904
Other non-current assets	311
Total Assets	6,003
Current Liabilities	551
Long-Term Liabilities	1,940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

A quarterly look at Colbún's results

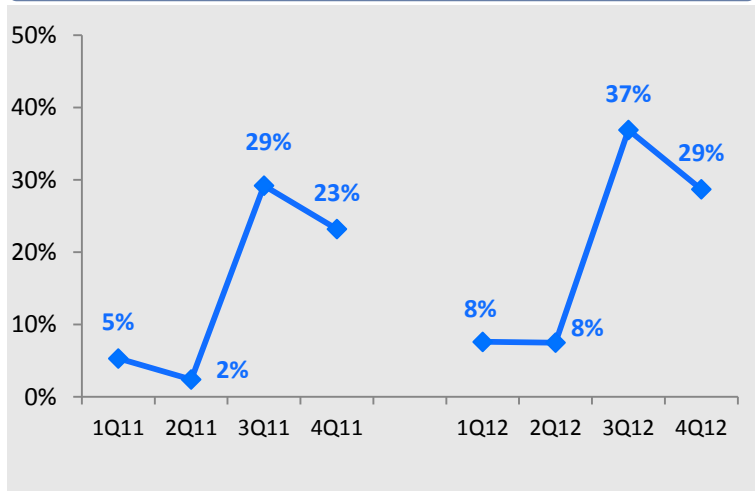
Sales vs. Generation - quarterly (GWh)



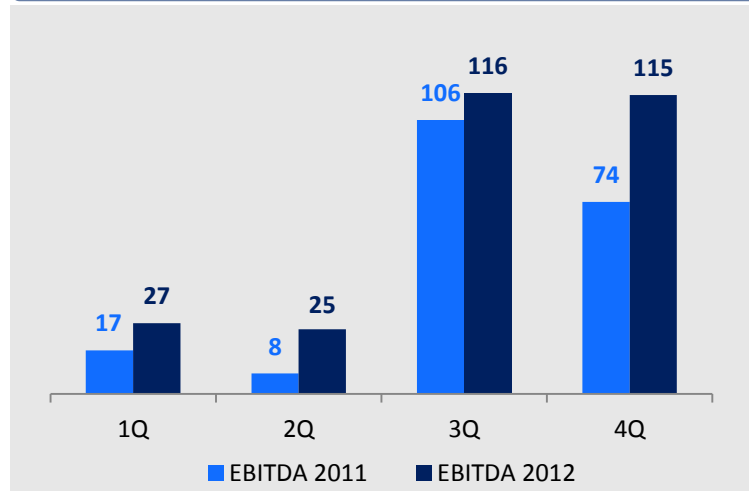
Revenues - quarterly (MMUSD)



EBITDA margin - quarterly (%)



EBITDA - quarterly (MMUSD)





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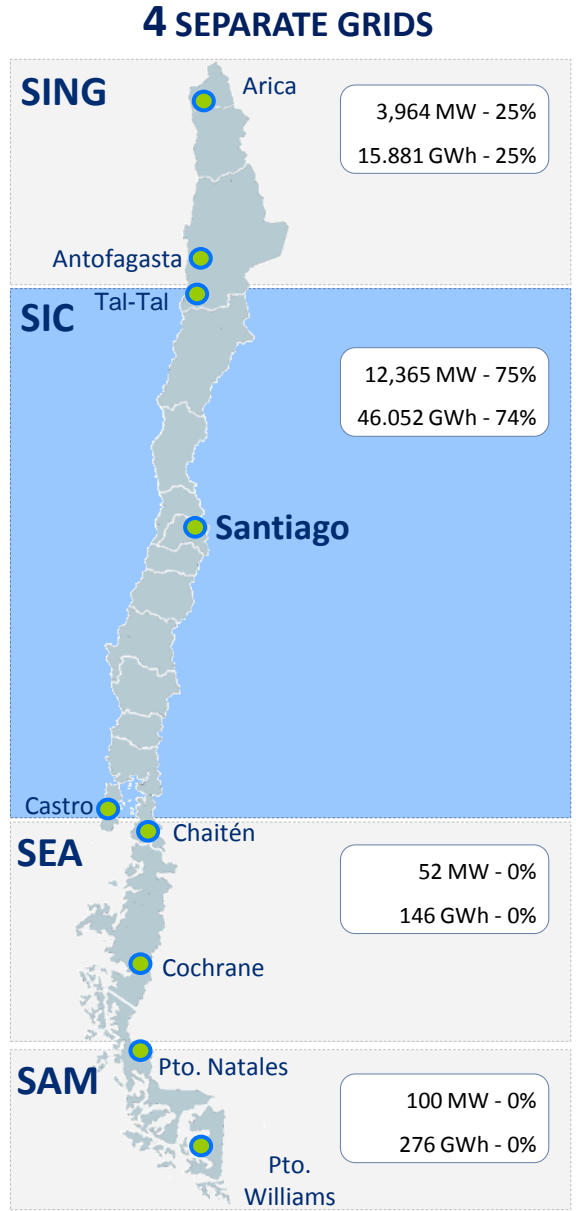
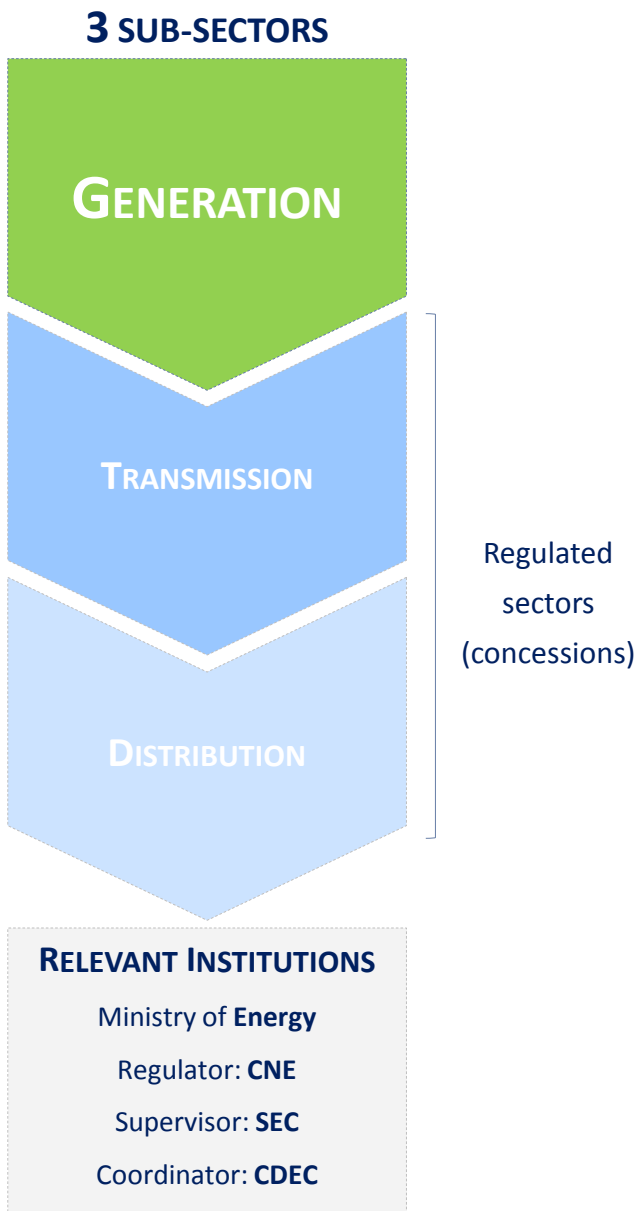
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Sector Segmentation



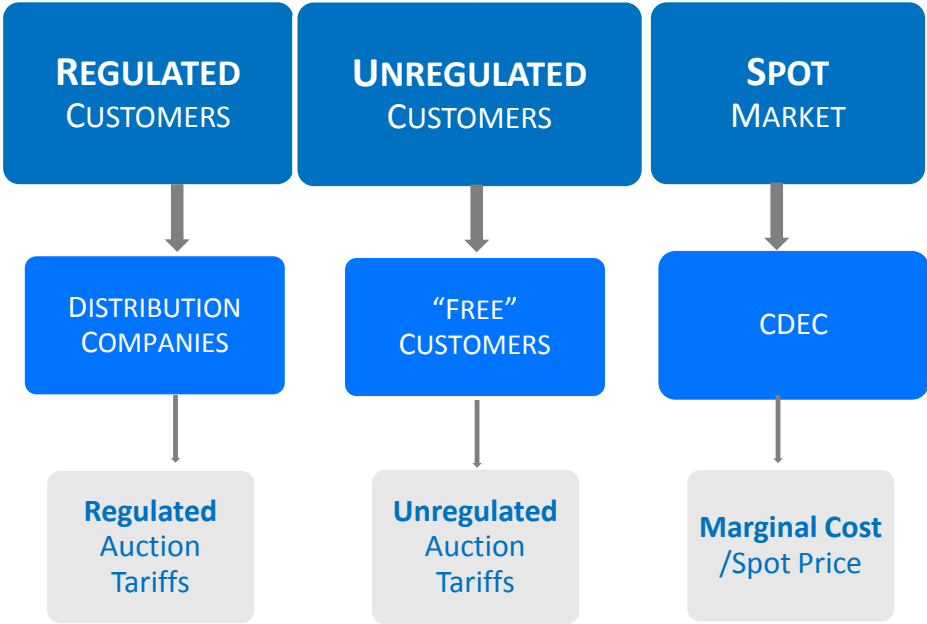
Source: CNE, December 2011



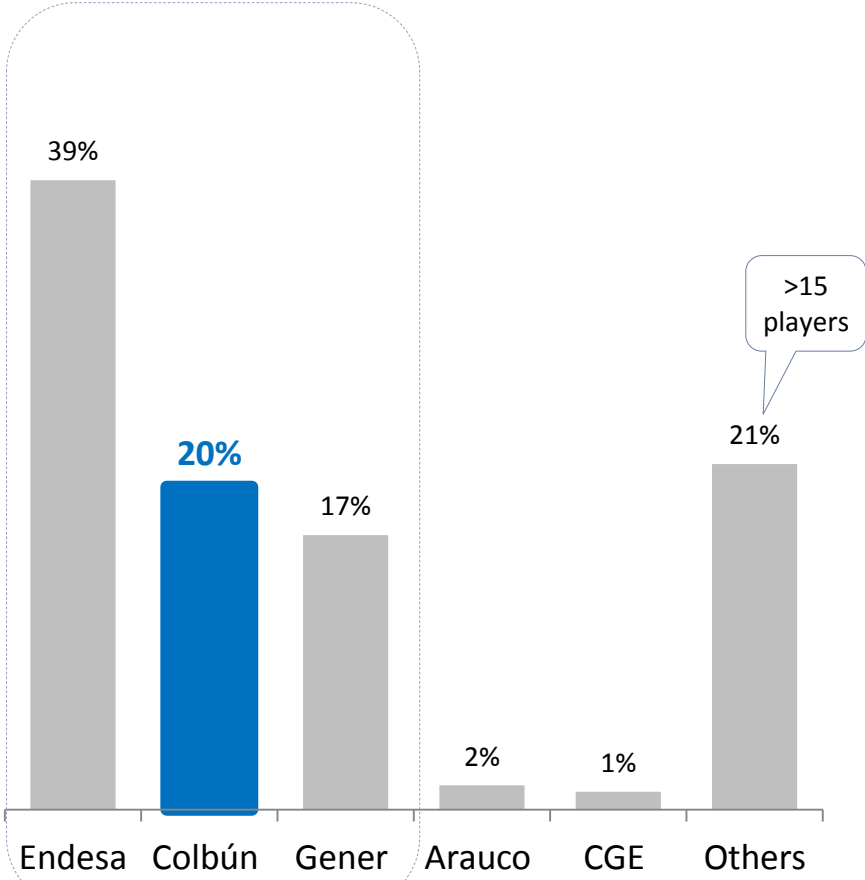
Market Structure

Electricity Market Structure

GENERATORS



Main Players in the Generation Sector-SIC

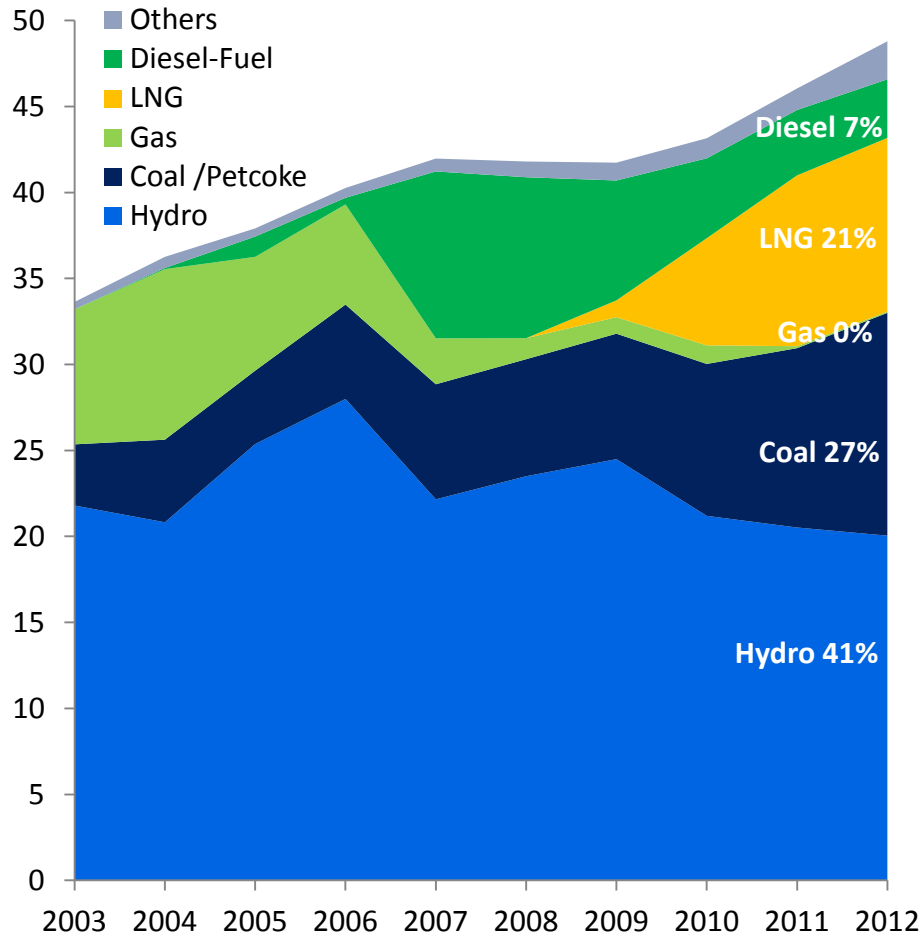


Source: Colbún, December 2012



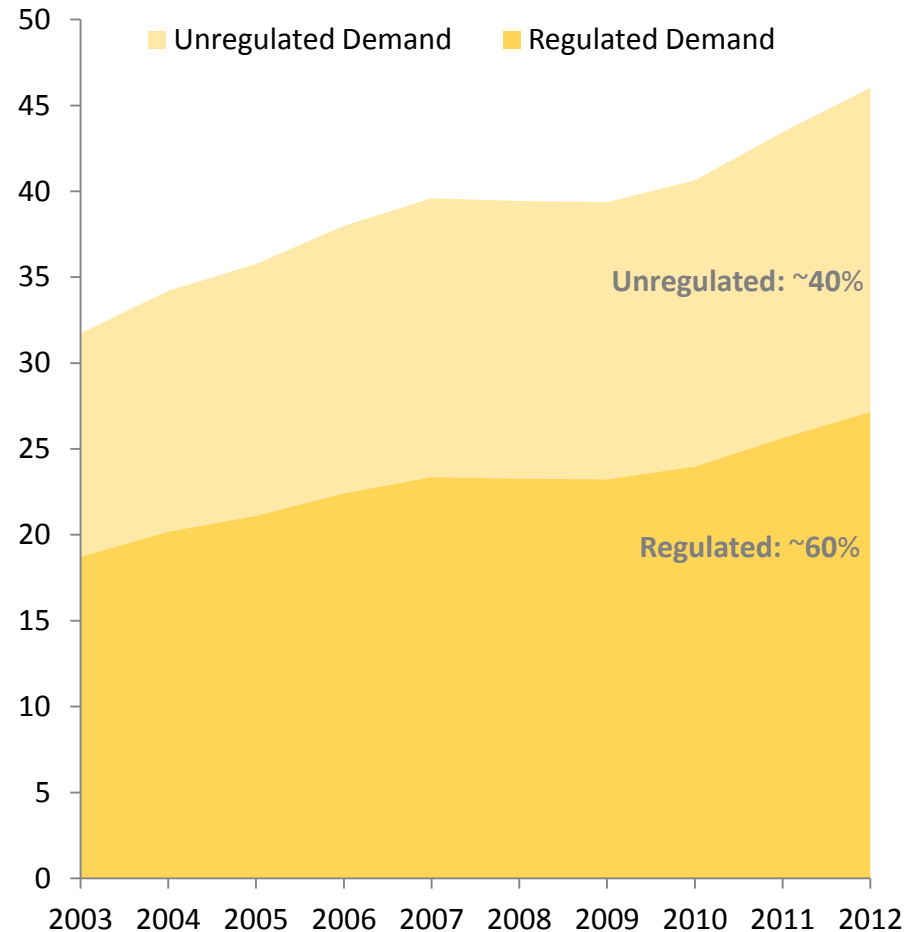
Evolution of Power Generation and Demand in the SIC

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, 2012.
 "Informe Técnico Definitivo SIC", CNE, October 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

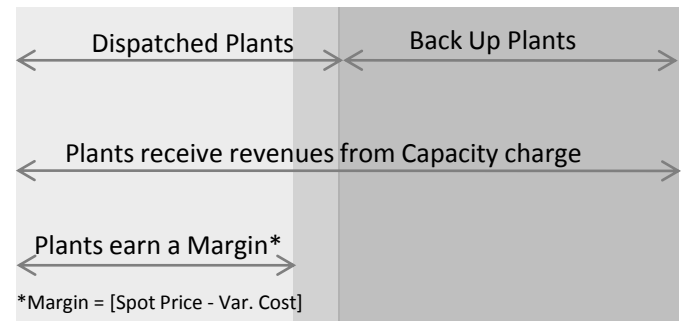
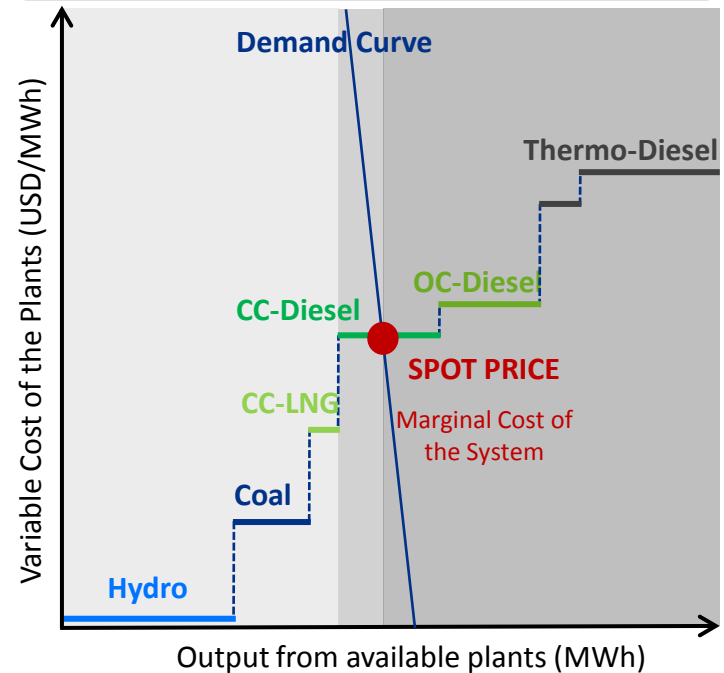
- 3) **Market Price**: free price settled by both parties for bilateral contracts

OTHER GENERATORS

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

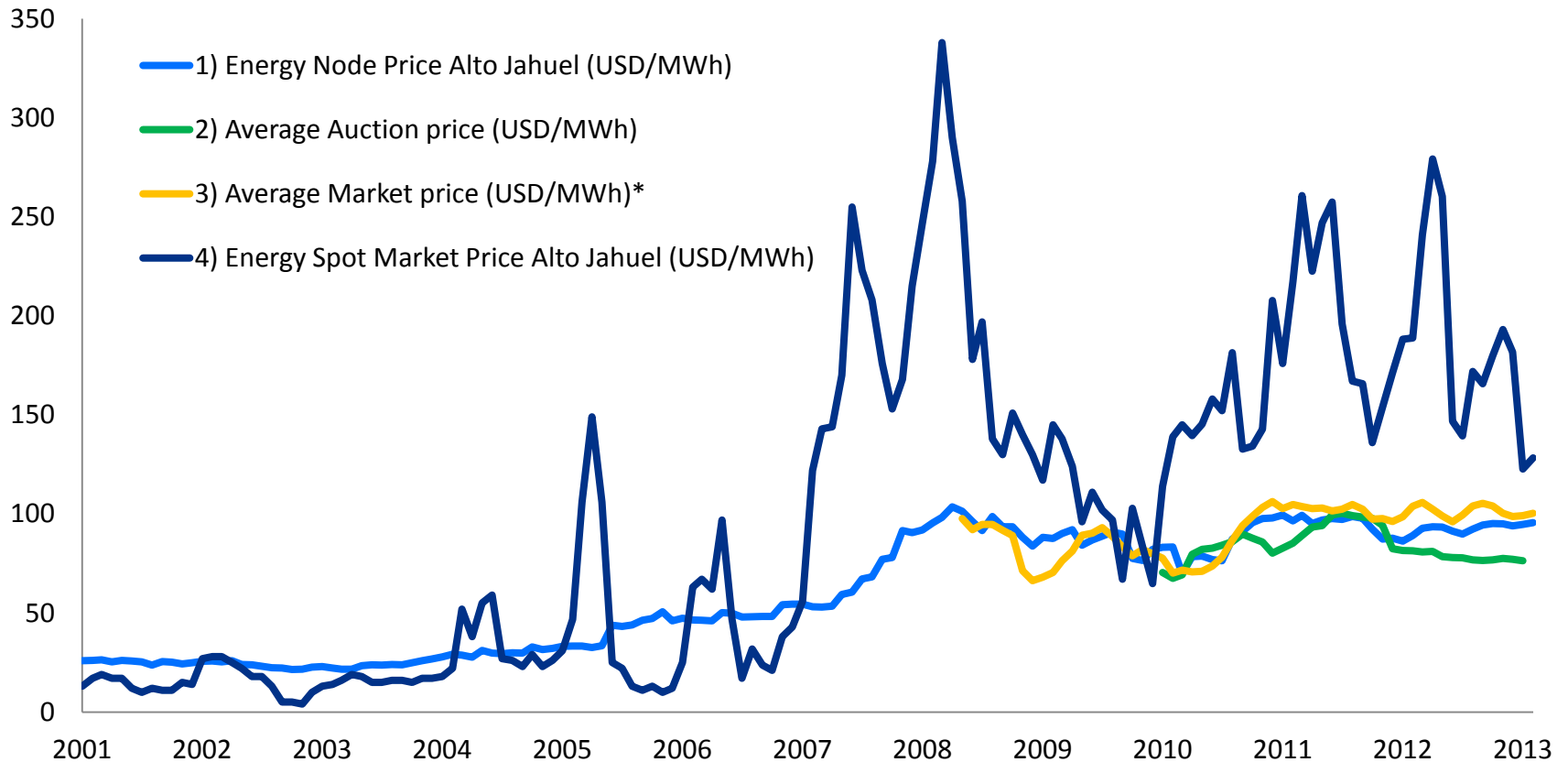
All facilities are also paid a capacity charge for being available

Dispatch Scheme



Evolution of electricity prices

Electricity Prices-SIC (USD/MWh)

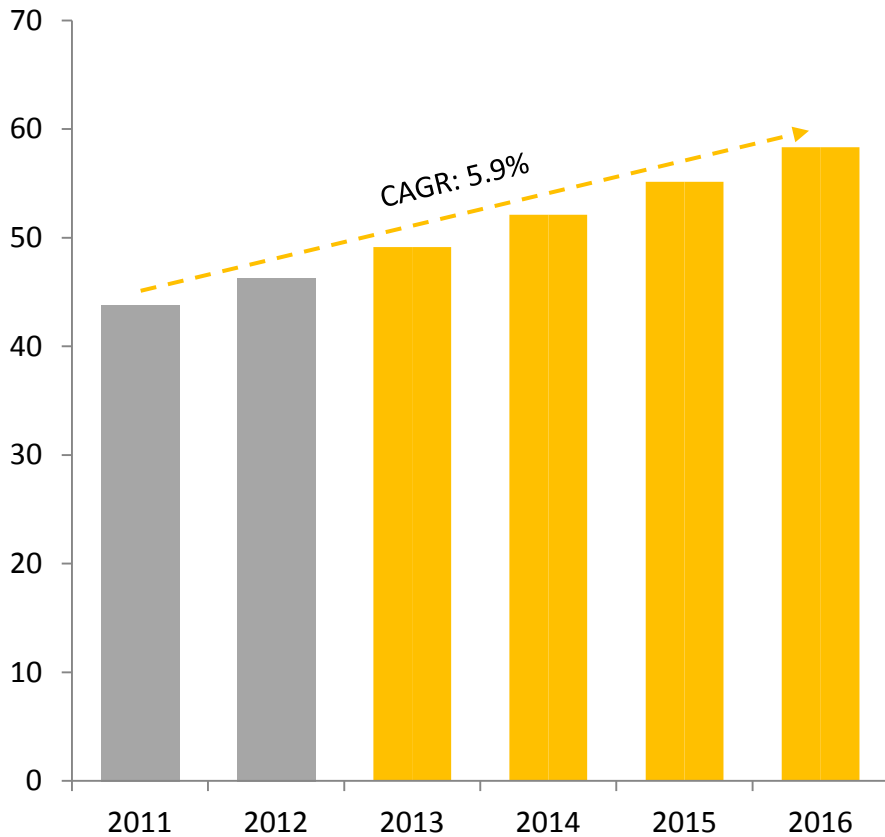


Source: "Costos reales marginales mensuales Alto Jahuel", CDEC/ Colbún; "Historia precios nudos", CNE; "Informes Mensuales Systepl", www.systepl.cl

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.

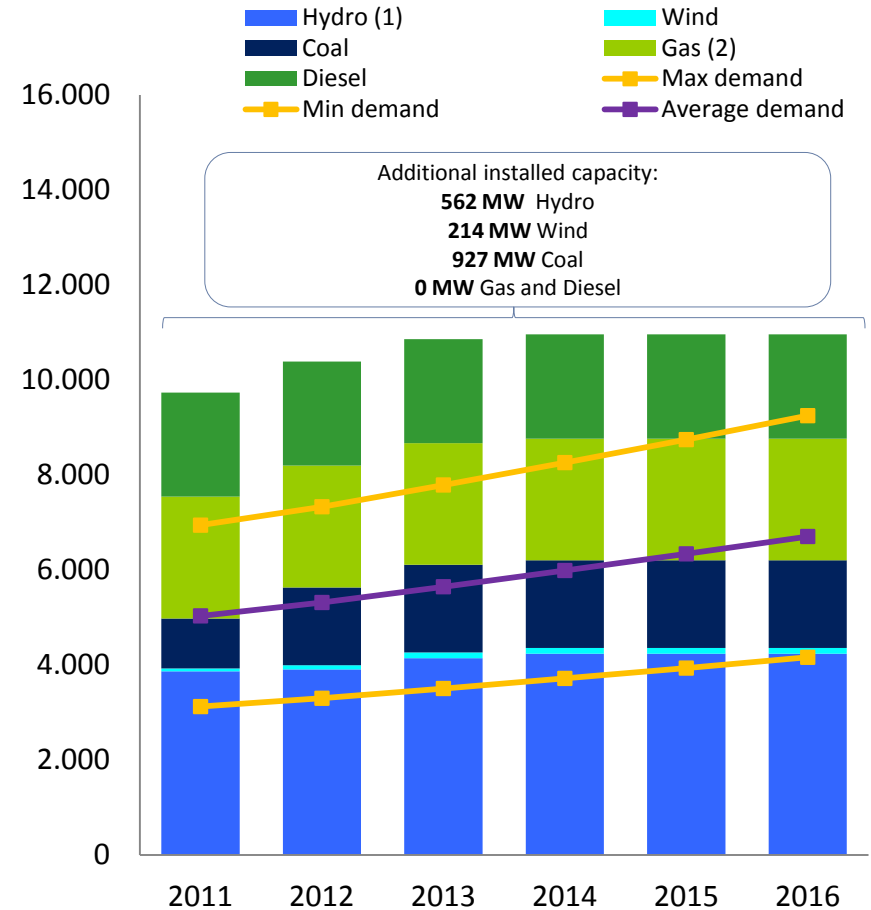
Demand and Supply: what to expect in the coming years

Electricity Demand - SIC (TWh)



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

Available Power by type - SIC (MW)



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

(1) Considering normal hydro conditions

(2) Real gas output depends on fuel availability



