



**COMPANY PRESENTATION**

**1Q 2012**





# Agenda

## Company Overview

Chilean Electricity Sector

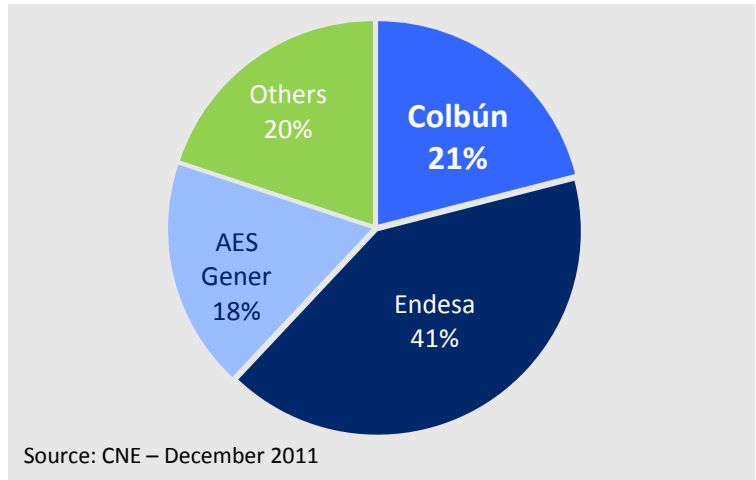
Business Strategy

Financial Profile

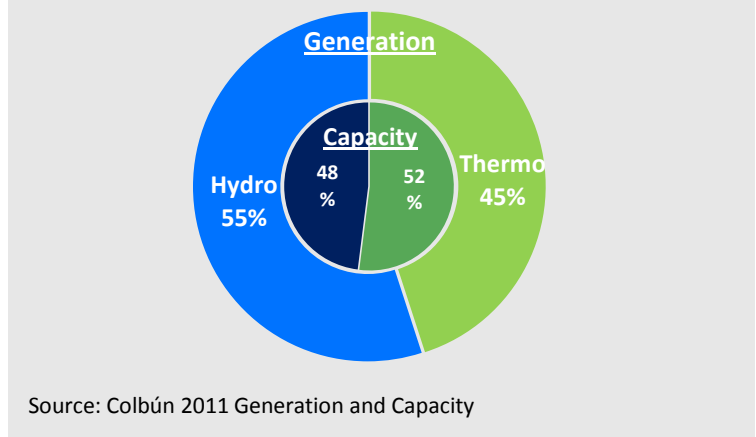
# Colbún at a glance

- Business → Power Generation & Trade
- Size → 2<sup>nd</sup> largest generator in Chile's Central Grid (SIC), with 21% market share (MW).  
The SIC covers 90% of the population
- Capacity → 2,620 MW  
52% thermal and 48% hydraulic
- Generation → 9,781 GWh in 2011  
45% thermal and 55% hydraulic
- Assets → 15 hydro plants in 4 different basins  
6 thermal plants in 4 different regions
- People → 930 employees as of March'11
- Results → EBITDA of USD 204.7 million in 2011  
Revenues of USD 1.3 billion in 2011

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



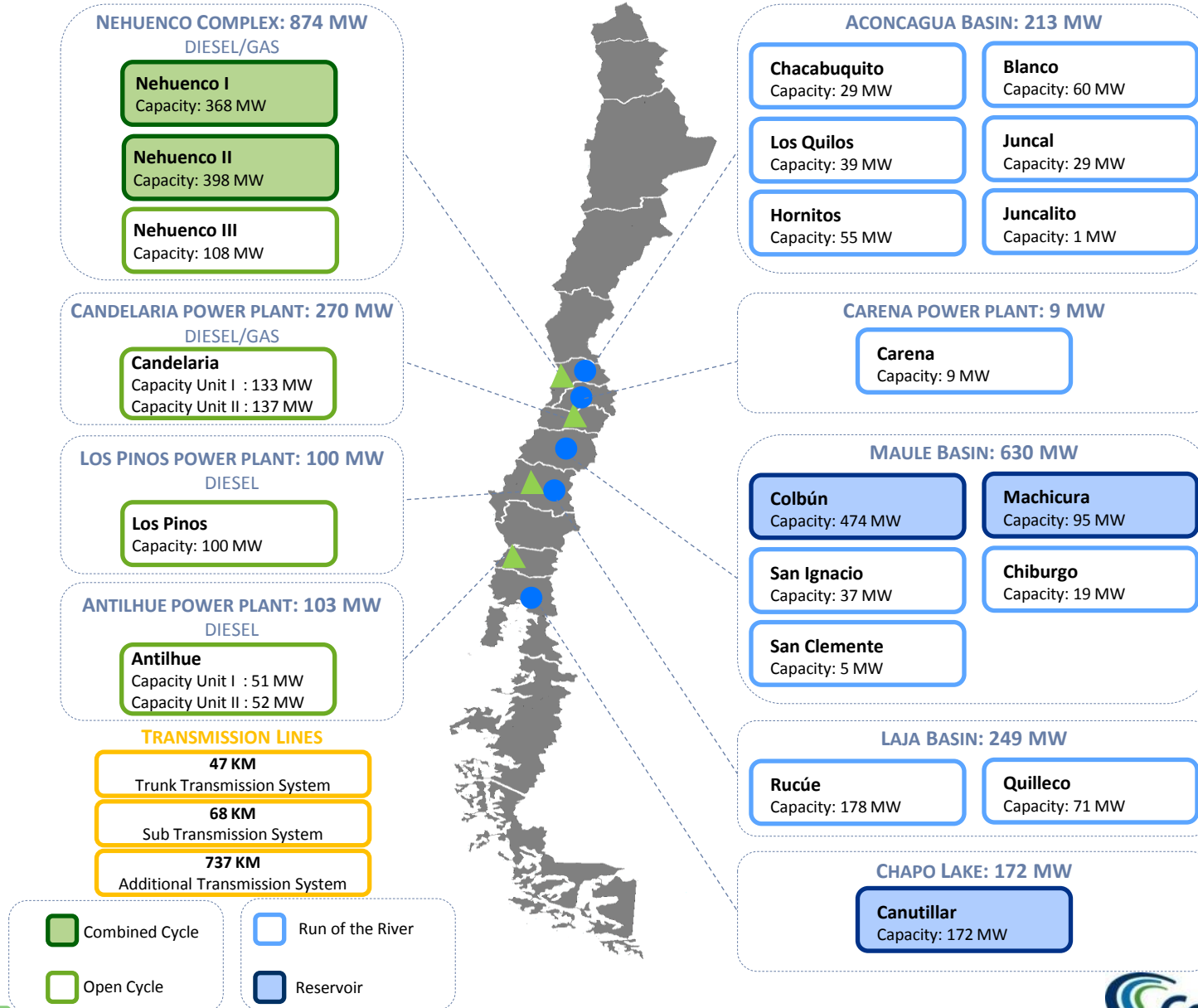
Generation (GWh) and Installed Capacity (MW)



6 THERMAL POWER PLANTS

A diversified asset base

15 HYDRO POWER PLANTS



# A diversified customer base

REGULATED CUSTOMERS

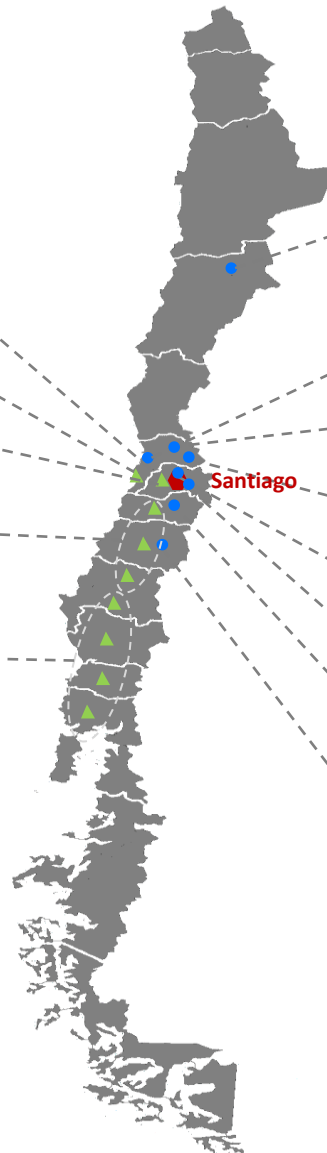
**CHILECTRA**  
(2011- 2021/23/25)

**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

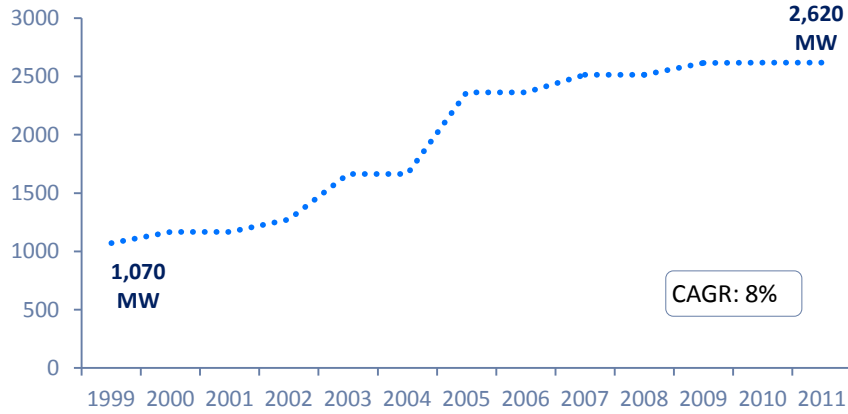
**CODELCO**  
Teniente

**CMPC**  
Procart

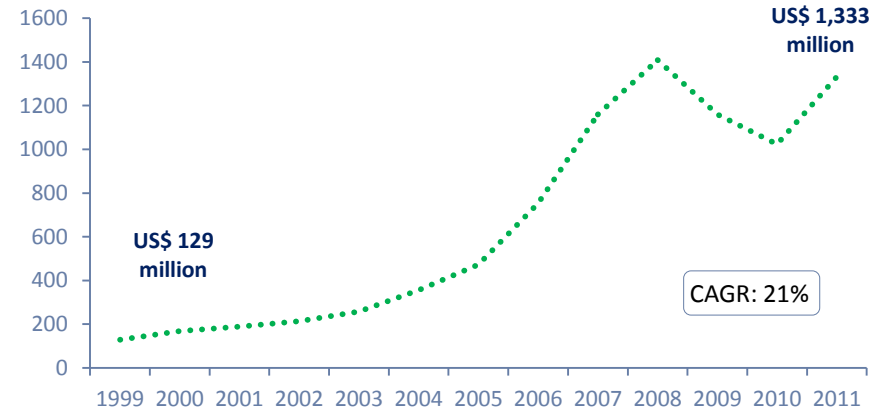
UN-REGULATED CUSTOMERS

# Colbún has grown steadily over the past decade

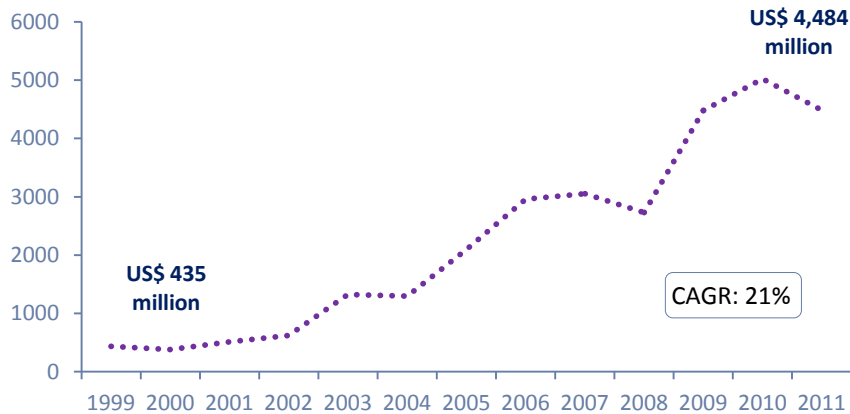
## Capacity (MW)



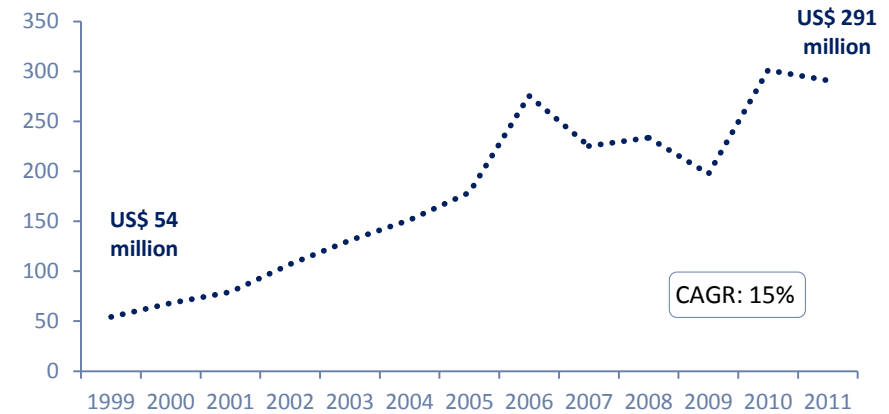
## Total Operating Revenues (MMUSD)



## 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.

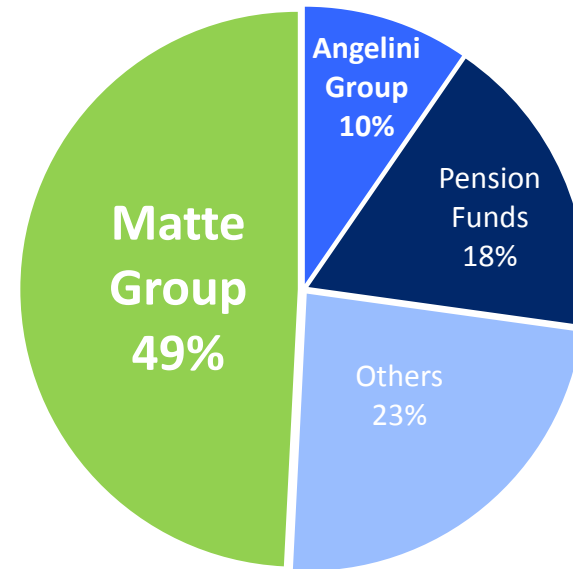
### GOVERNANCE

4 out of 9 are independent directors.

### ACCOUNTING STANDARDS

Disclosure under IFRS standards  
Functional currency: US dollar

### Ownership Structure



Source: Colbún, December 2011



# Agenda

Company Overview

**Chilean Electricity Sector**

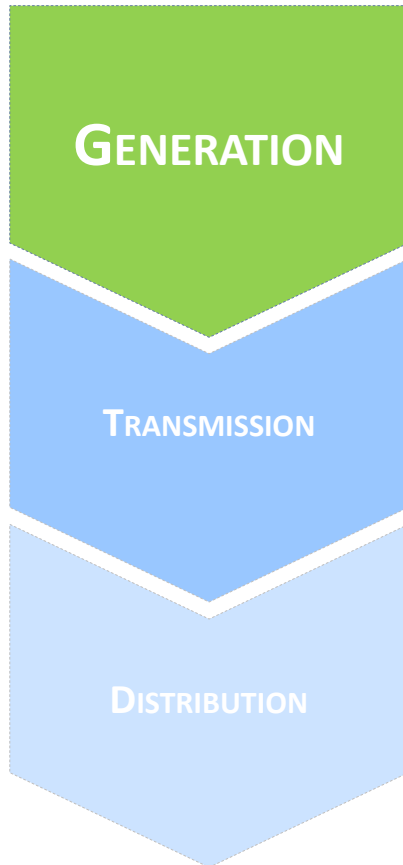
Business Strategy

Financial Profile



# Sector Segmentation

## 3 SUB-SECTORS

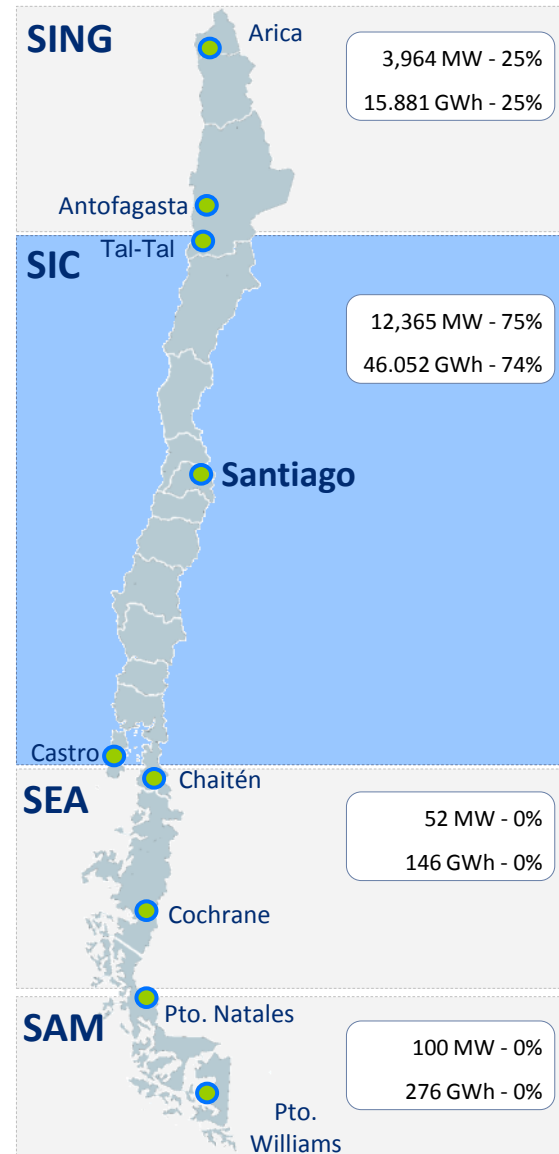


Regulated sectors  
(concessions)

### RELEVANT INSTITUTIONS

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

## 4 SEPARATE GRIDS



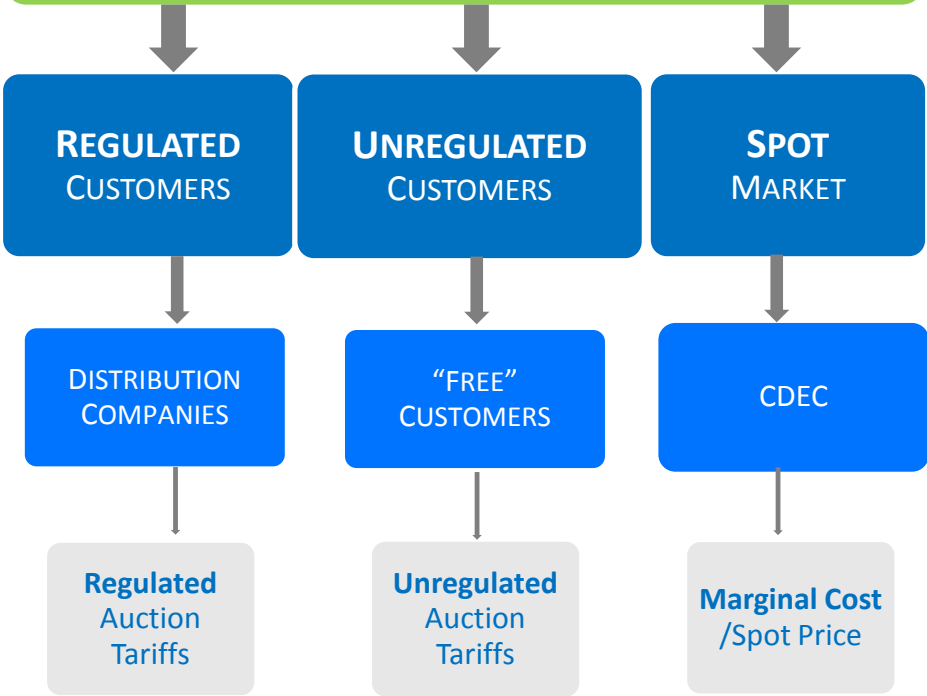
Source: CNE, December 2011



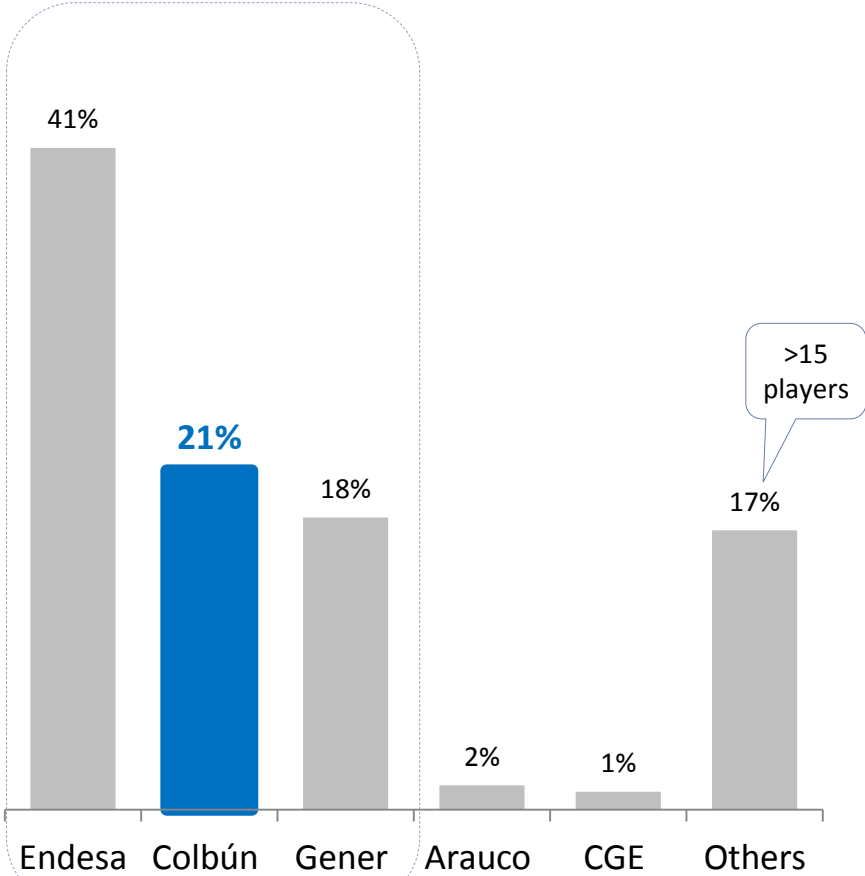
# Market Structure

## Electricity Market Structure

### GENERATORS



## Main Players in the Generation Sector-SIC

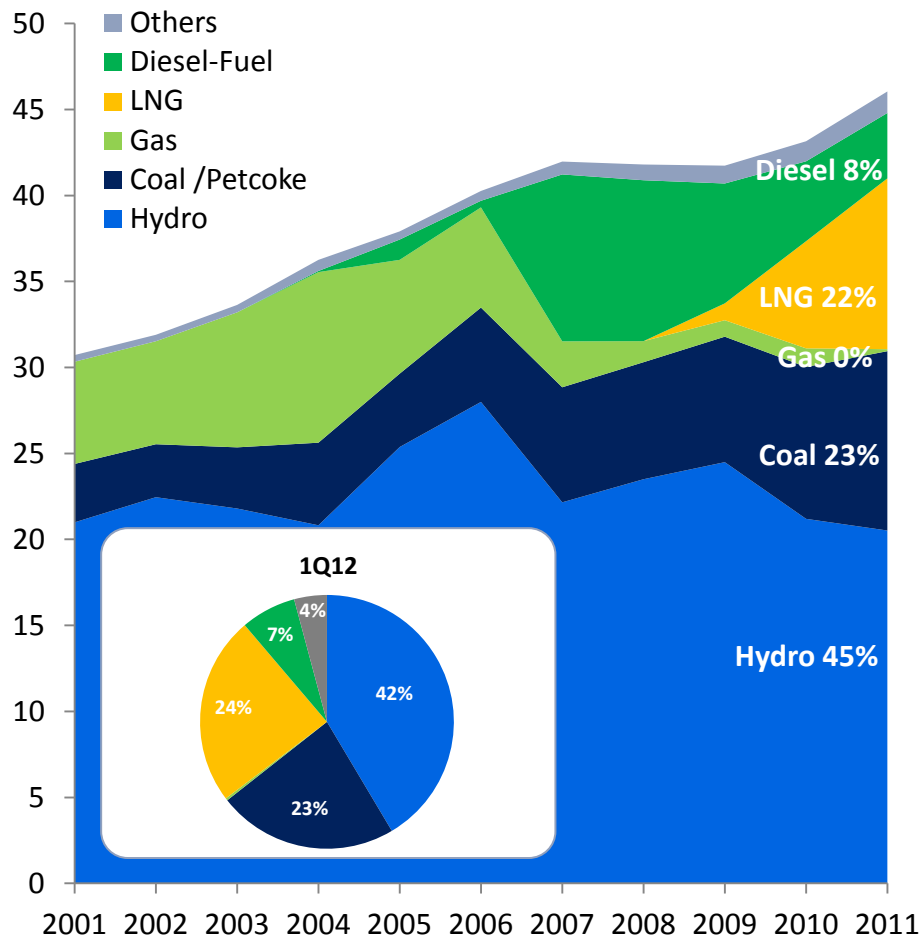


Source: "Capacidad Empresas Generadoras CDEC, December 2011



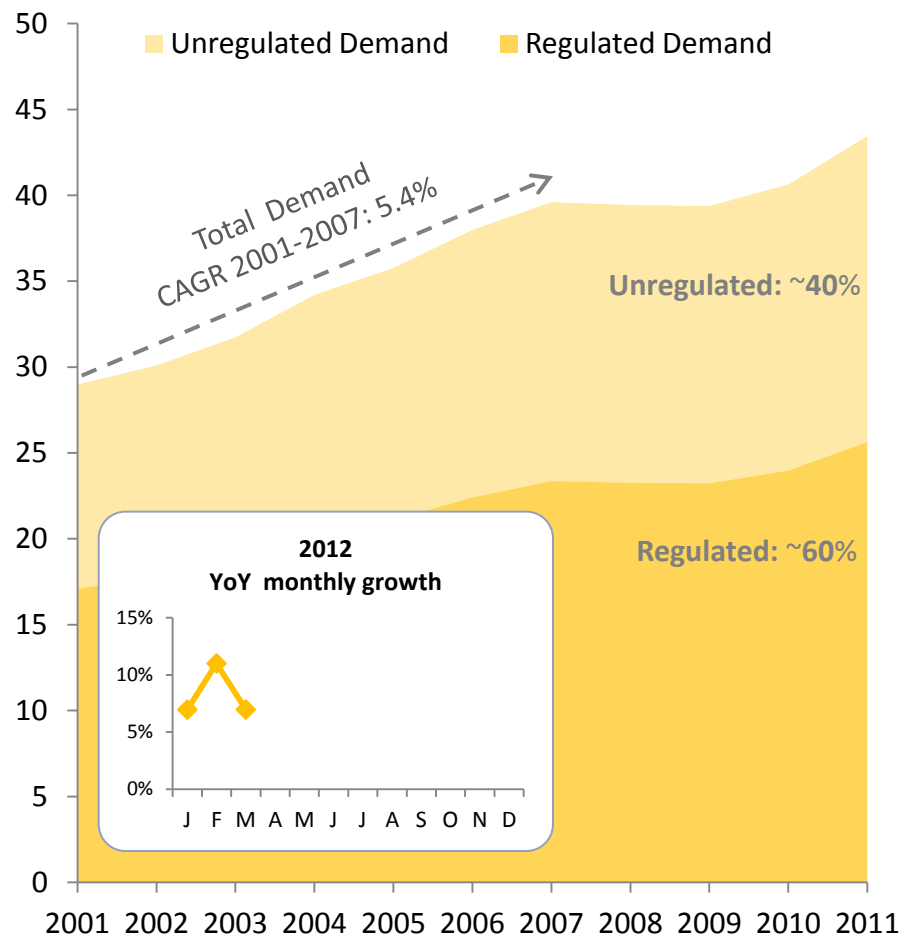
# Evolution of Power Generation and Demand in the SIC

## 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 2011

"Informe Systeem", Systeem, 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

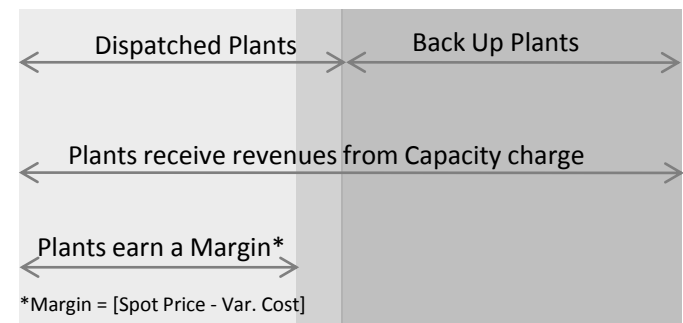
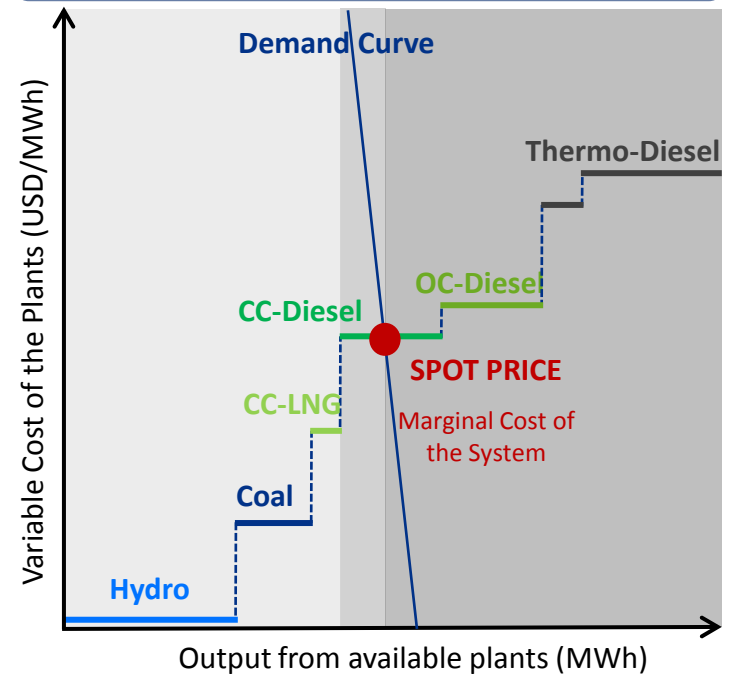
- 3) Market Price:** free price settled by both parties for bilateral contracts

### OTHER GENERATORS

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

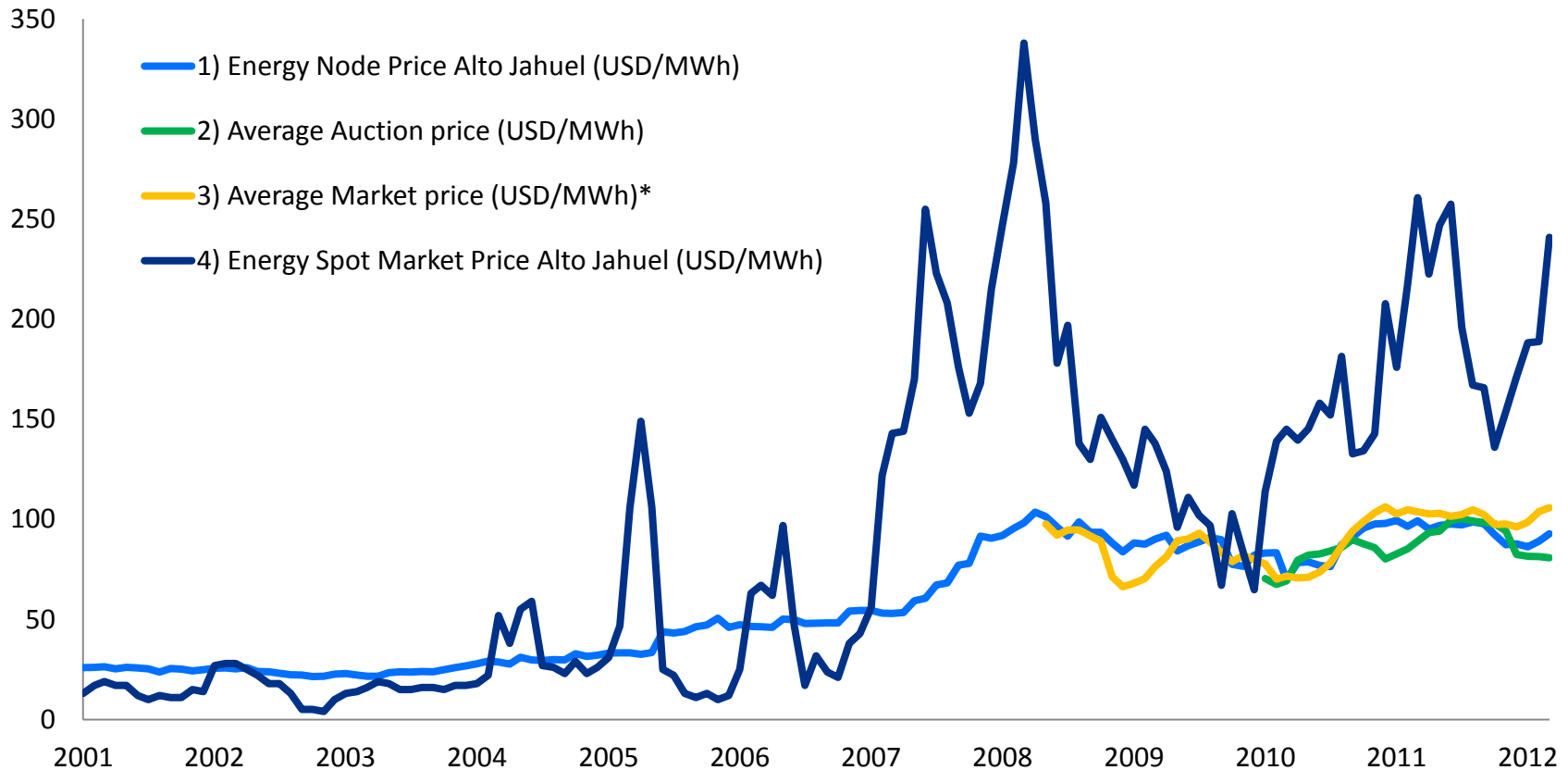
All facilities are also paid a capacity charge for being available

## Dispatch Scheme



# Evolution of electricity prices

## Electricity Prices-SIC (USD/MWh)

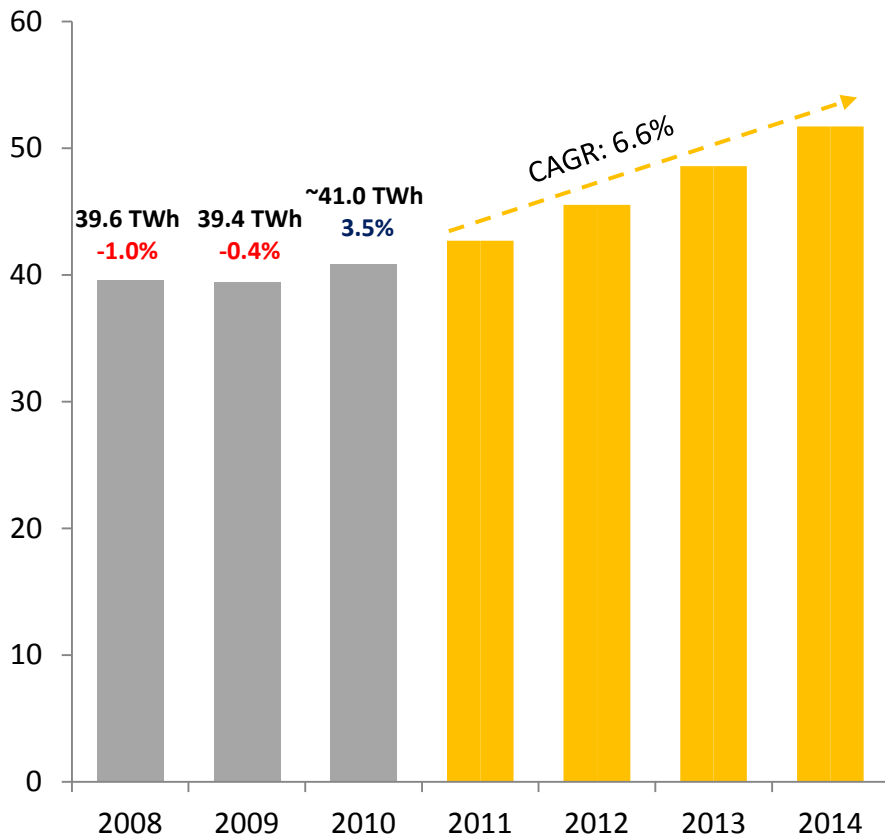


Source: "Costos reales marginales mensuales Alto Jahuel", CDEC/ Colbún; "Historia precios nudos", CNE; "Informes Mensuales Systepl", [www.systepl.cl](http://www.systepl.cl)

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.

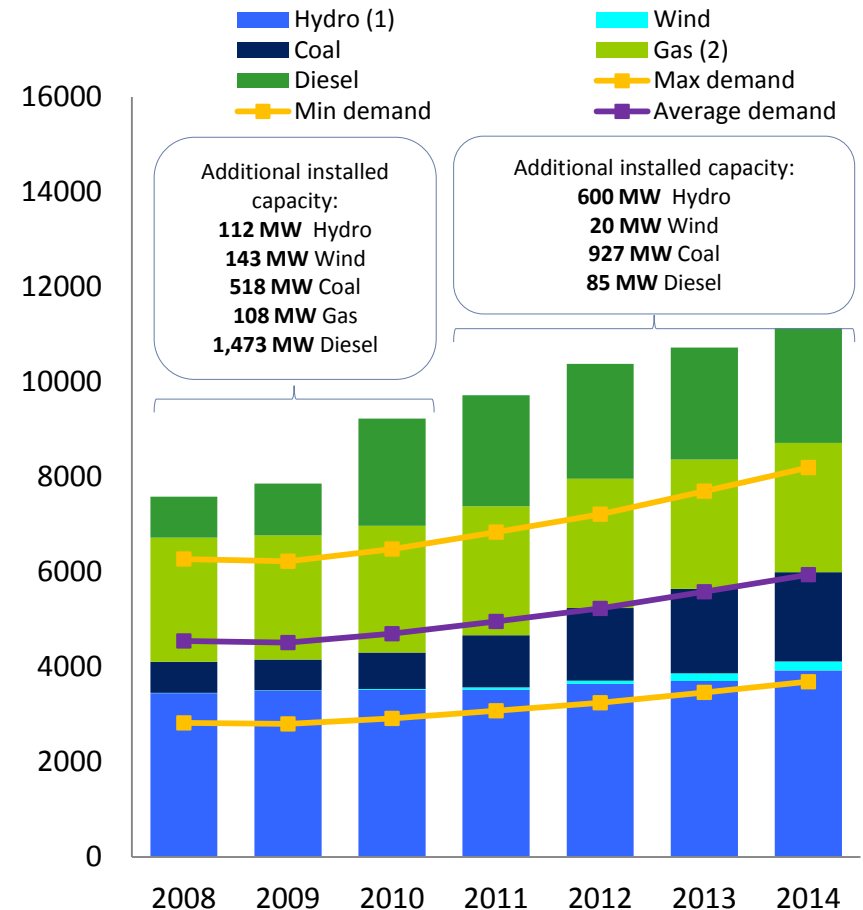
# Demand and Supply: what to expect in the coming years

## Electricity Demand - SIC (TWh)



Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, October 2011

## Available Power by type - SIC (MW)



Source: "Informe Técnico Definitivo Fijación Precio Nudo SIC", CNE/Colbún, October 2011

(1) Considering normal hydro conditions

(2) Real gas output depends on fuel availability



# Agenda

Company Overview

Chilean Electricity Sector

**Business Strategy**

Financial Profile

## 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



**Project  
Development**

**Multidimensional  
challenge:**

Technical  
+  
Environmental / Social  
+  
Financial

**Operational  
Excellence**

**High  
standards:**

Reliability  
+  
Security  
+  
Environmental

**Risk / Return  
Profile**

**Risk / return profile  
combining:**

Commercial policy  
+  
Financial strength  
+  
Risk management

**Sustainability**  
Value & Trust

# Colbún: a sustainable partner



# Our expansion plan

 Thermoelectric capacity

 Hydroelectric capacity



# Our projects under construction

## SANTA MARIA I COAL POWER PLANT: 342 MW

Coronel, Biobío Region

**TOTAL INVESTMENT:** 748 MMUSD  
**SPENT AS OF MARCH 2012:** 733 MMUSD  
**ADVANCE MARCH 2012:** 99%

**ESTIMATE START OF OPERATION:** Commissioning

## ANGOSTURA HYDRO POWER PLANT: 316 MW

Santa Barbara and Quilaco, Biobío Region

**TOTAL INVESTMENT:** 668 MMUSD  
**SPENT AS OF MARCH 2012:** 329 MMUSD  
**ADVANCE MARCH 2012:** 59%

**ESTIMATE START OF OPERATION:** 4Q2013

## SAN PEDRO HYDRO POWER PLANT: 150 MW

Riñihue Lake, Los Ríos Region

**TOTAL INVESTMENT:** Under revision  
**SPENT AS OF MARCH 2012:** 112 MMUSD

**ESTIMATE START OF OPERATION:** Under revision



**TOTAL INVESTMENT(\*):**  
**1,416 MMUSD**

**SPENT AS OF MARCH 2012(\*):**  
**1,062 MMUSD**



## Commercial policy

### CONTRACT LEVEL

Define optimal Contract Level



**Hydro capacity**

(Output of a medium-dry year)

+

**Efficient thermal capacity**

(Output of coal-fueled plant)

### SALE PRICE INDEXATION

Incorporate indexation formulas of sale prices



that reflect

**our cost structure**

(CPI, Coal, Diesel, Spot Price)

### HEDGE PROGRAM

Structure tailor-made hedge programs



to protect from more adverse

- 1) Hydrologic conditions
- 2) Fuel prices

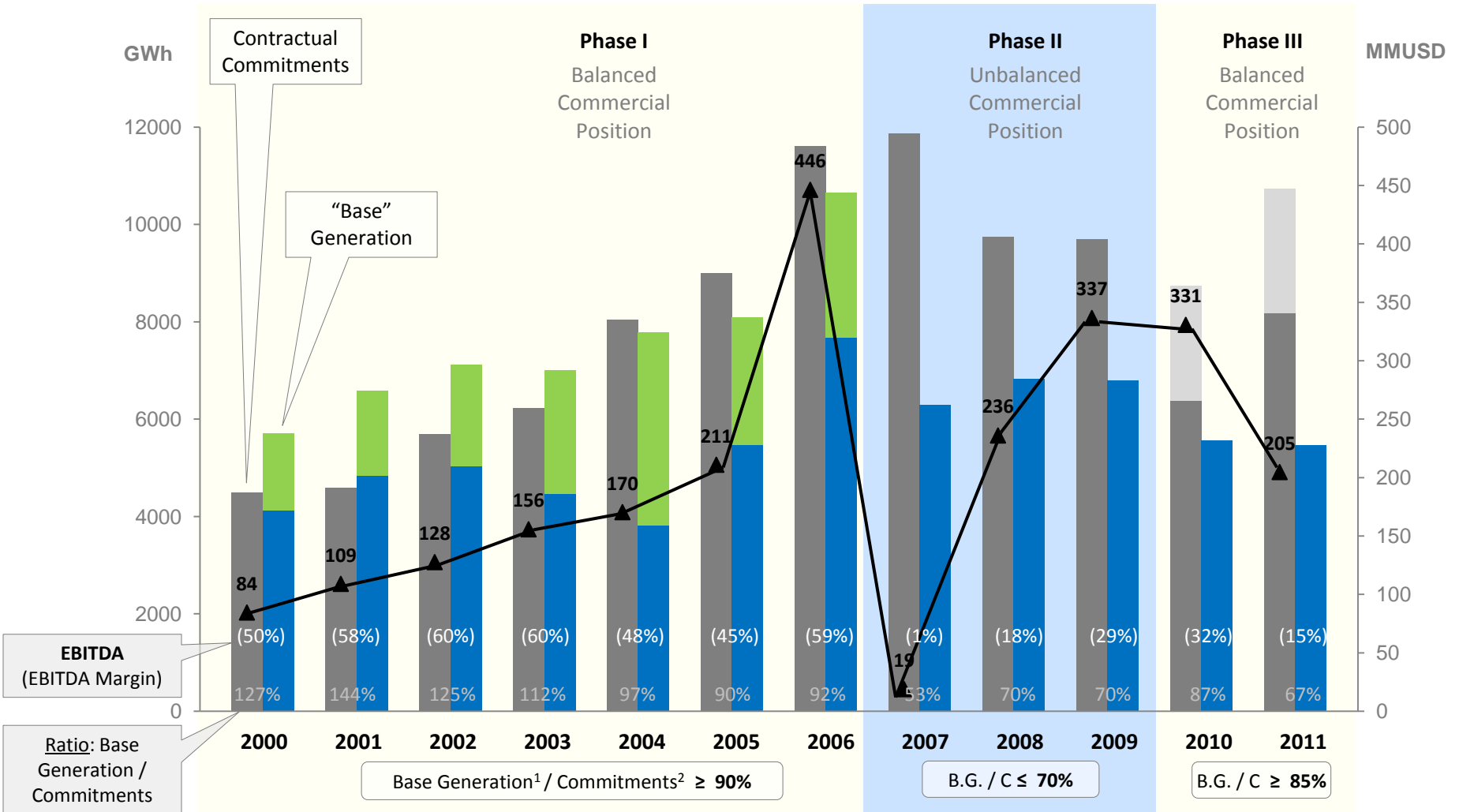
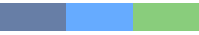
**Supply secure and competitive energy** to our customers

**Maximize Returns** from our current and future assets

**Manage Volatility** given large renewable component

## COMMERCIAL GOALS

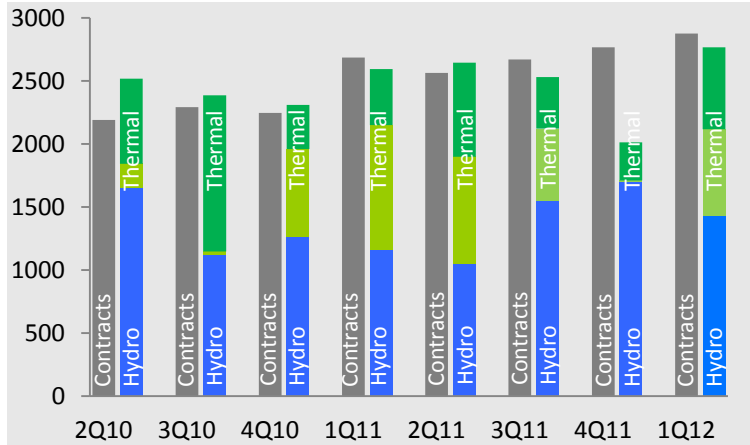
# Evolution of Colbún's Business Model



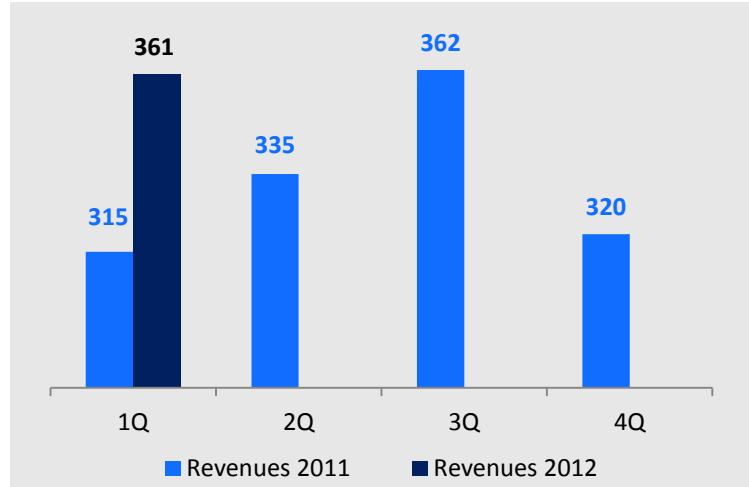
1: Commitments represent Colbún's committed sales (through contracts) excluding commitments which price is indexed to the spot price  
 2: Base Generation represents Colbún's electricity production @ low variable cost (hydro generation + gas generation during Phase I and coal generation in Phase III)

# A quarterly look at Colbún's results

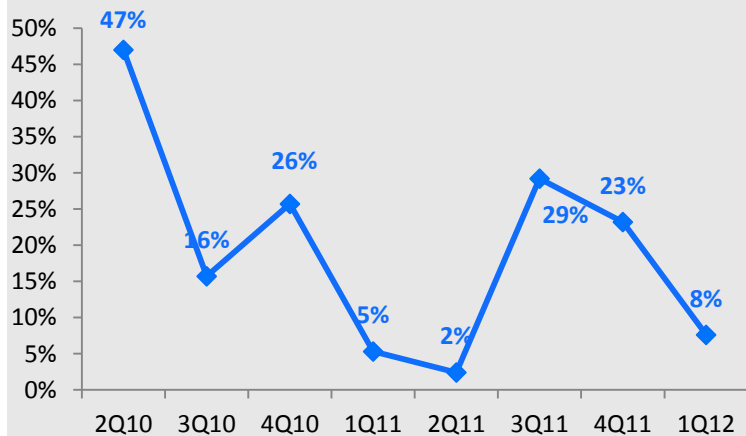
Sales vs. Generation - quarterly (GWh)



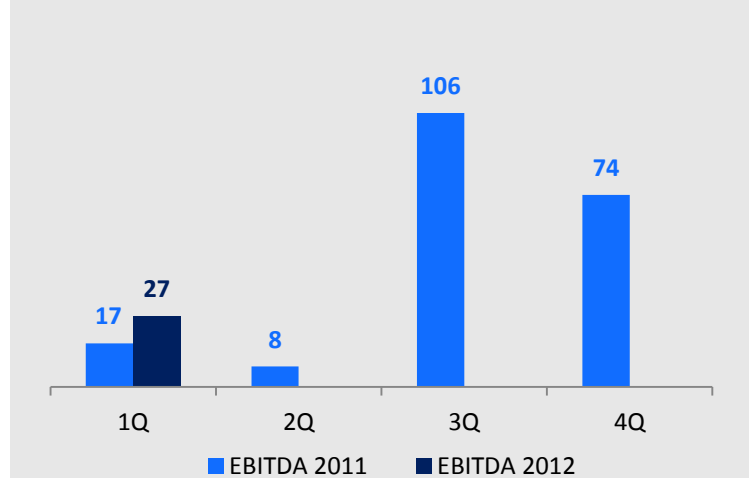
Revenues - quarterly (MMUSD)



EBITDA margin - quarterly (%)



EBITDA - quarterly (MMUSD)







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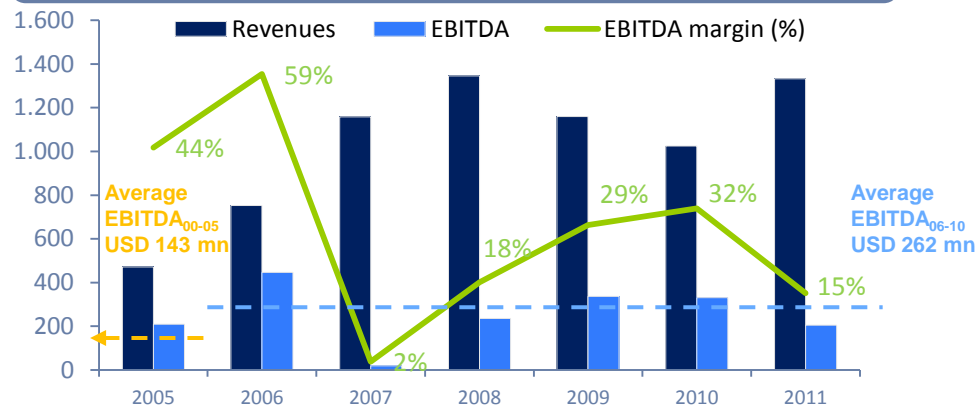
Chilean Electricity Sector

Business Strategy

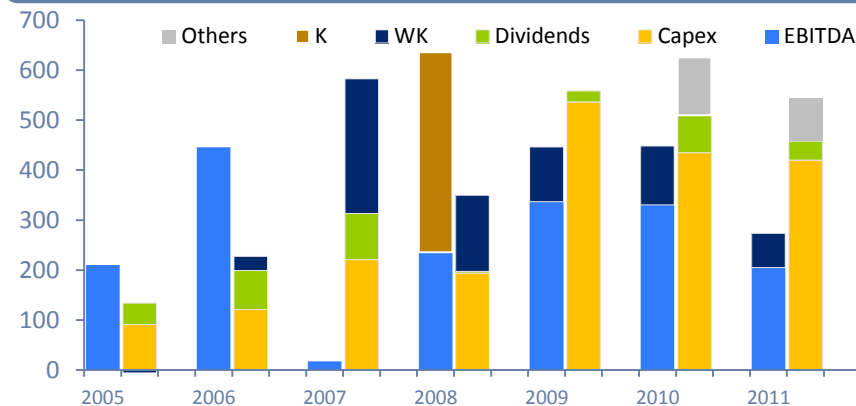
**Financial Profile**

# Historical key financial indicators

## Revenues, EBITDA (MMUSD) & EBITDA Margin



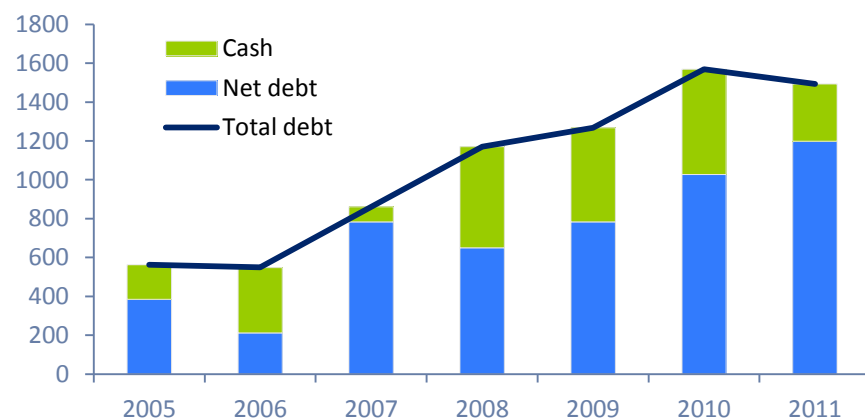
## EBITDA, Capex, Dividends, ΔWK & ΔK (MMUSD)



## Key Credit Metrics

	2005	2006	2007	2008	2009	2010	2011
<b>Total debt to total capital (%)</b>	22.0	18.8	26.0	25.0	27.0	31.0	30.0
<b>Net debt to EBITDA (x)</b>	1.8	0.4	36.6	2.3	2.3	3.1	5.9
<b>EBITDA interest coverage (x)</b>	7.8	14.3	0.5	3.9	6.5	6.7	7.4

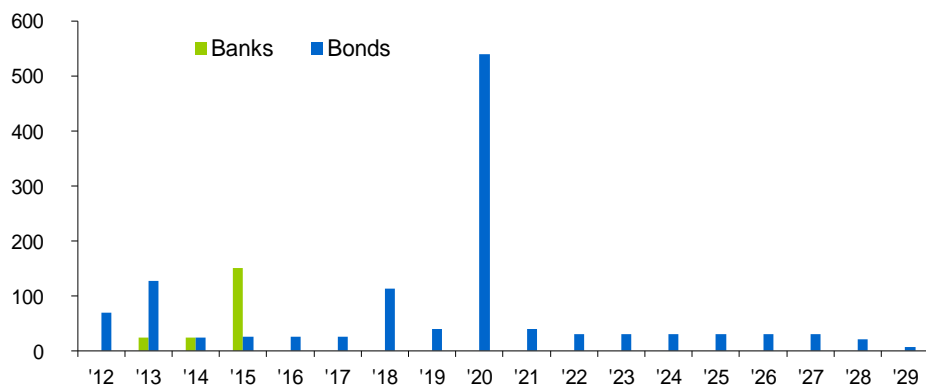
## Cash, Debt & Net Debt (MMUSD)



## Conservative Financial Strategy:

Smooth debt profile coupled with a strong liquidity position

### Amortization Schedule of LT Debt (MMUSD)



### Liquidity Position

#### Cash

USD 203 million of cash and cash equivalents as of March 2012.

#### Committed lines

Committed back-up facility of USD 200 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 Mar. 2012 (MMUSD)

<u>Current Assets</u>	<b>764</b>
Cash and equivalents	203
Accounts receivable	213
<i>Normal sales</i>	158
<i>Sales to regulated customers w/o contracts (ST)</i>	0
<i>Others</i>	56
Recoverable taxes	240
Other current assets	108
<u>Non-Current Assets</u>	<b>4.941</b>
Property, Plant and Equipment	4.660
Other non-current assets	281
<b>Total Assets</b>	<b>5.705</b>
Current Liabilities	401
Long-Term Liabilities	1.821
Shareholders' Equity	3.483
<b>Total Liabilities and Shareholders' Equity</b>	<b>5.705</b>

