

Global Emerging Markets Corporate
Conference - JP Morgan

COMPANY PRESENTATION

FEBRUARY 2019



Colbun

MEJOR ENERGÍA

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- 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.
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- This presentation may contain forward-looking statements concerning Colbún's future performance and should be considered as good faith estimates by Colbún S.A.
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AGENDA

1. OVERVIEW

2. VALUE PROPOSITION

3. UPDATE ON STRATEGIC AGENDA
PROGRESS

4. CONCLUDING REMARKS



Company overview

Leading position in Chile & Peru

THE COMPANY



Installed Capacity
3,893 MW
 🇧🇷 3,328 MW / 🇵🇪 565 MW



Market Share¹
 🇧🇷 17% / 🇵🇪 8%



Ownership
 49.96% Matte Group
 9.58% Angelini Group
 20.82% Pension Funds
 19.64% Others



Power-Plants
26
 🇧🇷 25 / 🇵🇪 1



Transmission Lines
 ~**940** km

KEY FINANCIALS



Total Assets
 US\$**6.9** bn



EBITDA LTM
 US\$**684** mm
 🇧🇷 US\$**648** mm / 🇵🇪 US\$**36** mm



Ratings
Baa2
 Moody's
BBB
 S&P
BBB
 Fitch



Cash
 US\$**788** mm



Net Debt / EBITDA
1.2 x

Note: All figures as of Dec18

¹ 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 proposition

Leading position supported by competitive strengths

1

**COST
EFFICIENT AND
DIVERSIFIED
ASSET BASE**

2

**STABLE &
PREDICTABLE
CASH FLOWS**

3

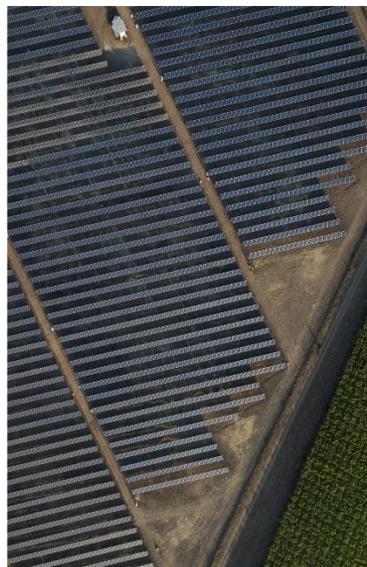
**PRUDENT
FINANCIAL
MANAGEMENT**

4

**ATTRACTIVE
PORTFOLIO OF
GROWTH
OPTIONS**

5

**MAXIMIZING
VALUE TO ALL
OF OUR
STAKEHOLDERS**



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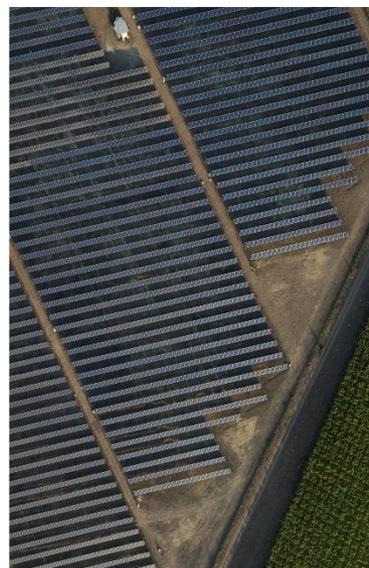
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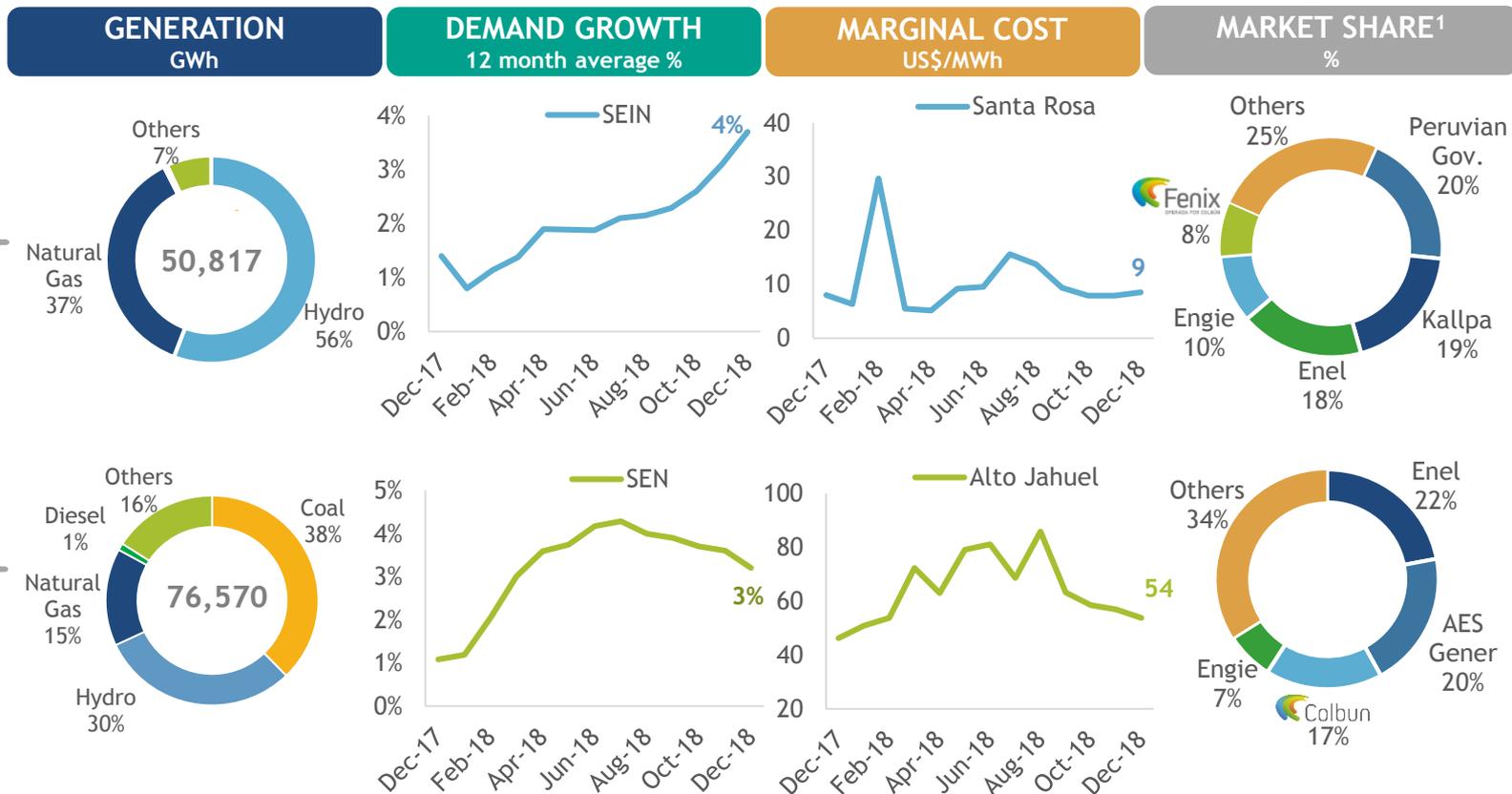
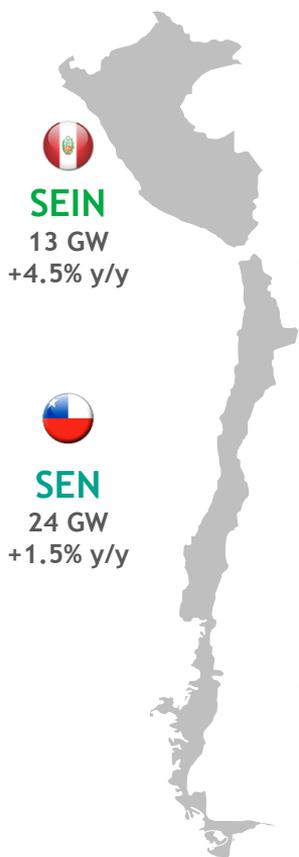
5

**MAXIMIZING
VALUE TO ALL
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STAKEHOLDERS**



1. Cost efficient & diversified asset base

Attractive markets



Note: All figures as of Dec18
1: based on generation

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

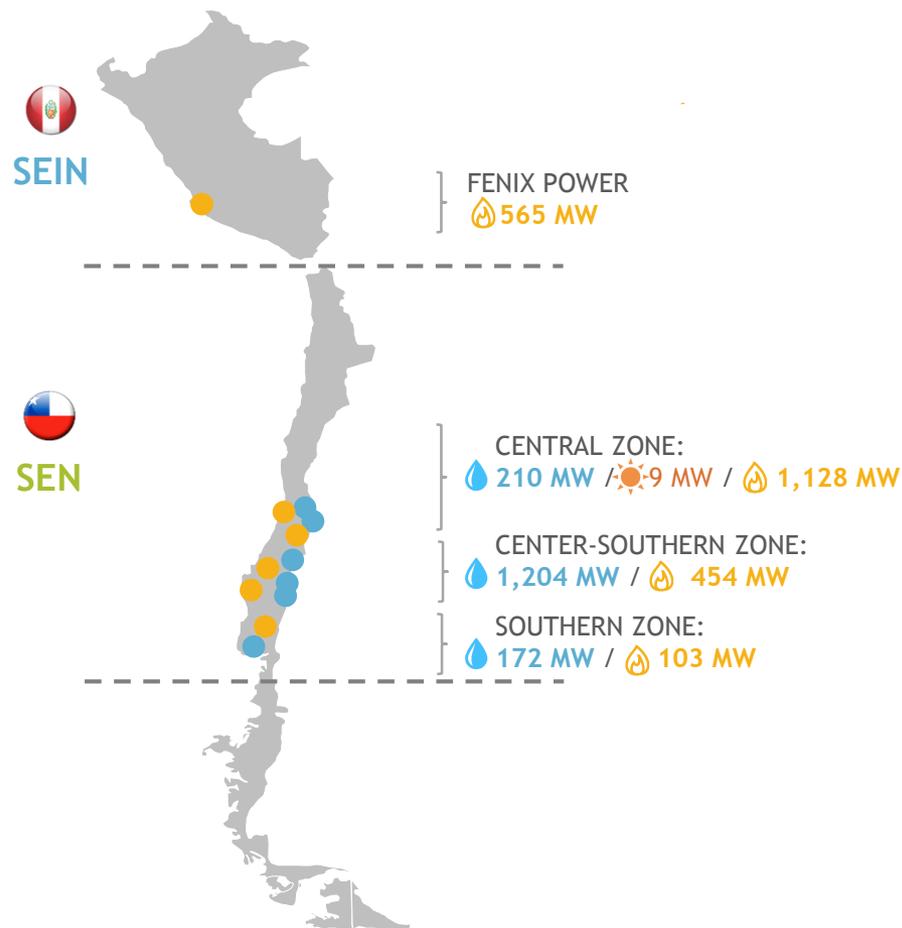
 **Solar: 9 MW**

 **Thermal: 2,250 MW**

3 CCGT: 1,332 MW

4 Diesel: 568 MW

1 Coal: 350 MW



1. Cost efficient & diversified asset base

100% of PPAs supplied with cost-efficient generation

WHOLE-SALE POWER COMMERCIAL POLICY

1 Optimal Contracting level

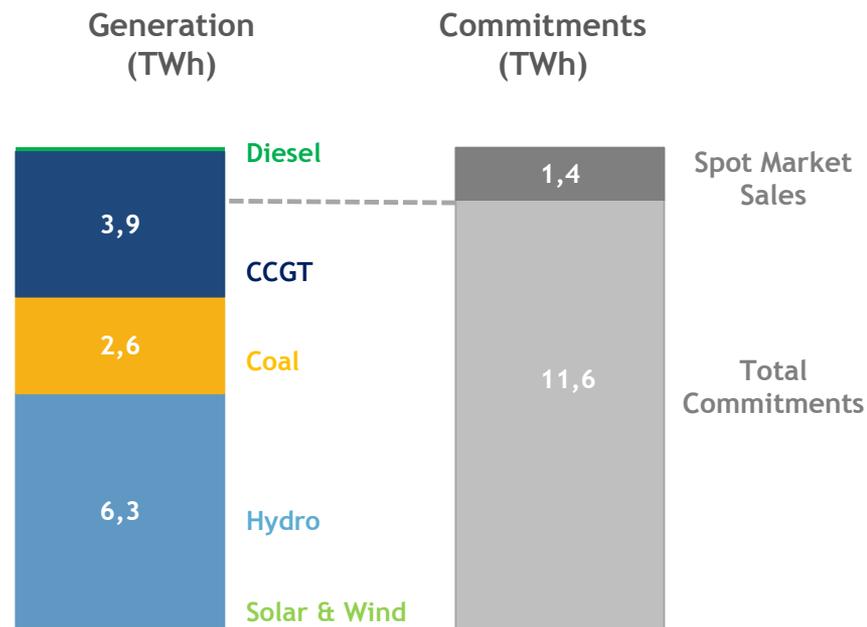
- I. Renewable Capacity:
Hydro, solar and wind
- II. Efficient thermal capacity:
Coal and CCGTs

2 Cost structure properly reflected in sale prices

3 Active risk management

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

GENERATION ASSETS & PPAS LEVEL 2018



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 Agesa and ENAP

- Short term contracts (~4 months) available.
- Medium term contracts: signed for 2 TWh of natural gas generation in 2018 and 2019 ¹.

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.



Flexible short-term **gas supply agreements** with **Argentinean** local producers.

¹ For 2019, 1 TWh is optional.

1. Cost efficient & diversified asset base

Relevant transmission assets



Transmission lines
~940 km

National	330 km
Zonal	80 km
Dedicated	530 km



Substations
28



Market share ¹
~6%



1. Cost efficient & diversified asset base

Fenix Power: a relevant & efficient CCGT in Peru

THE COMPANY



One of the 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



3.9 TWh

Net annual generation



3 TWh / year

Long term contracts (~100% capacity)

SHAREHOLDERS



51%



ADIA

36%

SIGMA

13%

KEY FIGURES



LTM EBITDA

US\$36 mm



Cash

US\$24 mm



International Ratings¹

Baa3 Stable
Moody's

BBB- Stable
S&P

BB Negative
Fitch

Value proposition

Leading position supported by competitive strengths

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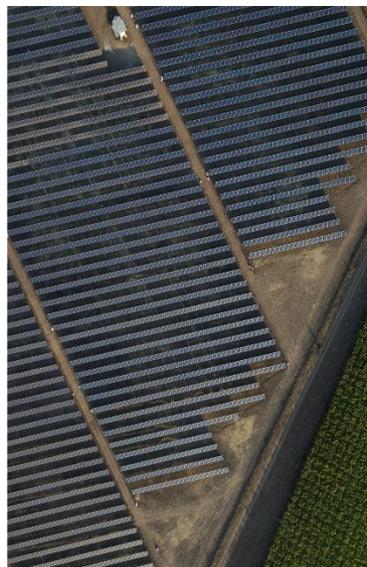
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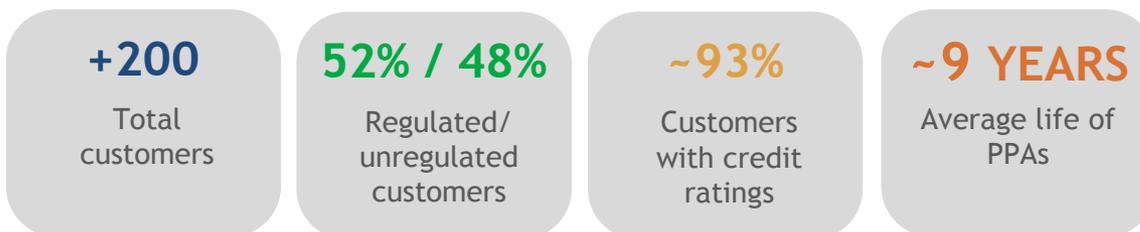
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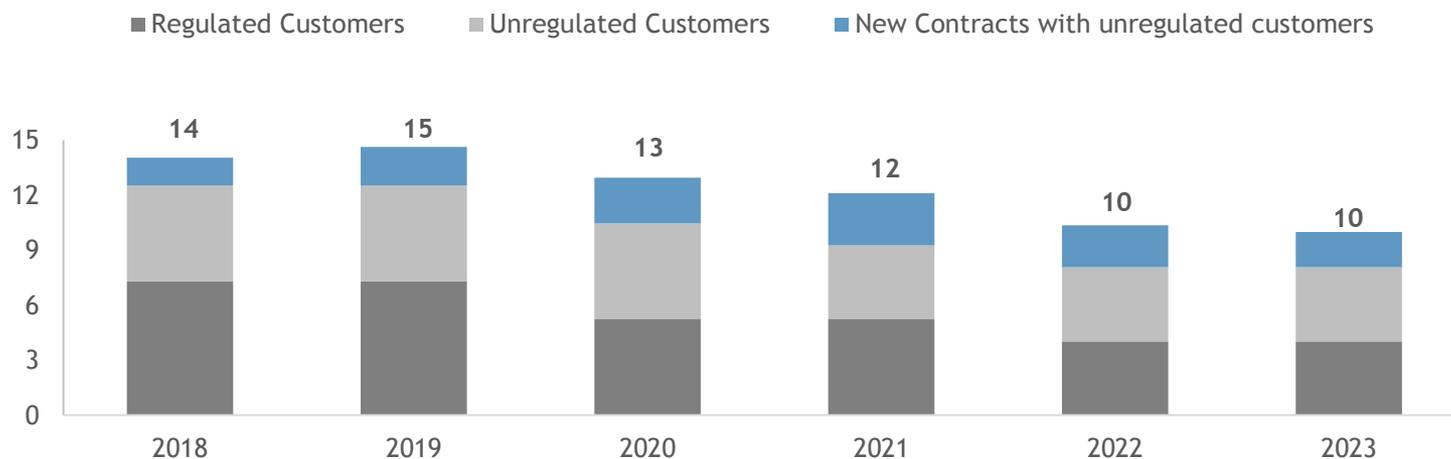
2. Stable & predictable cash flows

High quality clients in Chile

1 CUSTOMER BASE PROFILE



2 PPAs IN CHILE: MAXIMUM CONTRACTED POWER SUPPLY (TWh)



2. Stable & predictable cash flows

PPAs renewal opportunities in Chile

1 UNREGULATED CUSTOMERS.

- In the coming years there is a **relevant amount of energy for large unregulated clients to be re-contracted.**
- Since 2016, Colbun has signed new contracts with large and medium-size clients for a total of ~3.0 TWh/year.

2 REGULATED CUSTOMERS.

1. Upcoming regulated auctions:

- According to the CNE's final report¹, around **12 TWh will be auctioned in the next years:**



Year	2019	2020	2021	2022
Supply starting	2025	2026	2027	2028
Duration (years)	20	20	20	20

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

¹ CNE's final power supply auctions report, published on Oct 1st 2018

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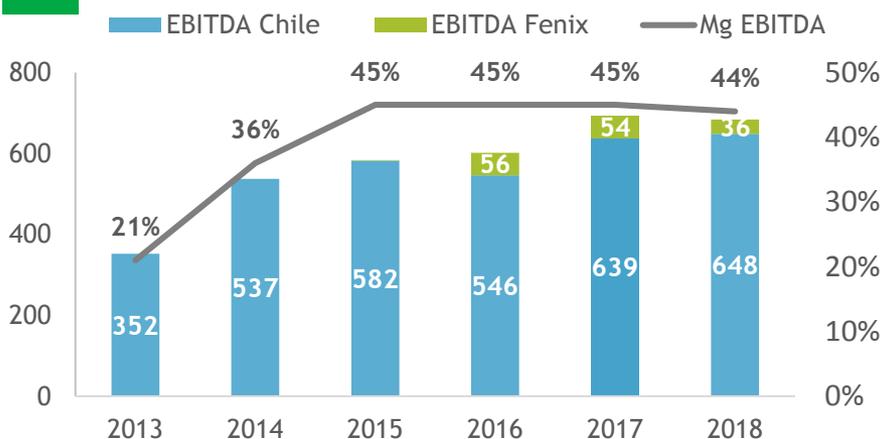
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3. Prudent financial management

Stable operational results & solid metrics

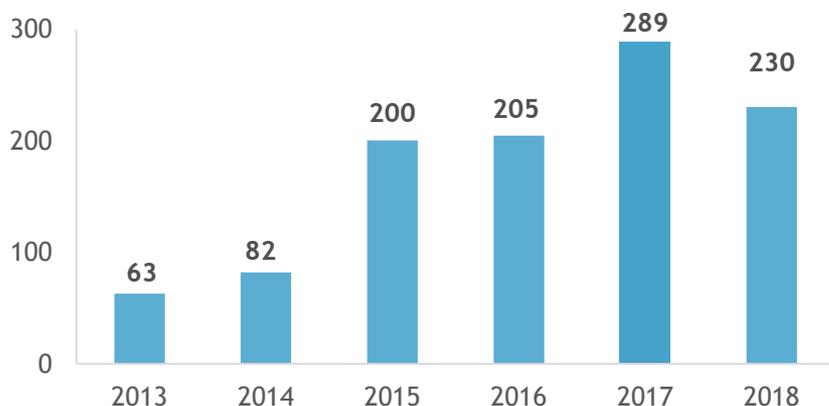
1 EBITDA & EBITDA MG. (US\$ million & %)



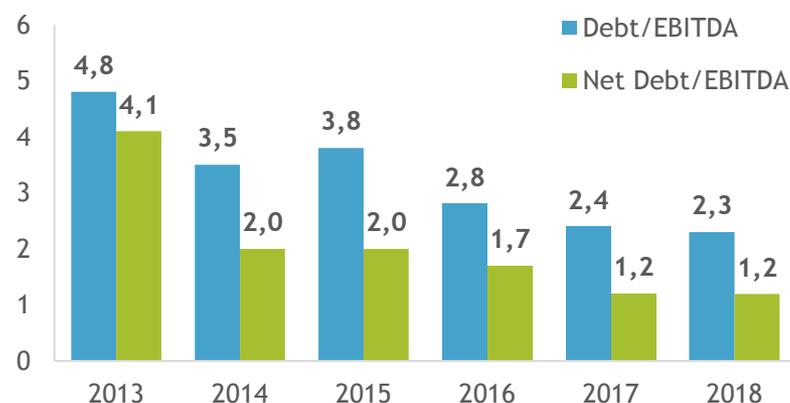
3 DEBT & NET DEBT. (US\$ million)



2 NET INCOME. (US\$ million)



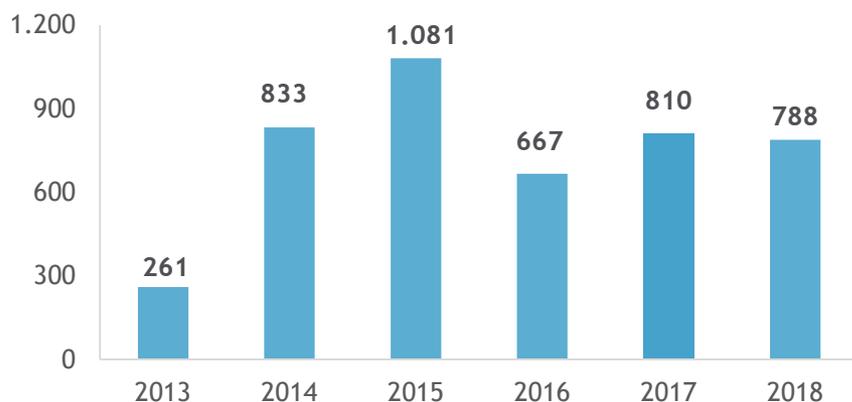
4 DEBT/EBITDA & NET DEBT/EBITDA. (x)



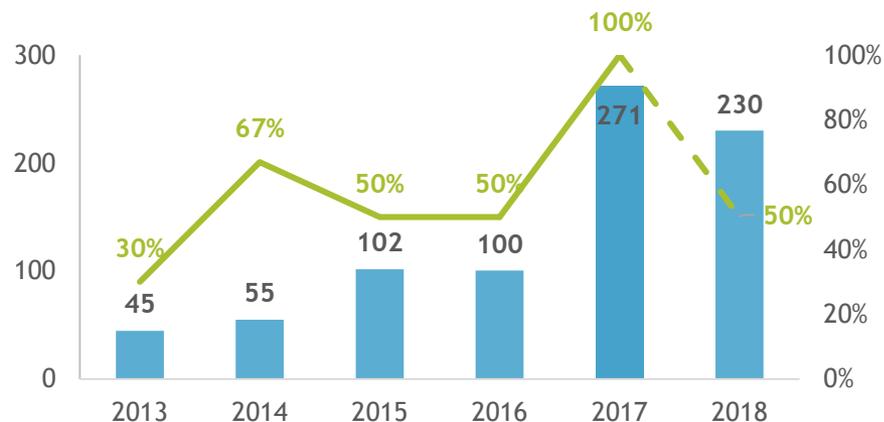
3. Prudent financial management

Stable operational results & solid metrics

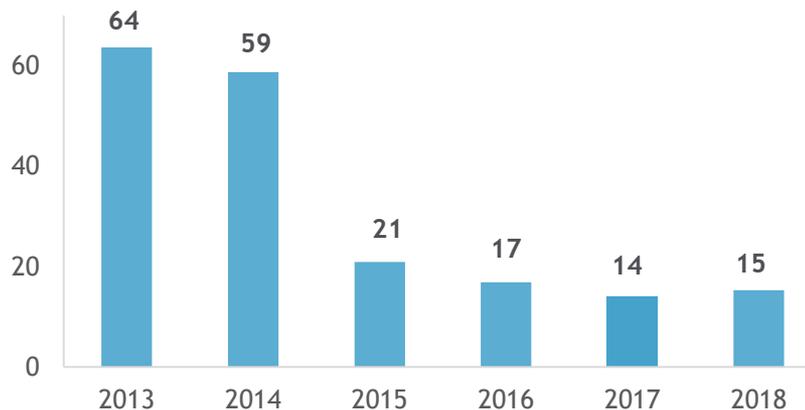
1 CASH POSITION. (US\$ million)



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



3 P/E. (X)



3. Prudent financial management

Long term debt profile

1 DEBT PROFILE

US\$1,603 million

US\$1,253 million

US\$350 million



100% bonds

95% USD and 5% UF

100% Fixed rate

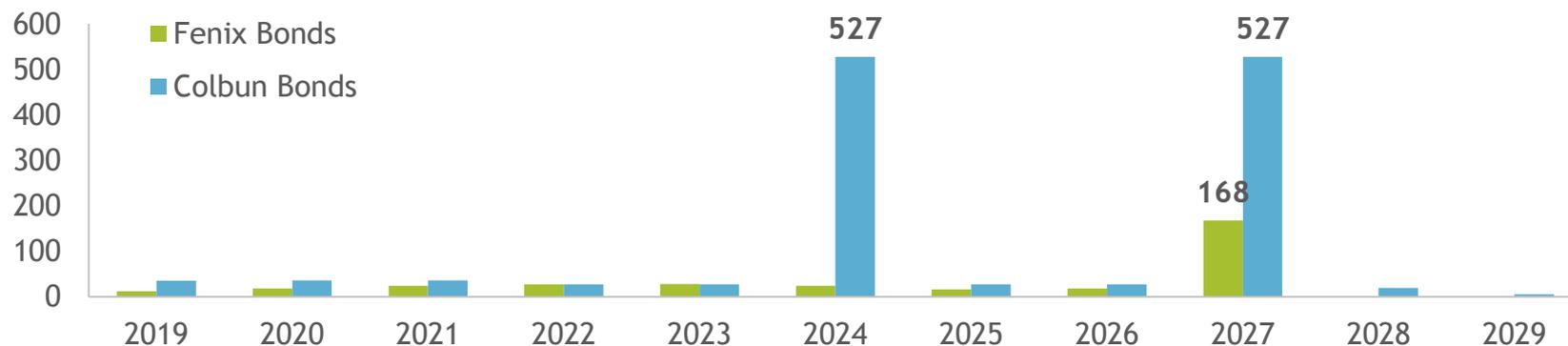


4.5% Interest Rate average

6.7 years average life



2 AMORTIZATION STRUCTURE. (US\$ million)



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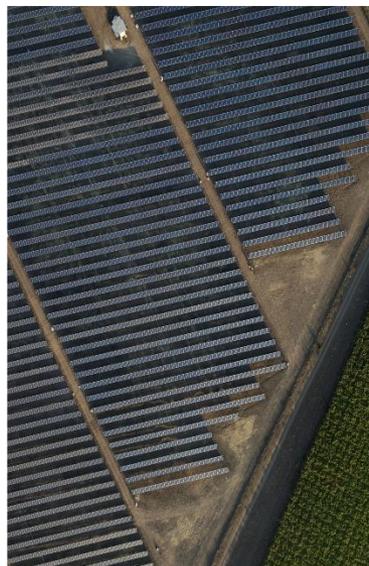
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4. Attractive portfolio of growth options

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 / positive developments in Argentina
 - 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. Solar and wind
 - b. Hydro
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 renewable projects

SOLAR & WIND PROJECTS



HORIZONTE



- Tal Tal, II Region
- Inst. capacity : ~607 MW
- Gx: ~2,000 GWh/year
- Preparing EIA¹

SOL DE TARAPACÁ



- La Tirana, II Region
- Inst. capacity: 150 - 200 MW
- Gx: ~470 GWh/year
- Preparing EIA¹

+ Additional 1,000 MW underlying transactions still under confidentiality agreements

HYDRO PROJECTS



SAN PEDRO



- Los Rios Region
- Inst. capacity: 170 MW
- Gx: ~950 GWh/year
- Status: Environmental assesment

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: ~500 GWh/year
- Basic engineering

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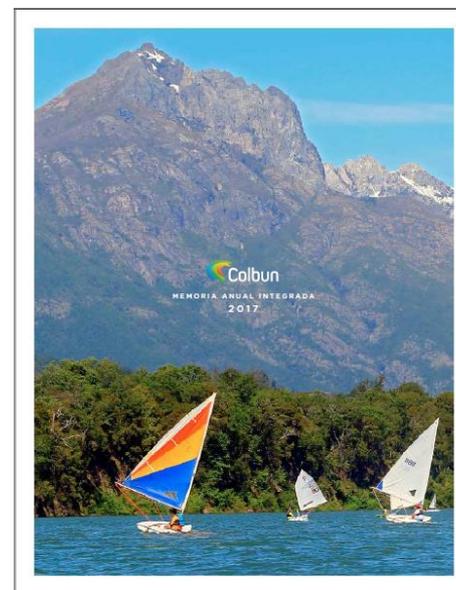
5. Maximizing value to all of our stakeholders

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

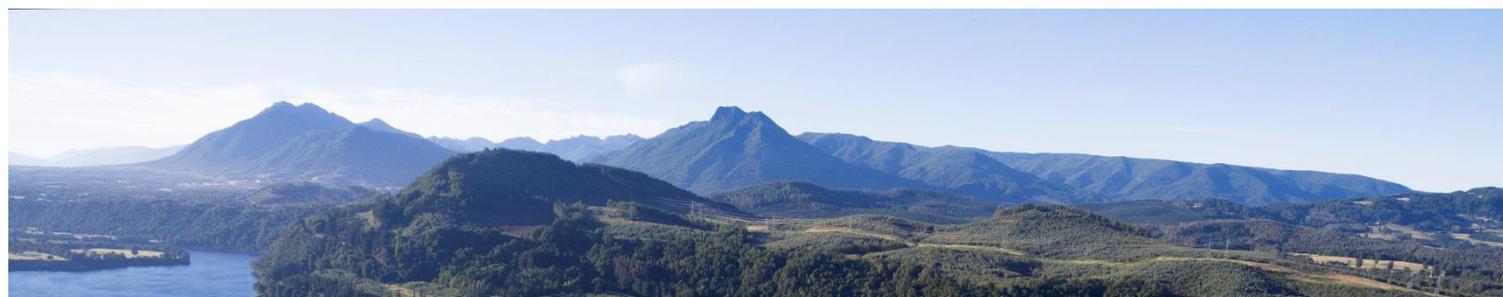
STAKEHOLDER	EXAMPLES OF ADDED VALUE
 <p>CUSTOMERS</p> <ul style="list-style-type: none"> Secure, competitive and sustainable energy Long-term relationships 	<p>12,851 GWh of energy sold</p>
 <p>INVESTORS</p> <ul style="list-style-type: none"> Profitability and economic value 	<p>US\$684 million of EBITDA 100% Payout ratio in 2017</p>
 <p>WORKFORCE</p> <ul style="list-style-type: none"> Quality employment Professional development 	<p>Among companies with best work environment Record safety performance 97% of total employees trained</p>
 <p>CONTRACTORS</p> <ul style="list-style-type: none"> Hiring local suppliers and contractors 	<p>Record safety performance 2,680 supplier companies in Chile 61% of suppliers and contractors are SMEs in Chile</p>
 <p>COMMUNITY</p> <ul style="list-style-type: none"> Local development Constant dialogue 	<p>US\$5.4 million in social investments 19,124 people visited our power plants in 2017</p>
 <p>ENVIRONMENT</p> <ul style="list-style-type: none"> Excellence in environmental management 	<p>382 Thousand Tons of CO₂ reduced by power plants (CDM)¹ 33% of water used in hydro generation is reused in other power plants of Colbún</p>

¹ registered power plants under the Clean Development Mechanism (CDM)
 Note: Annual figures as of Dec18, consolidated.

5. Maximizing value to all of our stakeholders

Awards and recognitions

<p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p> <p>2018</p> <p>Colbún listed in the Dow Jones Sustainability Index Chile</p>	<p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p> <p>2017</p> <p>Colbún listed in the Dow Jones Sustainability Index Emerging Markets</p>	<p>BEST PLACE TO INNOVATE</p> <p>2017</p> <p>Colbún listed in the ranking Best Place to Innovate</p>	<p>iha International hydropower association</p> <p>2017</p> <p>Angostura power plant was chosen as a Sustainable Hydroelectricity study case</p>	<p>informe reporta</p> <p>2017</p> <p>Colbún obtained the first place in the "Relevance" category</p>	<p>ESR EMPRESA SOCIALMENTE RESPONSABLE</p> <p>2017</p> <p>Fenix power plant was distinguished as a socially responsible company</p>
<p>Cámara Chileno Británica</p> <p>2016</p> <p>Colbún is recognized for the "CO2 neutral Lastarria - Bellas Artes route"</p>	<p>ALAS20</p> <p>2016</p> <p>Colbún Board's president and CEO were recognized as sustainability leaders</p>	<p>PREMIOS LATINOAMÉRICA VERDE</p> <p>2016</p> <p>Colbún received an international award for the reforestation of its viewpoints</p>	<p>HuellaChile Programa de Gestión del Carbono</p> <p>2016</p> <p>Colbún is recognized for its emissions management by the Environmental Ministry</p>	<p>MUTUAL de seguridad Sociedad CCFC</p> <p>2016</p> <p>Rucúe and Quilleco power plants are recognized</p>	<p>WELLNESS REVOLUCIÓN</p> <p>2016</p> <p>Colbún is recognized for its initiatives in favor of the quality life of its employers</p>



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Update on strategic agenda progress

Overview

1. ENTER INTO NEW POWER PURCHASE AGREEMENTS

- During 2018, the Company has contracted approximately 1,400 GWh/year of its generation with new unregulated customers.

2. GROW IN RENEWABLE ENERGY FROM VARIABLE SOURCES (SOLAR AND WIND)

- Add 4,000 MW of new renewable energy capacity over 10 years.

3. IMPLEMENT COST EFFICIENCY PLAN

- Reduce Company's annual fixed cost structure by US\$20 million.

4. COMPLETE DIGITALIZATION AND AUTOMATION PROGRAM

- Simplify operational, administrative and maintenance processes.

5. LEVERAGE TRANSMISSION ASSET BASE

- Achieve a greater focus on management, reporting and visibility of the transmission business.

6. EXPLORE NEW BUSINESS OPORTUNITIES

- Colbún is analyzing different business opportunities to anticipate potential changes on electric consumption.

Update on strategic agenda progress

Details

1 ENTER INTO NEW POWER PURCHASE AGREEMENTS

- Since 2016, Colbun has signed new contracts with large and medium-size clients for a total of ~3.0 TWh/year:



550 GWh/year, for 10.5 years starting in Jul20.



630 GWh per year over a 10-year, started in Jan18.



~300 GWh/year for 4 years, started in Jan18.



Other customers signed for **~1,500 GWh/year** with average tenors ranging from **4 to 6 years**.

+200 unregulated customers

2 GROW IN RENEWABLE ENERGY FROM VARIABLE SOURCES (SOLAR AND WIND)

- Add 4,000 MW of new renewable energy capacity over 10 years.



- Currently portfolio of 7 wind and solar projects, for a total of approximately 1,800 MW.
- Objective to further increase portfolio by 1,000 MW in the next 12/18 months.
- Diversification of technologies and locations depending on load factors, proximity to transmission lines and technical/commercial considerations.

Update on strategic agenda progress

Details

Location	70 km at the northeast of Taltal, Región de Antofagasta
Capacity and generation	607 MW ~2,000 GWh/year of generation
Program	Estimated COD: 2024
Features	Generation through 130 wind turbines distributed on ~ 8,000 ha of land granted by the Government
Status	Wind studies completed Preparing EIA ¹



¹EIA: Environmental impact study

Update on strategic agenda progress

Details

Location	Pozo Almonte, Región de Tarapacá
Capacity	150-200 MW
Program	Estimated COD: 2022
Features	Photovoltaic solar panels distributed on 422 ha
Status	Developing engineering studies Preparing EIA ¹



¹EIA: Environmental impact study

Update on strategic agenda progress

Details

3 IMPLEMENT COST EFFICIENCY PLAN

- This initiative will translate to **annual fixed costs savings of US\$20 million.**



Maintenance and Operation in Power Plants.



Insurance Policies.



Staff optimization.



Services, studies and consultancies.

4 COMPLETE DIGITALIZATION AND AUTOMATION PROGRAM

- Simplify operational, administrative and maintenance processes in order **to increase Colbún's efficiency and competitiveness:**



Automation and remote control.



Implementation of commercial and operational digital systems.



Updating back office processes and systems.

Update on strategic agenda progress

Details

5 LEVERAGE TRANSMISSION ASSET BASE

- In October 2018, Colbún grouped all of its transmission assets into Colbún Transmisión S.A., with the objective of achieving a **greater focus on management, reporting and visibility of the transmission business.**

- Main figures:



Annual Proforma EBITDA
~**US\$65** mm



Total assets
~**US\$385** mm



No financial debt



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

6 EXPLORE NEW BUSINESS OPORTUNITIES

DEMAND RESPONSE



To optimize energy consumption

STORAGE



Devices for support in peak periods

WASTE TO ENERGY



Sustainable energy generation

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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 and ample access to financial markets.



Colbun

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Colbun
CENTRAL LA MINA