



Colbún kept 1Q09 physical energy sales steady despite the global economic downturn. On the other hand, hydro generation (33% up YoY) and the level of energy spot prices driven by lower oil prices, helped to offset the maintenance downtime at both Neheunco combined cycle plants.

# 1Q09

## Financial Report

- Starting 2009, Colbún **has adopted IFRS** (International Financial Reporting Standards) and **changed its functional currency to US dollar**.
- Colbún reported **1Q09 Operating Revenues of USD 309 mn**, representing a 7% increase compared to 4Q08 and a 22% decrease compared to 1Q08.
- EBITDA reached USD 54 mn**, versus positive EBITDA of USD 103 mn during 4Q08 and 1Q08 loss of USD 41 mn.
- 1Q09 Net Income was USD 35 mn**, compared to positive USD 54 mn for 4Q08 and a loss of 45 mn for 1Q08.
- Colbún's EBITDA contraction** compared to 4Q08 is the result of the seasonal drop in hydro generation and the shortfall of output from the Neheunco combined cycle plants, since both were down for maintenance most of 1Q09.
- Thermal plant **Los Pinos** (100 MW), located in the Bío Bío Region, initiated commercial operation in April.
- During the 1Q09, the **Santa María thermoelectric coal project** (350 MW) reached important milestones such as the completion of the Turbine House (steel structure) and the Coal Reclaim Tunnel. The project remains on schedule.
- The San Pedro hydroelectric project** (144MW) that was approved by the Regional Environmental Commission (Corema) in October 2008, obtained the permits to initiate the hydraulic works in May 2009.

### Summary

USD million

	1Q08	4Q08	1Q09	Variance	
				QoQ	YoY
Operating Revenues	394	288	309	7%	-22%
EBITDA	(41)	103	54	-48%	n.a.
Net income	(45)	54	35	-35%	n.a.
Net debt	949	581	591	2%	-38%
Energy sales (GWh)	2.953	2.948	2.951	0%	0%
Hydraulic generation (GWh)	1.091	1.914	1.449	-24%	33%
E-o-Q exchange rate (CLP/USD)	438	636	583	-8%	33%

(\*) 4Q08 results are Chilean GAAP numbers converted to USD. 1Q08 results are Chilean GAAP numbers converted to IFRS and 1Q09 results are in IFRS.

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

Colbún is the second largest Generator of the SIC (the Sistema Interconectado Central is the main electricity grid covering 75% of Chilean demand). The Company has 2.615 MW of installed capacity (52% thermal and 48% hydraulic) spread over 21 plants. The facilities are located in 4 different basins and 7 regions. Colbún sells energy and capacity to regulated customers (Distribution Companies), to free customers (Industrial Companies) and its surplus is sold to other Generators on the spot market. Please find more details on our website [www.colbun.cl](http://www.colbun.cl)

## INCOME STATEMENT ANALYSIS

**Net Income of USD 35 mn** during 1Q09 compares unfavorably with previous quarter Net Income of USD 54 mn. QoQ decrease is due to lower operating results partially offset by higher non-operating results.

- *Operating Results* decreased compared to 4Q09 due to 24% lower hydro output in line with seasonal trend (end of snow melting period) and lower thermal production at the Nahuenco facilities since important maintenance works were performed during a large part of the 1Q09. The shortfall was replaced with energy purchases on the spot market.
- *Non Operating Results* were impacted by the adoption of the IFRS and the change of functional currency to USD: (1) Price Level Restatement is eliminated, (2) Exchange Differences are calculated in function of the US dollar instead of the Chilean peso and; (3) the P&L effects of interest rate and FX hedging derivatives are recorded in the accounts of the hedged items (interest income, interest expenses and exchange differences), not any more in the non-operating income and expenses accounts as used in Chilean GAAP.

**EBITDA during 1Q09 decreased to USD 54 mn** vs. USD 103 mn during 4Q08.

Lower EBITDA is mainly explained by:

- Lower hydraulic generation of 465 GWh during 1Q09 vs. 4Q08, in line with snow levels left by 2008 winter season and normal 1Q09 hydrologic conditions.
- Lower thermal energy production of 385 GWh compared to previous quarter, largely due to the maintenance downtime at the two combined cycle plants (together 766 MW) of the Nahuenco complex.
- Higher energy purchases of 803 GWh (to compensate the fall in production) on the spot market where prices were set on average during 1Q09 by diesel-fired open cycle facilities. Marginal costs (= spot prices) of the system slightly decreased from an average of 141 USD/MWh during 4Q08 to an average of 135 USD/MWh during 1Q09, slightly lowering the cost of the higher physical energy purchases.
- Higher transmission tolls of USD 16 mn as compared to 4Q08 given previous quarter tolls were largely reverted by “*tariff revenues*” (revenues collected by transmission companies each time the CDEC performs the energy balance of the system. These revenues have to be returned periodically to generators). Lower tariff revenues during 1Q09 reflect, among others, the works that were undertaken in the transmission trunk line, especially on the sections where saturation and disconnections were more frequent. Such disturbances generate distortion between marginal costs when injecting in the central system (Southern part) and marginal costs when taking out from the central system (Northern part).
- Lower other operating income given previous quarter includes an extraordinary income of USD 9 mn arising from a settlement of natural gas exchanges with Metrogas.

Those negative effects were partially offset by:

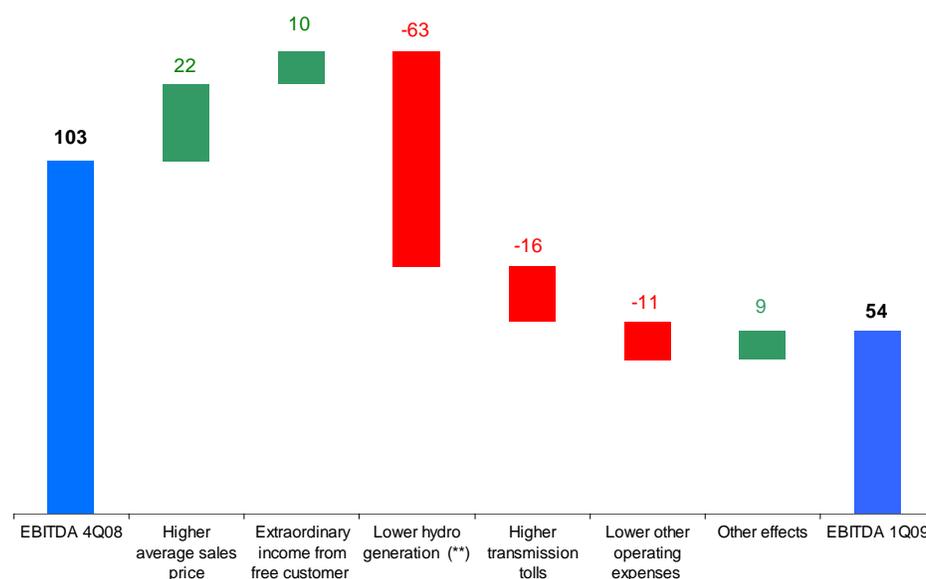
- Higher average sales price (12%) to regulated customers compared to 4Q08: the regulated sales price (Node Price) measured in Chilean pesos was re-indexed by

## INCOME STATEMENT ANALYSIS

the Regulator only in January 2009, mainly to reset the value of the capacity tariff in USD terms, which had been negatively affected by a strong devaluation of the Chilean peso at the end of 2008. In February and March, after the Regulator had reset the tariffs, the FX rate decreased, improving even more the USD average price.

- Higher average sales prices to non-regulated customers (7%) (free customers) given the indexation of some contracts to the marginal cost of the system (Central Interconnected Grid), also called energy spot price.
- Higher revenues from free customers on an extraordinary income of USD 9,8 mn arising from a settlement with Anglo American.

### EBITDA variance analysis (4Q08\* v/s 1Q09) USD million



(\*) 4Q08 results are in Chilean GAAP and converted to USD following the same methodology used in 4Q08 Press Release. 1Q09 results are in IFRS. The impacts of IFRS adoption on operating results are minor, reason why we maintained the EBITDA variance analysis as compared to previous quarter even though 4Q08 results are only available in Chilean GAAP.

(\*\*) The effect of lower hydro output of 1Q09 vs. 4Q08 (of 465 GWh) was calculated with Colbún's weighted average thermal cost per unit of the 1Q09 (weighted average of gas, diesel and energy purchases). For simplification purposes, the assumption was made that a change in hydro production does not affect spot market prices.

# INCOME STATEMENT ANALYSIS

## EBITDA

USD million

	1Q08	4Q08	1Q09	Variance	
				QoQ	YoY
<b>Operating Revenues</b>	<b>394</b>	<b>288</b>	<b>309</b>	7%	-22%
Sales to regulated customers	136	109	130	19%	-5%
Sales to free customers	88	86	97	12%	10%
Sales to regulated customers w/o contracts	158	80	74	-7%	-53%
Spot market sales	6	(1)	6	-1022%	6%
Other operating income	6	13	2	-84%	-66%
<b>Operating Costs</b>	<b>(431)</b>	<b>(179)</b>	<b>(249)</b>	39%	-42%
Transmission tolls	(3)	5	(11)	-342%	254%
Energy and capacity purchases	(139)	(38)	(148)	286%	6%
Gas	(23)	(24)	(3)	-87%	-86%
Diesel	(237)	(92)	(57)	-38%	-76%
Other operating expenses	(28)	(29)	(29)	-1%	2%
<b>Sales &amp; Administration Expenses</b>	<b>(5)</b>	<b>(5)</b>	<b>(7)</b>	27%	32%
<b>EBITDA</b>	<b>(41)</b>	<b>103</b>	<b>54</b>	<b>-48%</b>	<b>-230%</b>

(\*) 4Q08 results are in Chilean GAAP and converted to USD following the same methodology used in 4Q09 Press Release. 1Q09 results are in IFRS. The impacts of IFRS adoption on operating results are minor, reason why we maintained the EBITDA variance analysis as compared to previous quarter even though 4Q08 results are only available in Chilean GAAP.

### The balance of sales volume v/s generation evidences that:

- 59% of 4Q08 Colbún's commercial commitments were met by hydraulic output versus 77% the previous quarter.
- The remaining 41% and sales to distribution companies without contracts were met by thermal generation and energy purchased on the spot market at prices set on average by diesel-fired facilities.
- Energy purchased by Colbún on the spot market more than tripled as compared to previous quarter to compensate the shortfall caused by the downtime of the two Nehuenco combined cycle plants during a large part of the quarter. At the Nehuenco I plant a major routine maintenance was performed, as well as works aimed at increasing reliability for diesel-fired operation. At the Nehuenco II plant, a major maintenance was also performed, which had to be extended due to the detection of a damage in the rotor. The damaged equipment was replaced by one with enhanced technical characteristics. The plant was available for dispatch at the end of March.
- The availability of natural gas at competitive prices compared to diesel, allowed to generate 29 GWh during 1Q09 versus 209 GWh during previous quarter.

# INCOME STATEMENT ANALYSIS

## Sales Volume v/s Generation

GWh

	1Q08	4Q08	1Q09	Variance	
				QoQ	YoY
<b>Sales</b>					
Regulated customers	1.210	1.199	1.270	6%	5%
Free customers	1.255	1.277	1.200	-6%	-4%
Regulated customers w/o contracts	489	472	480	2%	-2%
Spot market sales	0	0	0	n.m.	n.m.
<b>Total energy sales</b>	<b>2.953</b>	<b>2.948</b>	<b>2.951</b>	<b>0%</b>	<b>0%</b>
<b>Generation</b>					
Hydraulic	1.091	1.914	1.449	-24%	33%
Thermal - Gas	64	209	29	-86%	-55%
Thermal - Diesel	1.392	686	481	-30%	-65%
<b>Total own generation</b>	<b>2.548</b>	<b>2.809</b>	<b>1.958</b>	<b>-30%</b>	<b>-23%</b>
<b>Energy purchases (spot market)</b>	457	235	1.038	342%	127%

## Non operating result analysis

- Financial expenses:** Financial Expenses during 1T09 were USD 15 mn. In IFRS, this item represents the all-in cost of financial debt including the effects of interest rate hedging derivatives, and excluding the portion of expenses associated with capital expenditures which are capitalized (US\$ 5 mn during 1Q09).
- Financial income:** 1Q09 reports Financial Income of USD 7 mn, in line with available cash for financial investments. In IFRS, this item also includes the effects of hedging derivatives (purchase of US dollars through forward contacts to synthetically build dollarized investments). In Chilean GAAP, those effects were recorded in the items "other non-operating income and expenses".
- Other non-operating income and expenses:** as mentioned before, in IFRS, those items do not include the effects of cash flow hedging derivatives. The other non-operating income of USD 3 mn for the 1Q09 are largely related to the indemnification pay of USD 2,3 mn associated with physical damage of the Nehuenco I plant compressor, occurred in July 2007. The other non-operating expenses of USD 1 mn mainly include legal costs associated with ongoing lawsuits, fines, penalties and remuneration of the Board of Directors.
- Exchange differences:** since the adoption of IFRS, the Company changed its functional currency to US dollar. Since then, this item registers the FX effects of monetary stocks denominated in currencies different from the US dollar. The positive FX differences of USD 30 mn for the 1Q09 are the result of 8% appreciation of the local exchange rate (Chilean pesos vs. US dollar) and a negative local inflation of -0,8%, both applied to a balance sheet with an excess of assets over liabilities denominated in pesos. Colbún owns important assets denominated in Chilean pesos such as tax receivable and account receivable associated with sales to regulated customers without contracts.

## BALANCE SHEET ANALYSIS

The accounts with largest variation between the closing of 4Q08 and the closing of 1Q09 are Current Assets and Current liabilities.

### **Current Assets:**

Currents Assets amount USD 1.125 mn at the end of 1Q09, which includes:

- Financial Investments of USD 512 mn (USD 487 mn, net of hedging effects). This amount has maintained similar level since the conclusion of a comprehensive financial plan in August 2008 which involved issuance of local bonds and a capital increase.
- The increase of Accounts Receivable by USD 68 mn, is related to higher operating sales and the lower exchange rate as compared to December 2008, which positively affects Chilean peso denominated assets (accounts receivable from energy sales and accounts receivable from sales to distribution companies without contracts – see following paragraphs).
- Current Tax Receivable reached USD 223 mn at 1Q09 closing. The increase since December 2008 is due to a lower exchange rate given that these assets are denominated in Chilean pesos, and due to additional VAT credits associated with capital expenditures. It is worth mentioning that the high balance of this account is due to the VAT fiscal credit accumulated during the 1<sup>st</sup> half of 2008 when operating results were poor, on top of the VAT credits associated to Colbún's capital expenditure purchases. The diesel oil tax levied on fuel consumption also contributed to the increase of tax receivable, especially during the first quarter of 2008 when Colbún's consumption was highest. Up to March 2008, this specific fuel tax had to be recovered through the usual VAT mechanism. Since March 2008, this tax is recovered independently and on a monthly basis.

### **Accounts Receivable from sales to regulated customers without contracts:**

Current Assets include the short-term portion of the accounts receivable from sales to distribution companies without contracts of USD 124 mn at 1Q09 closing. Long-term Liabilities include the long-term portion which amounted USD 108 mn, meaning that total accounts receivable from sales to regulated customers without contracts reached USD 232 mn at 1Q09 closing versus USD 220 mn at 4Q08 closing. This expansion is due to the lower exchange rate as compared to previous quarter closing (accounts receivable are denominated in Chilean pesos) since approximately USD 7 mn (Chilean pesos cash flow converted to USD) were recovered during 1Q09.

As explained in previous Press Releases, based on current regulation, Colbún has to supply energy to distribution companies with no supply contract with generators (called "distribution companies without contracts"). Those sales are registered at marginal cost (energy spot market price), but are collected (invoiced) at the Node Price plus a surcharge. The spread between the energy spot market price and the collected price (Node Price plus surcharge) defines Colbún's working capital investment, and is registered as an account receivable. This account receivable will be recovered by generators through the surcharge of up to 20% of the Node Price. The surcharge will be added to the Node Price until complete recovery of the account receivable.

## BALANCE SHEET ANALYSIS

### Current Liabilities:

Current Liabilities increased by USD 88 mn during 1Q09. This expansion is the effect of higher toll and energy purchases' provision –resulting in lower working capital investment- (USD 57 mn) and higher hedging liabilities (USD 22 mn) as compared to 4Q08 closing.

### Summarized Balance Sheet

USD million

	4T08	1Q09	Variance QoQ
<b>Current Assets</b>	<b>1.065</b>	<b>1.125</b>	<b>6%</b>
Cash and equivalents	522	512	-2%
Accounts receivable	238	305	29%
<i>Normal sales</i>	91	125	38%
<i>Sales to regulated customers w/o contracts</i>	109	124	14%
<i>Others</i>	38	56	47%
Recoverable taxes	196	223	13%
Other current assets	109	85	-22%
<b>Non-Current Assets</b>	<b>4.012</b>	<b>4.106</b>	<b>2%</b>
Property, Plant and Equipment	3.750	3.832	2%
Other non-current assets	262	274	5%
<b>TOTAL ASSETS</b>	<b>5.077</b>	<b>5.231</b>	<b>3%</b>
Current Liabilities	215	303	41%
Long-Term Liabilities	1.650	1.655	0%
Shareholders' Equity	3.212	3.273	2%
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5.077</b>	<b>5.231</b>	<b>3%</b>

Note: 4Q09 Balance Sheet was converted from Chilean GAAP to IFRS and 1Q09 are in IFRS.

# CASH FLOW AND NET DEBT ANALYSIS

## Cash flow analysis:

Cash flow from operation reached USD 104 mn during 1Q09, mainly explained by an EBITDA of USD 54 mn and lower working capital associated with higher accounts payable from energy purchases (to other generators through the CDEC -centralized dispatch center-).

Financing activities generated a negative cash flow of USD 11 mn during 1Q09 due to loan payments of USD 4 mn and dividend payments of USD 2 mn, as well as a payment of USD 5 mn associated with a “margin call” from Cross-Currency-Swap derivatives.

Investment activities generated a negative cash flow of USD 142 mn mainly explained by incorporation of Property, Plant and Equipment of USD 128 mn and an intercompany loan (to Hidroaysén) of USD 14 mn.

### Cash Flow

USD million

	1Q08	4Q08	1Q09	Variance	
				QoQ	YoY
Cash and equivalents at beginning of period	174	560	555	-1%	219%
Cash Flow from Operating Activities	(111)	74	104	40%	-193%
Cash Flow from Financing Activities	76	(4)	(11)	204%	-114%
Cash Flow from Investing Activities	(36)	(75)	(142)	90%	295%
<b>Net Cash Flow increase (decrease) of period</b>	<b>(72)</b>	<b>(5)</b>	<b>(49)</b>	987%	-32%
Cash and equivalents at end of period	102	555	506	-9%	394%

## Net debt and liquidity:

Net debt increased slightly during 1Q09, reaching USD 591 mn at closing. The increase reflects the solid cash flow generation from operations allowing to support a large portion of capital expenditures which represented USD 128 mn during 1Q09. Main expenditures were related to the Santa Maria coal plant and the San Pedro hydro project. In the case of San Pedro, the initial phase of road building is being completed and the construction of the deviation tunnel has been awarded recently.

### Liquidity Analysis

USD million

	1Q08	4Q08	1Q09	Variance	
				QoQ	YoY
Gross financial debt	1.063	1.125	1.103	-2%	4%
Financial investments	114	544	512	-6%	349%
<b>Net financial debt</b>	<b>949</b>	<b>581</b>	<b>591</b>	2%	-38%

Outstanding Financial Investments reached USD 512 mn at 1Q09 closing (this amount includes Time Deposits and Mutual Funds). Including the quarterly effect of the forward contracts subscribed to dollarize the Time Deposits and the accrued interest expenses associated with bond issuances, Cash and Equivalents at the end of 1Q09 amount USD 506 mn (as reported in the Cash Flow Analysis table). Gross financial debt reached USD 1.103 mn at the end of 1Q09 (USD 1.196 mn net of hedging derivative effects).

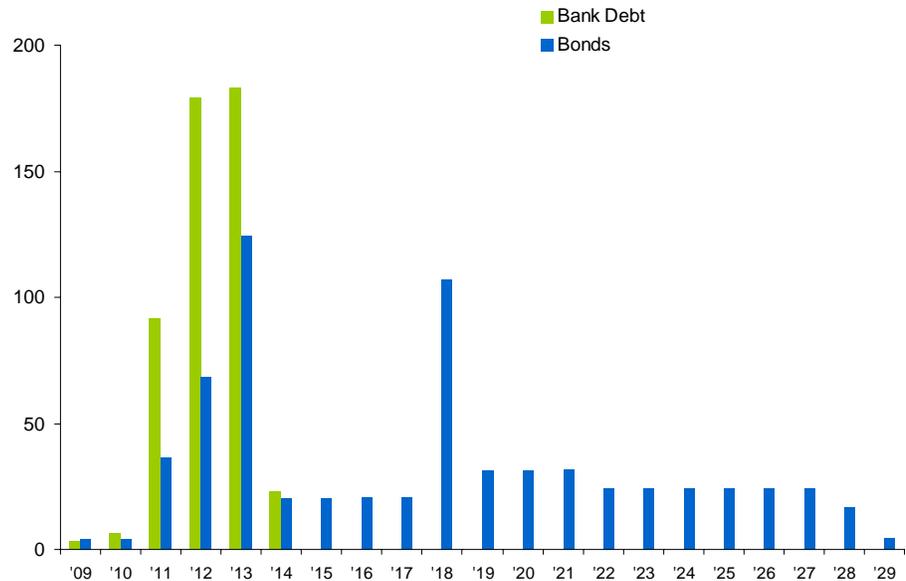
# CASH FLOW AND NET DEBT ANALYSIS

## Bank debt:

Colbún implemented a financial plan during 2008 aimed at restructuring the amortization schedule and the financial covenants of its international bank debt. The rescheduling postponed important installments until the end of 2010 and included a waiver of cash flow related *covenants* also until the end of 2010.

### Bank debt amortization schedule at 1Q09 closing

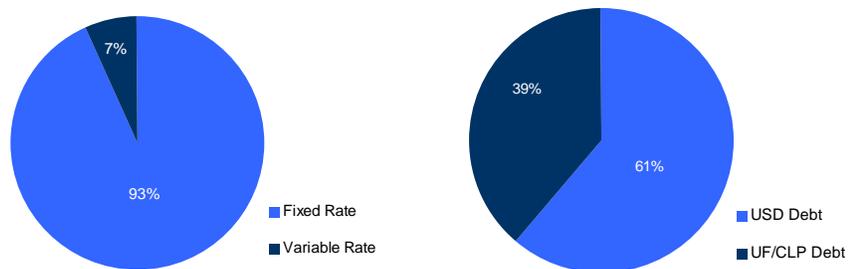
USD million



The average maturity of Colbún's bank debt is 6,8 years.

### Debt breakdown by currency and interest rate

As a % of total debt



The average interest rate of US dollar denominated debt is 6.9%, while the UF denominated debt has an average interest rate of 4.4%.

## DISCLAIMER

*This document provides information about Colbún SA. 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.*

*In compliance with the applicable rules, Colbún SA. publishes this document 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 Superintendencia de Valores y Seguros, which are available for consultation and review.*

## APPENDIX 1: SALES VOLUME & GENERATION

### Quarterly Sales and Production

	2008					2009
	1Q	2Q	1Q	2Q	FY 2008	1Q
<b>Sales</b>						
Regulated customers (GWh)	1.210	1.180	1.188	1.199	4.777	1.270
Free customers (GWh)	1.255	1.163	1.274	1.277	4.968	1.200
Regulated customers w/o contracts (GWh)	489	430	421	472	1.812	480
Spot marketsales (GWh)	0	46	0	0	46	0
<b>Total energy sales (GWh)</b>	<b>2.953</b>	<b>2.819</b>	<b>2.883</b>	<b>2.948</b>	<b>11.603</b>	<b>2.951</b>
Capacity sales (MW)	1.645	1.629	1.622	1.550		1.497
<b>Generation</b>						
Hydraulic (GWh)	1.091	1.654	2.163	1.914	6.822	1.449
Thermal - Gas (GWh)	64	47	2	209	323	29
Thermal - Diesel (GWh)	<u>1.392</u>	<u>1.034</u>	<u>349</u>	<u>686</u>	<u>3.461</u>	<u>481</u>
<b>Total own generation</b>	<b>2.548</b>	<b>2.736</b>	<b>2.514</b>	<b>2.809</b>	<b>10.606</b>	<b>1.958</b>
<b>Energy purchases (spot market)</b>	<b>457</b>	<b>168</b>	<b>480</b>	<b>235</b>	<b>1.340</b>	<b>1.038</b>

## APPENDIX 2: INCOME STATEMENT

### Quarterly Income Statement

USD million

	1 Q 08	1 Q 09
	IFRS	IFRS
Operating revenues	394	309
Operating costs	(431)	(249)
<b>MARGEN BRUTO</b>	<b>(36)</b>	<b>60</b>
Sales & Administration Expenses	(5)	(7)
Depreciation & amortizations	(29)	(29)
<b>OPERATING INCOME</b>	<b>(70)</b>	<b>24</b>
<b>EBITDA</b>	<b>(41)</b>	<b>54</b>
FINANCIAL RESULT		
Financial income	2	7
Financial expenses	(12)	(15)
Income from adjustment items	(6)	(4)
Net Exchange Differences	55	30
Net Income from Related Comp. consolidated by Prop. Equity Method	1	1
Other non-operating Income	4	3
Other non-operating expenses	(53)	(1)
<b>NET INCOME BEFORE TAX</b>	<b>(79)</b>	<b>45</b>
INCOME TAX	37	(8)
<b>NET INCOME</b>	<b>(43)</b>	<b>37</b>
NET INCOME	(43)	37
Net Income attributable to stockholders of the parent company	(45)	35
Net Income attributable to minority interest	2	3

## APPENDIX 3: BALANCE SHEET

### Summarized Balance Sheet

USD million

	4 Q 08	1 Q 09
	IFRS	IFRS
<u>Current Assets</u>	<u>1.065</u>	<u>1.125</u>
Cash and equivalents	522	512
Accounts receivable	238	305
<i>Normal sales</i>	91	125
<i>Sales to regulated customers w/o contracts</i>	109	124
<i>Others</i>	38	56
Recoverable taxes	196	223
Other current assets	109	85
<u>Non-Current Assets</u>	<u>4.012</u>	<u>4.106</u>
Property, Plant and Equipment	3.750	3.832
Other non-current assets	262	274
<b>TOTAL ASSETS</b>	<b>5.077</b>	<b>5.231</b>
Current Liabilities	215	303
Long-Term Liabilities	1.650	1.655
Shareholders' Equity	3.212	3.273
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5.077</b>	<b>5.231</b>