



# 2Q14 Quarterly Report

## Conference Call 2Q14 Results

**Date:** Friday Aug 1st 2014  
**Time:** 12:00 PM Eastern Daylight Time  
 12:00 PM Chile Time  
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- **Revenues from ordinary activities** in 2Q14 amounted to US\$408.0 million, down by 21% from 2Q13 and 1% from 1Q14 due mainly to one-time income effects from insurance compensations recorded in the previous two quarters of US\$ 64,6 million for 2Q13 and US\$ 49,9 million for 1Q14, whereas 2Q14 does not record one-time income effects.
- Total **energy sales volume** amounted to 3.4 TWh, up by 6% as compared to 2Q13 and up by 5% as compared to 1Q14.
- **Total generation** was 3.5 TWh, up by 25% from 2Q13, resulting from higher hydroelectric generation due to the commissioning of Angostura, and higher natural gas generation due to greater access to this fuel. The 7% increase in generation from 1Q14 results from the greater hydroelectric and coal generation, partly offset by a lower natural gas generation.
- 2Q14 **EBITDA** was US\$140.8 million, up by 8% from 2Q13 and up by 18% from 1Q14. As mentioned before, EBITDA increase for this quarter is noteworthy compared to previous quarters, because it does not consider one-time income effects.
- Colbún reported a **net income** of US\$71.6 million versus a net income of US\$41.7 million in 2Q13 and a net income of US\$51.5 million in 1Q14.
- **Angostura hydroelectric power plant** (316 MW) was commissioned in April. During the first half of this year, this unit has shown a stable generation, reaching YTD production of 390 GWh at the closing of 2Q14.
- At the closing of 2Q14 our **financial investments** reached US\$337.4 million and our **net debt** recorded a reduction, down to US\$1,280.8 million.

## Summary

USD million

	2Q13	1Q14	2Q14	YoY	QoQ
Revenues	518,4	413,2	408,0	(21%)	(1%)
EBITDA	130,4	119,8	140,8	8%	18%
Net Income	41,7	51,5	71,6	72%	39%
Net debt	1.398	1.413	1.281	(8%)	(9%)
Energy sales (GWh)	3.216	3.223	3.402	6%	6%
Total generation (GWh)	2.802	3.268	3.499	25%	7%
Hydraulic generation (GWh)	1.193	1.109	1.621	36%	46%

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 3,278 MW of installed capacity (52% thermal and 48% hydraulic) spread over 23 plants. The facilities are located in 7 regions. Colbún sells energy and capacity to regulated customers (Distribution Companies), to non-regulated customers (Industrial Companies) and its surplus is sold to other Generators on the spot market.

## MANAGEMENT COMMENT

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*“The hydrological year started in Apr14 continues to exhibit unfavorable and dry hydrological conditions for the fifth consecutive year, in the northern and south-central areas of the country, with lower rainfall compared to a normal year but higher rainfall than the previous year in some of our basins. Despite the drought, operating income of the Company recorded an improvement compared to previous quarters, which is noteworthy considering that no one-time income effect was recorded in 2Q14, unlike both quarter in comparison in 2Q13 and 1Q14.*

*Angostura power plant is operating in a steady manner, which has contributed 390 GWh hydroelectric generation as of the closing of 2Q14. We expect to see a greater impact on results during the third and fourth quarter of the year due to higher water flows, which will translate into a reduction of our average production costs.*

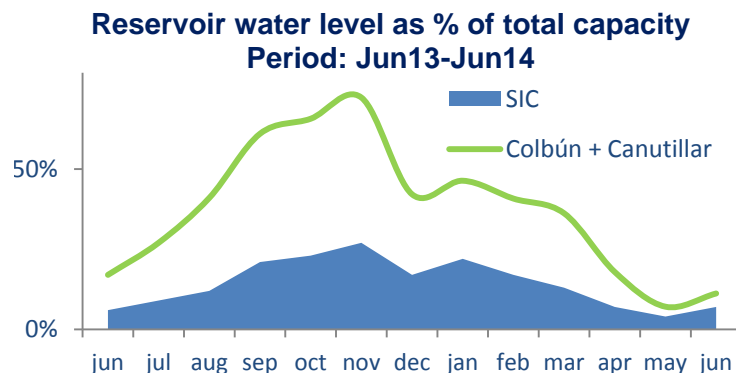
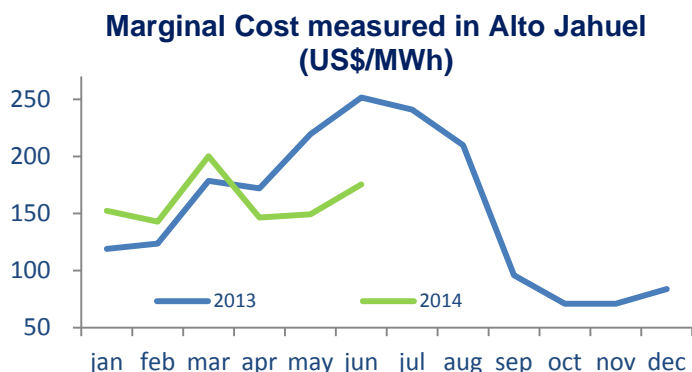
*The results of the coming quarters will depend on the reliability of our thermoelectric power plants and our hydroelectric plants, including the Angostura plant, and on the evolution of the current hydrological year. In connection with this point, it is worth noting that in order to mitigate for low level in rainfall we recently extended LNG supply to operate a combined cycle unit until the first half of September”.*

## MARKET CONDITIONS

SIC (Central Interconnected System) generation grew by **4.3%** during the second quarter of 2014 **due to greater demand**, both from regulated and free customers. The growth rate of 2Q14 shows an upturn from the average growth of 3.2% seen over the last 12 months.

Regarding the generation mix, **hydroelectric generation** reached a similar participation to last quarter, lower than 37%, whereas natural gas generation slightly decreased to 20%. Coal generation participation increased to 30% during 2Q14 accounting approximately for a third of the generation matrix. Diesel generation decreased slightly as compared to 1Q14, reaching a 5% of the total. This generation mix translated in a 5% decrease of the average marginal cost for the quarter measured at Alto Jahuel, as compared to 1Q14, from US\$165/MWh to US\$157/MWh.

The graph below shows the difference in marginal costs for the first half of this year as compared to those of previous year. **The energy spot prices of 1Q14 were higher** than energy spot prices of 1Q13 due to a low melting rate of 1Q14 resulting from the mild rainfalls of 2013 and the effects of drought. However, energy spot prices of 2Q14 are lower than energy spot prices of 2Q13 due to a greater contribution of hydroelectric generation. During 2013, spot prices remained above 100 US\$/MWh up until Sep13 due to low rainfalls during winter season. The melting season brought down considerably the marginal costs by the end of 2013. At the closing of 2Q14, the energy stored in Colbún's 2 main reservoirs (Colbún and Chapo reservoirs) reaches 11% of its total storage capacity as compared to 17% as of Jun13.

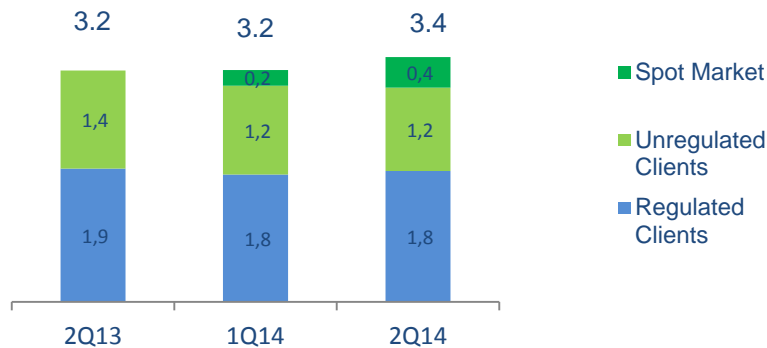


## SALES VOLUME

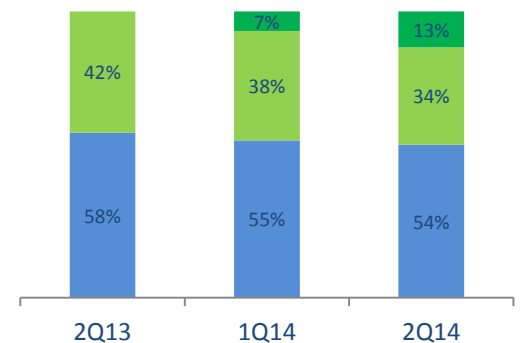
**Energy sales volume to customers under power purchase agreements** during 2Q14 reached 2,978 GWh, 7% lower than contracted physical energy sales recorded during the same period of the previous year and 0.9% lower than 1Q14. The decrease as compared to 2Q13 is due mainly to the expiry of two contracts with free customers.

Over the quarter, Colbún recorded **net sales in the CDEC market** by 425 GWh, against net purchases in 2Q13 and net sales by 219 GWh in 1Q14.

Physical sales by Type of Client (TWh)



Physical sales by Type of Client (%)



## GENERATION

Since April 2014 a new hydrological year started, it has been characterized by dry hydrological conditions but remains more favorable than last year. Additionally, the Company has had access to natural gas to operate a combined cycle unit minimizing operation with diesel.

**Hydroelectric generation** of 2Q14 increased 36% as compared to 2Q13 and increased 46% as compared to 1Q14 reaching 1,621 GWh. The increase as compared to both periods is due mainly to the generation of Angostura power plant during its testing period and since its commercial commissioning since April and due to the improvement in hydrological conditions, offset by the unavailability of Blanco power plant as a result of the machinery failure occurred in Jan14

**Coal-fired generation** during 2Q14 was 718 GWh, 11% higher than 2Q13 and 2% higher than 1Q14. The increase is due to a higher availability of this unit during this quarter.

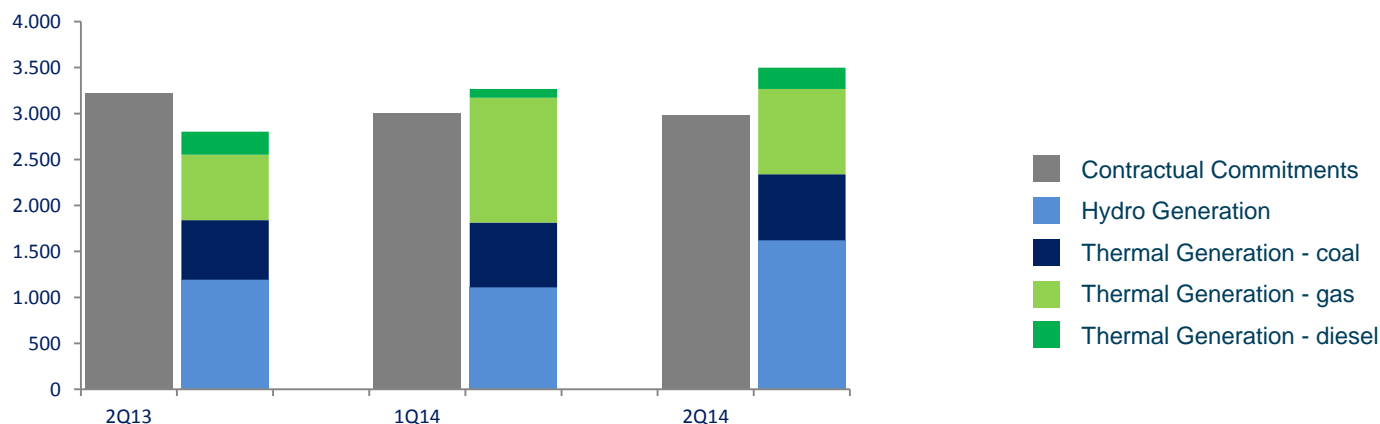
**Gas-fired generation** increased 30% as compared to 2Q13 and decreased 32% as compared to 1Q14. The increase as compared to the same period of the last year is due to a greater access to this fuel through supply contracts with Enap and Metrogas, for both combined cycle units of Nehuenco complex during April 2014, and for one combined cycle unit for the rest of the quarter, unlike last year, when only one combined cycle unit operated with natural gas. It is worth noting that we recently extended LNG supply to operate a combined cycle unit since the second half of July 2014 until the first half of September 2014.

**Diesel-fired generation decreased by 9 GWh** as compared to 2Q13 and increased 135 GWh as compared to 1Q14. The decrease as compared to the same period of the last year is due to the higher availability of hydroelectric and efficient thermoelectric power plants, as it was said before. As compared to the first quarter of this year, the increase is due to CEMS testing (On-line Emissions Monitoring System) and to the economic dispatch of this type of power plants.

## PHYSICAL SALES AND GENERATION BALANCE

The generation mix of 2Q14, allowed 79% of the Company's commercial commitments to be covered with efficient energy: hydroelectricity and coal (vs. 57% of 2Q13 and 60% of 1Q14). The other commitments were met with natural gas generation. Additionally, the Company recorded net sales in the CDEC market by 425 GWh (vs. net purchases by 462 GWh in 2Q13 and net sales by 219 GWh in 1Q14).

**Commitments vs. Generation**  
GWh



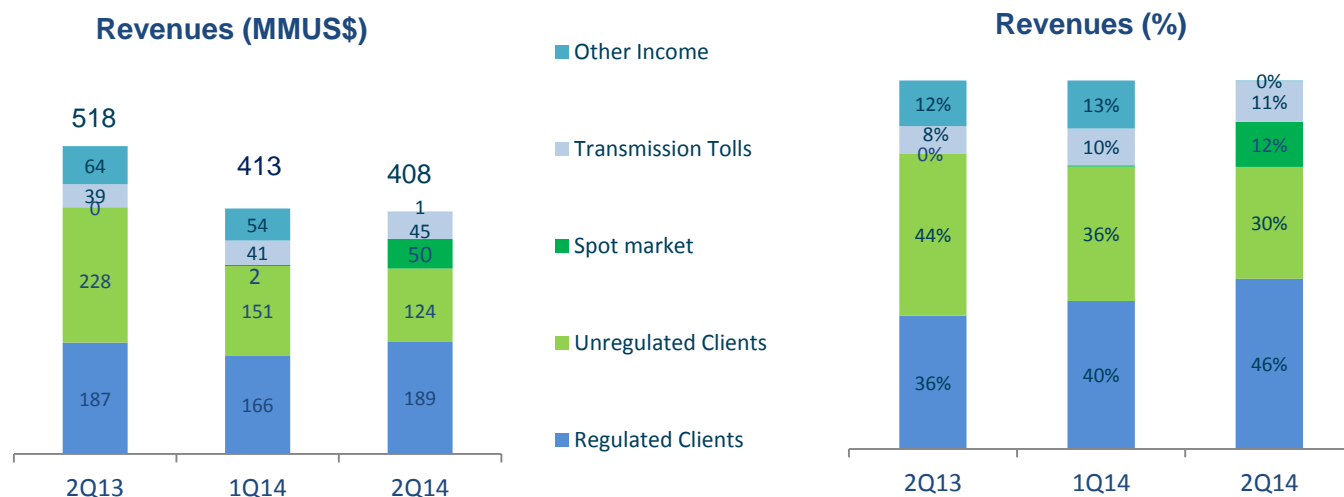
### Sales Volume vs. Generation

GWh

	2Q13	1Q14	2Q14	QoQ	YoY
<b>Sales Volumes</b>					
Regulated customers	1,853	1,771	1,819	3%	(2%)
Free customers	1,363	1,233	1,159	(6%)	(15%)
Spot market sales	0	219	425	94%	0%
<b>Total energy sales</b>	<b>3,216</b>	<b>3,223</b>	<b>3,402</b>	<b>6%</b>	<b>6%</b>
<b>Generation</b>					
Hydraulic	1,193	1,109	1,621	46%	36%
Thermal - Gas	713	1,357	929	(32%)	30%
Thermal - Diesel	250	96	231	141%	(7%)
Thermal - Coal	646	706	718	2%	11%
<b>Total own generation</b>	<b>2,802</b>	<b>3,268</b>	<b>3,499</b>	<b>7%</b>	<b>25%</b>
<b>Energy purchases (spot market)</b>	<b>462</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>

## OPERATING REVENUES

**Operating revenues from ordinary activities for 2Q14, amounted to US\$408 million**, down by 21% as compared to 2Q13 and down by 1% as compared to 1Q14. Revenues are broken down as follows:



**Regulated Customers:** Revenues from regulated customers were US\$188.5 million in 2Q14, in accordance to 2Q13 and up by 14% as compared to 1Q14. The increase from 1Q14 is due to higher sales volume (up by 3%) and to a higher average monomic price.

**Free Customers:** Revenue from free customers reached US\$123.9 million in 2Q14, down by 46% as compared to 2Q13 and down by 18% as compared to 1Q14. The decrease as compared to the same period of the last year is due mainly to lower sales volume during 2Q14 and it is also due to a lower average monomic price due to a change in the indexation structure of some contracts. The decrease as compared to 1Q14 is due to lower sales (down by 6%) and a lower average monomic price.

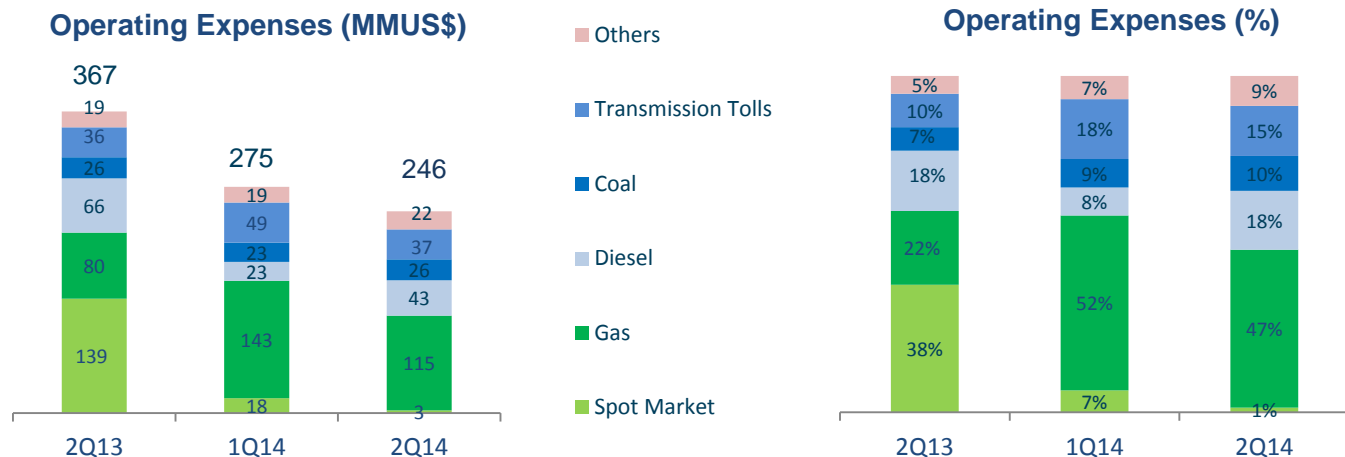
**CDEC Market:** During 2Q14 the Company sold 425 GWh to the CDEC market, equivalent to US\$ 49.9 million (vs. energy purchases in 2Q13 and sales by 219 GWh equivalent to US\$1.5 million in 1Q14).

**Transmission Tolls:** Revenue from transmission tolls totaled US\$45.1 million in 2Q14, up by 16% as compared to 2Q13 and up by 9% as compared to 1Q14. Higher revenues from transmission tolls correspond to greater tariffs collected from trunk transmission.

**Other Income:** Other income totaled US\$0.6 million in 2Q14, against US\$64 million in 2Q13 and US\$53.8 million in 1Q14. This decrease is due mainly to the insurance compensation in 2Q13 because of the fire in Nehuenco I in December 2007, the amount of compensation was US\$63.9 million. The decrease is also due to the business interruption insurance compensation in 1Q14 for the failure affecting Nehuenco II power plant in Mar13, the amount of this compensation was US\$32.5 million.

## OPERATING EXPENSES

Raw materials and consumables used in 2Q14 totaled US\$245.6 million, down by 33% as compared to 2Q13, and down by 11% as compared to 1Q14. Operating expenses are broken down as follows:



**Transmission tolls:** transmission tolls in 2Q14 totaled US\$36.5 million, similar to 2Q13 and down by 25% as compared to 1Q14. The decrease as compared to the first quarter is due to a lower estimated dispatch from our thermal power plants during 2Q14 because operation with natural gas was not considered.

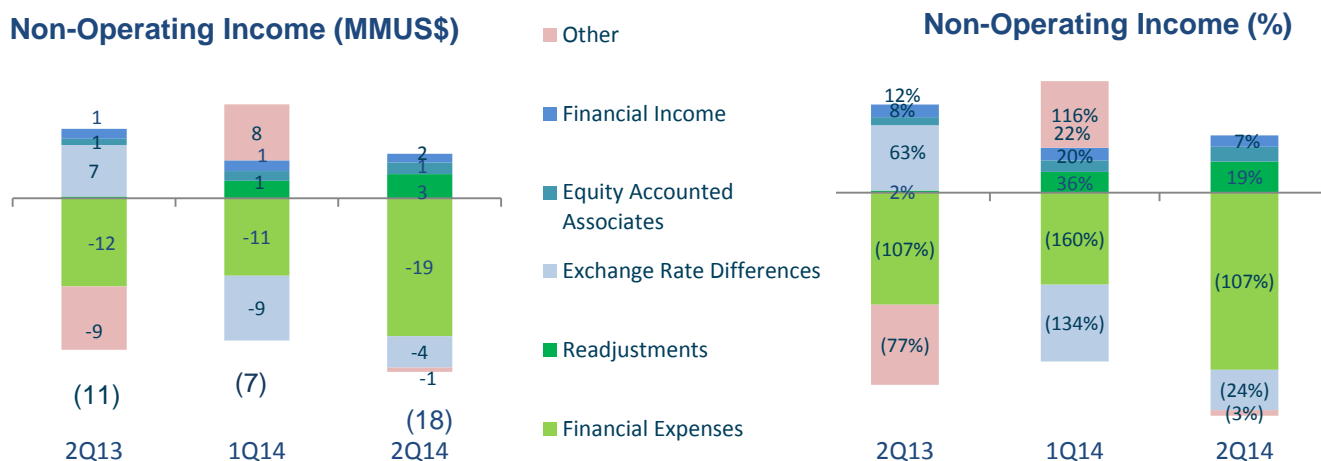
**CDEC Market:** during 2Q14 no physical energy purchases were made at the spot market, disbursements for the period by US\$3.4 million corresponded to capacity purchases. The above represents a decrease as compared to 2Q13 and 1Q14 where purchases in the amount of US\$139.3 million (462 GWh) and US\$18.0 million (capacity purchases only) respectively, were made.

**Fuel costs:** reached US\$183.8 million in 2Q14, up by 7% as compared to 2Q13 and down by 3% as compared to 1Q14.

**Third parties' works and supplies:** totaled US\$21.9 million in 2Q14, as compared to US\$19.5 million in 2Q13 and US\$19.1 million in 1Q14.

## NON OPERATING INCOME

**Non Operating Income of 2Q14 recorded losses by US\$17.8 million**, higher than losses of US\$11.3 million of 2T13 and lower than losses of US\$6.6 million of 1T14. The main reasons that explain this result are the following:



**Financial Income:** financial income during 2Q14 totaled US\$1.2 million, compared to the financial income of 2Q13 by US\$1.4 million and the financial income of 1Q14 by US\$1.5 million.

**Financial Expenses:** in 2Q14 were US\$18.9 million, higher than US\$12.1 million recorded in 2Q13 and higher than US\$10.6 million recorded in 1Q14. The increase as compared to both periods is due to a lower capitalization of financial expenses due to the accounting capitalization of the Angostura power plant in April 2014.

**Exchange Rate Difference:** the exchange rate difference recorded a loss of US\$4.3 million in 2Q14, as compared to the gain of US\$7.1 million recorded in 2Q13 and to the loss of US\$8.9 million recorded in 1Q14. This is mainly due to the effect of the cumulative inflation during this quarter affecting liabilities denominated in local currency.

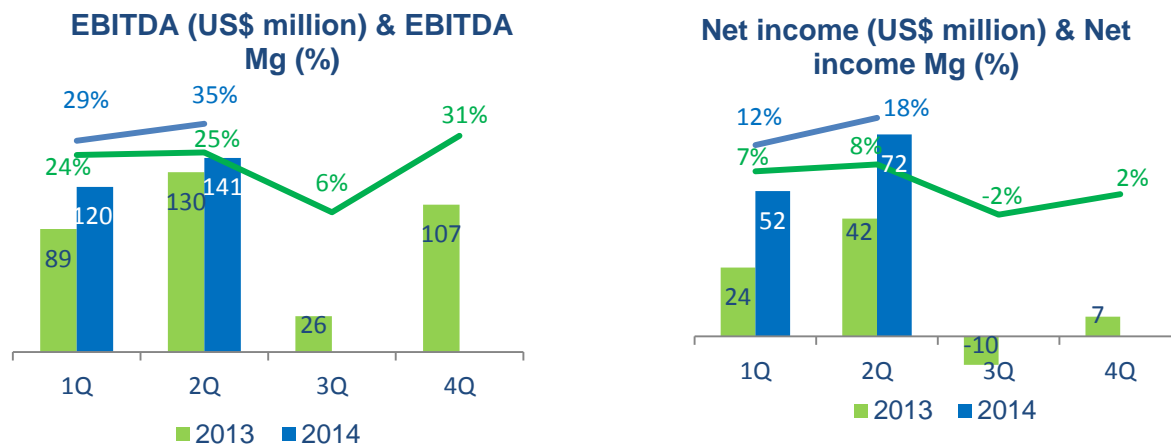
**Other income (loss):** a loss of US\$0.6 million was recorded in 2Q14, as compared to the loss of US\$8.7 million in 2Q13, which includes a one-time charge of US\$8.6 million because of the asset deterioration because of the failure of the turbine of Los Pinos power plant, and compared to the gain of US\$7.7 million in 1Q14, due to a one-time income related to the compensation of Nehuenco II power plant.

**Income Tax Expense:** amounts to US\$24.9 million, due mainly to the effect of the CLP/US\$ exchange rate depreciation that affects the calculation of deferred taxes, given that both fixed assets and tax losses are stated in Chilean Pesos.



## EBITDA AND NET INCOME ANALYSIS

**2Q14 EBITDA totaled US\$140.8 million**, higher than US\$130.4 million reached in 2Q13, and higher than US\$119.8 million totaled in 1Q14. The increase in EBITDA is mainly due to the higher hydroelectric and natural gas generation, this allowed to reduce energy and power purchases in the spot market.



The Company recorded a **profit of US\$71.6 million** (vs. a profit of US\$41.7 million in 2Q13 and a profit of US\$51.5 million in 1Q14)

The net income margin reached 18% over operating revenues for the quarter under analysis, which compares favorably to 8% of the 2Q13.

### EBITDA USD million

	2Q13	1Q14	2Q14	QoQ	YoY
<b>Revenues</b>	<b>518,4</b>	<b>413,2</b>	<b>408,0</b>	<b>(1%)</b>	<b>(21%)</b>
Sales to regulated customers	187,5	166,0	188,5	14%	1%
Sales to free customers	227,8	150,8	123,9	(18%)	(46%)
Sales to other generators (spot market)	0,0	1,5	49,9	3220%	-
Transmission tolls	39,0	41,2	45,1	10%	16%
Other operating income	64,0	53,8	0,6	(99%)	(99%)
<b>Raw materials and consumables used</b>	<b>(367,2)</b>	<b>(275,4)</b>	<b>(245,6)</b>	<b>(11%)</b>	<b>(33%)</b>
Transmission tolls	(36,4)	(48,9)	(36,5)	(25%)	0%
Energy and capacity purchases	(139,3)	(18,0)	(3,4)	(81%)	(98%)
Gas purchases	(80,5)	(143,1)	(115,3)	(19%)	43%
Diesel purchases	(65,9)	(22,9)	(43,0)	88%	(35%)
Coal purchases	(25,7)	(23,4)	(25,5)	9%	(1%)
Third party works and supplies	(19,5)	(19,1)	(21,9)	15%	13%
<b>Personnel expenses and other operating expenses</b>	<b>(20,7)</b>	<b>(18,1)</b>	<b>(21,6)</b>	<b>19%</b>	<b>4%</b>
<b>EBITDA</b>	<b>130,4</b>	<b>119,8</b>	<b>140,8</b>	<b>18%</b>	<b>8%</b>

## GROWTH PLAN

We are searching for growth opportunities in Chile and other countries in the region such as Colombia and Perú to maintain a significant position in the power generation business and diversify our sources of income. These countries have an attractive economic environment and its electricity sectors have a well-established regulatory framework. In addition, entering in markets such as these could enhance our diversification in terms of hydrological conditions, generation technologies and access to fuel sources.

In Chile, we have a number of potential projects currently in development, including hydroelectric and thermal projects. The status of these projects is shown below:

	San Pedro	La Mina	Sta. María II
Description	Hydro-Reservoir	Mini Hydro	Coal
Capacity(MW)	150	34	350
Gwh/year expected	930	180	2.500
Phase	EIA Approved	EIA Approved	EIA Approved
Budget (MMUS\$)	Under revision	-	-

### Projects under Development

- **San Pedro Hydroelectric Project (150 MW):** this project, located in the districts of Panguipulli and Los Lagos will use the San Pedro River water flows. The Company has completed the prospection analyses and the field studies collected over the last 2 years. With this information, the Company is concluding the engineering stage for adjustments and improvements recommended by the experts and which are not affecting the main environmental parameters of the approved project. During the first half of the year, the Company started a process to inform these modifications to competent national and regional authorities and institutions, and the results will also be submitted to a socialization process with the community during the second half of the year, before they enter the Environmental Evaluation System by the end of 2014 or at the beginning of next year.
- **La Mina Hydroelectric Project (34 MW):** this project, located in the community of San Clemente, will use the waters of the Maule River. The Project that qualifies as an NCRE mini hydro power plant obtained its Environmental Qualification Resolution in November of 2011 and its optimization DIA in May 2013. In April, the DGA granted the hydraulic works permit. The Company is evaluating the tenders for the construction of civil works and hydro mechanical equipment started last year. It is still pending the award of a portion of water rights by the National Water Authority.
- **Coal-fired Santa María II Thermolectric Project (350 MW):** Colbún has an environmental permit to build a second unit, similar to the first unit in operation. Its design was improved by incorporating technology to meet the stringent emission standard. Also, the Company is analyzing the technical, environmental, social and financial dimensions of the project to timely start its development.
- **Hidroaysén:** Colbún, together with Endesa-Chile through Hidroaysen S.A. participates in the development of hydroelectric projects in the Baker and Pascua Rivers in the Aysen Region. These hydroelectric plants will have a total installed capacity of approximately 2,750 MW.

In January 2014, the Ministers' Committee issued its decision on the claim filed by the plaintiff HidroAysén and 16 other claims; however, for the 18 pending claims it ordered two additional studies in order to issue a more substantiated decision. Subsequently, a new Ministers' Committee, which gathered on March 1, 2014, decided to undertake a process to rescind the decisions made by former government Ministers' Committee. HidroAysén joined this rescission process, with substantial grounds, on the lawfulness of the project's Environmental License (RCA).

In June 2014, the Committee decided to rescind the decision made by the former government Ministers' Committee and to revoke the project's RCA, siding with some of the complaints filed against HidroAysén. However, HidroAysén is currently exploring all legal options to reverse this decision; including challenging the Committee's decision, once formally notified, by filing an appeal to the Environmental Court defending the

lawfulness of the project's RCA. Furthermore, it is Cobún's opinion that there is no technical consistency between the legal grounds disclosed so far by the Committee and the technical data and legal assessment delivery in the project's Environmental Assessment Study and the Supreme Court ruling.

However, beyond this legal contingency, Colbún supports HidroAysen's Board of Director's public statement issued on May 2014: (i) regardless of the legal outcome adopted by the Ministers' Committee or any other legal instance foreseen by current Institutions, the company resolved to wait for the settlement of the long-term national energy policy and a land zoning process for hydroelectric power development, which were both recently announced by the Government; and (ii) that the referred Environmental License, the water rights, concessions, requests, studies, engineering, permits and properties, amongst others, are assets acquired and developed by HidroAysen during the last 8 years complying with current regulation and Institutions and in accordance with international technical and environmental standards, all represent valuable and necessary elements to develop the hydroelectric potential of the Baker and Pascua Rivers in the Aysen Region.

## RELEVANT EVENTS

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- The Company extended a natural gas supply contract for one CCGT unit until mid Sep-14. In 2Q14, Colbún had LNG supply contracts for its 2 combined cycle units during April and for one combined cycle unit during May and June. Additionally, during this quarter the Company extended LNG supply to operate a combined cycle unit from the second half of July 2014 until the first half of September 2014.
- Subsequent to quarter end, in the first week of July, **Colbún issued a bond in international markets for a total of US\$ 500 million**, with interest rate of 4.5% (effective rate of 4,675%) and 10-year bullet maturity. The use of proceeds will be the partial payment of financial debt and finance future expansion projects.

## BALANCE SHEET ANALYSIS

### Summarized Balance Sheet

USD million

	Jun13	Dic13	Jun14	YoY	QoQ
<b>Current Assets</b>	760,4	744,1	803,6	43,2	59,5
Cash and cash equivalents	223,0	260,5	337,4	114,4	77,0
Trade and other accounts receivable	184,3	328,6	327,7	143,4	(0,9)
Current tax receivable	11,5	44,0	41,8	30,3	(2,3)
Other current assets	341,6	111,0	96,8	(244,8)	(14,2)
<b>Non-Current Assets</b>	5.259,3	5.313,9	5.268,3	9,0	(45,6)
Property, plant and equipment	4.954,7	5.033,0	4.993,0	38,3	(40,0)
Other non-current assets	304,6	281,0	275,4	(29,3)	(5,6)
<b>Total Assets</b>	<b>6.019,8</b>	<b>6.058,1</b>	<b>6.072,0</b>	<b>52,2</b>	<b>13,9</b>
<b>Current liabilities</b>	535,5	341,9	232,3	(303,2)	(109,6)
Non-current liabilities	1.903,9	2.159,9	2.170,1	266,2	10,2
Total net equity	3.580,3	3.556,3	3.669,5	89,3	113,2
<b>Total Liabilities and Net Equity</b>	<b>6.019,7</b>	<b>6.058,1</b>	<b>6.072,0</b>	<b>52,2</b>	<b>13,9</b>

**Cash and cash equivalents:** totaled uS\$337.4 million, higher than the closing of 2013, due to inflows from operating activities partially offset by disbursements for investment projects and debt amortization.

**Trade and other accounts receivable:** totaled US\$327.7 million, in line with Dec13. "Normal Sales" increased due to higher sales to other generators; this increase was offset by the decrease in the account "Other receivables", mainly due to redemptions requested under Article 27 Bis of the DL825, where part of the tax credit that has been accumulating because of projects disbursements are recovered in advance, and due to a reduction related to the depreciation of the exchange rate

**Current tax Assets:** recorded a balance of US\$41.8 million at the closing of June 14, in line with the closing of December 2013.

**Other current Assets:** recorded a decrease of US\$14.2 million from the closing of last year (Dec13), due mainly to insurance premium amortizations and lower coal inventories offset by the increase of materials and spare parts.

**Property, Plant and Equipment, net:** recorded a balance of US\$4,993 million at the closing of June 14, down by US\$40 million from Dec13, due mainly to the depreciation for the period, effect that was partly offset by the investment projects executed by the Company.

**Current Liabilities:** totaled US\$232.3 million, down by US\$109.6 million from Dec13. This variation is due mainly to the payment of the last installment of a long-term bank loan and the reduction of "revolving" debt, both in 1Q14.

**Non Current Liabilities:** totaled US\$2,170 million at the closing of Jun14, up by US\$10.2 million from Dec13. This variation is due mainly to greater liabilities from deferred taxes on fixed assets resulting from the exchange rate depreciation over the period.

**Equity:** the Company had a Net Shareholder Equity of US\$3,670 million, an increase of 3.2% from Jan14 to June 14.

## DEBT AND CREDIT METRICS

### Liquidity Analysis & Indicators

USD million

	2Q13	1Q14	2Q14	YoY	QoQ
Gross financial debt	1.621	1.621	1.618	(3)	(3)
Financial investments	223,0	208,3	337,4	114	129
EBITDA LTM	453,7	383,0	393,3	(60)	10
<b>Net financial debt</b>	<b>1.397,8</b>	<b>1.412,9</b>	<b>1.280,8</b>	<b>(117)</b>	<b>(132)</b>
<b>Net Debt / EBITDA LTM</b>	<b>3,1</b>	<b>3,7</b>	<b>3,3</b>	<b>0,2</b>	<b>(0,4)</b>
Leverage (%)	68%	68%	65%	(2,5%)	(2,6%)
Short Term Liabilities(%)	22%	11%	10%	(12,3%)	(1,8%)
Financial Expense Coverage	5,6	4,8	4,2	(1,4)	(0,5)
Equity Profitability (%)	3,6%	2,5%	3,3%	(0,3%)	0,8%
Asset Profitability (%)	2,1%	1,5%	2,0%	(0,1%)	0,5%
EBITDA/Operational Assets (%)	6,1%	4,4%	4,5%	(1,7%)	0,1%

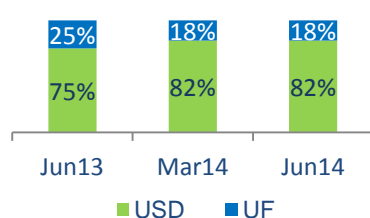
Gross debt was in line with 1Q14 mainly because there were no relevant debt repayments during 2Q14. Net Debt/LTM EBITDA ratio improved as compared to 1Q14 because of the cash accumulation by higher operating income.

It is worth noting that during 2Q14, Colbún refinanced four international bank loans totaling US\$ 160 million, maturing in June 2015 in a new amortizing obligation maturing in June 2021. The company subscribed IRS for this facility, eliminating exposure to floating interest rates in all of our financial debt.

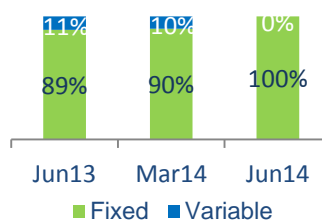
The **average maturity** of Colbún's long term financial debt is 5,3 years.

The **average USD** long-term financial debt interest rate is 5,1%.

Debt by Currency\*

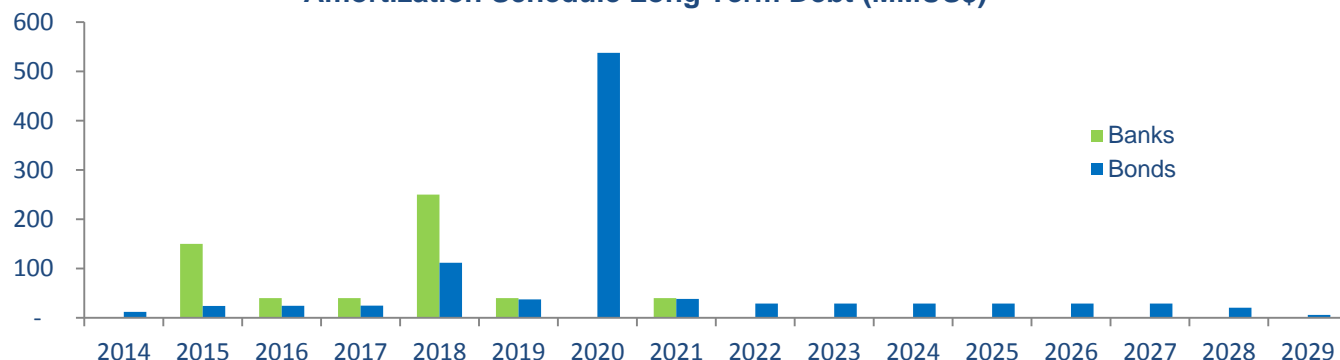


Debt by Interest Rate\*



\* Includes associated derivatives.

Amortization Schedule Long Term Debt (MMUS\$)\*



## CASH FLOW ANALYSIS

### Cash Flow

USD million

	2Q13	1Q14	2Q14	QoQ	YoY
<b>Cash and cash equivalents at beginning of period</b>	<b>237,5</b>	<b>260,4</b>	<b>208,3</b>	<b>(52,1)</b>	<b>(29,2)</b>
Cash Flow from Operating Activities	152,3	83,1	196,7	113,6	44,4
Cash Flow from Financing Activities	(71,5)	(83,1)	(47,1)	36,0	24,4
Cash Flow from Investing Activities	(92,8)	(48,0)	(18,7)	29,3	74,1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,0)</b>	<b>(48,0)</b>	<b>130,9</b>	<b>178,9</b>	<b>142,9</b>
Effects of exchange rate changes on cash and cash equivalents	(2,5)	(4,1)	(1,8)	2,3	0,7
<b>Cash and cash equivalents at end of period</b>	<b>223,0</b>	<b>208,3</b>	<b>337,4</b>	<b>129,1</b>	<b>114,4</b>

During 2Q14, the Company had **net cash inflows of US\$130.9 million**, and, as of June 2014 a **net cash inflow** of US\$82.9 million, which positively compares to the same period of the last year.

**Operating activities:** during 2Q14 generated net cash inflows of US\$196.7 million, a significant improvement over the net flow of US\$83.1 million in 1Q14, due to the a more competitive generation mix during 2Q14.

**Financing activities:** generated net cash outflows of US\$47.1 million during 2Q14, and, as of June 2014 a net cash outflow of US\$130.2 million. This is due to the amortization of a local bank loan, “revolving debt” reduction and the interests paid over the Company’s long-term debt.

**Investing activities:** generated net cash outflows of US\$18.7 million during 2Q14, a reduction compared to 1Q14, due to the commercial commissioning of the Angostura power plant.

## DISCLAIMER

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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.*

*This document 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 laws, Colbún S.A. publishes on its website ([www.colbun.cl](http://www.colbun.cl)) and sends the financial statements and its corresponding notes to the Superintendencia de Valores y Seguros, those documents should be read as a complement to this report.*



### Quarterly Sales and Production

	2013					2014				
	1Q13	2Q13	3Q13	4Q13	Total	1Q14	2Q14	3Q14	4Q14	Total
<b>Sales</b>										
Regulated customers (GWh)	1,790	1,853	1,872	1,708	7,224	1,771	1,819			1,771
Free customers (GWh)	779	1,363	1,471	1,469	5,082	1,233	1,159			1,233
Spot market sales (GWh)	511	0	0	8	519	219	425			219
<b>Total energy sales (GWh)</b>	<b>3,081</b>	<b>3,216</b>	<b>3,343</b>	<b>3,185</b>	<b>12,826</b>	<b>3,223</b>	<b>3,402</b>			<b>3,223</b>
Capacity sales (MW)	1,564	1,806	1,898	1,806	1,769	1,757	1,677			1,757
<b>Generation</b>										
Hydraulic (GWh)	1,052	1,193	1,166	1,446	4,857	1,109	1,621			1,109
Thermal - Gas (GWh)	1,243	713	499	779	3,234	1,357	929			1,357
Thermal - Diesel (GWh)	28	250	260	8	546	96	231			96
Thermal - Coal (GWh)	732	646	646	592	2,616	706	718			706
<b>Total own generation (GWh)</b>	<b>3,055</b>	<b>2,802</b>	<b>2,571</b>	<b>2,825</b>	<b>11,253</b>	<b>3,268</b>	<b>3,499</b>			<b>3,268</b>
<b>Energy purchases spot market (GWh)</b>	<b>82</b>	<b>462</b>	<b>789</b>	<b>411</b>	<b>1,744</b>	<b>0</b>	<b>0</b>			<b>0</b>

## Appendix 2 Income Statement

### Quarterly Income Statement

USD million

	2013					2014				
	1Q13	2Q13	3Q13	4Q13	Total	1Q14	2Q14	3Q14	4Q14	Total
Operating revenues	367.0	518.4	461.1	349.5	1,695.9	413.2	408.0			821.2
Raw materials and consumables used	(256.6)	(367.2)	(413.6)	(222.7)	(1,260.1)	(275.4)	(245.6)			(521.0)
<b>GROSS MARGIN</b>	<b>110.4</b>	<b>151.1</b>	<b>47.5</b>	<b>126.9</b>	<b>435.9</b>	<b>137.9</b>	<b>162.4</b>			<b>300.3</b>
Personnel expenses and other operating expenses	(21.2)	(20.7)	(21.6)	(20.0)	(83.4)	(18.1)	(21.6)			(39.7)
Depreciation & amortization	(40.4)	(39.4)	(40.1)	(42.7)	(162.6)	(42.0)	(46.2)			(88.2)
<b>OPERATING INCOME</b>	<b>48.8</b>	<b>91.0</b>	<b>(14.2)</b>	<b>64.1</b>	<b>189.8</b>	<b>77.8</b>	<b>94.6</b>			<b>172.4</b>
<b>EBITDA</b>	<b>89.2</b>	<b>130.4</b>	<b>25.9</b>	<b>106.8</b>	<b>352.4</b>	<b>119.8</b>	<b>140.8</b>			<b>260.6</b>
Financial income	1.7	1.4	0.8	1.2	5.1	1.5	1.2			2.7
Financial expenses	(15.2)	(12.1)	(10.7)	(12.1)	(50.1)	(10.6)	(18.9)			(29.5)
Results of indexation units	0.5	0.2	2.2	2.1	5.1	2.4	3.3			5.7
Exchange rate differences	(2.8)	7.1	(1.9)	0.0	2.3	(8.9)	(4.3)			(13.2)
Share of profit (loss) from equity-accounted associates	2.2	0.9	1.1	0.7	4.9	1.3	1.6			2.9
Other non-operating income/expense	(15.9)	(8.7)	4.6	(18.0)	(38.0)	7.7	(0.6)			7.1
<b>NON-OPERATING INCOME</b>	<b>(29.5)</b>	<b>(11.3)</b>	<b>(3.9)</b>	<b>(26.1)</b>	<b>(70.8)</b>	<b>(6.6)</b>	<b>(17.7)</b>			<b>(24.3)</b>
<b>NET INCOME BEFORE TAX</b>	<b>19.3</b>	<b>79.8</b>	<b>(18.1)</b>	<b>38.0</b>	<b>119.0</b>	<b>71.2</b>	<b>76.9</b>			<b>148.1</b>
Income Tax	5.1	(38.1)	8.0	(31.1)	(56.0)	(19.6)	(5.2)			(24.8)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>24.4</b>	<b>41.7</b>	<b>(10.1)</b>	<b>6.9</b>	<b>63.0</b>	<b>51.5</b>	<b>71.6</b>			<b>123.1</b>
<b>NET INCOME ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT COMPANY</b>	<b>24.4</b>	<b>41.7</b>	<b>(10.1)</b>	<b>6.9</b>	<b>63.0</b>	<b>51.5</b>	<b>71.6</b>			<b>123.1</b>

## Appendix 3 Balance Sheet

### Summarized Balance Sheet

USD million

	2013				2014			
	Mar13	Jun13	Sep13	Dic13	Mar14	Jun14	Sep14	Dic14
Current Assets	638,7	760,4	691,5	744,1	756,7	803,6		
Cash and equivalents	237,6	223,0	208,0	260,5	208,3	337,4		
Accounts receivable	272,6	184,3	146,5	328,6	378,6	327,7		
<i>Normal sales</i>	154,0	178,5	140,5	128,9	149,2	162,1		
<i>Deudores varios</i>	118,6	5,8	6,0	199,7	229,4	165,6		
Recoverable taxes	6,9	11,5	12,3	44,0	52,6	41,8		
Other current assets	121,6	341,6	324,8	111,0	117,1	96,8		
Non-Current Assets	5.363,1	5.259,3	5.352,4	5.313,9	5.298,4	5.268,3		
Property, Plant and Equipment, net	4.933,2	4.954,7	5.014,1	5.033,0	5.026,1	4.993,0		
Other non-current assets	429,9	304,6	338,4	281,0	272,3	275,4		
<b>Total Assets</b>	<b>6.001,8</b>	<b>6.019,7</b>	<b>6.044,0</b>	<b>6.058,1</b>	<b>6.055,1</b>	<b>6.072,0</b>		
Current liabilities	552,5	535,5	547,8	341,9	281,3	232,3		
Long-term liabilities	1.908,1	1.903,9	1.924,1	2.159,9	2.170,9	2.170,1		
Shareholders' equity	3.541,3	3.580,3	3.572,1	3.556,3	3.602,9	3.669,5		
<b>Total Liabilities and Shareholders' Equity</b>	<b>6.001,8</b>	<b>6.019,7</b>	<b>6.044,0</b>	<b>6.058,1</b>	<b>6.055,1</b>	<b>6.072,0</b>		
End-of-quarter exchange rate (CLP/USD)	472,0	507,2	504,2	524,6	551,2	552,7		