



3Q14 Financial Report

Conference Call 3Q14 Results

Date: Thursday October 30th 2014
Time: 11:00 AM Eastern Daylight Time
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Summary

USD million

- Colbún's **operating revenues** for 3Q14 reached US\$351.2 million, a decrease of 24% compared to 3Q13 mainly due to lower sales to free costumers and a decrease of 14% compared to 2Q14 due to lower sales to the spot market.
- Total **energy sales** volume amounted to 3.2 TWh, a decrease of 4% and 7% compared to 3Q13 and 2Q14, respectively.
- Total generation** was 3.2 TWh, an increase of 26% compared to 3Q13 due to higher hydroelectric generation mainly explained by the commissioning of the Angostura power plant. Total generation decreased 7% compared to 2Q14 given by less gas-fired production.
- 3Q14 **EBITDA** was US\$117.0 million, higher than the US\$25.9 million recorded in 3Q13, and lower than the US\$140.8 million recorded in 2Q14. The increase in EBITDA compared to 3Q13 is mainly explained by increased hydro generation and lower purchases of energy and capacity on the spot market. The decrease from the prior quarter is primarily due to lower sales in the spot market, partially offset by higher hydro generation and lower gas costs given by lower gas generation.
- Colbun reported a **net income** of US\$18.2 million in 3Q14 versus a net loss of US\$10.1 million in 3Q13 and a net income of US\$71.6 million in 2Q14.
- The **Angostura** hydroelectric power plant (316 MW), commissioned in April, has shown reliable generation, reaching Year-To-Date production of 923 GWh at the closing of 3Q14. The output considers the production during the testing period of the power plant.
- On Jul14, Colbún issued **an international bond** for a total amount of **US\$500 million**, with a 4.5% interest rate (effective rate 4.675%) and 10-year bullet maturity. A portion of the proceeds from the issuance were allocated to fully prepay an international bank loan of US\$150 million in Oct14 with an original maturity in Aug15. The balance of the amount collected from the issuance will be used to finance future expansion projects.
- At the end of 3Q14, **financial investments** reached US\$878.3 million and **net debt decreased** to US\$1,167 million.
- At the end of Sep14 a **tax reform (Law 20,780)** was enacted increasing the corporate tax rate (gradual increase from 20% to 27% in 2018). Due to the above and considering that the Company will be subject to the "Sistema Integrado Parcial de Tributación" (Partially Integrated Taxation System), a non-recurrent increase in net deferred tax liabilities was recorded for an amount of US\$212.9 million. Additionally, according to "Oficio Circular" N°856 of the Superintendence of Securities and Insurance (SVS), a non-recurrent charge by the same amount was recorded in shareholder's equity.

	3Q13	2Q14	3Q14	9M13	9M14	Change		
						YoY	QoQ	Ac/Ac
Revenues	461.1	408.0	351.2	1,346.4	1,172.5	(24%)	(14%)	(13%)
EBITDA	25.9	140.8	117.0	245.6	377.6	351%	(17%)	54%
Net Income	(10.1)	71.6	18.2	56.0	141.3	(280%)	(75%)	152%
Net debt	1,472	1,281	1,167	1,472	1,167	(21%)	(9%)	(21%)
Energy sales (GWh)	3,343	3,422	3,193	9,641	9,818	(4%)	(7%)	2%
Total generation (GWh)	2,571	3,499	3,240	8,428	10,007	26%	(7%)	19%
Hydraulic generation (GWh)	1,166	1,621	1,816	3,411	4,546	56%	12%	33%

Colbún is the second largest generator (in terms of installed capacity) 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 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

"At the closing of Sep14, the hydrological year (started in Apr14) exhibits inferior conditions compared to an average hydrological year. However, compared to the same date of 2013, rainfalls in the relevant basins for Colbún's have been more favorable. This has led to 18% decrease in the marginal costs of the system compared to the previous calendar year (US\$148/MWh versus US\$180/MWh). Meanwhile, reports published by the CDEC-SIC regarding the melting season for the next months are more encouraging than the ones published last year, even though they do not show normal statistics.

The Angostura power plant continues generating reliably and up until 3Q14 closing it has had a total output of 923 GWh. This important contribution has led to a reduction in the average cost of production this year.

During the quarter there were several important events worth highlighting.

In Jul14 we issued a bond in the international markets for a total amount of US\$500 million and a 4.5% interest rate (effective rate 4.675%). Part of these funds were used to fully prepay an international bank loan of US\$150 million during Oct14, while the remainder will be used to finance future expansion plans.

The current medium term LNG supply agreement with Metrogas S.A. was extended until 2019. This new contract consists in 11 shipments from 2015 to 2019 for a total volume of approximately 900 million m³.

In September the Board of Directors approved the construction of the hydroelectric run-of-the-river project La Mina subject to obtaining a pending portion of water rights by the National Water Authority, process that is in its final stage and in administrative processing. This project, located in the community of San Clemente, will have a total capacity of 34 MW with an expected average annual generation of 191 GWh.

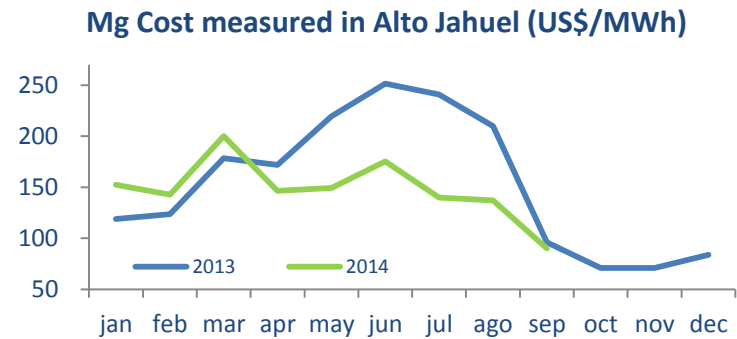
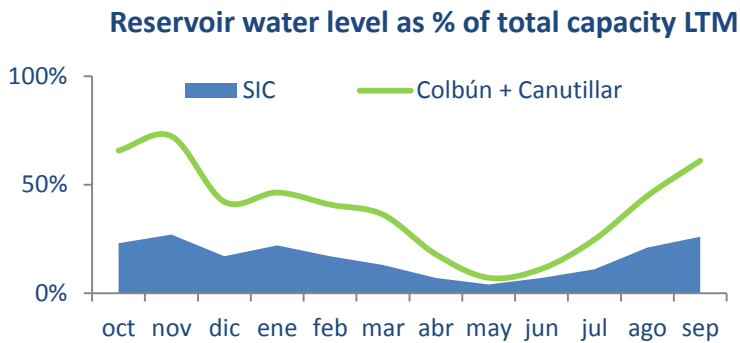
On October 1st, Mr. Thomas Keller became the CEO of Colbún, replacing Mr. Ignacio Cruz. The Board acknowledged and thanked Mr. Ignacio Cruz for the work done and highlighted its achievements in the successful commissioning of two important projects for the company.

MARKET CONDITIONS

SIC (Central Interconnected System) **generation** grew by 2.0% during the third quarter of 2014 due to greater demand, both from regulated and free customers. The growth rate of 3Q14 shows a downturn from the average growth of 3.5% observed over the last 12 months.

Regarding the generation mix, hydroelectric generation reached a similar participation to last quarter, reaching 49% of total output, whereas natural gas generation decreased to 11%. Coal generation decreased to 23% during 3Q14 and diesel generation was in line compared to 2Q14, reaching 9% of the total. This generation mix translated into a **22% decrease of the average marginal cost** for the quarter measured at Alto Jahuel, as compared to 2Q14, from US\$157/MWh to US\$122/MWh.

The graph below (bottom-right) shows the difference in marginal costs for this year as compared to those of previous year. The energy spot prices of 1Q14 were higher due to weaker water inflows because of the drought and some thermal base plants out of operation. However, energy spot prices since April are lower than energy spot prices of 2013 due to a greater contribution of hydroelectric generation. Meanwhile, reports published by the CDEC-SIC regarding the melting season for the next months, although they do not show normal statistics, show better scenarios than reports published at this time last year. This should improve the reservoir level, which are below last year levels, as shown on the graph below.

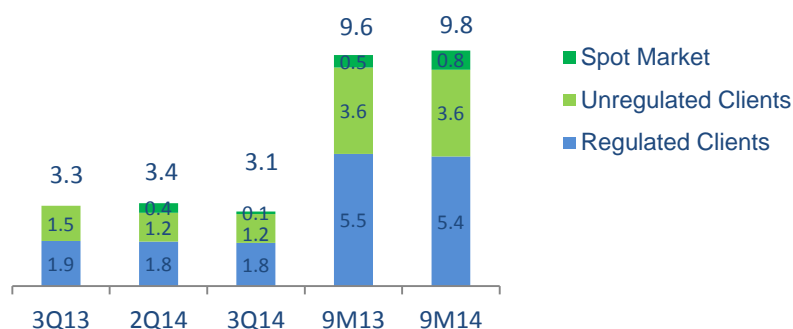


PHYSICAL SALES

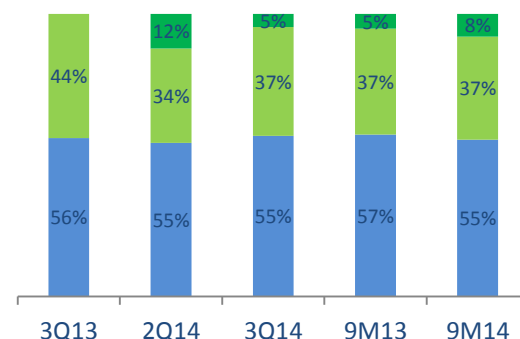
Sales volume to customers under power purchase agreements during 3Q14 reached 3,046 GWh, 9% lower than the same period of the previous year, mainly explained by the expiry of two contracts with free customers at the end of 2013. Sales were 7% lower as compared to 2Q14 due to lower sales to the spot market.

Over the quarter, Colbún recorded **net sales on the spot market by 123 GWh**, against net purchases of 821 GWh in 3Q13 and net sales by 425 GWh in 2Q14.

Physical Sales by Type of Client (TWh)



Physical Sales by Type of Client (%)



GENERATION

At the closing of Sep14, the hydrological year (started in Apr14) exhibits inferior conditions compared to an average hydrological year. However, compared to the same date of 2013, rainfalls in Colbún's relevant basins have been more favorable. Additionally, the Company has had greater access to natural gas to operate the combined cycle units, limiting diesel generation.

Hydroelectric generation was 56% higher compared to the 3Q13, mainly due to the commissioning of the Angostura power plant which generated 533 GWh during the quarter; and 12% higher than second quarter, mainly due to higher rainfall in Colbún's relevant basins and Angostura's higher output.

Coal-fired generation was in line compared to 3Q13, and decreased 6% from the previous quarter, mainly due to the annual maintenance carried out at the Santa María I coal-fired power plant which started on September 27th and lasted for 15 days.

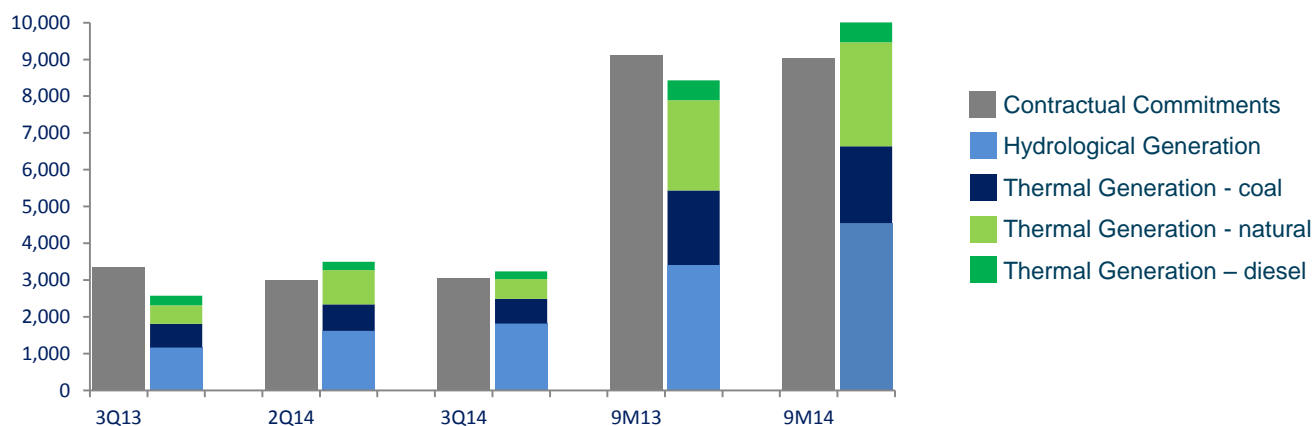
Gas-fired generation increased by 7% compared to 3Q13; and fell by 42% compared to 2Q14. The decrease from the prior quarter was due to lower requirements of this fuel given by more favorable hydrological conditions. This quarter, the company operated a combined cycle with gas between the last week of July and the second week of September, unlike 2Q14 where two combined cycles operated with gas in April, and one cycle in May and June. The LNG supply during the quarter was purchased to ENAP after the company extended the contract in force during the previous quarter.

Diesel-fired generation decreased by 44 GWh and by 15 GWh compared to the 3Q13 and 2Q14 respectively. The decrease compared to the same period last year is due to the increased availability of hydro and gas generation. Compared to the second quarter, lower generation is given by higher rainfall during the period.

PHYSICAL SALES AND GENERATION BALANCE

The generation mix of 3Q14 allowed 82% of the Company's commercial commitments to be supplied with efficient energy: hydroelectricity and coal (vs. 54% of 3Q13 and 78% of 2Q14). The other commitments were met with natural gas generation. Additionally, the Company recorded net sales in the spot market by 123 GWh (vs. net purchases by 821 GWh in 3Q13 and net sales by 425 GWh in 2Q14).

Commitments vs. Generation Balance
GWh



Sales Volume vs. Generation

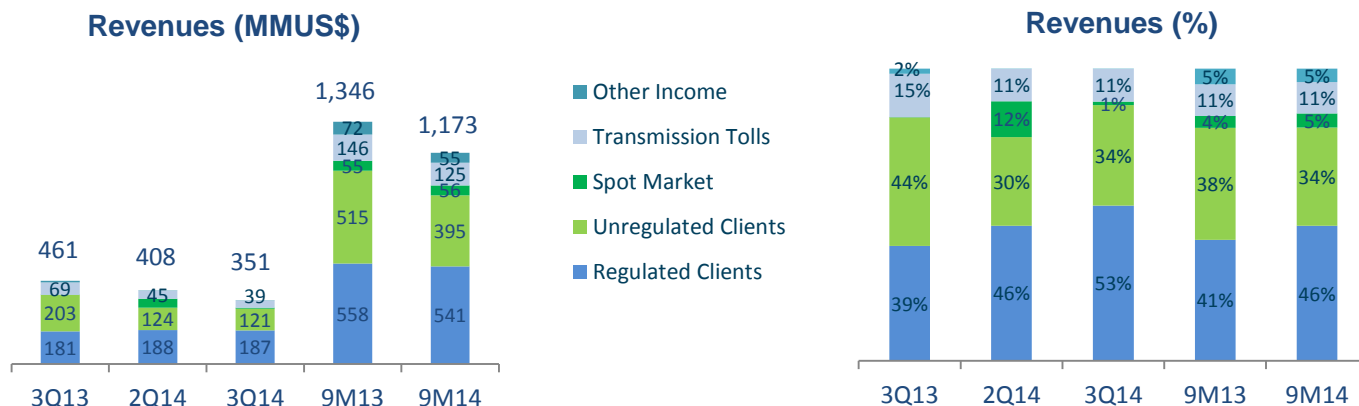
GWh

	3Q13	2Q14	3Q14	9M13	9M14	Change		
						QoQ	YoY	Ac/Ac
Sales Volumes								
Regulated customers	1,872	1,838	1,849	5,516	5,439	1%	(1%)	(1%)
Free customers	1,471	1,159	1,197	3,613	3,589	3%	(19%)	(1%)
Spot market sales	0	425	147	511	791	(65%)	-	55%
Total energy sales	3,343	3,422	3,193	9,641	9,818	(7%)	(4%)	2%
Generation								
Hydraulic	1,166	1,621	1,816	3,411	4,546	12%	56%	33%
Thermal - Gas	499	929	536	2,455	2,822	(42%)	7%	15%
Thermal - Diesel	260	231	216	538	543	(7%)	(17%)	1%
Thermal - Coal	646	718	672	2,024	2,096	(6%)	4%	4%
Total own generation	2,571	3,499	3,240	8,428	10,007	(7%)	26%	19%
Energy purchases (spot market)	821	0	24	1,365	24	-	(97%)	(98%)

OPERATING REVENUES

Operating revenues for 3Q14 totaled US\$351.2 million, decreasing 24% and 14% compared to 3Q13 and to 2Q14, respectively.

Cumulative operating revenues from ordinary activities as of Sep14 totaled US\$1,176 million, 13% lower than the same period of the previous year, mainly due to lower sales to free costumers. Revenues are broken down as follow:



Regulated clients: Revenue from regulated clients was US\$186.6 million in 3Q14, in line with 3Q13 and 2Q14. In cumulative terms, sales reached US\$541.1 million as of Sep14, lower by 3% compared to Sep13, mainly due to lower sales volumes and a slightly lower monomic average price.

Unregulated clients: Revenue from unregulated clients reached US\$120.7 million in 3Q14, decreasing by 40% compared to 3Q14 and in line with 2Q14. The decline over the same period last year is mainly explained by the expiry of two contracts with these customers in Dic13, together with a lower average monomic price given by a change in the indexation structure on contracts.

In cumulative terms, sales reached US\$395.4 million in Sep14, lower by 23% compared to the same period last year, primarily as explained by the above mentioned.

Spot Market: During 3Q14 the Company sold 147 GWh to the spot market, equivalent to US\$4.4 million (vs. 0 GWh energy sales in 3Q13 and sales by 425 GWh equivalent to US\$49.9 million in 2Q14).

Transmission Tolls: Revenue from transmission tolls totaled US\$39.2 million in 3Q14, down by 43% and 13% as compared to 3Q13 and 2Q14, respectively. The difference from 3Q13 is because during the months of Jul13-Aug13 congestion generated in the Ancoa-Charrúa line caused a rise in tariff revenue with a positive impact of approximately US\$25.0 million for Colbún. The decrease compared to 2Q14 is due to retroactive reassessments performed as per the implementation of the Subtransmission Supreme Decree 14 (DS14) during the quarter.

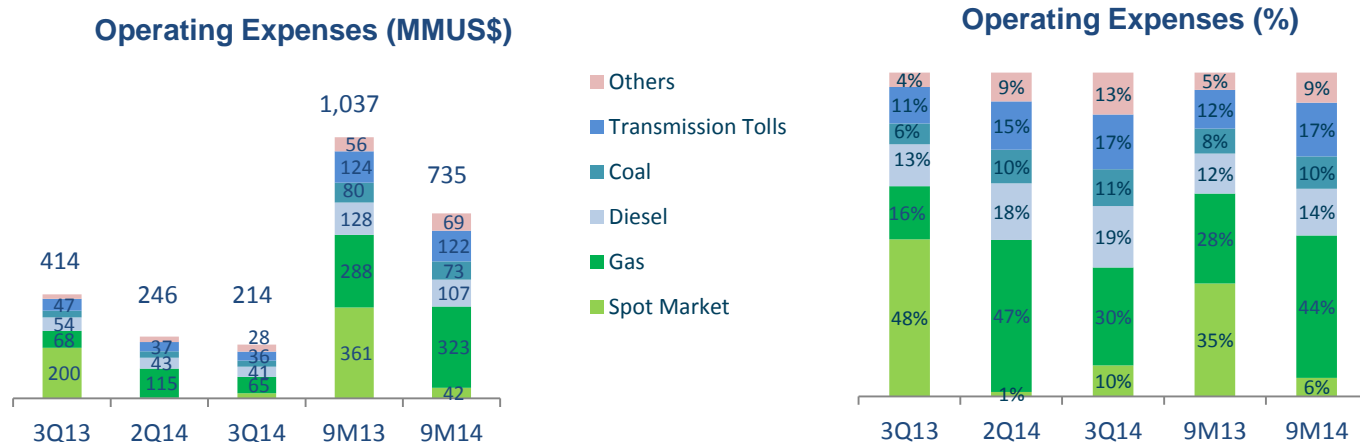
In cumulative terms, as of Sep14 these revenues reached \$ 125.4 million, lower by 14% compared to the same period last year for the reasons previously explained.

Other Income: Other income totaled US\$0.3 million in 3Q14, against US\$7.9 million in 3Q13 and US\$0.6 million in 2Q14. The increase compared to 3Q13 is mainly due to the income registered in 3Q13 coming from selling carbon credits for US\$7.2 million associated with the operation of the Hornitos and Quilleco power plants. In cumulative terms, both periods under analysis incorporate non-recurring compensation incomes.

OPERATING EXPENSES

Raw materials and consumables used totaled US\$213.8 million on 3Q14, decreasing 48% and 13% compared to 3Q13 and 2Q14, respectively.

In cumulative terms, as of Sep14, raw materials and consumables used totaled US\$734.7 million, a 29% decrease compared to the same period in 2013, explained by a more efficient generation structure.



Transmission Tolls: in 3Q14 totaled US\$36.2 million, a decrease of 22% compared to 3Q13 and in line with 2Q14. The decrease from the third quarter last year is due to lower subtransmission tolls due to the new decree (DS14).

Spot market purchases: during the 3Q14 reached 24 GWh (US\$20.4 million), a considerable decrease compared to the 821 GWh (US\$200.4 million) purchased in 3Q13. 3Q13 was affected by the machinery failure of the Nehuenco II power plant. Spot market purchases increased compared to 2Q14 given by lower gas generation. As of Sep14, cumulative spot market purchases reached US\$41.8 million, down from US\$361.4 million of Sep13, mainly given by the unavailability of the Nehuenco II power plant during 2013.

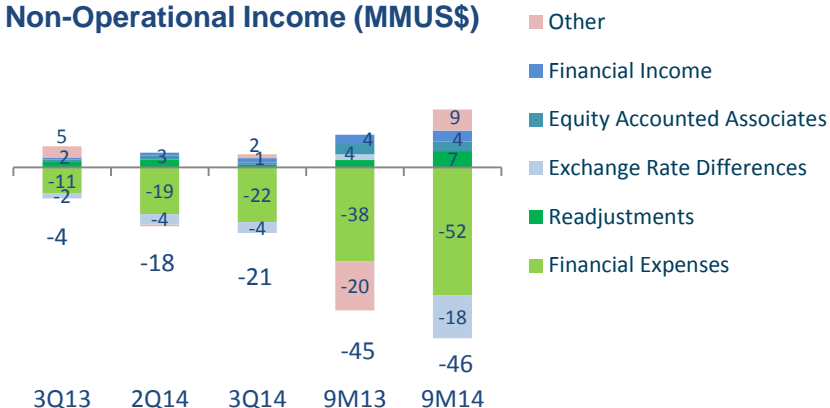
Fuel Costs: reached US\$129.5 million, 12% and 30% lower than 3Q13 and 2Q14, respectively. The decrease from the 3Q13 is primarily due to lower diesel-fired generation given by better hydrological conditions; and the difference from the 2Q14 is due to lower natural gas-fired generation. The accumulated fuel costs as of Sep14 totaled US\$502.6 million, slightly higher than Sep13. This is mainly given by higher thermal generation.

Third Parties Work and Supply: in 3Q14 reached US\$27.7 million, compared with US\$18.6 million of 3Q13 and US\$21.9 million of 2Q14. The increase compared to 3Q13 and to 2Q14 is mainly explained by a reclassification of other operational costs which do not affect the operating income line. Year-to-Date third parties work and supply as of Sep14 amounted US\$68.7 million, an increase from US\$56.1 million in Sep13, partially explained by higher insurance costs due to the commissioning of a Angostura.

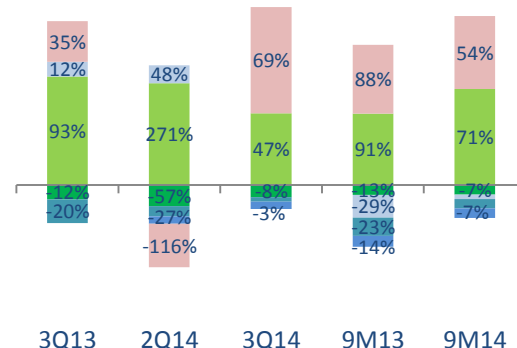
NON-OPERATING RESULT

The **non-operating result of 3Q14 registered a loss of US\$21.3 million**, higher than the loss of US\$3.9 million in 3Q13 and the loss of US\$17.8 million in 2Q14. In cumulative terms, losses were in line. The main non-operating factors are:

Non-Operational Income (MMUS\$)



Non-Operational Income(%)



Financial Income: recorded US\$1.7 million during the quarter compared to US\$0.8 million of 3Q3 and US\$1.2 million in 2Q14. The increase over both periods is primarily due to a higher level of cash given by the international bond issued in Jul14, along with a higher cash flow generation.

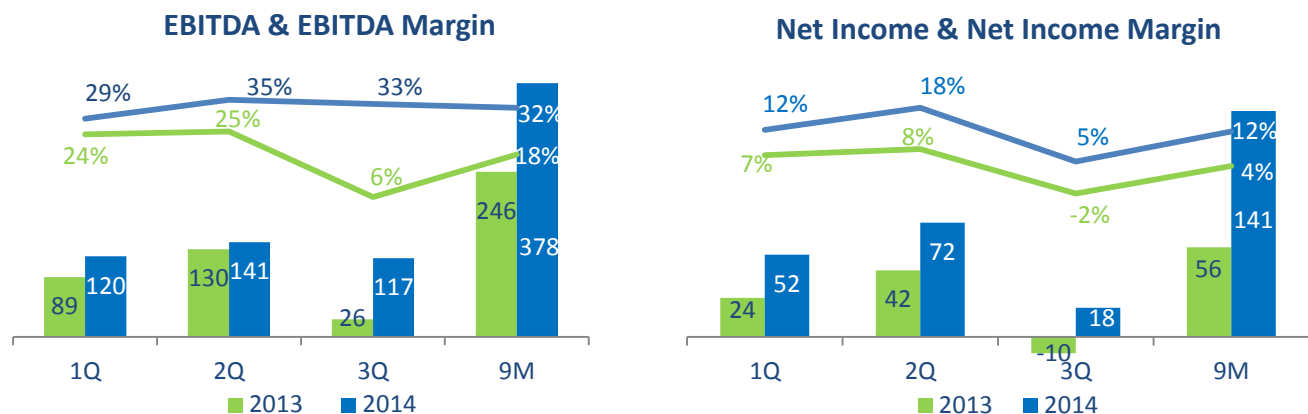
Financial Expenses: during 3Q14 reached US\$22.2 million, higher than the US\$10.7 million recorded during 3Q13 and US\$18.9 million in 2Q14. The rise with respect to 3Q13 is mainly due to the increase of financial debt given by the issuance of an international bank loan in Oct13 for US\$250 million and a bond issuance in the international markets during Jul14 for US\$ 500 million, in addition to a lower capitalization of interest expenses because of the commissioning of Angostura. The difference compared with 2Q14 is given by the bond issuance already mentioned.

Exchange Rate Differences: posted a loss of US\$4.4 million compared to a loss of US\$1.9 million recorded in 3Q13 and the loss of US\$4.3 million in 2Q14. The result of this line is mainly explained by the effect of the 8% depreciation of the CLP/US\$ exchange rate during the quarter and as a result of a balance sheet with more assets than liabilities denominated in pesos.

Tax Expense: registered an expense as of Sep14 amounting US\$56,0 million, compared to US\$24.9 million in Sep13. This higher tax expense is mainly explained by a higher income before taxes, and to a lesser extent by the depreciation of the exchange rate CLP/US\$ which affects both the taxable fixed asset and the taxable losses which are carried in Chilean pesos.

EBITDA AND NET INCOME ANALYSIS

3Q14 EBITDA was US\$117.0 million, higher than the US\$25.9 million recorded in 3Q13, and lower than the US\$140.8 million recorded in 2Q14. The increase in EBITDA compared to 3Q13 is mainly explained by increased hydro generation and a lower contractual volume, which led to a decrease in purchases of energy and capacity to the spot market. The decrease from the prior quarter is primarily due to lower sales in the spot market given by a lower gas availability, partially offset by higher hydro generation.



The company recorded in 3Q14 a **net income of US\$18.2 million** (vs. a net loss of US\$10.1 million in 3Q13 and a net profit of US\$71.6 million 2Q14). The improvement over 3Q13 is due to a better generation mix, given in part by the unavailability of an efficient plant during the past year and a higher hydro generation. The decrease from 2Q14 is mainly due to lower sales to the spot market and due to higher tax expenses mainly explained by the effect of the depreciation of the CLP/US\$ exchange rate of 8% during the quarter. The net margin reached 5% this quarter, which compares favorably with the negative margin of 3Q13, and compares unfavorably with the past quarter given the reasons already mentioned.

EBITDA
USD million

	3Q13	2Q14	3Q14	9M13	9M14	Change		
						QoQ	YoY	Ac/Ac
Revenues	461	408	351	1,346	1,173	(14%)	(24%)	(13%)
Sales to regulated customers	181	188	187	558	541	(1%)	3%	(3%)
Sales to free customers	203	124	121	515	395	(3%)	(40%)	(23%)
Sales to other generators (spot market)	0	50	4	55	56	(91%)	3811%	1%
Transmission tolls	69	45	39	146	125	(13%)	(43%)	(14%)
Other operating income	8	1	0	72	55	(43%)	(96%)	(24%)
Raw materials and consumables used	(414)	(246)	(214)	(1,037)	(735)	(13%)	(48%)	(29%)
Transmission tolls	(47)	(37)	(36)	(124)	(122)	(1%)	(22%)	(2%)
Energy and capacity purchases	(200)	(3)	(20)	(361)	(42)	506%	(90%)	(88%)
Gas purchases	(68)	(115)	(65)	(288)	(323)	(44%)	(5%)	12%
Diesel purchases	(54)	(43)	(41)	(128)	(107)	(6%)	(24%)	(17%)
Coal purchases	(26)	(25)	(24)	(80)	(73)	(5%)	(8%)	(8%)
Third party works and supplies	(19)	(22)	(28)	(56)	(69)	26%	49%	22%
Personnel expenses and other operating expenses	(22)	(22)	(21)	(63)	(60)	(5%)	(5%)	(5%)
EBITDA	25.9	140.8	117.0	245.6	378	(17%)	351%	54%

GROWTH PLAN

We are searching for growth opportunities in Chile and other countries in the region such as Colombia and Perú in order 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 electric 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	191	2,500
Phase	EIA Approved	EIA Approved	EIA Approved

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 analysis and the field studies collected over the last 4 years. With this information, the Company is concluding the engineering stage for adjustments and improvements recommended by experts and which do not affect 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 were also submitted to a socialization process with the community that started in the second half of this year. It is expected to resubmit the new data to the Environmental Evaluation System during the first quarter of next year.



Sight of the surrounding where the project will be built

- **Coal-fired thermal project Santa Maria II (350 MW):** Colbún has an environmental permit to build a second unit, similar to the first unit already 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.
- **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 qualifies as a NCRE mini hydro power plant and obtained its Environmental Qualification Resolution in November of 2011 and its optimization DIA (Environmental Impact Declaration) in May 2013. In April, the DGA (National Water Authority) granted the hydraulic works permit. During September the DIA for the high tension line connecting the project to the SIC was approved and construction for the project was authorized. In September the Board of Directors approved the project subject to obtaining a pending portion of water rights by the National Water Authority.
- **Hidroaysén:** Colbún, together with Endesa-Chile through Hidroaysén S.A., participates in the development of hydroelectric projects in the Baker and Pascua Rivers in the Aysén Region. These hydroelectric plants will have a total installed capacity of approximately 2,750 MW, which will be commercialized independently by each company

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 the former 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 Ministers' Committee and to revoke the project's RCA, siding with some of the complaints filed against HidroAysén. Later in August 2014, HidroAysén filed appeals before the Environmental Court of Santiago and Valdivia. To date these claims have yet to be resolved.

In October 2014 Hidroaysén restructured part of its executive team to focus on the legal environment and the preservation of rights and assets of the company.

Beyond the legal contingency, Colbún supports HidroAysén's Board of Directors public statement issued in 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 (EIA), the water rights, concessions, requests, studies, engineering, permits and properties, amongst others, are assets acquired and developed by HidroAysén 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 Aysén Region.

RELEVANT EVENTS

- On July 14, Colbún issued an **international bond for a total amount of US\$500 million**, with a 4.5% interest rate (effective rate of 4.675%) and 10-year bullet maturity. Part of the proceeds from the issuance was allocated to fully prepay an international bank loan of US\$150 million in Oct14 with an original maturity in Aug15. The balance of the amount collected in the issuance will be used to finance future expansion projects.
- In September, the company informed to the Superintendence of Securities and Insurance (SVS) the **change of Colbún's CEO**. Mr. Ignacio Cruz resigned and was replaced by **Mr. Thomas Keller**, starting October 1st. The Board acknowledged and thanked Mr. Ignacio Cruz for the work done and highlighted its achievements in the successful launch of two important projects for the company.
- The current **medium term LNG supply agreement with Metrogas S.A.** was extended until 2019. This new contract consists in 11 shipments from 2015 to 2019 for a total volume of approximately 900 million m3.
- On September 5th, Colbún launched its third **Sustainability Report** for the period 2013. The document seeks to make transparent our management to the various communities we interact with in our 23 operations in central and southern Chile.
- At the end of Sep14 a **tax reform** (Law 20,780) was enacted increasing the corporate tax rate (gradual increase from 20% to 27% in 2018). Due to the above and considering that the Company is subject to the “Sistema Integrado Parcial de Tributación” (Partially Integrated Taxation System), a non-recurrent increase in net deferred tax liabilities was recorded in the amount of **US\$212.9 million**. Additionally, according to “Oficio Circular N°856” of the Superintendence of Securities and Insurance (SVS), a non-recurrent charge is recognized in equity by the same amount.
- In September the Board of Directors approved the construction of the hydroelectric run-of-the-river project La Mina subject to the granting of a pending portion of water rights by the National Water Authority, process that is in its final stage and in administrative processing. This project, located in the community of San Clemente, will have an installed capacity of 34 MW with an expected average annual generation of 191 GWh.

BALANCE SHEET ANALYSIS

Summarized Balance Sheet

USD million

	Change				
	Sep13	Jun14	Sep14	YoY	QoQ
Current Assets	691.6	803.7	1,301.2	609.6	497.5
Cash and cash equivalents	208.0	337.4	878.3	670.3	540.9
Trade and other accounts receivable	146.5	327.7	254.8	108.3	(72.9)
Current tax receivable	12.3	41.8	59.7	47.4	17.9
Other current assets	324.8	96.8	108.5	(216.3)	11.7
Non-Current Assets	5,352.4	5,268.4	5,231.0	(121.5)	(37.4)
Property, plant and equipment	5,014.1	4,993.0	4,967.6	(46.4)	(25.4)
Other non-current assets	338.4	275.4	263.3	(75.0)	(12.1)
Total Assets	6,044.0	6,072.1	6,532.2	488.2	460.1
Current liabilities	547.8	232.3	316.4	(231.5)	84.1
Non-current liabilities	1,924.1	2,170.1	2,749.3	825.2	579.2
Total net equity	3,572.1	3,669.6	3,466.5	(105.6)	(203.1)
Total Liabilities and Net Equity	6,044.0	6,072.0	6,532.2	488.2	460.1

The main changes on balance sheet accounts for the period are described below:

Cash and cash equivalents: totaled US\$878.3 million, increasing compared to 2Q14, mainly explained by the international bond issued in Jul14 and by the inflows coming from operating activities, partly offset by disbursements in investment projects and debt amortizations.

Trade and other accounts receivable: reached US\$254.8 million, 22% lower than in Jun14, mainly due to lower sales to the spot market and due to redemptions requested under Article 27 Bis of the DL825, where part of the tax credit that has been accumulating due to the disbursements of projects are retrieved in advance.

Property, Plant and Equipment, net: totaled US\$4,968 million as of Sep14, a decrease of US\$25.4 million compared to Jun14. This is explained by the depreciation expense registered in the period, partially offset by investments carried out by Colbún.

Current Liabilities: totaled US\$316.4 million, an US\$84.1 million increase compared to the close of the previous quarter. This variation is explained by the reallocation from non-current liabilities to current liabilities of an international bank loan maturing in Aug15, partly offset by the full payment of "revolving" debt.

Non-current liabilities: Non-current liabilities totaled US\$2,949 million at the end of 3Q14, an increase of US\$579.5 million during the quarter. The increase is mainly due to the issuance of an international bond in Jul14 and the increase in deferred tax liabilities of \$ 212.9 million because of a higher tax rate. In Sep14 a new tax reform was enacted (Law 20,780) and increased the corporate tax rate. This increase was partially offset by an international bank loan maturing in Aug15 which as explained above was transferred to current liabilities.

Shareholders' Equity: The Company achieved a net worth of US\$3,467 million, a decrease of 6% during the quarter. This decrease is explained by the non-recurrent charge of US\$212.9 million due to the implementation of the tax reform mentioned above. This was offset by retained earnings for the period.

DEBT AND CREDIT METRICS

Liquidity Analysis & Indicators

USD million

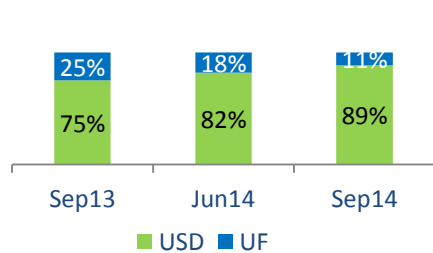
				Change	
	3Q13	2Q14	3Q14	YoY	QoQ
Gross financial debt	1,680	1,618	2,045	365	427
Financial investments	208.0	337.4	878.3	670	541
EBITDA LTM	362.3	393.3	484.4	122	91
Net financial debt	1,471.6	1,280.6	1,166.7	(305)	(114)
Net Debt / EBITDA LTM	4.1	3.3	2.4	(1.7)	(0.8)
Leverage (%)	69%	65%	88%	18.8%	23.0%
Short Term Liabilities(%)	22%	10%	10%	(11.8%)	0.7%
Financial Expense Coverage	3.7	4.2	4.7	1.0	0.5
Equity Profitability (%)	1.6%	3.3%	4.3%	2.7%	1.0%
Asset Profitability (%)	0.9%	2.0%	2.4%	1.4%	0.4%
EBITDA/Operational Assets (%)	4.2%	4.5%	6.2%	2.0%	1.7%

On July 14, Colbún issued an **international bond for a total amount of US\$500 million**, with a 4.5% interest rate (effective rate 4.675%) and 10-year bullet maturity. Due to the above, gross debt increased compared to 2Q14, however net debt decreased compared with both periods under comparison. Meanwhile, **Net Debt/EBITDA LTM** improved given the cash that has been accumulating due to the improvement in operational results reaching a level below **2.5 times**.

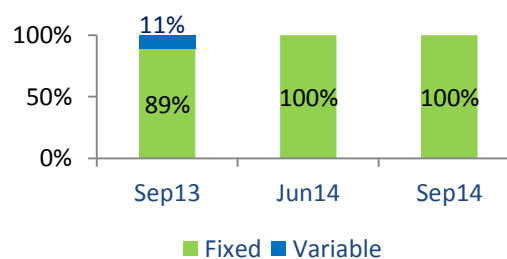
Part of the proceeds from the bond issuance were allocated to fully prepay an international bank loan of US\$150 million in Oct14 with an original maturity in Aug15.

The **average maturity** of Colbún's long term financial debt was extended from 5.3 years to **6.2 years**. The average USD long-term financial **debt interest rate is 5.0%**.

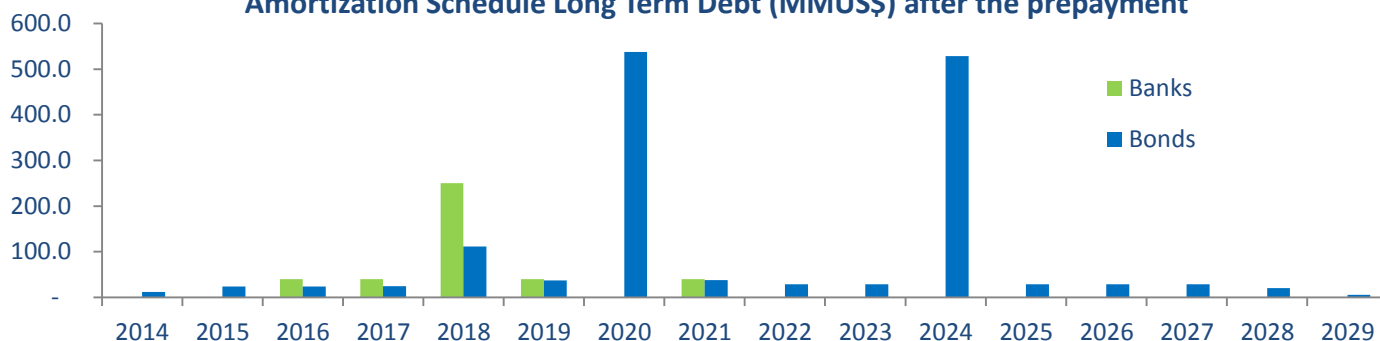
Debt by Currency



Debt by Interest Rate



Amortization Schedule Long Term Debt (MMUS\$) after the prepayment



CASH FLOW ANALYSIS

Cash Flow

USD million

	3Q13	2Q14	3Q14	9M13	9M14	Change		
						QoQ	YoY	Ac/Ac
Cash and cash equivalents at beginning of	223.0	208.3	337.4	217.7	260.4	129.1	114.4	42.7
Cash Flow from Operating Activities	28.6	196.7	148.9	336.4	428.7	(47.8)	120.3	92.3
Cash Flow from Financing Activities	29.2	(47.1)	430.9	(80.0)	300.7	478.0	401.7	380.7
Cash Flow from Investing Activities	(72.3)	(18.7)	(20.3)	(265.1)	(87.0)	(1.6)	52.0	178.1
Net increase (decrease) in cash and cash equivalents	(14.5)	130.9	559.5	(8.7)	642.4	428.6	574.0	651.1
Effects of exchange rate changes on cash and cash equivalents	(0.5)	(1.8)	(18.6)	(1.1)	(24.5)	(16.8)	(18.1)	(23.4)
Cash and cash equivalents at end of period	208.0	337.4	878.3	208.0	878.3	540.9	670.3	670.3

During 3Q14, the Company presented a **net cash inflow of US\$559.5 million** and, as of Sep14, an accumulated positive cash flow of US\$642.4 million, which compares favorably to the same period of 2013.

Operating activities: during 3Q14 generated net cash inflows of US\$148.9 million, lower than the net inflows of US\$196.7 million in 2Q14. This is mainly explained by lower sales to the spot market.

YTD, as of Sep14, the company generated a net cash inflow of US\$428.7 million which compares favorably to the past year mainly explained by a more efficient production mix.

Financing activities: generated net cash inflows of US\$430.9 million during 3Q14, mainly explained by the international bond issued in Jul14, partially offset by the total payment of “revolving” debt. In cumulative terms, as of Sep14 Colbún generated a net cash inflow mainly explained by the above mentioned and due to a local bank loan paid at the beginning of 2014.

Investing activities: generated net cash outflows of US\$20.3 million during 3Q14, lower than 2Q14, mainly explained by the commissioning of the Angostura power plant in Apr14. YTD, as of Sep14, the company generated a net cash outflow of US\$87.0 million, lower than in 2013 explained by the same reason mentioned before.

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.

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

In compliance with the applicable rules, Colbún S.A. publishes on its Web Site (www.Colbún.cl) and sends the financial statements of the Company and its corresponding notes to the Superintendencia de Valores y Seguros, those documents should be read as a complement to this report.

Appendix 1 Sales Volume & Generation

Quarterly Sales and Production

GWh

	2013				
	1Q13	2Q13	3Q13	4Q13	Total
Sales					
Regulated customers (GWh)	1,790	1,853	1,872	1,708	7,224
Free customers (GWh)	779	1,363	1,471	1,469	5,082
Spot market sales (GWh)	511	0	0	8	519
Total energy sales (GWh)	3,081	3,216	3,343	3,185	12,826
Capacity sales (MW)	1,564	1,806	1,898	1,806	1,769
Generation					
Hydraulic (GWh)	1,052	1,193	1,166	1,446	4,857
Thermal - Gas (GWh)	1,243	713	499	779	3,234
Thermal - Diesel (GWh)	28	250	260	8	546
Thermal - Coal (GWh)	732	646	646	592	2,616
Total own generation (GWh)	3,055	2,802	2,571	2,825	11,253
Energy purchases spot market (GWh)	82	462	789	411	1,744

	2014				
	1Q14	2Q14	3Q14	4Q14	Total
Regulated customers (GWh)	1,751	1,838	1,849		5,439
Free customers (GWh)	1,233	1,159	1,197		3,589
Spot market sales (GWh)	219	425	147		791
Total energy sales (GWh)	3,203	3,422	3,193		9,818
Capacity sales (MW)	1,750	1,677	1,717		1,715
Hydraulic (GWh)	1,109	1,621	1,816		4,546
Thermal - Gas (GWh)	1,357	929	536		2,822
Thermal - Diesel (GWh)	96	231	216		543
Thermal - Coal (GWh)	706	718	672		2,096
Total own generation (GWh)	3,268	3,499	3,240		10,007
Energy purchases spot market (GWh)	0	0	24		24

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	351.2	-	1,172.5
Raw materials and consumables used	(256.6)	(367.2)	(413.6)	(222.7)	(1,260.1)	(275.4)	(245.6)	(213.8)	-	(734.7)
GROSS MARGIN	110.4	151.1	47.5	126.9	435.9	137.9	162.4	137.5	-	437.8
Personnel expenses and other operating expenses	(21.2)	(20.7)	(21.6)	(20.0)	(83.4)	(18.1)	(21.6)	(20.5)	-	(60.3)
Depreciation & amortization	(40.4)	(39.4)	(40.1)	(42.7)	(162.6)	(42.0)	(46.2)	(46.3)	-	(134.5)
OPERATING INCOME	48.8	91.0	(14.2)	64.1	189.8	77.8	94.6	70.6	-	243.1
EBITDA	89.2	130.4	25.9	106.8	352.4	119.8	140.8	117.0	-	377.6
Financial income	1.7	1.4	0.8	1.2	5.1	1.5	1.2	1.7	-	4.4
Financial expenses	(15.2)	(12.1)	(10.7)	(12.1)	(50.1)	(10.6)	(18.9)	(22.2)	-	(51.8)
Results of indexation units	0.5	0.2	2.2	2.1	5.1	2.4	3.3	1.0	-	6.7
Exchange rate differences	(2.8)	7.1	(1.9)	0.0	2.3	(8.9)	(4.3)	(4.4)	-	(17.6)
Share of profit (loss) from equity-accounted associates	2.2	0.9	1.1	0.7	4.9	1.3	1.6	1.0	-	3.9
Other non-operating income/expense	(15.9)	(8.7)	4.6	(18.0)	(38.0)	7.7	(0.6)	1.6	-	8.6
NON-OPERATING INCOME	(29.5)	(11.3)	(3.9)	(26.1)	(70.8)	(6.6)	(17.8)	(21.3)	-	(45.8)
NET INCOME BEFORE TAX	19.3	79.8	(18.1)	38.0	119.0	71.2	76.8	49.3	-	197.3
Income Tax	5.1	(38.1)	8.0	(31.1)	(56.0)	(19.6)	(5.2)	(31.1)	-	(56.0)
NET INCOME FROM CONTINUING OPERATIONS	24.4	41.7	(10.1)	6.9	63.0	51.5	71.6	18.2	-	141.3
NET INCOME ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT COMPANY	24.4	41.7	(10.1)	6.9	63.0	51.5	71.6	18.2	-	141.3

Appendix 3 Balance Sheet

Summarized Balance Sheet

USD million

	2013				2014			
	Mar13	Jun13	Sep13	Dec13	Mar14	Jun14	Sep14	Dec14
Current Assets	750.5	760.4	691.5	744.2	756.7	803.7	1,301.2	
Cash and equivalents	237.6	223.0	208.0	260.5	208.3	337.4	878.3	
Accounts receivable	161.0	184.3	146.5	133.0	378.6	327.7	254.8	
<i>Normal sales</i>	154.0	178.5	140.5	128.9	149.2	162.1	124.8	
<i>Deudores varios</i>	7.0	5.8	6.0	4.1	229.4	165.6	130.0	
Recoverable taxes	118.7	11.5	12.3	44.0	52.6	41.8	59.7	
Other current assets	233.2	341.6	324.8	306.6	117.11945	96.8	108.5	
Non-Current Assets	5,251.4	5,259.3	5,352.4	5,321.6	5,305.4	5,268.4	5,231.0	
Property, Plant and Equipment, net	4,933.2	4,954.7	5,014.1	5,033.0	5,026.1	4,993.0	4,967.6	
Other non-current assets	318.2	304.6	338.4	288.7	279.3	275.4	263.3	
Total Assets	6,001.9	6,019.7	6,044.0	6,065.8	6,062.1	6,072.1	6,532.2	
Current liabilities	552.5	535.5	547.8	341.9	281.3	232.3	316.4	
Long-term liabilities	1,908.1	1,903.9	1,924.1	2,167.6	2,177.9	2,170.1	2,749.3	
Shareholders' equity	3,541.3	3,580.3	3,572.1	3,556.3	3,602.9	3,669.6	3,466.5	
Total Liabilities and Shareholders' Equity	6,001.8	6,019.7	6,044.0	6,065.8	6,062.1	6,072.0	6,532.2	
End-of-quarter exchange rate (CLP/USD)	472.0	507.2	504.2	524.6	551.2	552.7	599.2	