



# 1Q14 Quarterly Report

## Conference Call 1Q14 Results

**Date:** Wednesday May 7th 2014  
**Time:** 12:00 PM Eastern Daylight Time  
 12:00 PM Chile Time  
**US Toll Free:** Further details to be provided at [www.colbun.cl](http://www.colbun.cl)  
**International Dial:** Further details to be provided at [www.colbun.cl](http://www.colbun.cl)  
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- **Revenue from ordinary activities** in 1Q14 amounted to US\$413.2 million up by 13% from 1Q13 and 18% from 4Q13 due mainly to a one-time income effect of US\$ 32.5 million resulting from the business interruption compensation recorded this quarter, for the failure affecting Nehuenco II in Mar13.
- Total **energy sales volume** amounted to 3.2 TWh, up by 5% as compared to 1Q13 and up by 1% as compared to 4Q13.
- **Total generation** was 3.3 TWh, up by 7% from 1Q13 resulting from the higher natural gas generation due to greater access to this fuel and, to a lower extent, an increase in diesel generation. The 16% increase in generation from 4Q13 results from the greater generation with natural gas, partly offset by lower hydroelectric generation due to lower river flows, characteristic of this time of the year, added to the effect of four drought years in a row.
- 1Q14 **EBITDA** was US\$119.8 million, up by 34% from 1Q13 and by 12% from 4Q13.
- Colbún reported a **net income** of US\$51.5 million this quarter versus a net income of US\$24.4 million in 1Q13 and a net income of US\$6.9 million in 4Q13.
- **Angostura hydroelectric project** (316 MW) was commissioned in April. During the first months of 2014, this unit has shown a stable generation during its testing stage, reaching YTD production of 116 GWh at the closing of 1Q14.
- At the closing of 1Q14 our **financial investments** reached US\$208.3 million and our **net debt** recorded a slight reduction, down to US\$1,432 million.

## Summary

USD million

	1Q13	4Q13	1Q14	YoY	QoQ
Revenues	367.0	349.5	413.2	13%	18%
EBITDA	89.2	106.8	119.8	34%	12%
Net Income	24.4	6.9	51.5	111%	642%
Net debt	1,505	1,472	1,432	(5%)	(3%)
Energy sales (GWh)	3,081	3,185	3,223	5%	1%
Total generation (GWh)	3,055	2,825	3,268	7%	16%
Hydraulic generation (GWh)	1,052	1,446	1,109	5%	(23%)

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 commissioning of our Angostura hydroelectric power plant is the most important milestone outlined in this report. It is the largest hydroelectric power plant built in Chile over the last 10 years and its production under normal hydrological conditions accounts for approximately 3% of the demand of the Central Interconnected System. With this, the Company has incorporated more than 900 MW of efficient capacity to the system since 2006, with an investment exceeding US\$ 2,000 million.*

*The 3 units of the Angostura power plant are operating in a steady manner, which contributed a gross margin of US\$16.9 million to 1Q14 results. 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 the average production costs.*

*Another significant effect for the quarter is the insurance compensation associated to the failure at Nehuenco II power plant in Mar13 for a total amount of US\$ 48.2 million of which US\$32.5 million are related with business interruption (recorded in Other Operating Income) and US\$ 15.7 million with physical damage (recorded in Other Non Operating Income).*

*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 conditions of the new hydrological year started in April. In connection with this point, it is worth noting that in order to mitigate for an eventual delay in rainfall we recently extended LNG supply to operate a combined cycle unit until June, to minimize operation with diesel during 2Q14”.*



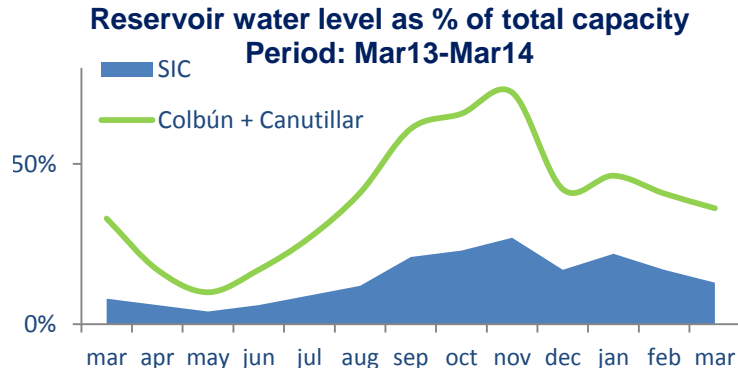
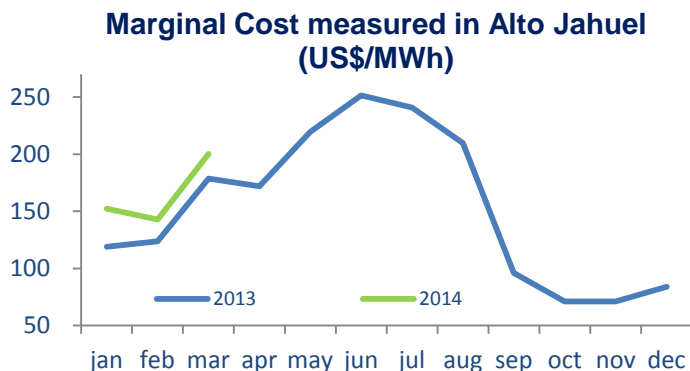
Angostura Reservoir

## MARKET CONDITIONS

SIC (Central Interconnected System) generation grew by **2.3%** during the first quarter of 2014 **due to greater demand**, both from regulated and free customers. However, the growth rate of 1Q14 shows a downturn from the average growth of 3.9% seen over the last 12 months.

Regarding the generation mix, **hydroelectric generation reached a minimum historical participation** of 37%, while **gas-fired generation reached a participation of 22%**. Coal-fired generation remained stable, accounting approximately for a fourth of the generation matrix. Diesel-fired generation also remained stable with a 5% participation. This generation mix translated in a 15% increased of the average marginal cost for the quarter measured at Alto Jahuel, as compared to 1Q13, from US\$143/MWh to US\$165/MWh.

The graph below shows the difference in marginal costs of the first months of this year as compared to those of previous year. **The energy spot prices have been higher** due to a low melting rate of 1Q14 resulting from the mild rainfalls of 2013 and the effects of 4 consecutive years of drought. During 2013, spot prices remained high, above 100 US\$/MWh up until Sep13 due to low rainfalls during winter season, aggravated by the failure at several relevant power plants of the grid. The melting season brought down considerably the marginal costs by the end of 2013. At the closing of 1Q14, the energy stored in Colbún's 2 main reservoirs (Colbún and Chapo reservoirs) for 36% of its total storage capacity as compared to 33% of Mar13.

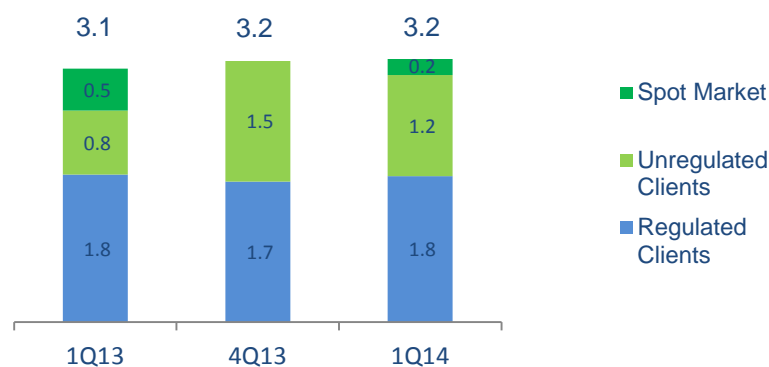


## SALES VOLUME

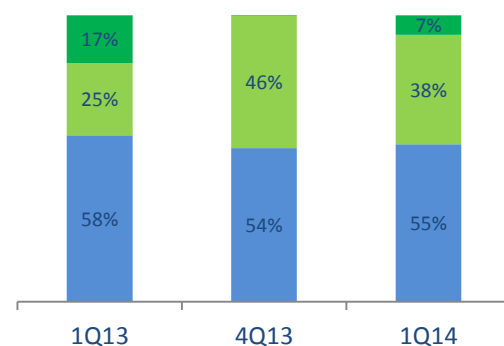
**Energy sales volume to customers under power purchase agreements** during 1Q14 reached 3,004 GWh, 17% higher than contracted physical energy sales recorded during the same period of the previous year and 5% lower than 4Q13. The increase as compared to 1Q13 is due mainly to the new long-term supply contract with Codelco that started in Mar13, and to a lower extent to an additional short-term supply with the same free customer that started in May13. The decrease in contracted sales for the quarter versus the previous quarter is due mainly to the expiry of two contracts with free customers.

Over the quarter, Colbún recorded **net sales in the CDEC market** by 219 GWh, amount that incorporates the energy generated by Angostura power plant during its testing stage (116 GWh), against net sales by 429 GWh in 1Q13 and net purchases by 403 GWh in 4Q13.

Physical sales by Type of Client (TWh)



Physical sales by Type of Client (%)



## GENERATION

Power generation in 1Q14 was characterized by low hydroelectric generation due to low water flows, inherent to the season, added to the effect of four years of drought in a row and significant gas generation due to access to LNG supply that allowed operating the two combined cycle units throughout the quarter.

**Hydroelectric generation** of 1Q14 increased 5% as compared to 1Q13 and decreased 23% as compared to 4Q13 reaching 1,109 GWh. The increase as compared to 1Q13 is due mainly to the generation of 116 GWh from the Angostura Project during its testing period in advance of its commercial commissioning, offset by the unavailability of Blanco power plant as a result of the machinery failure occurred in Jan14. The lower hydroelectric generation as compared to 4Q13 is due to low water flows characteristic of the summer months due to the end of the melting season.

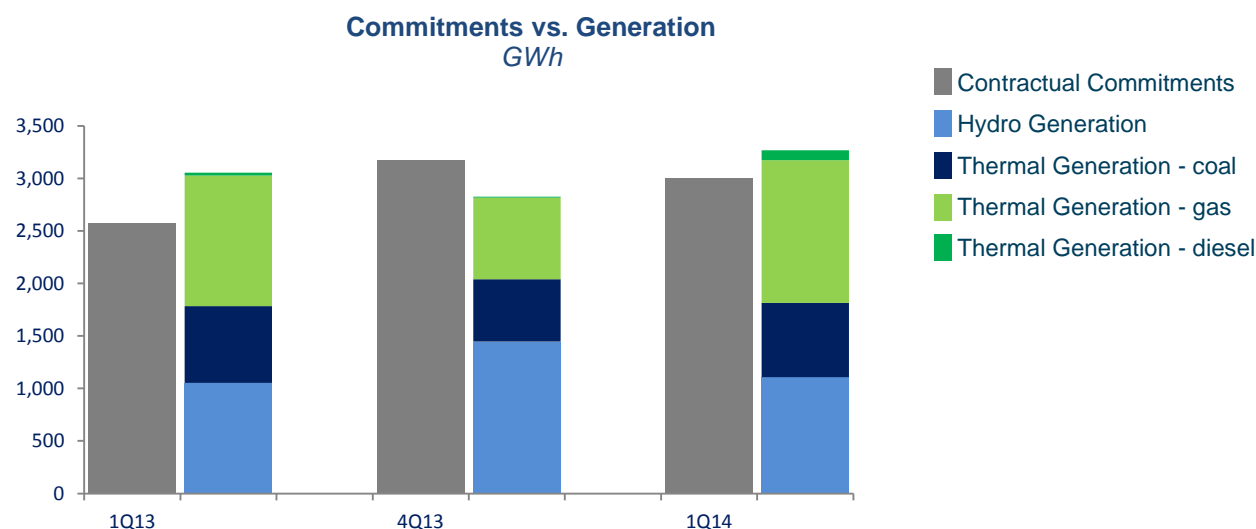
**Coal-fired generation** during 1Q14 was 706 GWh, 4% lower than 1Q13 and 19% higher than 4Q13. The decrease as compared to 1Q13 is due mainly to the fact that this unit has been down some days for minor corrective maintenance works. The increase as compared to the previous quarter is the result of a 19-day routine maintenance work conducted in Oct13.

**Gas-fired generation** increased 9% as compared to 1Q13 and 74% as compared to 4Q13, due mainly to greater access to LNG for the two combined cycle units of Nehuenco during the period stemming from the gas supply contracts in force with Enap Refinerías S.A. and Metrogas S.A. In addition, during this quarter the Company negotiated additional supply with ENAP for a combined cycle unit from April to June of 2014.

**Diesel-fired generation** increased by 68 GWh as compared to 1Q13 and by 88 GWh as compared to 4Q13 due to the lower availability of hydroelectric generation and lower availability of base load power plants in the system during the quarter, which resulted in some of our Diesel-fired units to be dispatched. The average marginal cost measured at Alto Jahuel during 1Q14 was US\$165/MWh, 15% higher than 1Q13 and 119% higher than 4Q13.

## PHYSICAL SALES AND GENERATION BALANCE

The generation mix of 1Q14 allowed 60% of the Company's commercial commitments to be covered with efficient energy: hydroelectricity and coal (vs. 69% of 1Q13 and 64% of 4Q13). The other commitments were mostly met with natural gas generation. Unlike 4Q13, during this quarter Colbún had no need to resort to the energy purchases on the spot market to meet its commercial contracts, given that high marginal costs for the quarter made it more economic to supply them with own generation.



### Sales Volume vs. Generation

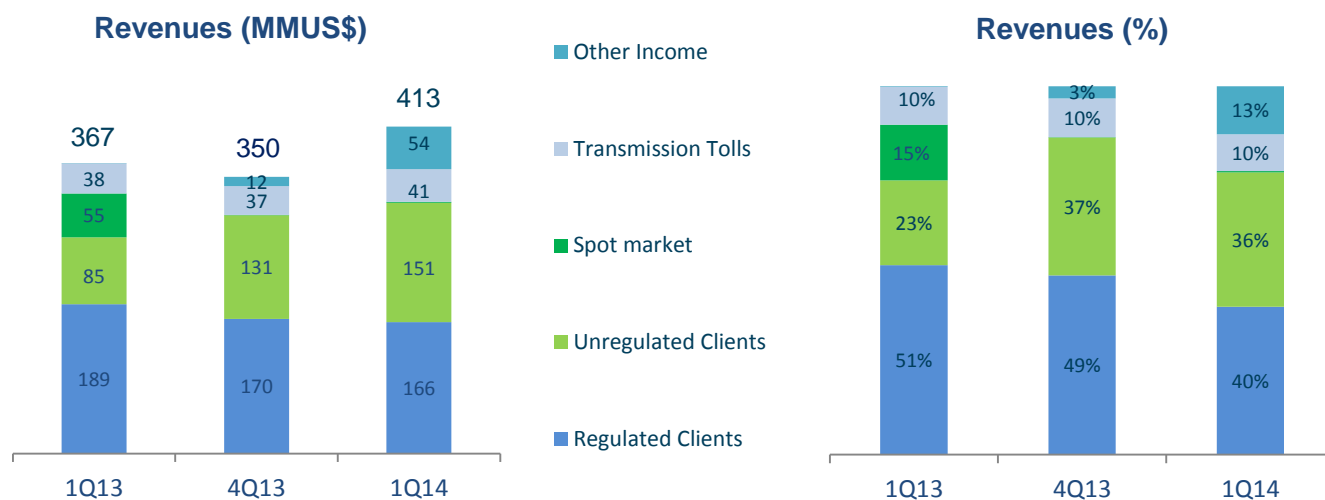
GWh

	1Q13	4Q13	1Q14	QoQ	YoY
<b>Sales Volumes</b>					
Regulated customers	1,790	1,708	1,771	4%	(1%)
Free customers	779	1,469	1,233	(16%)	58%
Spot market sales	511	8	219	0%	(57%)
<b>Total energy sales</b>	<b>3,081</b>	<b>3,185</b>	<b>3,223</b>	<b>1%</b>	<b>5%</b>
<b>Generation</b>					
Hydraulic	1,052	1,446	1,109	(23%)	5%
Thermal - Gas	1,243	779	1,357	74%	9%
Thermal - Diesel	28	8	96	1100%	240%
Thermal - Coal	732	592	706	19%	(4%)
<b>Total own generation</b>	<b>3,055</b>	<b>2,825</b>	<b>3,268</b>	<b>16%</b>	<b>7%</b>
<b>Energy purchases (spot market)</b>	<b>82</b>	<b>411</b>	<b>0</b>	<b>-</b>	<b>-</b>

## OPERATING REVENUES

**Operating revenues from ordinary activities for 1Q14 amounted to US\$413.2 million**, up by 13% and by 18% as compared to 1Q13 and 4Q13, respectively. It should be noted that this quarter includes a one-time payment of US\$ 32.5 million as a result of the business interruption insurance compensation for the failure occurred in Mar13 at Nahuenco II power plant.

Revenues are broken down as follows:



**Regulated Customers:** Revenues from regulated customers were US\$166 million in 1Q14, down by 12% and by 2% as compared to 1Q13 and 4Q13, respectively. The decrease from 1Q13 is due to lower average monomic price and, to a lower extent, to lower physical sales. The decrease from 4Q13 is due to lower average monomic price, partly offset by higher sales volume.

**Free Customers:** Revenue from free customers reached US\$150.8 million in 1Q14, up by 78% from 1Q13 and by 15% from 4Q13. The increase as compared to 1Q13 is due to higher physical sales volume resulting from the new contracts with Codelco which started in Mar13 and May13, and higher average monomic prices due to the conditions stipulated in the contracts portfolio. The increase as compared to 4Q13 stems from a higher average monomic price due to the price indexation structure of some contracts, offset by lower physical sales volume.

**CDEC Market:** During 1Q14, the Company sold 219 GWh to the CDEC market, equivalent to US\$1.5 million (vs. 511 GWh equivalent to US\$55.3 million in 1Q13 and 8 GWh equivalent to US\$0.5 million in 4Q13). This amount includes the testing period generation of Angostura power plant by 116 GWh. It should be noted that the monetary contribution of this power plant to the margin resulting from the difference between valued injections and withdrawals in the amount of US\$ 16.9 million was recorded under "Other Operating Income".

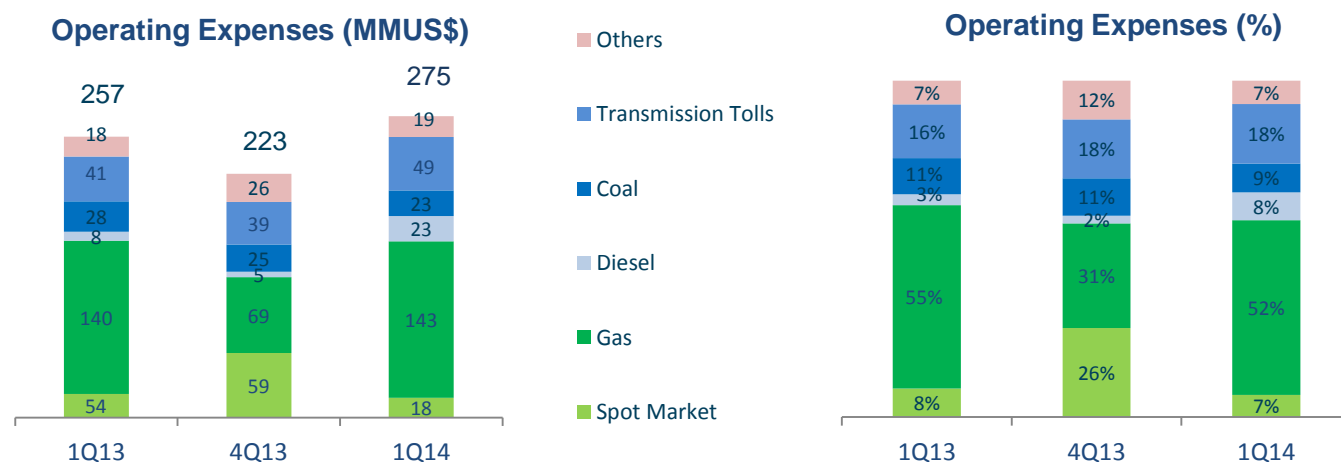
**Transmission Tolls:** Revenue from transmission tolls totaled US\$41.2 million in 1Q14, up by 9% and by 13% from 1Q13 and 4Q13. Higher revenues from transmission tolls in 1Q14 correspond to greater tariffs collected from trunk transmission.

**Other Income:** Other income totaled US\$53.8 million in 1Q14 against US\$0.4 million in 1Q13 and US\$11.6 million in 4Q13. This first quarter includes US\$32.5 million resulting from the business interruption insurance compensation for the failure affecting Nahuenco II power plant in Mar13 and US\$16.9 million for the margin resulting from the difference between valued YTD injections and withdrawals over the testing period of Angostura thermoelectric power plant. 4Q13 included an income of US\$9.7 million related to the partial advance payment made by the insurance company during 3Q13 in connection with the failure affecting Nahuenco II power plant.



## OPERATING EXPENSES

Raw materials and consumables used in 1Q14 totaled US\$275.4 million, up by 7% as compared to 1Q13, and by 24% as compared to 4Q13. Operating expenses are broken down as follows:



**Transmission tolls:** transmission tolls in 1Q14 totaled US\$48.9 million, 19% and 25% up from 1Q13 and from the previous quarter, respectively. This increase is due mainly to greater transmission toll expenses in trunk transmission.

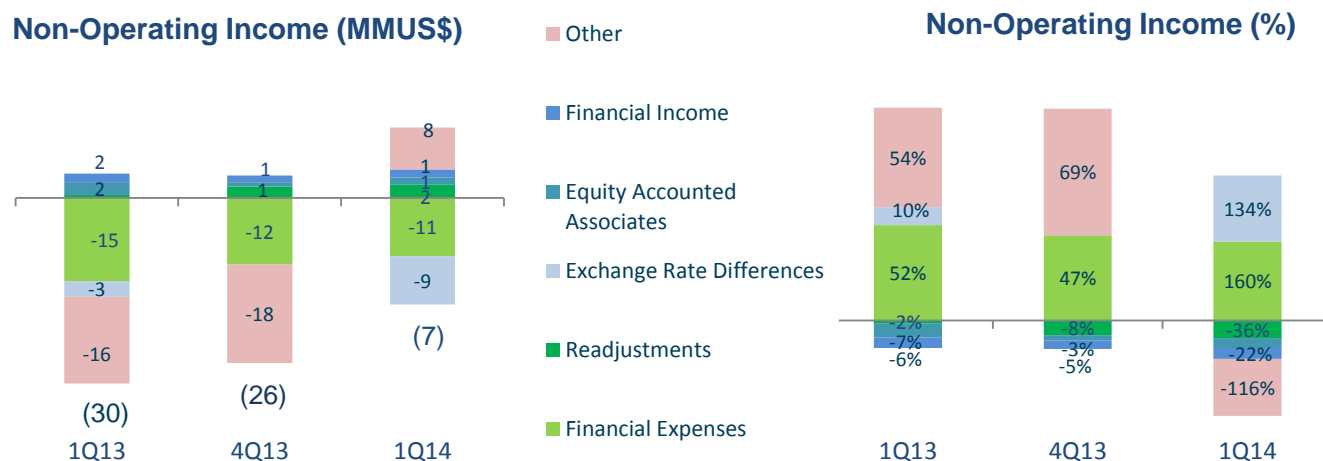
**CDEC Market:** during 1Q14 no physical energy purchases were made at the spot market; disbursements for the period by US\$18.0 million corresponded to capacity purchases due mainly to the reduction in firm capacity as a result of the unavailability of Nehuenco II power plant that experienced a failure over a portion of the firm capacity control period (May to September). The above represents a decrease as compared to 1Q13 and 4Q13, where purchases in the amount of 82 GWh (US\$21.7 million) and 411 GWh (US\$59 million), respectively, were made. It should be noted that the amounts valued in US\$ include capacity outlays.

**Fuel costs:** reached US\$189.4 million in 1Q14, higher by 8% as compared to 1Q13 and 91% higher than the previous quarter. The difference as compared to the same period of the previous year is due to greater diesel generation, offset by lower coal-fired generation expenses. The upturn in fuel costs as compared to the previous quarter is due to the 23% decrease in hydroelectric generation and the 74% increase in gas-fired thermolectric generation due to the greater availability of this supply.

**Third parties' works and supplies:** totaled US\$19.1 million in 1Q14, as compared to US\$18.1 in 1Q13 and US\$25.7 million in 4Q13.

## NON OPERATING INCOME

**Non Operating Income of 1Q14 recorded losses by US\$6.6 million**, lower than the loss of US\$29.5 million of 1Q13 and US\$26.1 million of 4Q13. The main reasons that explain this result are the following:



**Financial Income:** financial income during 1Q14 totaled US\$1.5 million, in line with the financial income of 1Q13 by US\$1.7 million and of 4Q13 by US\$1.2 million.

**Financial Expenses:** in 1Q14 were US\$10.6 million, lower than US\$15.2 million recorded in 1Q13 and lower than US\$12.1 million of 4Q13. The decrease as compared to 1Q13 is due mainly to the maturity of a local bond in 2Q13 and a greater capitalization of financial expenses as a result of accrued disbursements of Angostura power plant. The lower financial expenses as compared to 4Q13 respond to a temporary increase in the gross debt level resulting from the subscription of a long term bank loan by US\$250 million, used to refinance short-term debt.

**Exchange Rate Difference:** the exchange rate difference recorded a loss of US\$8.9 million in 1Q14, as compared to the loss of US\$2.8 million recorded in 1Q13 and the nil variation of the previous quarter. The above is due to a 5% depreciation of the CLP/US\$ exchange rate during 1Q14 applied on a balance sheet that shows a greater proportion of assets than liabilities stated in local currency.

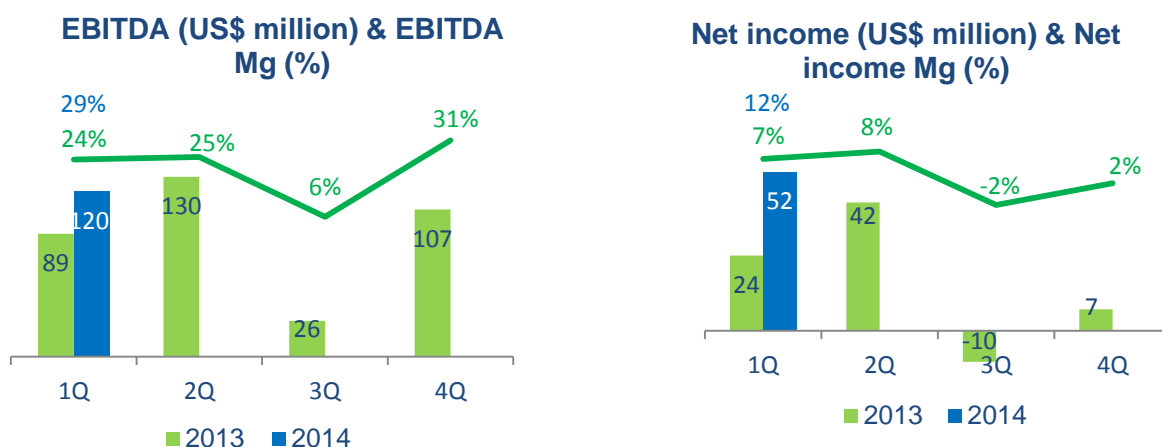
**Other income (loss):** a gain of US\$7.7 million was recorded in 1Q14, which includes a non-recurring income by US\$15.7 million resulting from the physical damage compensation relating to the failure of Nehuenco II thermoelectric power plant occurred in Mar13. This effect was offset by the US\$7.0 million one-time asset impairment charge stemming from the failure of Blanco hydroelectric power plant occurred in Jan14. The gain for the quarter positively compares with the loss of 1Q13 by US\$15.9 million and the loss of US\$18 million in 4Q13. The difference as compared to 1Q13 is due mainly to the fact that a one-time charge of US\$18.6 million was recorded for asset impairment resulting from a failure at Nehuenco II power plant. Similarly, the compared difference as to 4Q13 is due to the restatement under operating income of the partial advance payment of US\$9.7 million made by the insurance company in 3Q13 as a result of the failure occurred at Nehuenco II plant in Mar13.

**Income Tax Expense:** amounts to US\$19.6 million as at Mar14, due mainly to greater profits before taxes and 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

**1Q14 EBITDA totaled US\$119.8 million**, which positively compares to US\$89.2 million of 1Q13, and to US\$106.8 million of 4Q13. The increase in EBITDA as compared to the same quarter of the previous year is due mainly to the fact that 1Q14 includes a one-time gain by US\$32.5 million resulting from the business interruption compensation relating to the failure at Nehuenco II power plant in Mar13. If we eliminate this effect, the EBITDA for the quarter was in line as compared to 1Q13.



The Company recorded a **profit of US\$51.5 million** in 1Q14, which positively compares against a profit of US\$24.4 million in 1Q13 and US\$6.9 million of profit in 4Q13. The net income margin reached 12% over operating revenues for the quarter under analysis which compares favorably to 7% of the 1Q13. It is to be recalled that the non operating results of the quarter include a non-recurring income by US\$15.9 million resulting from the physical damage compensation relating to the failure of Nehuenco II thermoelectric power plant occurred in Mar13.

### EBITDA USD million

	1Q13	4Q13	1Q14	QoQ	YoY
<b>Revenues</b>	<b>367.0</b>	<b>349.5</b>	<b>413.2</b>	<b>18%</b>	<b>13%</b>
Sales to regulated customers	188.7	170.2	166.0	(2%)	(12%)
Sales to free customers	84.7	130.8	150.8	15%	78%
Sales to other generators (spot market)	55.3	0.5	1.5	202%	(97%)
Transmission tolls	37.9	36.5	41.2	13%	09%
Other operating income	0.4	11.6	53.8	366%	12,983%
<b>Raw materials and consumables used</b>	<b>(256.6)</b>	<b>(222.7)</b>	<b>(275.4)</b>	<b>24%</b>	<b>7%</b>
Transmission tolls	(40.9)	(39.0)	(48.9)	25%	19%
Energy and capacity purchases	(21.7)	(59.0)	(18.0)	(69%)	(17%)
Gas purchases	(139.8)	(69.3)	(143.1)	106%	2%
Diesel purchases	(8.4)	(5.0)	(22.9)	362%	174%
Coal purchases	(27.7)	(24.7)	(23.4)	(5%)	(15%)
Third party works and supplies	(18.1)	(25.7)	(19.1)	(26%)	6%
<b>Personnel expenses and other operating expenses</b>	<b>(21.2)</b>	<b>(20.0)</b>	<b>(18.1)</b>	<b>(9%)</b>	<b>(14%)</b>
<b>EBITDA</b>	<b>89.2</b>	<b>106.8</b>	<b>119.8</b>	<b>12%</b>	<b>34%</b>

## GROWTH PLAN

Colbún has a development plan under way that consists of increasing its installed capacity, while maintaining a relevant participation in the hydroelectric generation industry, with a thermoelectric component that allows increasing the security of its supply in a competitive manner and diversifying its generation sources.

Below is the status of the projects developed by the Company:

	Angostura	San Pedro	La Mina	Sta. María II
Description	Hydro-Reservoir	Hydro-Reservoir	Mini Hydro	Coal
Capacity(MW)	316	144	34	350
Gwh/year expected	1,500	930	180	2,500
Phase	Final Construction	EIA Approved	EIA Approved	EIA Approved
Budget (MMUS\$)	760*	Under revision	-	-
Completion	100%	-	-	-

\*Includes transmission line.

### Completed Projects

- Angostura Power Plant (316 MW):** this hydroelectric project uses the water resources of the Biobío and Huequecura Rivers in the Biobío Region through the construction of a reservoir of 641 hectares. This power plant has 3 generation units that add up to 316 MW and its annual generation is estimated in 1,500 GWh under average hydrological conditions. In Sep-13 the Company started to fill Angostura Reservoir and in Dec-13 the first unit was synchronized with the Central Interconnected System (SIC). Units 1 and 3 of 135 MW and 46 MW, respectively, were incorporated to the CDEC for commercial operation on April 1st, 2014, while Unit 2 of 135 MW was incorporated to the CDEC for commercial operation on the 25th of the same month. In parallel, the Company has fulfilled the plan to reallocate 46 families and to provide the community with infrastructure works, among which we may note 3 camping facilities, 2 public beaches, a nature trail and a lookout, which will enhance the tourism development of the sector, in addition to several social projects. So far this year, this unit has had a stable generation level. Since its synchronization, the units have totaled 116 GWh during their testing period as at the closing of Mar-14. Angostura is the largest hydroelectric power plant built in Chile over the last decade and its installed capacity is equivalent to the peak demand of Valparaiso or to 70% of the power demand of Concepcion.



## Projects under Development

- **San Pedro Hydroelectric Project (144 MW):** this project, located in the districts of Panguipulli and Los Lagos will use 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 will start 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.
- **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.
- **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 2011 the Company obtained the Environmental permit (RCA) for the 5 power plants. On January 30<sup>th</sup>, 2014, the Ministers' Committee issued its decision on the claim filed by the plaintiff Hidroaysen and 16 PAC claims; however, for the 18 pending PAC claims it ordered measures to issue a more substantiated decision by entrusting two additional studies. Later, a new Ministers' Committee gathered on March 19<sup>th</sup>, 2014, and decided to undertake a process to rescind the decisions made by the Minister's Committee in January. Hidroaysen joined this rescission process arguing the illegality of dividing the administrative process per the resolution made by the Committee on January 30<sup>th</sup>, and insisted with substantiated grounds, on the lawfulness of the Project's Environmental permit (RCA).

## RELEVANT EVENTS

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- **The Company extended a natural gas supply contract for one CCGT unit until Jun-14.** In 1Q14, Colbún had LNG supply contract for its 2 combined cycle units. The first is a medium term contract with Metrogas S.A. (signed in 3Q12), which contemplates supply for a unit of our Nehuenco Complex for the period between January to April, for the year 2013 (already used), the year 2014 (already used) and the year 2015. The second is a short-term contract signed with Enap Refinerías S.A. in 3Q13 that contemplates supply for the other combined cycle unit of the Nehuenco Complex, from October 2013 to March 2014. In addition, during this quarter, the Company negotiated additional supply with ENAP to operate a combined cycle unit from April to June of 2014.
- On January 12<sup>th</sup>, a machinery failure was recorded in our **Blanco hydro power plant (60 MW)**, located in the Aconcagua River basin, which cause is under investigation. The failure caused damages to the turbine-generator equipment and some ancillary equipment, which has kept the plant out of operation. Given the magnitude of the damage it is still not possible to determine with certainty the date when the plant will come on stream. As a result of a preliminary estimate of the physical damages, and according to accounting standards, we registered a loss of US\$7 million under “Non operating losses” resulting from asset impairment. The Company has insurance policies to provide both for physical damages and for business interruption, with standard deductibles.

## BALANCE SHEET ANALYSIS

### Summarized Balance Sheet

USD million

	Mar13	Dec13	Mar14	YoY	QoQ
<b>Current Assets</b>	638.7	744.1	756.7	118.0	12.6
Cash and cash equivalents	237.6	260.5	208.3	(29.2)	(52.1)
Trade and other accounts receivable	272.6	328.6	378.6	106.0	50.0
Current tax receivable	6.9	44.0	52.6	45.7	8.6
Other current assets	121.6	111.0	117.1	(4.5)	6.1
<b>Non-Current Assets</b>	5,363.1	5,321.6	5,298.4	(64.7)	(23.2)
Property, plant and equipment	4,933.2	5,033.0	5,026.1	92.9	(6.9)
Other non-current assets	429.9	288.7	272.3	(157.6)	(16.4)
<b>Total Assets</b>	<b>6,001.8</b>	<b>6,065.8</b>	<b>6,055.1</b>	<b>53.3</b>	<b>(10.7)</b>
<b>Current liabilities</b>	552.5	341.9	281.3	(271.2)	(60.6)
<b>Non-current liabilities</b>	1,908.1	2,167.6	2,170.9	262.8	3.3
<b>Total net equity</b>	3,541.3	3,556.3	3,602.9	61.6	46.6
<b>Total Liabilities and Net Equity</b>	<b>6,001.8</b>	<b>6,065.8</b>	<b>6,055.1</b>	<b>53.3</b>	<b>(10.7)</b>

**Cash and cash equivalents:** totaled US\$208.3 million, down from the closing of the previous quarter due mainly to debt amortization (mainly short term) and payment of interests associated to the Company's long-term debt.

**Trade and other accounts receivable:** totaled US\$378.6 million, 15% up from Dec13 due mainly to the increase in the "Other Receivables" account that during 1Q14 recorded a compensation payment of US\$48.2 million from the insurance policy associated to the machinery failure at Nehuenco II in Mar13, which includes business interruption and physical damages.

**Property, Plant and Equipment, net:** recorded a balance of US\$5,026 million at the closing of Mar14, down by US\$6.9 from Dec13, due mainly to the depreciation for the period, effect that was partly offset by the investment projects executed by the Company (mainly the Angostura project).

**Current Liabilities:** totaled US\$281.3 million down by US\$60.6 million as compared to the closing of Dec13. This variation is due mainly to the payment of the last installment of a long-term bank loan and the decrease of the "revolving" debt.

**Non Current Liabilities:** totaled US\$2,171 million at the closing of Mar14, up by US\$3.3 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\$3,603 million, an increase of 1.3% from Jan14 to Mar14 due mainly to the increase in net income for the period.

## DEBT AND CREDIT METRICS

### Liquidity Analysis & Indicators

USD million

	1Q13	4Q13	1Q14	YoY	QoQ
Gross financial debt	1,689	1,700	1,640	(49)	(60)
Financial investments	237.6	260.5	208.3	(29)	(52)
EBITDA LTM	348.8	352.4	383.0	34	31
<b>Net financial debt</b>	<b>1,451.4</b>	<b>1,439.7</b>	<b>1,431.7</b>	<b>(20)</b>	<b>(8)</b>
<b>Net Debt / EBITDA LTM</b>	<b>4.2</b>	<b>4.1</b>	<b>3.7</b>	<b>(0.4)</b>	<b>(0.3)</b>
Leverage (%)	69%	70%	68%	(1.4%)	(2.3%)
Short Term Liabilities(%)	22%	14%	11%	(11.0%)	(2.2%)
Financial Expense Coverage	4.3	3.4	4.8	0.5	1.4
Equity Profitability (%)	1.9%	1.8%	2.5%	0.6%	0.7%
Asset Profitability (%)	1.1%	1.0%	1.5%	0.4%	0.5%
EBITDA/Operational Assets (%)	4.2%	3.8%	4.4%	0.2%	0.6%

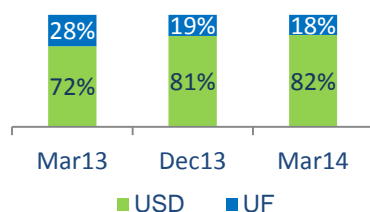
Gross debt decreased as compared to 4Q13 due mainly to the payment of the last installment of a long-term bank loan and the decrease of the “revolving” debt. Net Debt /LTM EBITDA ratio improves as compared to 4Q13 and continues the downward trend observed over the past few years.

It is worth noting that during 4Q13, Colbún **subscribed a long-term bank loan** for a total amount of **US\$250 million** and a bullet maturity of 5 years. These funds will be used to refinance a short-term debt, part of which was already paid in 4Q13, thus the operation will not increase its debt level.

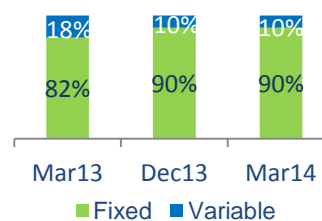
The **average maturity** of Colbún’s long term financial debt is **5.2 years**.

The **average USD** long-term financial debt interest rate is **4.98%**.

Debt by Currency\*

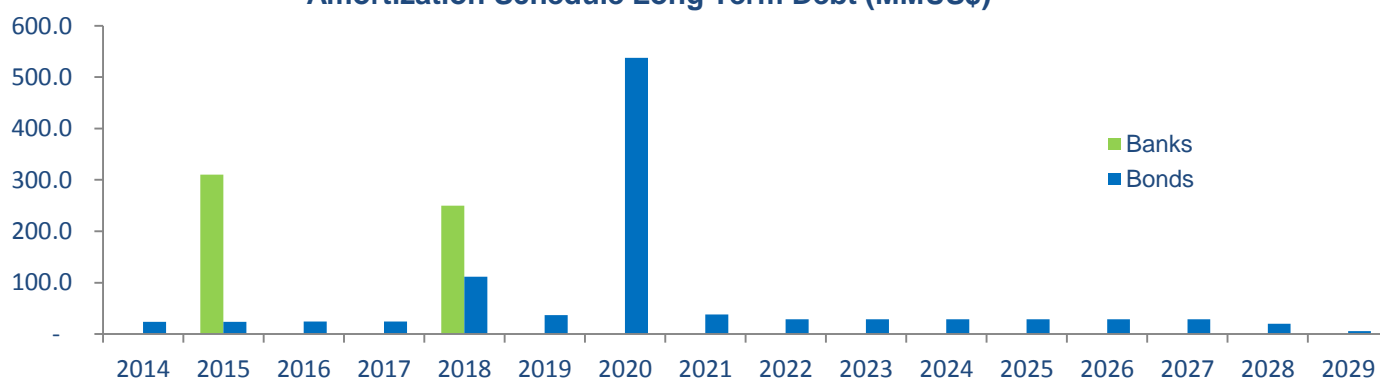


Debt by Interest Rate\*



\*Includes derivatives associated

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





## CASH FLOW ANALYSIS

### Cash Flow

USD million

	1Q13	4Q13	1Q14	QoQ	YoY
<b>Cash and cash equivalents at beginning of period</b>	<b>217.7</b>	<b>208.0</b>	<b>260.4</b>	<b>52.4</b>	<b>42.7</b>
Cash Flow from Operating Activities	155.5	87.1	83.1	(4.0)	(72.4)
Cash Flow from Financing Activities	(37.7)	32.2	(83.1)	(115.3)	(45.4)
Cash Flow from Investing Activities	(99.9)	(64.2)	(48.0)	16.2	51.9
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17.9</b>	<b>55.1</b>	<b>(48.0)</b>	<b>(103.1)</b>	<b>(65.9)</b>
Effects of exchange rate changes on cash and cash equivalents	2.0	(2.7)	(4.1)	(1.4)	(6.1)
<b>Cash and cash equivalents at end of period</b>	<b>237.5</b>	<b>260.5</b>	<b>208.3</b>	<b>(52.2)</b>	<b>(29.2)</b>

During 1Q14, the Company had **net cash outflows of US\$48 million**, which negatively compares to the net cash inflow of US\$55.1 million, recorded in 4Q13.

**Operating activities:** during 1Q14 generated net cash inflows of US\$83.1 million, slightly lower than the net cash inflows of US\$87.1 million of 4Q13. This is lower than the US\$155.5 achieved the same quarter of the previous year due mainly to the fact that 1Q13 includes the one-time payment of US\$39.7 from the compensation for the loss affecting Santa María's Unit I.

**Financing activities:** generated net cash outflows of US\$83.1 million during 1Q14 due mainly to the amortization of a local bank loan, the "revolving debt" reduction and the interests paid over the Company's long-term debt.

**Investing activities:** generated net cash outflows of US\$48 million during 1Q14, which positively compares to 4Q13, due mainly to the lower additions of property, plant and equipment, mostly associated with the Angostura project.

## 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				
	1Q13	2Q13	3Q13	4Q13	Total
<b>Sales</b>					
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
<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>
<hr/>					
Capacity sales (MW)	1,564	1,806	1,898	1,806	1,769
<hr/>					
<b>Generation</b>					
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
<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>
<hr/>					
<b>Energy purchases spot market (GWh)</b>	<b>82</b>	<b>462</b>	<b>789</b>	<b>411</b>	<b>1,744</b>

	2014				
	1Q14	2Q14	3Q14	4Q14	Total
	1,771				1,771
	1,233				1,233
	219				219
<b>Total</b>	<b>3,223</b>				<b>3,223</b>
<hr/>					
	1,757				1,757
<hr/>					
	1,109				1,109
	1,357				1,357
	96				96
	706				706
<b>Total</b>	<b>3,268</b>				<b>3,268</b>
<hr/>					
	0				0

## Anexo 2 Estado de Resultados

### Quarterly Income Statement

USD million

	2013					2014				
	1Q12	2Q12	3Q12	4Q12	Total	1Q14	2Q14	3Q14	4Q14	Total
Operating revenues	367.0	518.4	461.1	349.5	1,695.9	413.2				413.2
Raw materials and consumables used	(256.6)	(367.2)	(413.6)	(222.7)	(1,260.1)	(275.4)				(275.4)
<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>137.9</b>
Personnel expenses and other operating expenses	(21.2)	(20.7)	(21.6)	(20.0)	(83.4)	(18.1)				(18.1)
Depreciation & amortization	(40.4)	(39.4)	(40.1)	(42.7)	(162.6)	(42.0)				(42.0)
<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>77.8</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>119.8</b>
Financial income	1.7	1.4	0.8	1.2	5.1	1.5				1.5
Financial expenses	(15.2)	(12.1)	(10.7)	(12.1)	(50.1)	(10.6)				(10.6)
Results of indexation units	0.5	0.2	2.2	2.1	5.1	2.4				2.4
Exchange rate differences	(2.8)	7.1	(1.9)	0.0	2.3	(8.9)				(8.9)
Share of profit (loss) from equity-accounted associates	2.2	0.9	1.1	0.7	4.9	1.3				1.3
Other non-operating income/expense	(15.9)	(8.7)	4.6	(18.0)	(38.0)	7.7				7.7
<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>(6.6)</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>71.2</b>
Income Tax	5.1	(38.1)	8.0	(31.1)	(56.0)	(19.6)				(19.6)
<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>51.5</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>51.5</b>

## Summarized Balance Sheet

USD million

	2013				2014			
	Mar13	Jun13	Sep13	Dec13	Mar14	Jun14	Sep14	Dec14
Current Assets	638.7	760.4	691.5	744.1	756.7			
Cash and equivalents	237.6	223.0	208.0	260.5	208.3			
Accounts receivable	272.6	184.3	146.5	328.6	378.6			
<i>Normal sales</i>	154.0	178.5	140.5	128.9	149.2			
<i>Others</i>	118.6	5.8	6.0	199.7	229.4			
Recoverable taxes	6.9	11.5	12.3	44.0	52.6			
Other current assets	121.6	341.6	324.8	111.0	117.1			
Non-Current Assets	5,363.1	5,259.3	5,352.4	5,321.6	5,298.4			
Property, Plant and Equipment , net	4,933.2	4,954.7	5,014.1	5,033.0	5,026.1			
Other non-current assets	429.9	304.6	338.4	288.7	272.3			
<b>Total Assets</b>	<b>6,001.8</b>	<b>6,019.7</b>	<b>6,044.0</b>	<b>6,065.8</b>	<b>6,055.1</b>			
Current liabilities	552.5	535.5	547.8	341.9	281.3			
Long-term liabilities	1,908.1	1,903.9	1,924.1	2,167.6	2,170.9			
Shareholders' equity	3,541.3	3,580.3	3,572.1	3,556.3	3,602.9			
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,001.8</b>	<b>6,019.7</b>	<b>6,044.0</b>	<b>6,065.8</b>	<b>6,055.1</b>			
End-of-quarter exchange rate (CLP/USD)	472.0	507.2	504.2	524.6	551.2			