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October 4, 2011

## Chile Trip – Santander GBM



# Presenter

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Lode Verdeyen, CEO

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# Agenda

**Chilean electricity sector  
overview**

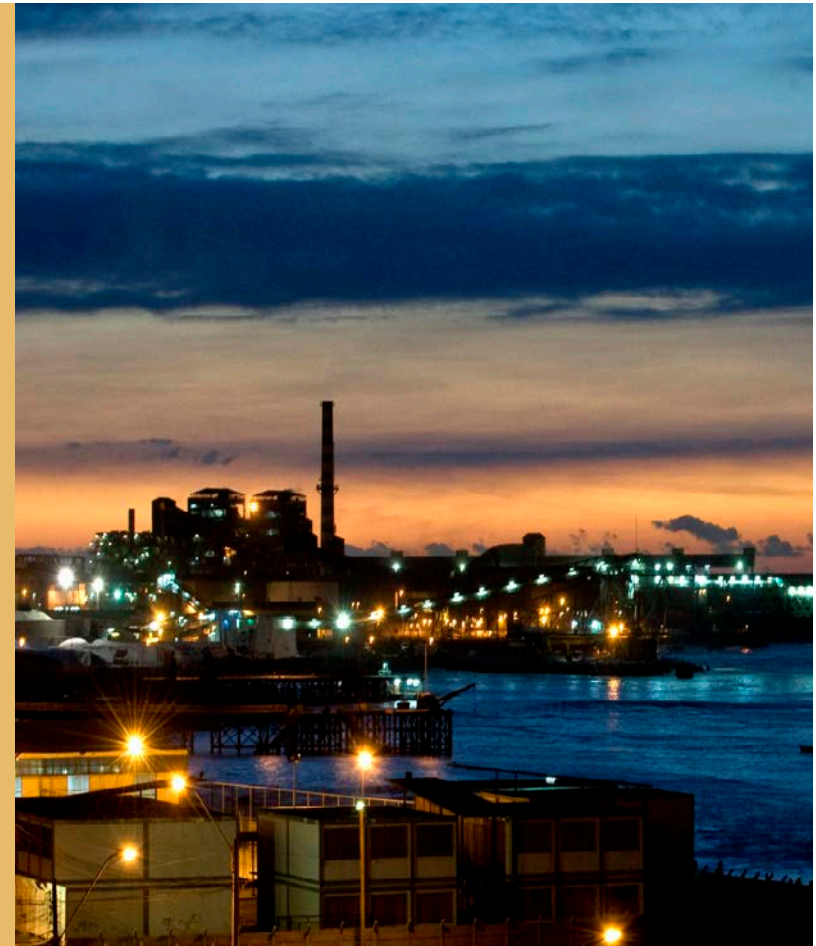
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Company overview

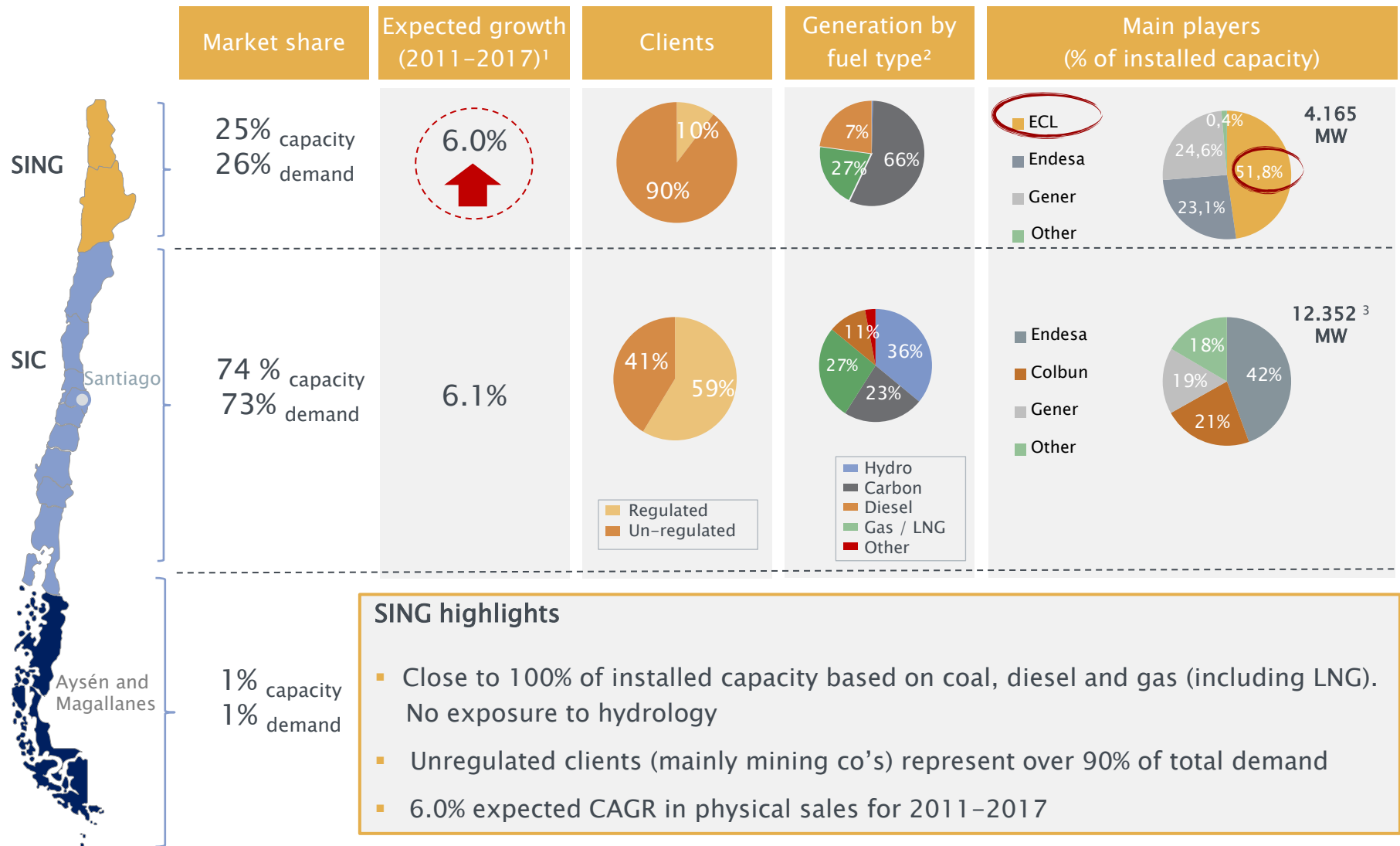
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Financial profile

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# Structure of Chile's energy sector



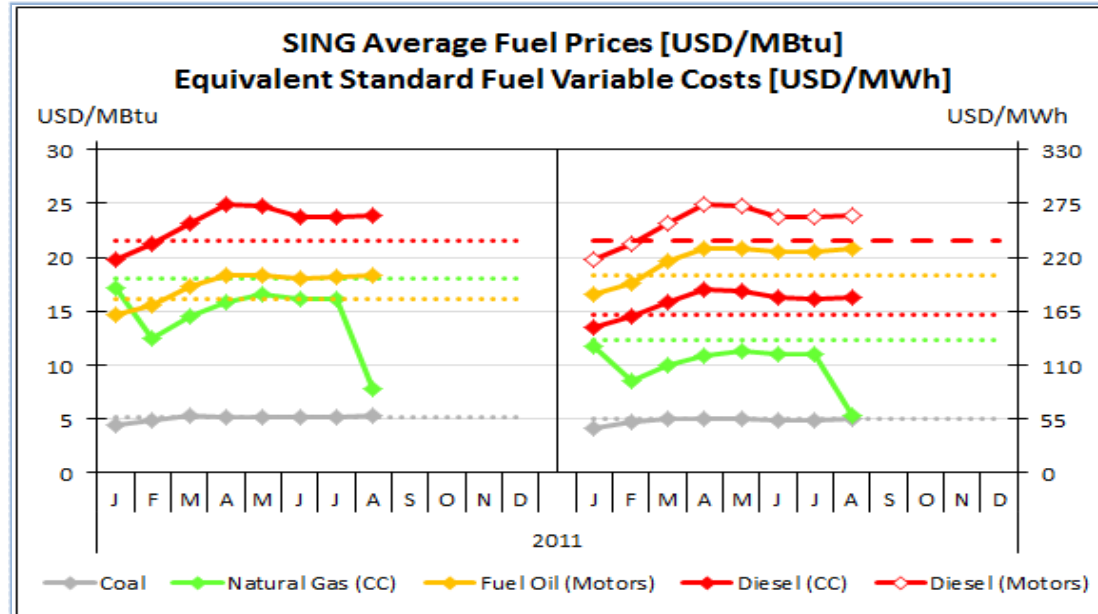
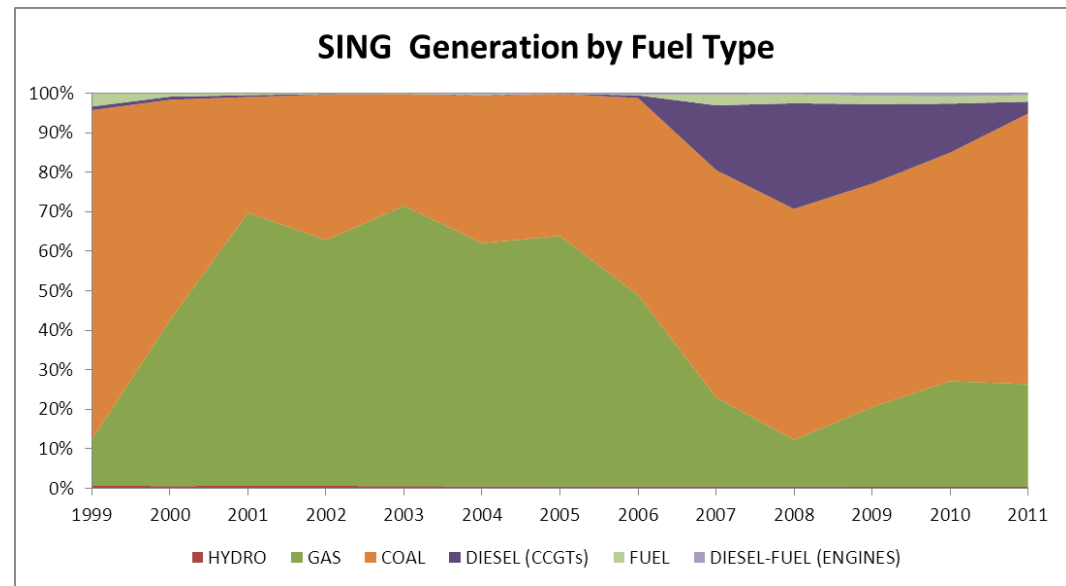
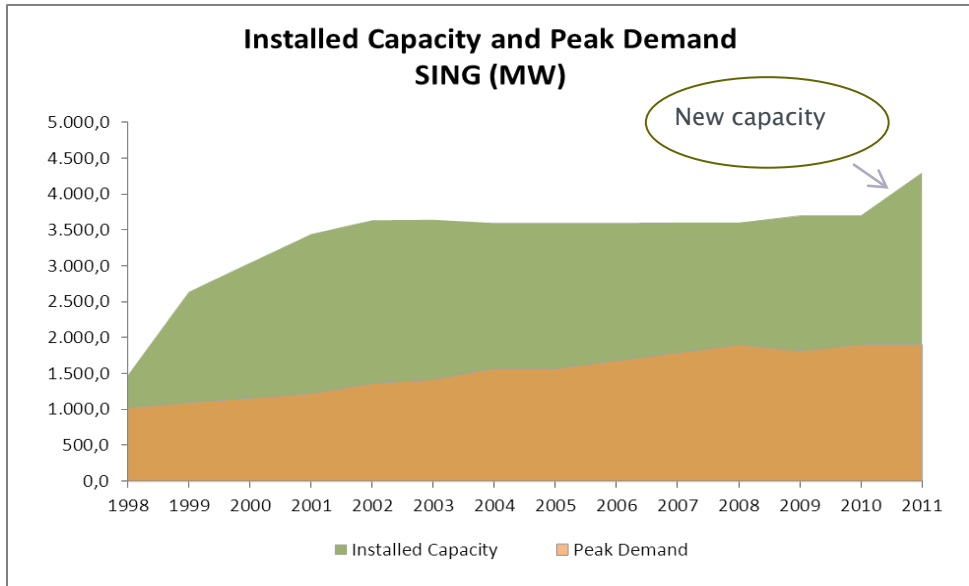
Source: CNE, CDEC-SIC, CDEC-SING, E.CL

<sup>1</sup> Based on CNE ('National Energy Commission') projections in the 'Informe Técnico Preliminar Precio Nudo SING/SIC' report dated April 2011;

<sup>2</sup> Based on gross generation;

<sup>3</sup> Does not include projects under construction during 2011.

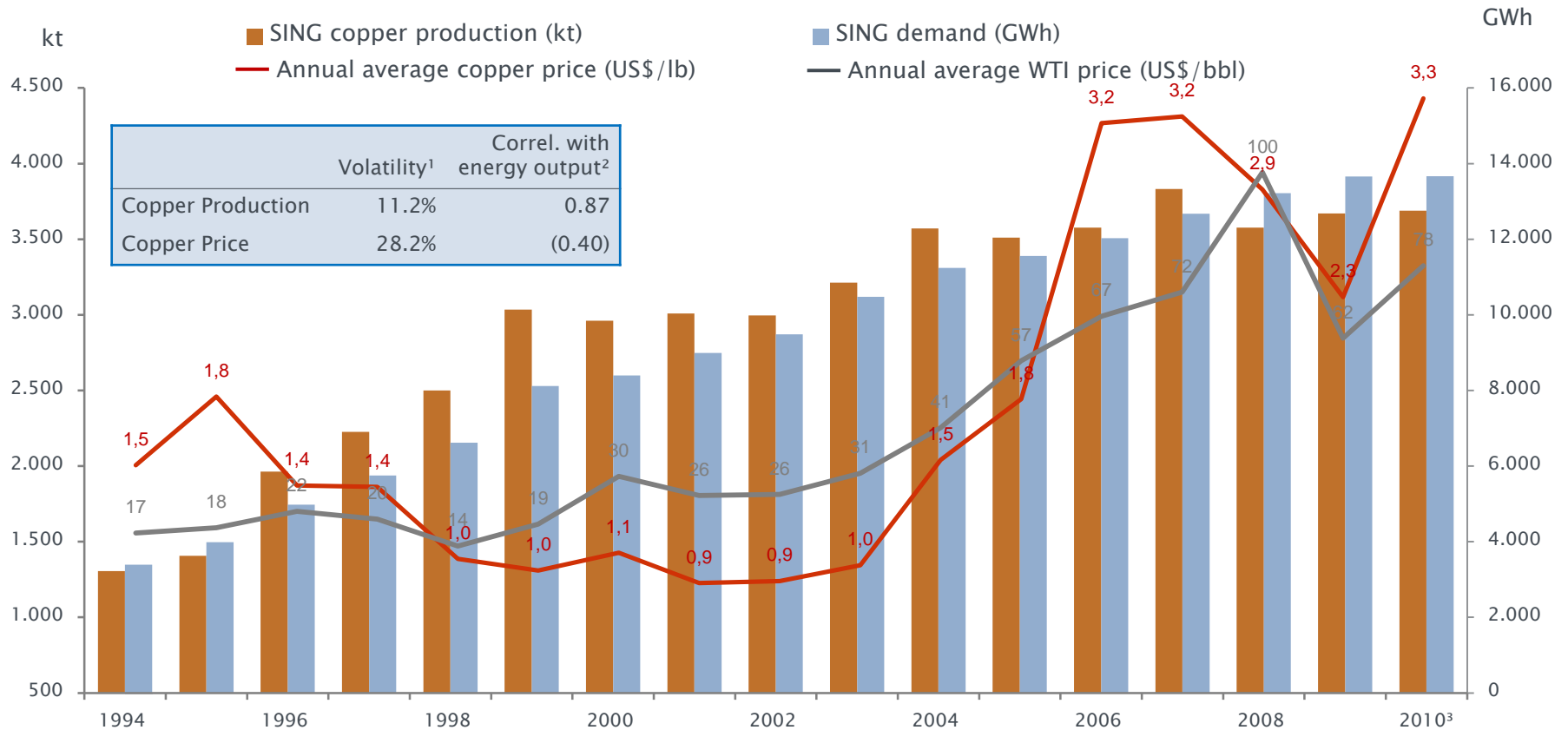
# Evolution of Power Generation, Prices and Demand in the SING



# Exposure to mining sector growth

- Chile is a global, low-cost copper producer
- Low correlation between copper prices and SING demand for electricity.

SING copper production (kt), SING Generation (GWh) and commodity prices (US\$/lb, bbl)

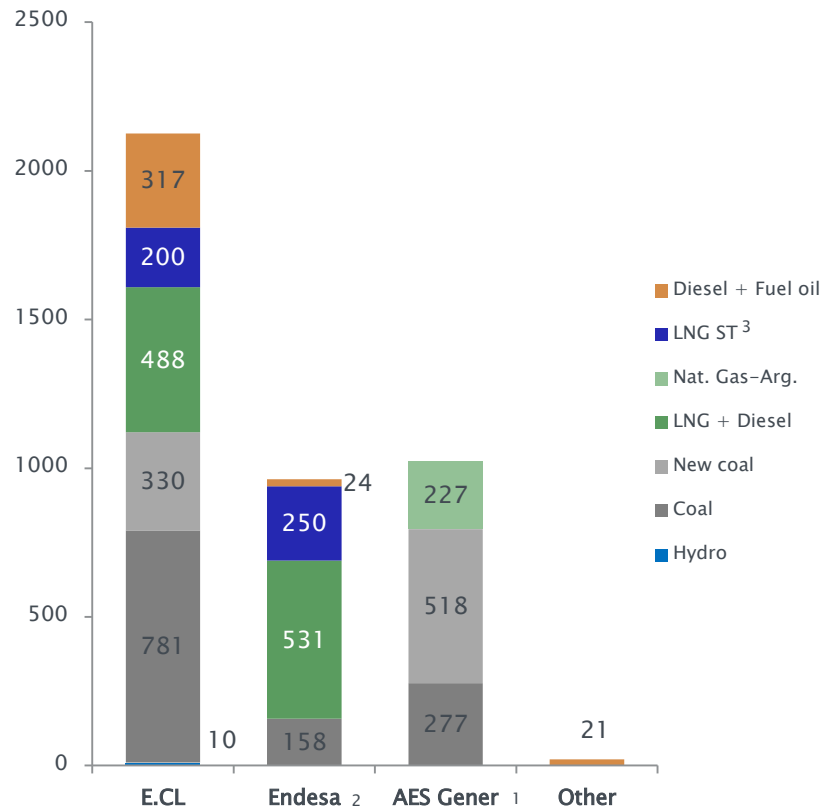


Source: Cochilco, CNE, Bloomberg

<sup>1</sup> Measured as the standard deviation of the annual changes; <sup>2</sup> Calculated as the correlation of the annual changes; <sup>3</sup> Annualized September 2010 data

# SING: installed capacity and generation mix

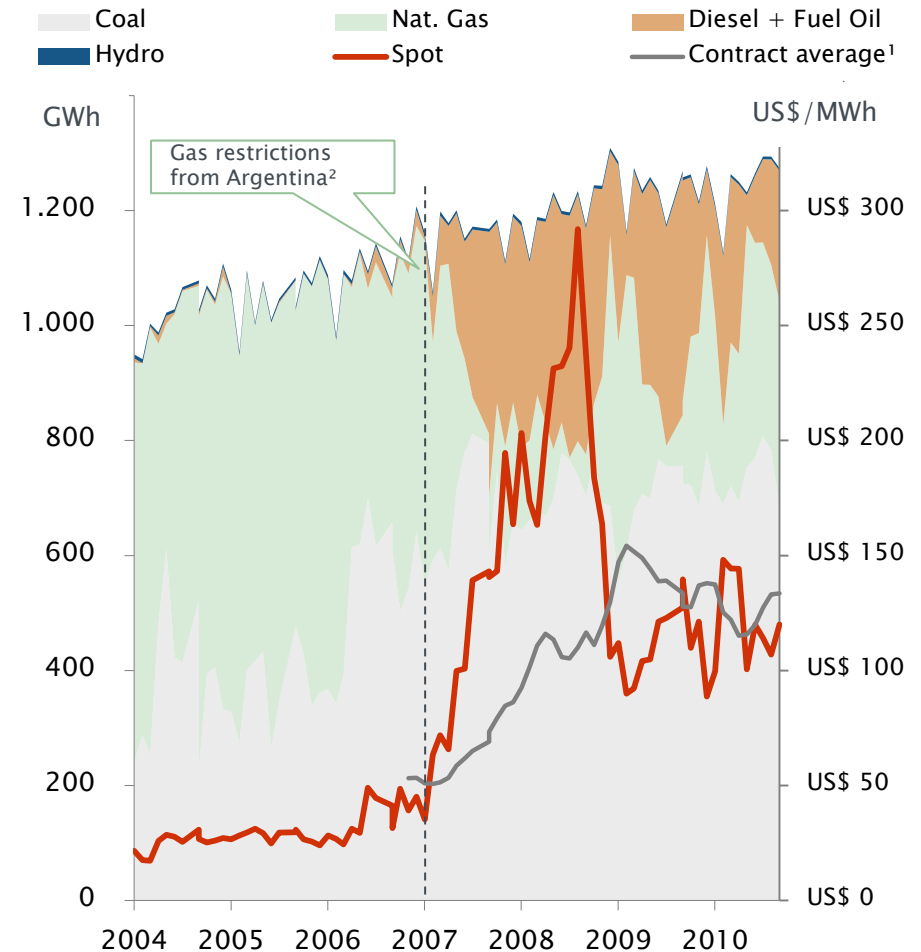
Gross installed capacity by technology – 2011 (MW)



Source: CDEC-SING

- (1) AES Gener has an additional 416MW of capacity from the gas turbine in its 643MW CCGT in Salta, Argentina, which is currently unavailable for dispatch to the SING.
- (2) Includes 182MW from 100% Endesa-owned Celta, and 781MW from Gas Atacama CCGTs (50% Endesa/50% Southern Cross).
- (3) LNG supply arrangement between mining companies, GNL Mejillones, E.CL, and Gas Atacama in place from 05-2010 through 07-2012.

Monthly generation (GWh) and energy prices (US\$/MWh)



Source: CNE, CDEC

<sup>1</sup>Average of contracted energy prices as published by the CNE

<sup>2</sup>Gas restrictions started in 2004, but were more strictly enforced starting in 2007

# Investment highlights: Attractive industry

## ATTRACTIVE INDUSTRY

- Mature, 100% privatized market
- Stable, investor friendly regulatory framework
- Strong industry growth prospects

### Current Challenges:

• New regulation on emissions from thermoelectric plants → stricter limits on particulate matter and gas emissions:

#### Limits for existing plants:

- PM = 50 mg/Nm<sup>3</sup> ~ Dec 2013
- SOx = 400 mg/Nm<sup>3</sup> } ~ Jun 2015 (saturated zones; e.g., Tocopilla)
- NOx = 500 mg/Nm<sup>3</sup> } ~ Jun 2016 (unsaturated zones; e.g., Mejillones)

• Law Nr. 20,257 on Non-Conventional Renewable Energy ("ERNC" Law)



### Action / Effects:

- Focus on environmental / social responsibility
- Investing to comply with new emission requirements
  - Est. US\$164 MM CAPEX in 2011-2015
- Ongoing studies for the potential development renewable power sources
- Environmental approval for additional 2 x 350MW coal capacity in place
- Availability to sell LNG-based generation
  
- New discussion about 20/20



# Agenda

Chilean electricity sector overview

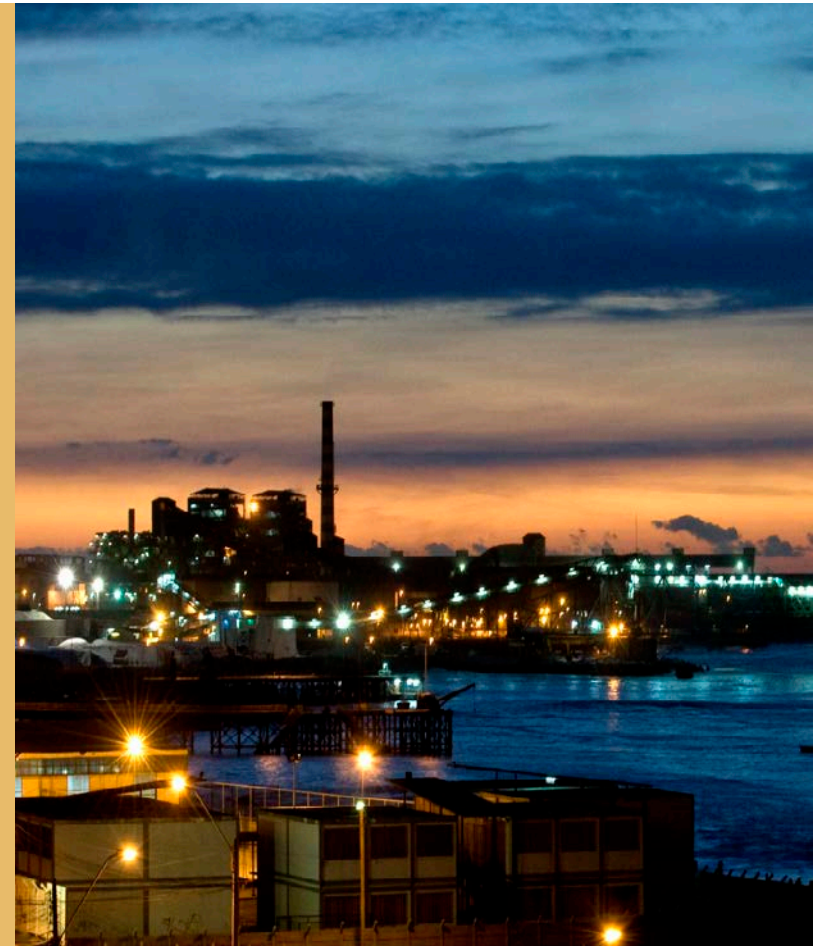
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**Company overview**

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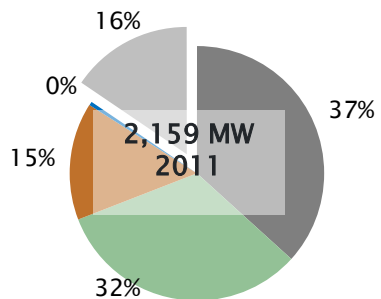
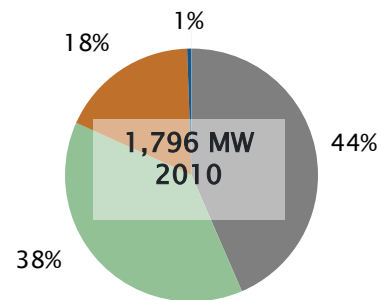
Financial profile

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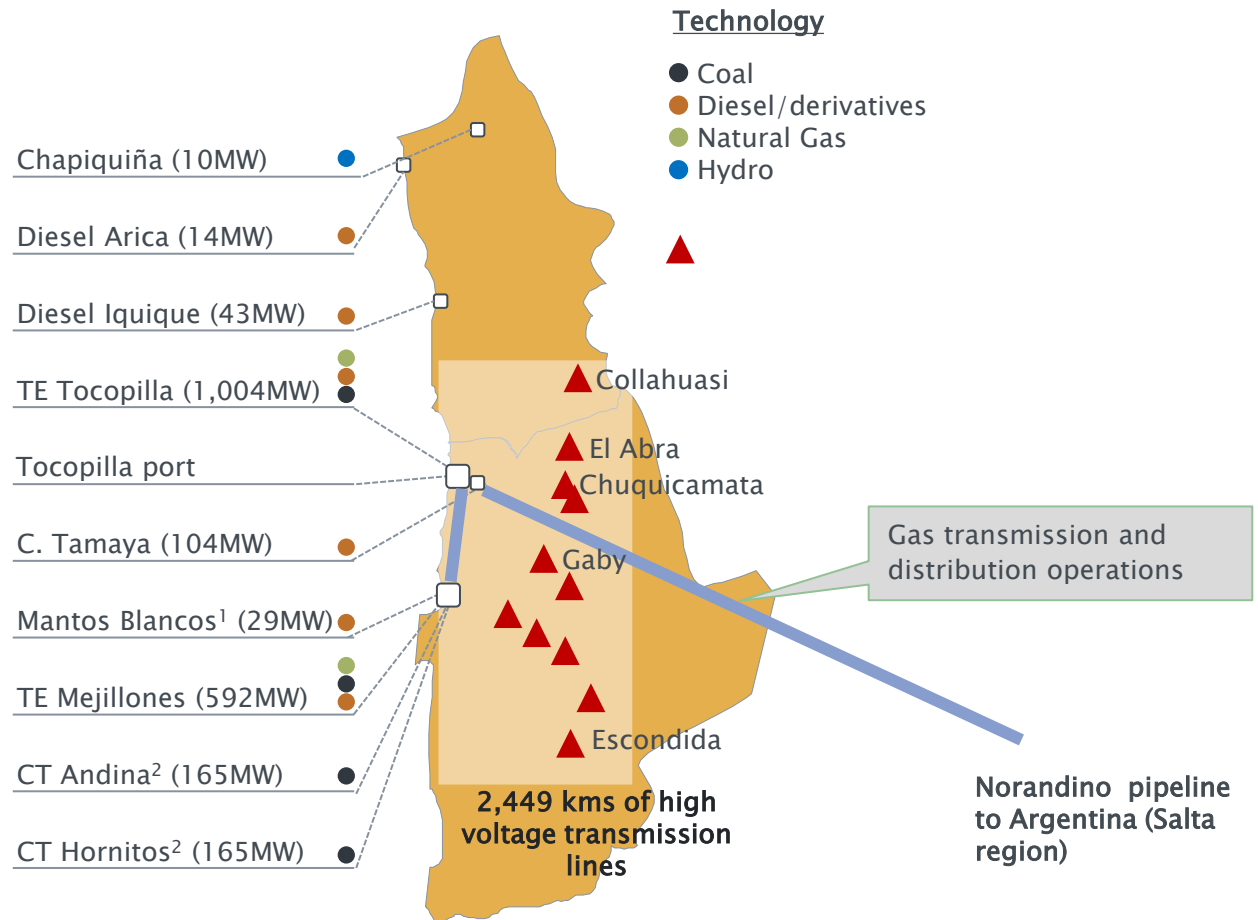
# Largest electricity generator in Chile's mining dominated northern grid (~ 50% market share)

## Installed capacity



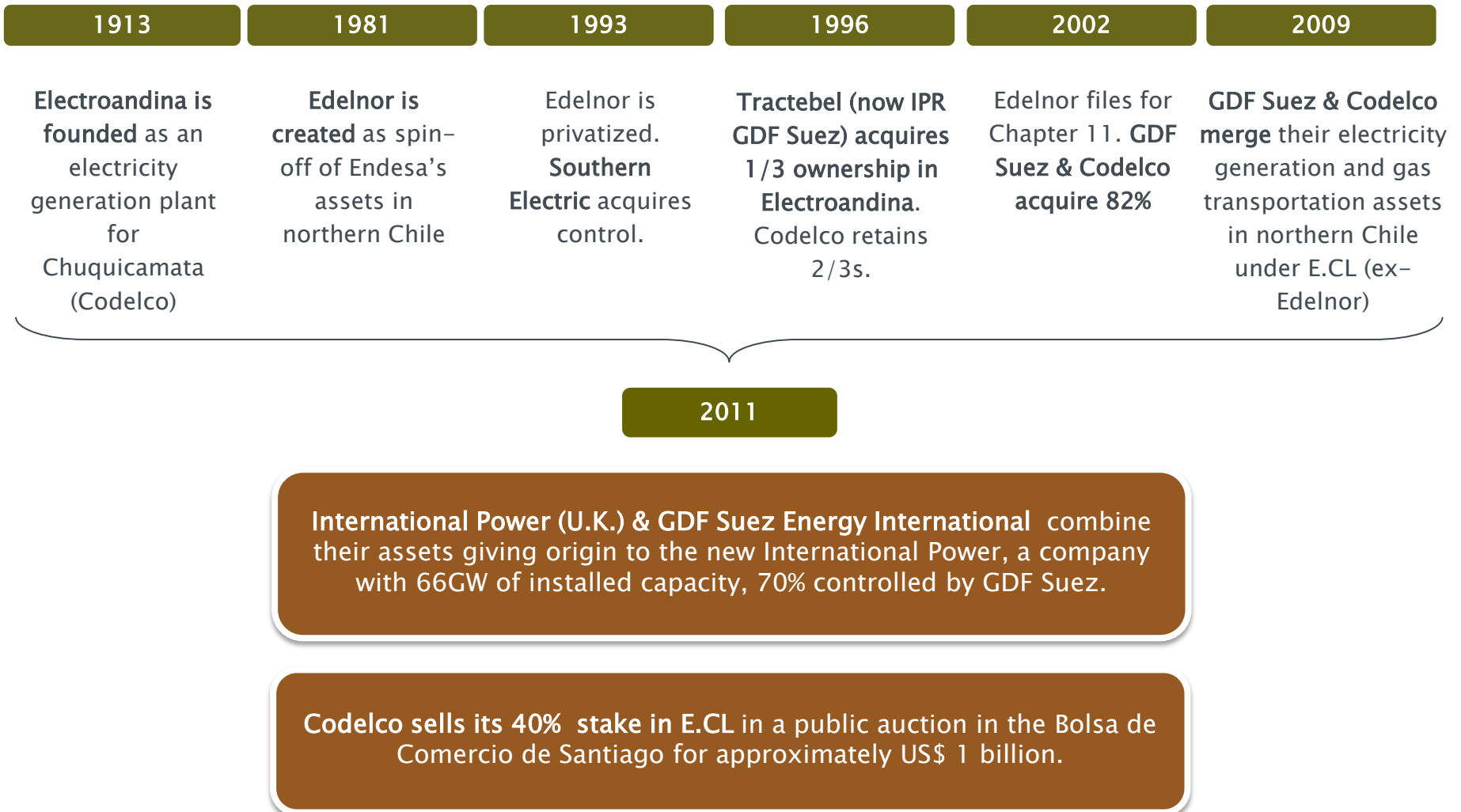
- Coal
- Gas/Diesel
- Diesel & F.O.
- Hydro
- New Coal

## E.CL assets

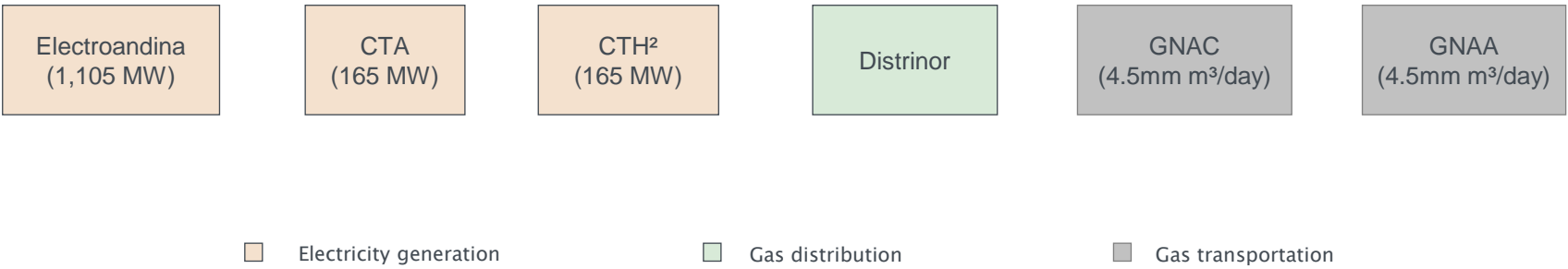
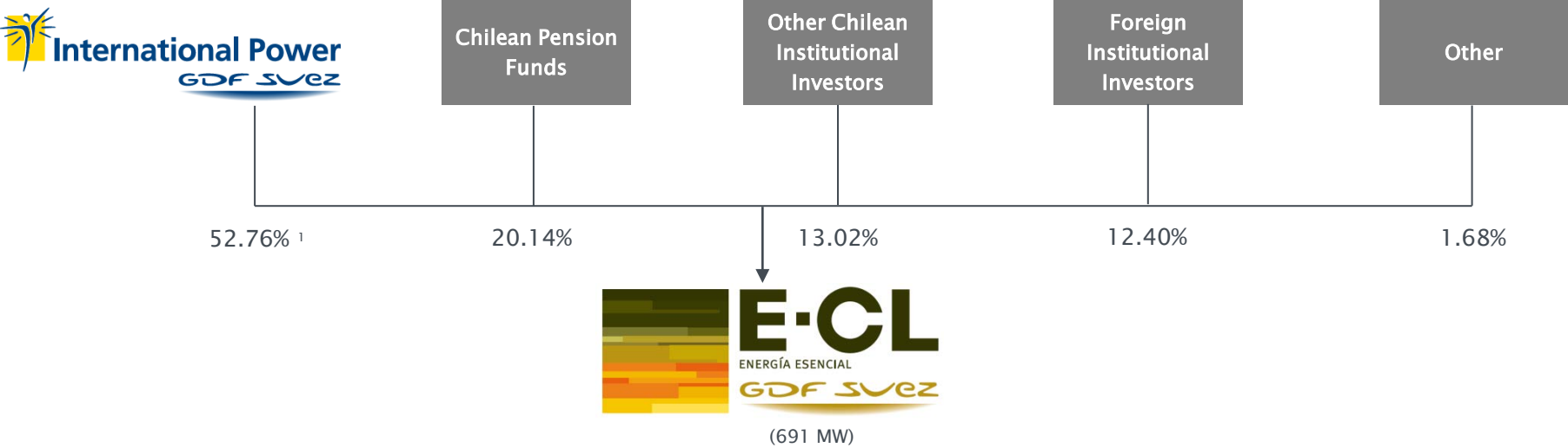


<sup>1</sup> Owned by a mining company but operated by ECL; <sup>2</sup> Commercial operations commenced in 2011.

# History and recent developments



# New ownership structure



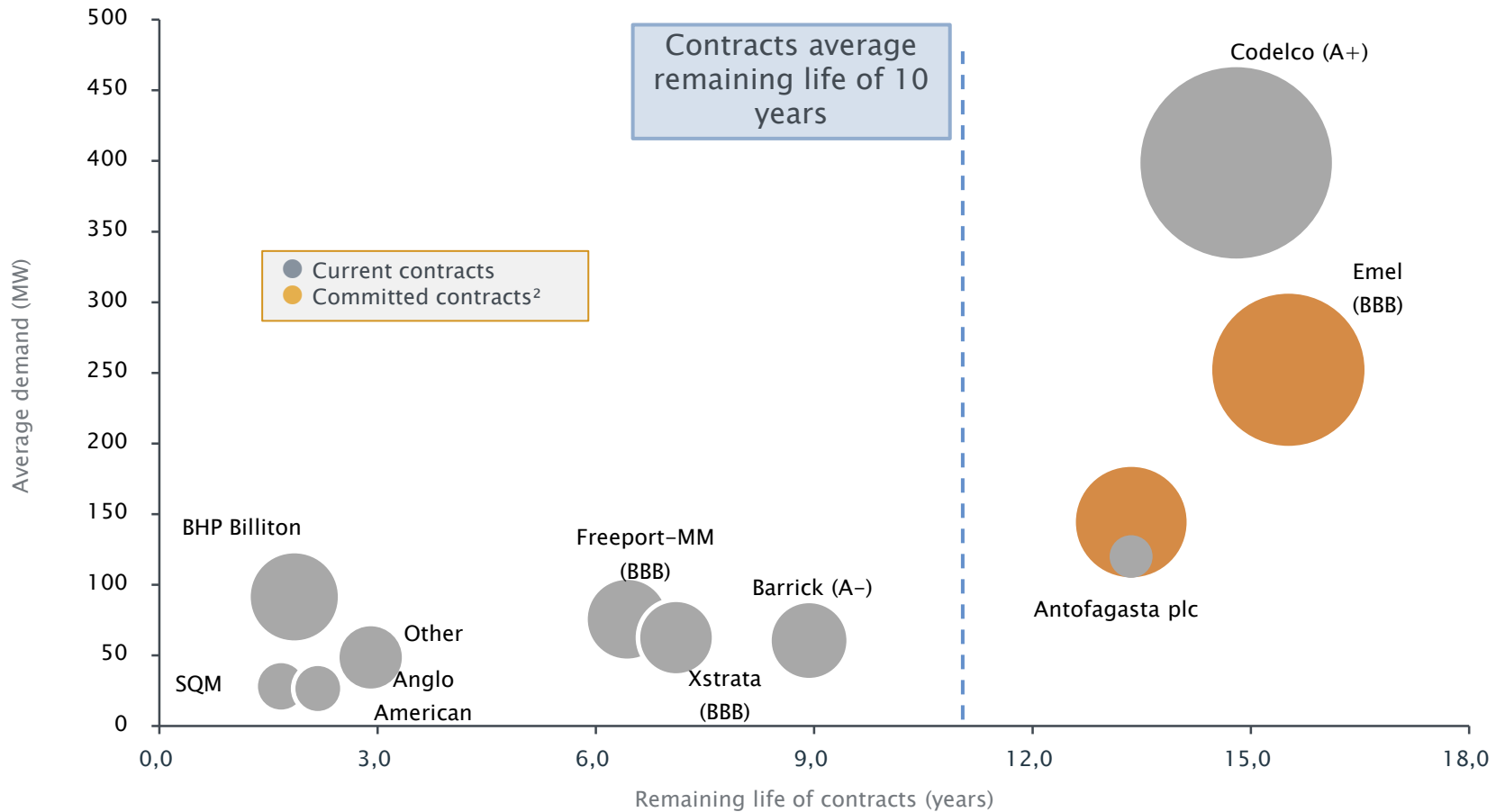
<sup>1</sup> Considers the 0.7% equity reduction due to retirement of treasury stock acquired by E.CL from shareholders that exercised their dissenter's rights in relation to the December 2009 merger.

<sup>2</sup> 60% owned by E.CL, with the remaining 40% owned by Inversiones Punta de Rieles (Antofagasta Railway PLC).



# Long-term contracts with creditworthy customers

Average demand<sup>1</sup> (MW) and remaining life (years) of current contracts



<sup>1</sup> Average demand based on 2010 energy consumption except for (a) Esperanza (Antofagasta plc) estimated using an 85% load factor over 150MW of contracted capacity and (b) Emel, calculated using average contracted energy over the life of the contract

<sup>2</sup> Contract with Esperanza (started in 2011) and Emel (starting in 2012)

## Driver's of E-CL 's commercial policy

- Long-term contracts , reducing exposure to the volatility of spot market prices
- Tariff index to fuel prices, that mitigate the risk of potential cost increases.
- Define optimal level of contractual obligations, taking into account our generation capacity by type of fuel.

# Investment highlights: Exposure to mining sector growth

## Potential future mining projects in the SING

Company	Project	Capacity Demand-MW	Full Capacity-yr
Antofagasta Minerals	Esperanza	130MW	Apr-2011
Antofagasta Minerals	Antucoya	45MW	2014
Codelco	Ministro Hales	80MW	2015
BHP	Escondida OGP	80MW	2015
Collahuasi	Collahuasi expansion Phase I-II	50-170MW	2015-2018
Quadra FNX Mining	Sierra Gorda	190MW	2015
Teck	Quebrada Blanca Hip.	210MW	2016
International PBX Ventures	Copaquire	80MW	2017

### Current challenges:

- Growth could be slower in near term: Large investments in green-field copper projects take time to structure;
- Significant electricity demand growth expected for 2015/2016 will require new capacity (and/or use of existing CCGTs) for at least **800MW**:
  - Quadra FNX's Sierra Gorda;
  - Teck's Quebrada Blanca;
  - Collahuasi's Phases I & II.

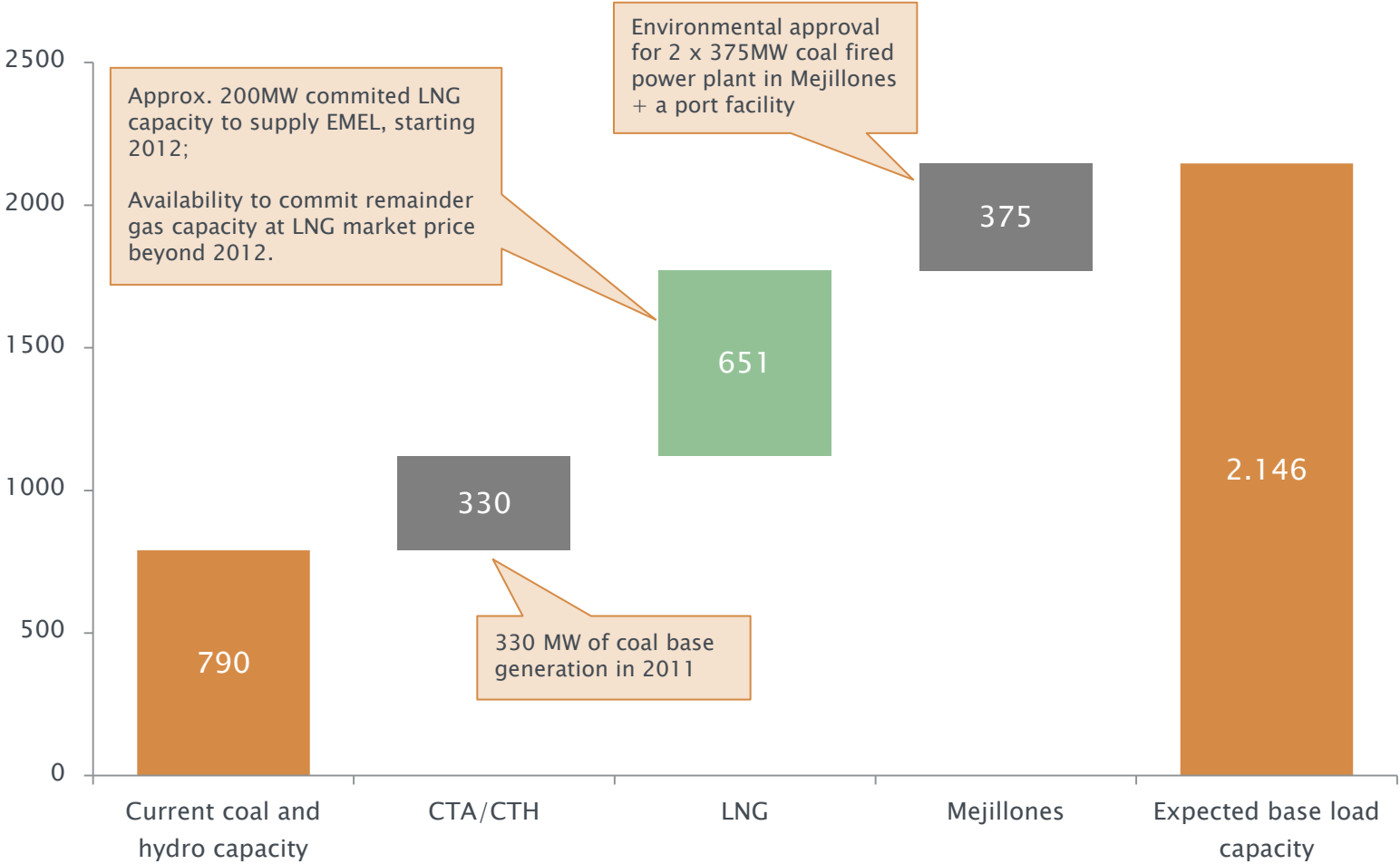


### Action / Effects:

- ✓ Ongoing development of new 375MW coal plant and other projects: Subject to sign PPA for at least 50%
- ✓ Capitalize on near-term growth:
  - 135MW of new demand from Minera Esperanza starting 2011;
  - 200MW under EMEL contract starting 2012.

# Investment highlights: Attractive expansion plan

Current and expected base capacity (MW)





# New plants during 2011 ...already in commercial operations

## Central Termoeléctrica Andina (“CTA”)



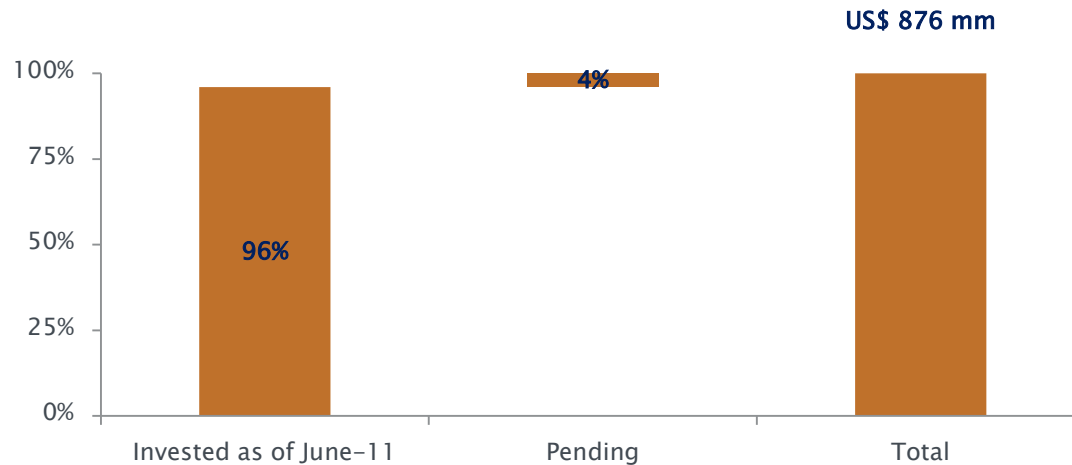
Characteristics	
Gross capacity	165 MW
Location	Mejillones
Total capex (inc. contingencies)	US\$496mm
COD	July 15, 2011
Contract	Codelco: 150MW / 21 years
Ownership	100%

## Central Termoeléctrica Hornitos (“CTH”)



Characteristics	
Gross capacity	165 MW
Location	Mejillones
Total capex (inc. contingencies)	US\$380mm
COD	Aug 5, 2011
Contract	Esperanza: 150MW / 15 years
Ownership	60%

CTA and CTH Capex breakdown (USD m, %)





# Agenda

Chilean electricity sector overview

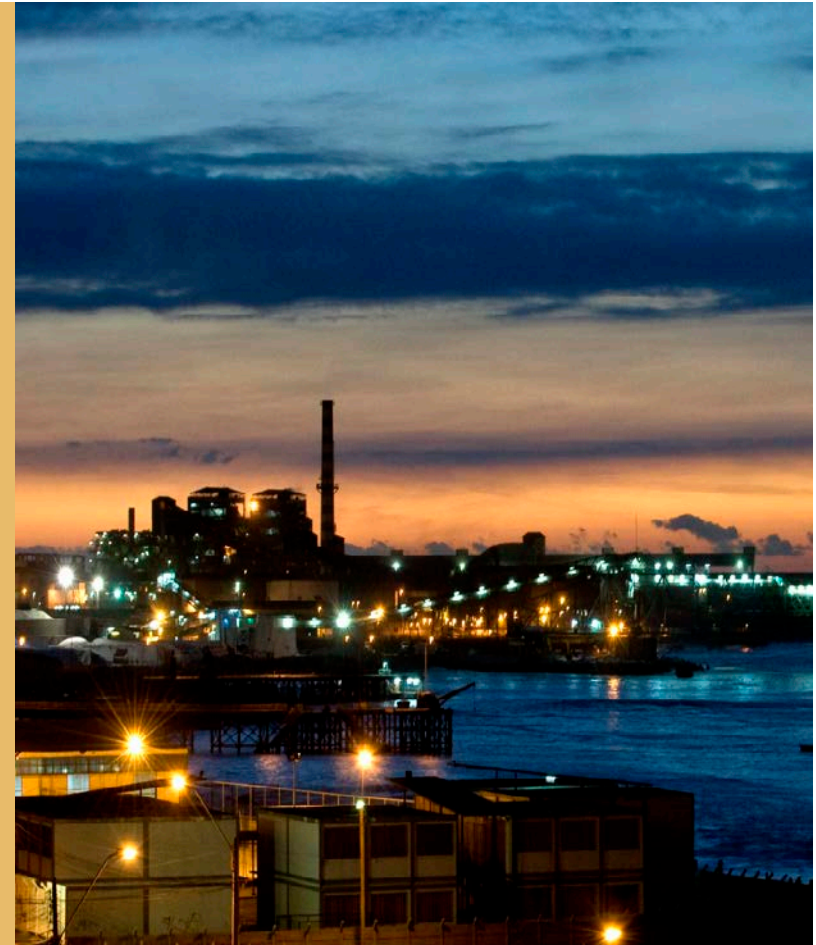
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Company overview

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**Financial profile**

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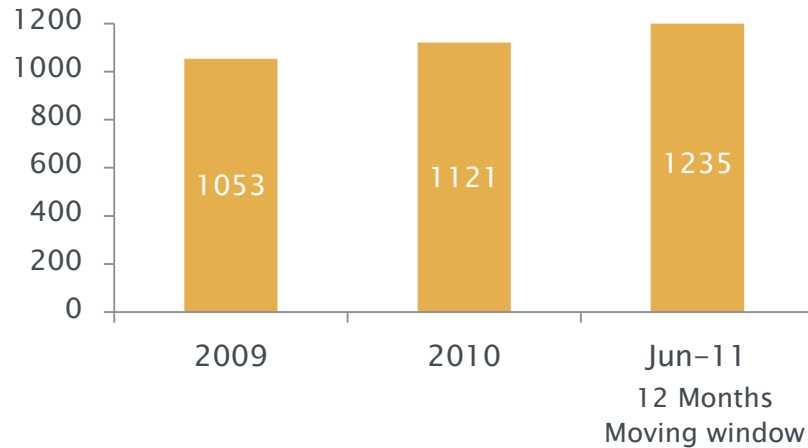
## E.CL: Financial Results

USD millones	FY 10	1H10	1H11	Var. H%
Revenues	1.121	519	633	22%
Operating income	240	119	110	(7%)
Operating margin	21%	23%	17%	-
EBITDA	340	167	161	(4%)
Net income	200	79	84	6%
Energy sales (GWh)	7.335	3.554	3.704	4%

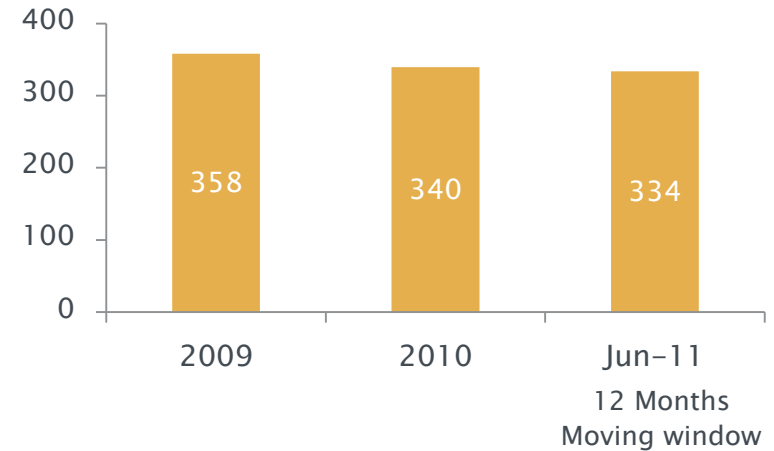
- 2011: Adjustment period to new supply reality in the SING: 840MW of new efficient coal capacity (approx. 40% of average system output) under commissioning/testing in 1H and fully operational by 3Q;
  - New capacity will displace higher-cost less-efficient generation, pushing marginal energy costs downward;
  - Marginal energy costs averaged US\$175MWh YTD June 30, 2011.
- ✓ July 15, 2011 CTA commenced commercial operations with Codelco PPA in place
- ✓ April 2011 CTH's PPA with Minera Esperanza commenced.

# Strong financial profile...

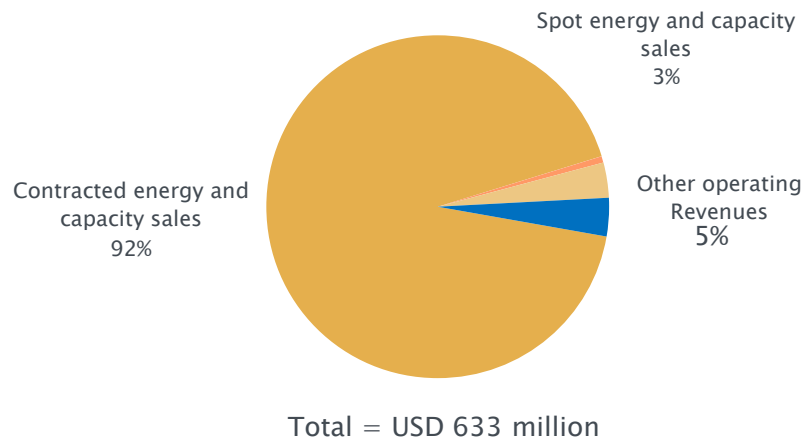
Sales (USD million)



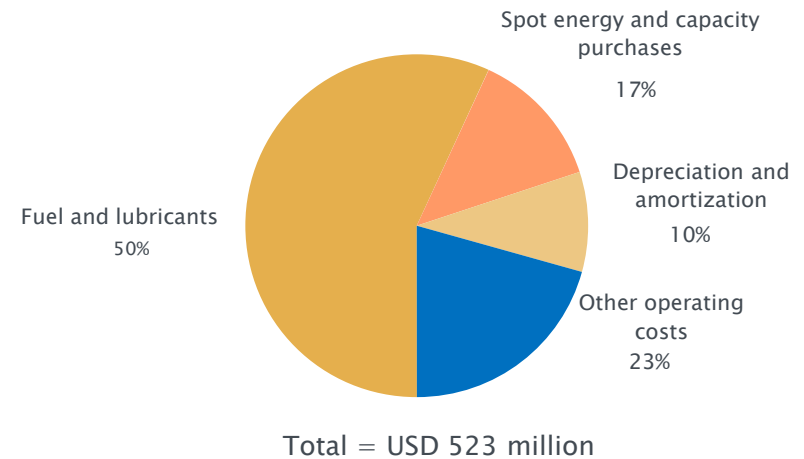
EBITDA (USD million) and EBITDA margin (%)



Sales breakdown (Jun 2011)

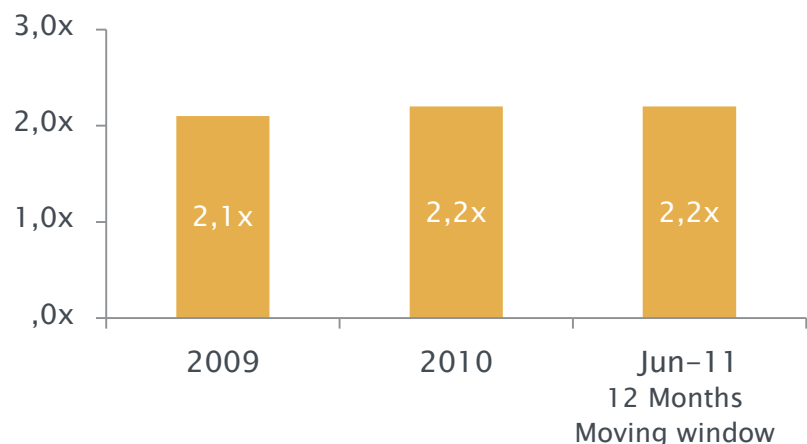


Costs breakdown (Jun 2011)

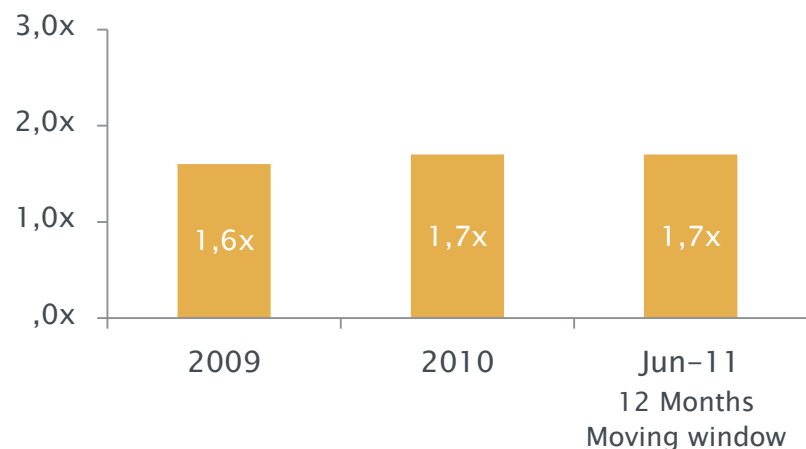


# ...coupled with a conservative debt structure

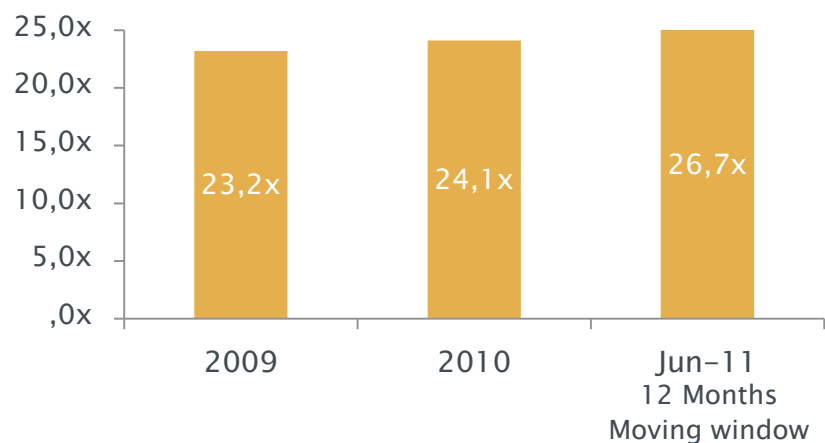
Total debt/EBITDA



Net debt/EBITDA



EBITDA/Interest expenses



Credit ratings

- Investment grade international ratings by S&P and Fitch:
  - S&P: BBB- (Stable Outlook)
  - Fitch: BBB- (Stable Outlook)
- Investment grade local ratings by Fitch, Feller and ICR
  - Feller: A (Stable Outlook)
  - Fitch: A (Stable Outlook)
  - ICR: A (Stable Outlook)

# Contractual Obligations as of June 30, 2011

## Payment due by period

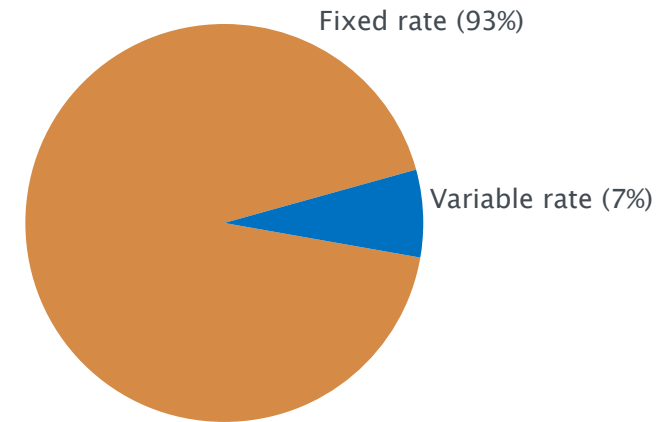
USD m	Total	<1 Year	1-3 years	3-5 years	More than 5 years
Bank debt	335.9	55.8	16.6	22.6	240.9
Bonds (144 A/Reg S Notes)	400.0				400.0
Accrued interest	13.8	13.8			
<b>Total.....</b>	<b>749.7</b>	<b>69.6</b>	<b>16.6</b>	<b>22.6</b>	<b>640.9</b>

### Bank debt:

- Santander: USD 50.0 million (paid on July 6, 2011)
- IFC/KfW: USD 285.9 million (CTA project financing)

**Bond:** USD 400 million, 10-year, 144-A/Reg.S notes

## Debt breakdown by rate type (only principal amounts)



Total Principal = USD 735.9 million

- ✓ Low Debt
- ✓ Conservative maturity profile
- ✓ Access to different sources of financing

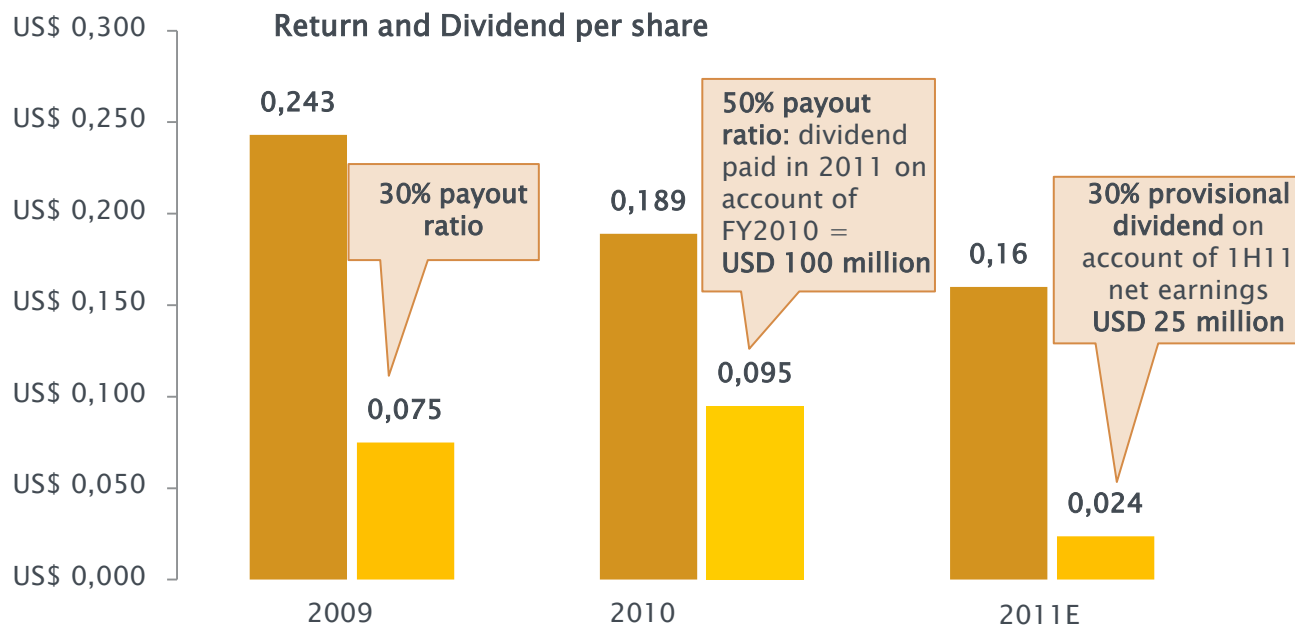
# An attractive shareholder return



E.CL Share (as of 10/03/2011):

- Market Cap: USD 2.456 bn
- Price: CH\$ 1,215

Source: Bloomberg



Note: EPS 2011 anualizado



