



QUARTERLY EARNINGS REPORT

As of March 31, 2022

1ST QUARTER 2022

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1Q22 Earnings Report

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Conference Call 1Q22 Results

Date: Friday April 29th, 2022
 Hora: 12:00 PM Eastern Time
 12:00 PM Chilean Time

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1. HIGHLIGHTS

Main Figures at a Consolidated Level

- **Operating income** for the first quarter of 2022 (1Q22) amounted to **US\$416.8 million**, increasing 24% compared to the operating income recorded in the first quarter of 2021 (1Q21) mainly explained by (1) higher sales to unregulated clients in Chile, mainly associated with the entry into force of BHP contract in Jan22 and (2) higher energy and capacity sales both in Chile and Peru, given the higher generation of the quarter.
- Consolidated **EBITDA** in 1Q22 reached **US\$145.6 million**, increasing 6% compared to the US\$137.4 million EBITDA in 1Q21. The increase is mainly explained by the higher operating income previously mentioned. This effect was partially offset by higher raw materials and consumables used, mainly driven by higher gas consumption given the higher generation of the quarter with that fuel. It's important to notice that this increase was achieved despite that Colbun Transmisión S.A business is not consolidated, after its sale in 3Q21 (Colbún Transmisión 1Q21 Ebitda reached US\$16.5 million).
- **Non-operating result** in 1Q22 recorded losses of **US\$30.5 million**, compared with the losses of US\$43.9 million in 1Q21. The lower loss is mainly explained by the lower sales of receivables generated by the energy price stabilization mechanism (PEC); the effect in 1Q21 was US\$14.2 million, while in 1Q22 was US\$3.6 million.
- In 1Q22 **tax expenses** of **US\$6.4 million** were recorded, compared with tax expenses of US\$79.3 million in 1Q21. The decrease is mainly explained by (1) a deferred tax recognition of US\$64.5 million during 1Q21, associated with Colbún Transmisión S.A sale announcement, which corresponds to the tax applied to the difference between book value and tax value of the investment and (2) the appreciation of the PEN/USD exchange rate during the period and its impact on deferred taxes given that Fenix's tax accounting is in Peruvian soles, according to the Peruvian tax legislation.
- In 1Q22, the Company recorded a **profit** of **US\$55.9 million**, compared to the loss of US\$41.2 million in 1Q21, mainly due to (1) the lower tax expenses; (2) the lower non-operational loss and (3) the higher operational result; previously mentioned.

Highlights of the quarter

- On January 24, 2022, **Colbún prepaid 100% of its local bonds** (Series F and I). The outstanding notional amount of those bonds amounted to US\$181 million.
- In February, Colbún was included for the second time in **The Sustainability Yearbook 2022**, a yearbook that groups together the companies scoring in the top 15% of each industry in the Dow Jones Sustainability Index, which selects the companies with the best evaluation in sustainability matters, including economic, social and environmental management, as well as corporate governance.
- In March Colbún sold to **Chile Electricity PEC SpA** the fourth group of accounts receivables associated to the energy price stabilization mechanism, Law 21,185, for a **nominal value of US\$12.9 million**.
- On March 30, 2022, the Board agreed to propose to the Ordinary Shareholders' Meeting to distribute a **total dividend of US\$72.6 million**, which consists of: (1) a definitive dividend of US\$22.6 million, which added to the US\$250 million paid in October 2021 represents 50% of the distributable net income for the year 2021, and (2) an additional dividend charged to the profits of previous years for US\$50 million.
- Regarding the status of the Diego de Almagro project, as of the first quarter of 2022 progress on the ground is 99%, in line with what was planned. Since December 9, the project has been gradually injecting energy into the system.

Subsequent highlights

- On April 4, the Board of Directors accepted the **resignation of Mr. Thomas Keller Lippold from the position of CEO** which will become effective on May 16. He will continue to be associated to the Company as director of the subsidiary Fenix and the affiliate Electrogas; and as advisor to the CEO in matters associated with the execution of investment projects. The Board of Directors agreed to appoint **Mr. José Ignacio Escobar as the new CEO** starting on May 16, 2022.

2. PHYSICAL SALES AND GENERATION BALANCE

2.1. Physical sales and generation balance in Chile

Table 1 shows a comparison between physical energy and capacity sales, and generation in 1Q21 and 1Q22.

Table 1: Physical sales and generation in Chile

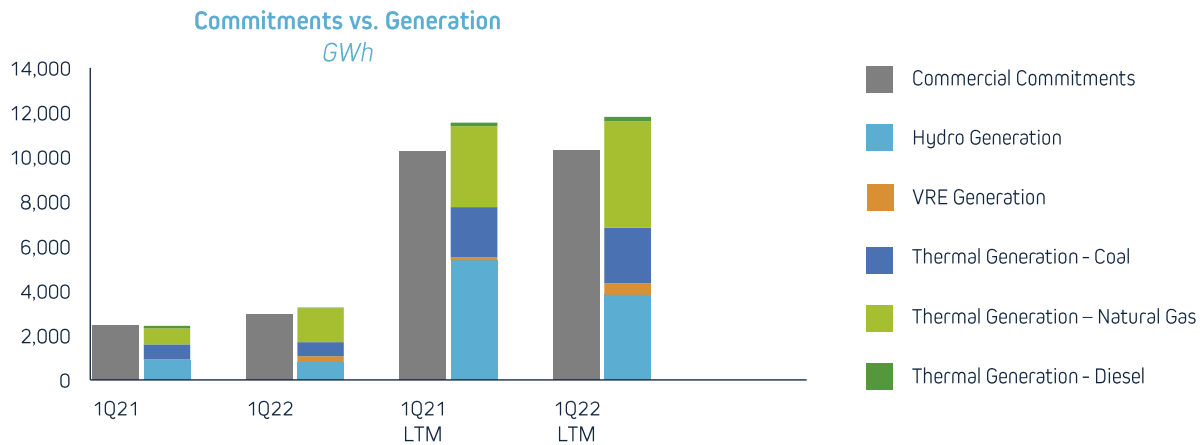
Sales	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
Total Physical Sales (GWh)	2,522	3,189	26%
Regulated Clients	727	551	(24%)
Unregulated Clients	1,707	2,400	41%
Sales to the Spot Market	87	238	172%
Capacity Sales (MW)	1,323	1,517	15%

Generation	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
Total Generation (GWh)	2,428	3,250	34%
Hydraulic	887	804	(9%)
Thermal	1,513	2,195	45%
Gas	722	1,526	111%
Diesel	119	30	(75%)
Coal	672	638	(5%)
VRE*	28	251	-
Wind Farm	21	33	55%
Solar	6	218	-
Spot Market Purchases (GWh)	180	0	-
Sales - Purchases to the Spot Market (GWh)	(93)	238	-

(*): Includes energy purchased from Punta Palmeras wind farm owned by Acciona and Santa Isabel owned by Total Sun Power.
VRE: Variable renewable energies

● **Physical sales** reached **3,189 GWh** in 1Q22, increasing 26% compared to 1Q21, mainly explained by higher physical sales to unregulated clients driven by the entry into force of BHP contract in Jan22. This effect was partially offset by the expiration of CGE contract in Dec21. On the other hand, **generation** of the quarter reached **3,250 GWh**, increasing 34% compared with 1Q21, mainly due to (1) higher gas generation (+804 GWh) as a result of the higher Argentinean gas availability and (2) higher solar generation given the start of energy injections of Diego de Almagro project. It's important to notice that estimated COD for the project is 2Q22. These effects were partially offset by a lower hydroelectric generation (-83 GWh).

● **Spot market balance** during the quarter recorded net sales of 238 GWh, compared to net purchases for 93 GWh during 1Q21. This variation is mainly explained by the higher generation of the quarter.



● **Generation mix in Chile:** Hydrological year Apr21-Mar22 recorded lower rainfalls compared to an average year in the main SEN basins: Aconcagua: -71%; Maule: -52%; Laja: -25%; Biobío: -32%; and Chapa: -12%. Average marginal cost measured in Alto Jahuel reached US\$89.0/MWh in 1Q22, increasing compared to the average of US\$77.6/MWh in 1Q21.

SEN Generation	Quarterly Figures		Var %
	1Q21	1Q21	Q/Q
Total Generation (GWh)	19,917	20,745	4%
Hydraulic	4,349	3,881	(11%)
Gas Thermal	3,060	3,920	28%
Diesel Thermal	671	277	(59%)
Coal Thermal	7,196	5,807	(19%)
Wind Farm	1,444	2,264	57%
Solar	2,575	3,891	51%
Others	622	704	13%

2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 1Q21 and 1Q22.

Table 2: Physical sales and generation in Peru

Sales	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
Total Physical Sales (GWh)	561	1,002	79%
Regulated Clients	395	501	27%
Unregulated Clients	114	116	2%
Sales to the Spot Market	52	385	-
Capacity Sales (MW)	560	568	1%
Generation	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
Total Generation (GWh)	521	1,027	97%
Gas	521	1,027	97%
Spot Market Purchases (GWh)	58	-	-
Sales - Purchases to the Spot Market (GWh)	(6)	385	-

● **Physical sales** during 1Q22 reached **1,002 GWh**, increasing 79% compared to 1Q21. The higher physical sales are mainly explained by (1) higher sales in the spot market due to the higher generation of the quarter and (2) higher sales to regulated clients associated mainly to the demand recovery compared to the 2021's depressed levels, affected by the pandemic. On the other hand, **gas thermal generation** reached **1,027 GWh**, increasing 97% compared to 1Q21 mainly driven by the higher power plant availability during the quarter given that during 1Q21 a major maintenance took place.

● The **balance in the spot market** during 1Q22 recorded net sales for **385 GWh**, compared to net purchases for 6 GWh during 1Q21, due to the higher generation recorded during the quarter.

● **Generation mix in Peru:** Hydroelectric generation in the SEIN (National Interconnected Electrical System) decreased 4.4% compared to 1Q21 mainly due to the lower hydroelectric power plants availability during the quarter. As a result, thermoelectric generation increased by 24.8% during 1Q22 compared to 1Q21, mainly driven by the higher demand of the system.

The accumulated energy demand growth rate in 1Q22 was 2.6% compared to same quarter of last year, mainly due to the impact of the pandemic in the 1Q21's demand level.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement (Chile and Peru) in 1Q21 and 1Q22.

Table 3: Income Statement (US\$ million)

	Quarterly Figures		Var % Q/Q
	1Q21	1Q22	
OPERATING INCOME	335.6	416.8	24%
Regulated Customers Sales	107.7	104.7	(3%)
Unregulated Customers Sales	166.8	235.9	41%
Energy and Capacity Sales	27.4	63.5	132%
Transmission Tolls	26.0	-	-
Other Operating Income	7.7	12.7	65%
RAW MATERIALS AND CONSUMABLES USED	(163.2)	(237.7)	46%
Transmission Tolls	(31.3)	(36.7)	18%
Energy and Capacity Purchases	(15.9)	(28.4)	78%
Gas Consumption	(66.3)	(119.4)	80%
Diesel Consumption	(16.7)	(7.1)	(58%)
Coal Consumption	(21.1)	(31.0)	47%
Other Operating Expenses	(12.0)	(15.1)	26%
GROSS PROFIT	172.3	179.2	4%
Personnel Expenses	(21.3)	(20.2)	(5%)
Other Expenses, by Nature	(13.7)	(13.3)	(3%)
Depreciation and Amortization Expenses	(55.4)	(52.8)	(5%)
OPERATING INCOME (LOSS) (*)	81.9	92.8	13%
EBITDA	137.4	145.6	6%
Financial Income	1.3	2.5	96%
Financial Expenses	(22.2)	(20.9)	(6%)
Exchange rate Differences	(2.8)	1.5	-
Profit (Loss) of Companies Accounted for Using the Equity Method	1.4	2.6	91%
Other Profit (Loss)	(21.5)	(16.2)	(25%)
NON-OPERATING INCOME	(43.9)	(30.5)	(30%)
PRE-TAX PROFIT (LOSS)	38.1	62.3	64%
Income Tax Expense	(79.3)	(6.4)	(92%)
AFTER TAX PROFIT (LOSS)	(41.2)	55.9	-
PROFIT (LOSS) OF CONTROLLER	(38.9)	47.6	-
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	(2.3)	8.3	-

(*): The subtotal shown in "OPERATING INCOME" presented herein, differs from the "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF (Financial Market Commission), by means of which the concept of "Other Profit (loss)", which in the case of Colbun are only non-operating items, was incorporated as an operating item in the Financial Statements.

Table 4: Closing Exchange Rates

Exchange Rates	Mar-21	Dec-21	Mar-22
Chile (CLP / US\$)	721.82	844.69	787.98
Chile UF (CLP/UF)	29,394.77	30,991.74	31,727.74
Peru (PEN / US\$)	3.76	4.00	3.70

3.1. Chile's Operating Income Analysis

Table 5 presents a summary of Operating Income and EBITDA in 1Q21 and 1Q22. Subsequently, the major accounts and/or variations will be analyzed.

Table 5: EBITDA Chile (US\$ million)

	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
OPERATING INCOME	288.5	361.7	25%
Regulated Customers Sales	80.4	68.4	(15%)
Unregulated Customers Sales	160.2	230.9	44%
Energy and Capacity Sales	24.9	53.9	117%
Other Operating Income	23.1	8.6	(63%)
RAW MATERIALS AND CONSUMABLES USED	(153.3)	(212.0)	38%
Transmission Tolls	(38.8)	(35.0)	(10%)
Energy and Capacity Purchases	(15.5)	(28.4)	83%
Gas Consumption	(51.1)	(97.5)	91%
Diesel Consumption	(16.7)	(7.1)	(58%)
Coal Consumption	(21.1)	(31.0)	47%
Other Operating Expenses	(10.0)	(13.0)	30%
GROSS PROFIT	135.2	149.7	11%
Personnel Expenses	(19.4)	(17.6)	(9%)
Other Expenses, by Nature	(11.7)	(11.5)	(2%)
Depreciation and Amortization Expenses	(43.7)	(44.0)	1%
OPERATING INCOME (LOSS) (*)	60.3	76.6	27%
EBITDA	104.1	120.6	16%

(*): The subtotal shown in "OPERATING INCOME" presented herein, differs from the "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF (Financial Market Commission), by means of which the concept of "Other Profit (loss)", which in the case of Colbún are only non-operating items, was incorporated as an operating item in the Financial Statements.

● **Operating Income** in 1Q22 amounted to **US\$361.7 million**, increasing 25% compared to the operating income of US\$288.5 million recorded in 1Q21, mainly due to (1) higher sales to unregulated clients, driven by the entry into force of the contract with BHP in Jan22; and (2) higher energy and capacity sales in the spot market driven by the higher generation of the quarter. These effects were partially offset by lower sales to regulated clients, mainly driven by the expiration of a contract with CGE in Dec21.

● **Raw materials and consumables used costs** amounted to **US\$212.0 million** in 1Q22, increasing 38% compared to 1Q21, mainly due to (1) higher gas consumption costs given the higher generation with that fuel during the quarter; (2) higher energy and capacity purchases driven by the entry into force of a contract with Total SunPower. Those effects were partially offset by a lower diesel consumption, mainly driven by a lower generation with that fuel.

● **EBITDA** in 1Q22 reached **US\$120.6 million**, increasing 16% compared to the EBITDA of US\$104.1 million in 1Q21, mainly due to the higher operating income recorded during the period. This effect was partially offset by the higher raw materials and consumables used costs previously explained.

3.2. Peru's Operating Income Analysis

Table 6 shows a summary of Fenix's Operating Income and EBITDA for the quarters 1Q21 and 1Q22. Subsequently, the main accounts and/or variations will be analyzed.

Table 6: EBITDA Peru (US\$ million)

	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
OPERATING INCOME	38.0	55.1	45%
Regulated Customers Sales	27.4	36.3	33%
Unregulated Customers Sales	6.6	5.0	(24%)
Energy and Capacity Sales	2.5	9.6	284%
Other Operating Income	1.5	4.1	176%
RAW MATERIALS AND CONSUMABLES USED	(17.4)	(25.7)	47%
Transmission Tolls	(0.4)	(1.7)	311%
Energy and Capacity Purchases	(0.4)	(0.0)	-
Gas Consumption	(15.1)	(21.9)	45%
Diesel Consumption	-	0.0	-
Other Operating Expenses	(1.5)	(2.1)	39%
GROSS PROFIT	20.5	29.4	43%
Personnel Expenses	(1.8)	(2.6)	42%
Other Expenses, by Nature	(1.8)	(1.9)	9%
Depreciation and Amortization Expenses	(8.9)	(8.8)	(1%)
OPERATING INCOME (LOSS) (*)	8.0	16.1	101%
EBITDA	16.9	24.9	47%

(*): The subtotal shown in "OPERATING INCOME" presented herein, differs from the "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF (Financial Market Commission), by means of which the concept of "Other Profit (loss)", which in the case of Colbun are only non-operating items, was incorporated as an operating item in the Financial Statements.

● **Operating income in 1Q22 totaled US\$55.1 million**, increasing 45% compared to the operating income of US\$38.0 million recorded in 1Q21, mainly due to higher sales to regulated clients and to the spot market, mainly driven by the demand recovery compared to the 2021's depressed levels, affected by the pandemic, and by higher marginal costs after the change in the gas price regulation in Jul21, respectively.

● **Raw materials and consumables used costs reached US\$25.7 million in 1Q22**, increasing 47% compared to 1Q21, mainly driven by the higher gas consumption due to the higher generation of the quarter.

● **Fenix's EBITDA reached US\$24.9 million in 1Q22**, increasing 47% compared to the US\$16.9 million EBITDA recorded in 1Q21, mainly due to the higher operating income of the quarter. This effect was partially offset by the higher raw materials and consumables used, previously explained.

3.3. Consolidated Non-Operating Results Analysis (Chile and Peru)

Table 7 shows a summary of the Consolidated Non-Operating Result (Chile and Peru) in 1Q21 and 1Q22. Subsequently, the main accounts and/or variations will be analyzed.

Table 7: Consolidated Non-Operating Result (US\$ million)

	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
Financial Income	1.3	2.5	96%
Financial Expenses	(22.2)	(20.9)	(6%)
Exchange rate Differences	(2.8)	1.5	-
Profit (Loss) of Companies Accounted for Using the Equity Method	1.4	2.6	91%
Other Profit (Loss)	(21.5)	(16.2)	(25%)
NON-OPERATING INCOME	(43.9)	(30.5)	(30%)
PRE-TAX PROFIT (LOSS)	38.1	62.3	64%
Income Tax Expense	(79.3)	(6.4)	(92%)
AFTER TAX PROFIT (LOSS)	-41.2	55.9	-
PROFIT (LOSS) OF CONTROLLER	(38.9)	47.6	-
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	(2.3)	8.3	-

● **Non-operating result** in 1Q22 recorded losses of **US\$30,5 million**, compared with the losses of US\$43.9 million un 1Q21. The lower loss is explained by the lower sales of receivables generated by the energy price stabilization mechanism (PEC); the effect in 1Q21 was US\$14.2 million, while in 1Q22 was US\$3.6 million.

● In 1Q22 **tax expenses** of **US\$64 million**, compared with tax expenses of US\$79.3 million in 1Q21. The decrease is mainly explained by (1) a deferred tax recognition of US\$64.5 million during 1Q22, associated with the Colbún Transmisión S.A sale announcement, it corresponds of the tax applied to the difference between book value and tax value of the investment and (2) the appreciation of the PEN/USD exchange rate during the period and its impact on deferred taxes given that Fenix's tax accounting is in Peruvian soles, according to the Peruvian tax legislation.

● In 1Q22, the Company recorded a **profit** of **US\$55.9 million**, compared to (1) the lower tax expenses; (2) a lower non-operational loss and (3) higher operational result; previously mentioned.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 8 shows an analysis of the Balance Sheet's relevant accounts as of Dec21 and Mar22. Subsequently, the main variations will be analyzed.

Table 8: Consolidated Balance Sheet Main Accounts for Chile and Peru (US\$ million)

	Dec-21	Mar-22	Var	Var %
Current assets	1,766.4	1,652.7	(113.7)	(6%)
Non-current assets	4,836.1	4,835.8	(0.2)	(0%)
TOTAL ASSETS	6,602.5	6,488.5	(114.0)	(2%)
Current liabilities	678.7	490.3	(188.5)	(28%)
Non-current liabilities	3,082.1	3,075.9	(6.1)	(0%)
Total net equity	2,841.7	2,922.3	80.6	3%
TOTAL LIABILITIES AND NET EQUITY	6,602.5	6,488.5	(114.0)	(2%)

- Current Assets:** Recorded US\$1,652.7 million as of Mar22, decreasing 6% compared to current assets recorded as of Dec21, mainly due to a decrease in Cash and Financial Investments as a result of the prepayment of the Company's local bonds in Jan22, for US\$181 million.
- Non-current Assets:** Recorded US\$4,835.8 million as of Mar22, in line with the non-current assets recorded as of Dec21.
- Current Liabilities:** Totaled US\$490.3 million as of Mar22, decreasing 28% compared to the current liabilities recorded as of Dec21, mainly due to the prepayment of the Company's local bonds in Jan22, for US\$181 million.
- Non-current Liabilities:** Reached US\$3,075.9 million as of Mar22, in line compared to the non-current liabilities recorded as of Dec 21.
- Total Net Equity:** The Company reached a net equity of US\$2,922.3 million, increasing 3% compared to the net equity registered as of Dec21, mainly due to the profits recorded during the period.

Tabla 9: Main Debt Items (US\$ million)

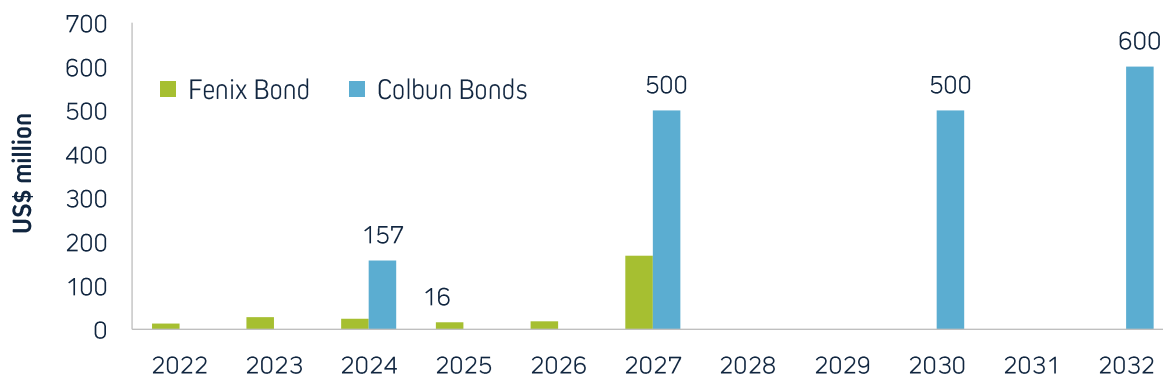
	Dec-21	Mar-22	Var	Var %
Gross Financial Debt*	2,310.5	2,129.2	(181.3)	(8%)
Financial Investments**	1,419.2	1,198.5	(220.8)	(16%)
Net Debt	891.2	930.7	39.5	4%
EBITDA LTM	520.2	528.4	8.2	2%
Net Debt/EBITDA LTM	1.7	1.8	0.0	3%

(*) The amount includes debt associated to Fenix without recourse to Colbun: (1) an international bond with an outstanding capital of US\$267.5 million, (2) a financial leasing for US\$12.8 million associated with a transmission contract with Consorcio Transmantara, (3) a US\$107.5 million financial leasing associated with a gas distribution contract with Calidda, and (4) credit lines for US\$25 million.

(**) The account "Financial Investments" presented includes: (1) the amount associated to time deposits that, for having an investment term of more than 90 days, are recorded as "Other Current Financial Assets" in the Financial Statements; y (2) an investment in a fixed-income portfolio, which, for having an investment term of more than 1 year, is recorded as "Other Non-Current Financial Assets" in the Financial Statements.

Tabla 10: Long Term Financial Debt

Average Life	6.9 years
Average Interest Rate	3.5% (100% fixed rate)
Currency	100% USD



5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec21 and Mar22 is presented below. Balance Sheet financial indicators are calculated at the specified date and Income Statement ratios include the accumulated result over the last 12 months as of the indicated date.

Table 11: Financial Ratios

Ratio	Dec-21	Mar-22	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	2.60	3.37	30%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	2.55	3.29	29%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	1.32	1.22	-8%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	18.05%	13.75%	-24%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	81.95%	86.25%	5%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	10.56	10.99	4%
Equity Profitability (%): Profit (Loss) After Taxes, Continuing Activities / Average Net Equity	16.81%	20.38%	21%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	8.24%	9.74%	18%
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	6.54%	7.11%	9%

Income Statement ratios correspond to last 12 months values.

- Average Net Equity: Equity of the current quarter plus equity one year ago divided by two.
- Total Average Total Asset: Current total assets plus total assets one year ago divided by two.
- Average Operational Asset: Current total property, plants and equipment plus total property, plants and equipment one year ago divided by two.

- **Current Liquidity** and **Acid Test Ratio** reached **3.37x** y **3.29x** as of Mar22, increasing 30% and 29% respectively compared to Dec21, mainly due to an increase in accounts receivable as a result of higher sales.
- The **Indebtedness Ratio** recorded **1.22x** as of Mar22, decreasing 8% compared to the value of 1.32x as of Dic21, primarily due to the prepayment of the local bonds (Series F and I) previously mentioned.
- The percentage of **Short-Term Debt** as of Mar22 was **13.75%**, decreasing compared to the value of 18.05% as of Dec21, mainly due to the prepayment of the local bonds (Series F and I) previously mentioned, which as of Dec21 had been reclassified from non-current liabilities to current, after the prepayment announcement was published.
- The percentage of **Long-Term Debt** as of Mar22 was **86.25%**, increasing 5% compared to the value of 81.95% as of Dec21, mainly due to the prepayment of the local bonds (Series F and I) previously mentioned, which as of Dec21 had been reclassified from non-current liabilities to current, after the prepayment announcement was published.
- The **Financial Expenses Coverage** as of Mar22 reached **10.99x**, in line with the ratio as of Dec21.
- The **Equity Profitability** as of Mar22 was **20.38%**, increasing 21% compared to the value of 16.81% registered as of Dec21. The variation is mainly explained by the higher profits recorded in the last 12 months.
- **Asset Profitability** as of Mar22 was **9.74%**, increasing 18% compared to the value of 8.24% as of Dec21, mainly as a result of the higher profits registered in the last 12 months.
- The **Performance of Operating Assets** as of Mar22 was **7.11%**, increasing 9% compared to the value of 6.54% as of Dec21, mainly due to the lower operating income registered during the last 12 months.

6. CONSOLIDATED CASH FLOW ANALYSIS

The Company's Cash Flow changes are shown in the following table.

Table 12: Cash Flow Summary for Chile and Peru (US\$ million)

	Quarterly Figures		Var %
	1Q21	1Q22	Q/Q
Cash Equivalents, Beg. of Period*	967.4	1,419.2	47%
Net cash flows provided by (used in) operating activities	111.9	56.3	(50%)
Net cash flows provided by (used in) financing activities	(37.5)	(237.0)	532%
Net cash flows provided by (used in) investing activities**	(11.9)	(43.4)	265%
Net Cash Flows for the Period	62.5	(224.2)	-
Effects of exchange rate changes on cash and cash equivalents	(2.1)	3.5	-
Cash Equivalents, End of Period	1,027.9	1,198.5	17%

(*) The account "Cash and Cash Equivalents" presented includes: (1) the amount associated to time deposits that, for having an investment term of more than 90 days, are recorded as "Other Current Financial Assets" in the Financial Statements.; and (2) an investment in a fixed-income portfolio, which, for having an investment term of more than 1 year, is recorded as "Other Non-Current Financial Assets" in the Financial Statements.

(**) Cash Flow from Investing Activities" differs from the Financial Statements since it does not incorporate the amount associated with deposits with maturity over 90 days and the investment in a fixed income portfolio.

During 1Q22, the Company presented a **negative net cash flow of US\$224.2 million**, compared to the positive net cash flow of US\$62.5 million in 1Q21.

● **Operating Activities:** During 1Q22, a positive net flow of US\$56.3 million was generated, which compares with the positive net flow of US\$111.9 million in 1Q21, mainly explained by the higher operating costs recorded during the quarter and by lower income from ordinary activities due to temporary lags in customer's billing.

● **Financing Activities:** Recorded a negative net flow of US\$237.0 million during 1Q22, which compares to a negative net flow of US\$37.5 million in 1Q21, mainly explained by the prepayment of the Company's local bonds in Jan22, for US \$181 million, previously mentioned.

● **Investment Activities:** Recorded a negative net flow of US\$43.4 million during 1Q22, compared to a negative net flow of US\$11.9 million in 1Q21, mainly explained by higher disbursements associated with the Horizonte wind farm project.

7.7. ENVIRONMENT AND RISK ANALYSIS

Colbun S.A. is a power generation company whose installed capacity reaches 3,798 MW composed by 2,153 MW of thermal units, 1,627 MW of hydraulic units and 18 MW of the solar photovoltaic power plants Ovejería and Machicura. The Company operates in the National Electric System (SEN) in Chile, representing 15% of the market. It also operates in the National Interconnected Electric System (SEIN) in Peru, where it has approximately 7% of market share. Both participations measured in terms of generation.

Through its commercial policy, the Company seeks to be a competitive, safe and sustainable energy supplier with a volume to be committed through contracts that allow it to maximize the long-term profitability of its asset base, limiting the volatility of its results. These have structural variability, since they depend on exogenous conditions such as hydrology and fuel prices (oil, natural gas and coal). To relieve the effect of these exogenous conditions, the Company endeavors to contract in the long term its cost-effective generation sources (either own or acquired from third parties) and eventually, in case of deficit/surplus, it can buy/sell energy in the spot market at marginal cost.

On September 30th, 2021, Colbun sold its subsidiary Colbun Transmission S.A. to Alfa Desarrollo SpA, controlled 80% by APG Energy and Infra Investments and 20% by Celeo Redes. The electricity transmission infrastructure sold corresponds to 899 km of transmission lines and 27 substations.

7.1 Medium-term outlook in Chile

The hydrological year Apr21-Mar22 accumulated lower rainfalls compared to an average year in the main SEN basins, the deficits were: Aconcagua: -70%; Maule: -51%; Laja: -25%; Biobío: -32%; and Chapo: -12%. Compared to 2021, the Aconcagua basin presented lower rainfalls by -100% and the Maule basin -65%, which has been evidenced in less melting and very low flows. Accordingly, the Biobío and Laja basins presented lower rainfalls than the previous hydrological year by -22%, -6.1% respectively, while Canutillar presented higher rainfalls by +220%. In terms of inflowing energy, as of March 2022 the hydrological year ended with a Probability of Exceedance of 95%.

Regarding gas supply, the Company has an agreement with Enap Refinerías S.A. (“ERSA”), that includes reserved regasification capacity and supply for 13 years, whose entry into force was January 1, 2018. With this contract the Company has natural gas supply to operate two combined cycle units during most of the first half part of each calendar year, period of the year which generally has less availability of water resources. Colbun has also the possibility of accessing additional natural gas via spot purchases, allowing the Company to have efficient backup in the case of unfavorable hydrological conditions in the second half of the year. Additionally, gas supply agreements with Argentine producers (Pampa Energía, Pan American Energy and Total Austral) have been signed to complement the supply of liquified natural gas. These contracts consider the import of 2,500,000 m³ of gas per day for the months of Jan22 to Apr22.

During 2022, Colbun has continued participating in various supply bidding processes, favoring the renewal of current unregulated client's and the contracting of new clients for more than 5 years of supply.

The results of the Company for the coming months will be mainly determined by the ability to reach a balance between cost-efficient own generation and contracting level. Such efficient generation level depends on the hydrological conditions and the terms in which the purchase of natural gas is contracted if the extreme dry hydrological condition continues.

7.2 Medium-term outlook in Peru

During the first quarter of 2022, the SEIN registered a hydrological condition with a probability of exceedance of 39%, compared to 51% recorded during 2021.

In 1Q22, energy demand growth reached 2.6% compared to the same period of 2021, due to the electricity demand recovery. On the other hand, compared to the previous quarter, in 1Q22 the energy demand decreased by 1.2% due to the stoppage of important mining companies and lower GDP growth.

Marginal costs of the system increased after the entry into force of the new regulation that establishes that all the supply chain costs must be included to determine the variable costs of gas, that is, the cost of supply, transportation and distribution of gas, a scheme that became fully effective as of July 1, 2021. The average marginal cost of Santa Rosa during the first months of 2022 reached US\$23.2/MWh.

7.3 Growth plan and long-term actions

The Company seeks growth opportunities in Chile and in countries of the region, in order to maintain a relevant position in the power generation industry and to diversify its income sources in geographical terms, hydrological conditions, generation technologies, access to fuels and regulatory frameworks.

Colbun seeks to increase its installed capacity by maintaining a relevant participation in the hydraulic energy industry, with a complement of both efficient thermal energy and energy from other renewable sources that allows for a secure, competitive and sustainable generation matrix.

In Chile, Colbun has several potential projects currently in different stages of development, including wind, solar and hydroelectric projects.

Generation projects under development

● **Horizonte Wind Farm (778 MW):** Horizonte is a wind farm located 130 km northeast of Taltal and 170 km southwest of Antofagasta. It considers a minimum installed capacity of 778 MW, which is made up of 140 machines of 5.56 MW each and an average annual generation of approximately 2.380 GWh. It considers the connection to SEN in the future Paríñas substation, located at 22kms from the project.

This project started in December 2017 with the award of a tender conducted by the Ministry of National Assets (MBN), for the development, construction and operation of a wind farm by a 30-year Onerous Use Concession Agreement, in a state property of about 8 thousand hectares.

On September 13th, 2021, the SEA issued the Environmental Qualification Resolution (RCA) for the project and on September 21st, at a meeting held in Taltal, the Board of Directors announced the approval for starting construction. On November 8, the beginning of the Construction Phase of the Project was declared before the Environment Superintendence.

The investment approved for this project reaches US\$850 million. It is estimated that it will begin to inject energy into the system in 4Q23 and the entry into operation of the last wind turbines is projected towards 4Q24.

In the first quarter of 2022, a 9% advance was achieved, in line with budget. The installation of fiber optics for communications was completed, and the construction of the camp for 1,200 people and interior roads began. The first supplies have arrived in the country, corresponding to 14 baskets of bolts that are part of the foundations of the wind turbines.

● **Photovoltaic Solar Projects Diego de Almagro Sur I and II (230 MW):** The projects are located in the Atacama Region, 27 kilometers south of Diego de Almagro, and all together consider an approximate capacity of 232 MW and an average annual generation of approximately 648 GWh. Both projects are located on a total land of 330 hectares, at less than two kilometers from the new Illapa substation, which is favorable for their connection to the National Electricity System. These projects have their Environmental Impact Study approved.

In June 2020, the Board of Directors approved the final investment decision, starting the construction phase of the project. The total investment amount approved for this project is US\$147 million.

As of the first quarter of 2022, progress in the field is 99%, in line with budget. Since December 9th, the project has been injecting energy into the system, entering progressively. As of March, the 46 transformation centers equivalent to 211 MW (AC) were energized. The project is in the process of preparing systemic tests with the CEN.

● **Batteries - Diego de Almagro Project (8 MW/32 MWh):** The Project considers the installation of a battery pack with a capacity of 8 MW for 4 hours (32 MWh) in the installations of the Diego de Almagro photovoltaic park. The evacuation of energy will be through the existing infrastructure of the photovoltaic park. Total investment of the project reaches US\$11 million.

During the first quarter of 2022, bids for the construction and assembly contract were reviewed. In addition, the orders of the main teams are placed.

● **Photovoltaic Solar Project Inti Pacha I, II and III (250 MW each):** This solar project is located approximately 75 km east of Tocopilla, in the María Elena commune, Antofagasta Region. It will use a total area of 736 hectares.

The Project considers the installation of a solar generation park in three phases, which has an installed capacity of close to 250 MW per phase and a total annual generation of approximately 2,000 GWh considering the three phases.

This project started with the award of 2 tenders for Onerous Use Concession Agreements conducted by the Ministry of National Assets.

The project obtained its environmental qualification resolution (RCA) in 4Q20.

On March 16th, 2022, the Inti Pacha 3 grant for consideration (CUO) contract was signed, which is already included in the RCA approved for Inti Pacha 1 and 2.

● **Photovoltaic Solar Project Jardín Solar (537 MW):** The project considers the installation of a solar power plant with an installed capacity of close to 537 MW that will be built in 2 stages of 263 MW and 274 MW each. It has an annual average generation of approximately 1,500 GWh. This solar project is located approximately 8 km south-east of Pozo Almonte locality, in the commune of Pozo Almonte in the Tarapacá Region, and will use a total area of approximately 1,000 hectares. The generated energy will be injected into the Interconnected system through a transmission line which begins in the substation associated with the park, and has an approximate length of 3 km, connecting to the new Pozo Almonte substation located 2.5 km northeast of the intersection of the highway to La Tirana with the Pan-American highway.

During the third quarter of 2021, the environmental certification resolution (RCA) was obtained.

During the first quarter of 2022, the project remains without additional news.

● **Los Junquillos Wind Project (360 MW):** Los Junquillos project is a wind farm located 15 km northwest of the city of Mulchén, in the commune of Mulchén in the Biobío Region. It has an installed capacity of 265 MW and an average annual generation of approximately 1,030 GWh.

The generated energy will be injected into the Interconnected System through 12 km transmission line to Mulchén substation.

During January and April 2022, early citizen participations (PACAs) were carried out, with good results. The first draft of the EIA was concluded for internal review, which is expected to be processed in mid-2022.

● **Celda Solar Photovoltaic Project (156 MW +90 MW of storage):** The project considers the installation of a solar power generation park that has an installed capacity close to 156 MW and an average annual generation of approximately 428 GWh. This solar park is located approximately 76 km south of Arica, in the Camarones commune in the Arica and Parinacota Region, and uses a total area of approximately 960 ha.

The energy generated will be injected into the Interconnected System through an electrical transmission line, which begins at the S/E associated with the park, and has an approximate length of 5 km, connecting to the new Ronchacho substation.

During the first quarter of 2022, the Environmental Impact Study is in the review and adjustment stage prior to entry for processing.

● **Sol de Tarapacá Photovoltaic Project (180 MW):** The project considers the installation of a solar power plant with an installed capacity of approximately 180 MW. The project is located in the Tarapacá Region, municipality of Pozo Almonte, approximately five kilometers southwest of La Tirana, and has a total area of approximately 423 ha.

This project is in the portfolio; however, its development has been deferred to give priority to other projects.

● **Other renewable energy projects from variable sources:** At 1Q22 closing, Colbun continues making progress in the pipeline of options for wind and solar projects, which are in early stages of development. These projects are highly competitive, locations have been chosen with the best energy resources, they have high socio-environmental feasibility, near to transmission lines and are distributed throughout the country.

These projects represent advance to fulfill our goal, of building about 4,000 MW in renewable energy before the end of 2030.

● **San Pedro Hydroelectric Project (170 MW):** The project is located 25 km northeast of Los Lagos, Los Ríos Region, and considers using the water of the homonymous river through a 12 km reservoir power plant located between the outlet of the Riñihue Lake and the Malihue Bridge. Considering the adjustments included in the project, it will have an approximate installed capacity of 170 MW for an annual generation of 953 GWh under normal hydrological conditions.

In December 2018, the Environmental Impact Study was re-entered for project adjustments. At the end of April 2019, the environmental authority issued the first Environmental and Citizen ICSARA, and on November 4, 2020, ADDENDUM N°1 was entered with their respective responses. A second citizen participation process is being carried out until the end of October 2022.

7.4 Risk Management

A. Risk Management Policy

The risk management strategy is oriented to safeguard the Company's stability and sustainability, identifying and managing the uncertainty sources that affect or might affect it.

Global risks management undertake the identification, measurement, analysis, mitigation and control of the different risks arising from the Company's different management departments, as well as estimating the impact on its consolidated position, follow up and control throughout time. This process involves the intervention of the Company's senior management and risk-taking areas.

Tolerable risk limits, metrics for risk measurement and periodicity of risk analysis are policies established by the Company's Board of Directors.

The risk management function is the CEO's responsibility as well as of each division and department of the Company and has the support of the Risk Management and the supervision, monitoring and coordination of the Risk and Sustainability Committee.

B. Risk Factors

The activities of the Company are exposed to various risks, which have been classified into electrical business risks and financial risks.

● B.1. Electrical Business Risks

B.1.1. Hydrological risk

In dry hydrologic conditions, Colbun must operate its combined thermal cycle plants mainly with natural gas purchases or with diesel, or by default operating its back-up thermal plants or even buying energy on the spot market, to comply with its commitments. This situation could raise Colbun's costs, increasing results variability depending on the hydrological conditions.

The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy that aims to maintain a balance between competitive base load generation (hydro generation in a medium to dry year and cost-efficient thermal generation with coal and natural gas, and other renewables cost-efficient generation properly complemented by other sources of generation given their intermittency and volatility) and commercial commitments. Under conditions of extreme and recurrent drought, a potential shortage of water for refrigeration could affect the generation capacity of the combined cycles. Colbun owns a Reverse Osmosis Plant that allows to reduce by up to 50% the water used in the cooling process of the combined cycles of the Nehuenco Complex.

In Peru, Colbun owns a combined-cycle power plant and has a commercial policy oriented towards committing such base energy through medium and long-term contracts. The exposure to dry seasons is restricted, since operations would only be impacted in the event of potential operational failures that would require the Company to resort to the spot market. Additionally, the Peruvian electrical market presents an efficient thermal supply and availability of natural gas from local sources that backs it up.

B.1.2. Fuel price risk

In Chile, in situations of low water availability in its hydro power plants, Colbun must rely on its thermal plants or purchase energy in the spot market at marginal cost. Otherwise, in case of abundant hydrology, the Company may be in a selling position in the spot market, where the price would be partially determined by the fuel price. In both cases, there is a risk associated to potential variations in international fuel prices.

Part of this risk is mitigated by incorporating fuel price variations in the indexation of the selling energy contracts. Additionally, in order to reduce fuel price risks there is a hedge program in place with different derivative instruments such as call options and put options to hedge the remaining exposure, if necessary. Otherwise, faced with abundant hydrology, the Company could have a surplus position in the spot market, the price of which would be partially determined by fuel prices.

In Peru, the cost of natural gas has a lower dependence to international prices, due to an important domestic production of this hydrocarbon, limiting the exposure to this risk. As in Chile, the proportion exposed to variations in international prices is mitigated by indexation formulas in its energy sales contracts.

Due to all the above, exposure to the risk of changes in fuel prices is partly mitigated.

B.1.3. Fuel supply risks

Regarding gas supply in Chile, the Company has an agreement with Enap Refinerías S.A. ("ERSA"), that includes reserved regasification capacity and supply for 13 years, whose entry into force was January 1, 2018. With this contract the Company

has natural gas supply to operate two combined cycle units during most of the first half part of each calendar year, period of the year which generally has less availability of water resources. Colbun has also the possibility of accessing additional natural gas via spot purchases, allowing the Company to have efficient backup in the case of unfavorable hydrological conditions in the second half of the year. Additionally, gas supply agreements with Argentine producers (Pampa Energía, Pan American Energy and Total Austral) have been signed to complement the supply of liquified natural gas. These contracts consider the import of 2,500,000 m3 of gas per day for the months of Jan22 to Apr22.

On its part, in Peru, Fenix has long-term contracts with the ECL88 Consortium (Pluspetrol, Pluspetrol Camisea, Hunt, SK, Sonatrach, Tecpetrol and Repsol) and gas transportation agreements with TGP.

Regarding coal purchases for Santa María power plant, new tenders have been periodically undertaken (the last in July 2021), inviting important international suppliers to bid, awarding the supply contract to well supported and competitive companies. The above following an early purchase policy and an inventory management policy in order to substantially mitigate the risk of not having access to this fuel.

B.1.4. Equipment failure and maintenance risks

The availability and reliability of Colbún's generating units and transmission facilities are essential to the Company's business. Based on the above, Colbún holds a policy of conducting regular maintenances, preventive and predictive maintenance on its equipment according to the recommendations of its suppliers and maintains a policy to cover such risks through insurances for its physical assets, including coverage for physical damage and loss of profit.

B.1.5. Project construction risks

The development of new projects can be affected by factors such as: delays in obtaining environmental approvals, regulatory framework changes, prosecutions, increase in equipment prices, opposition from local and international stakeholders, adverse geographical conditions, natural disasters, accidents or other unforeseen events.

The Company's exposure to such risks is managed through a commercial policy that considers the effects of potential project delays. Alternatively, clearance levels with respect to time and construction costs estimates are incorporated. Additionally, the Company's exposure to this risk is partially covered with "All Construction Risk" insurance policies covering both physical damage and loss of profit as a result of delay in service resulting from a casualty, both with standard deductibles for this type of insurances.

The companies in the sector face a very challenging electricity market, with lots of activity from different interest groups, mainly from local communities and NGOs, which are legitimately looking for more participation and prominence. As part of this complexity, the environmental processing times have become more uncertain, which occasionally are also followed by long prosecuting processes. This has resulted in less construction of significant size projects.

Colbun also has the policy to integrate with excellence the social and environmental dimensions to the development of its projects. The Company has developed a model of social link that allows it to work with neighboring communities and with the society in general, starting a transparent process of public participation and confidence building in the early stages of projects and throughout their entire life cycle.

B.1.6. Regulatory risks

Regulatory stability is essential for the energy sector, where investment projects require substantial time in terms of obtaining permits, development, execution and return on investment. Colbún believes that regulatory changes should be made considering the complexities of the electrical system and maintaining the appropriate incentives for investment. It is important to have a regulation with clear and transparent rules in order to boost confidence of the agents in the sector.

Chile

In the context of the constitutional process originated from the commitment called "Agreement for Peace and the New Constitution" ("Acuerdo por la Paz y la Nueva Constitución"), and the subsequent approval by plebiscite of the drafting of a new Constitution, the Constitutional Convention must draft and approve a text proposal for a new Constitution within a maximum period of nine months, vaunted from its installation (July 4th, 2021). This period can be extended for three additional months, but only once. The Constitutional process, which culminates in the submission of the constitutional text to a new plebiscite scheduled for September 4th, 2022, may result in changes to the institutional framework applicable to business activity in the country.

Within the framework of the serious health crisis that affects the country, on January 5 Law 21,301 was enacted, extending the effects of Law 21,249, which provides for exceptional measures in favor of end users of health, electricity, and gas network services, establishing the prohibition of cutting basic services due to non-payment and allows prorating bad debts. This initiative extended the term of benefits to end users (non-cut of supply due to delayed payments and the accumulation of debts with distribution companies) until December 2021. This norm also increases the maximum number of installments in which the debt payment can be prorated from 36 to 48 installments and expands the universe of beneficiaries to 80% vulnerability according to the Social Registry of Households.

Also, in the Senate a bill that aims to advance the phasing out of coal-fired plants is being processed. This bill, initiated by parliamentary motion, seeks to prohibit the installation and operation of coal-fired thermoelectric generation plants throughout the national territory from January 1, 2026 onwards. Currently, this initiative is being reviewed by the Senate's Mining and Energy Commission, which has received various guests to present their assessments. It is important to recall that in 2019 the generators signed a voluntary agreement with the government by means of which they committed not to build new coal-fired plants and the progressive closure of the coal-fired plants was agreed until 2040, along with reviews every 5 years in conjunction with the regulator.

At the same time, within the framework of this discussion, a bill that prohibits injecting energy from fossil sources into the National Electric System from January 1, 2030 was submitted for processing via motion in the Senate. After being approved by the Commission of Mining and Energy of the Senate this initiative was approved in general (idea to legislate) in the Senate Chamber, setting a deadline to present indications on April 14, 2022.

In addition, a parliamentary motion was introduced in the Chamber of Deputies that regulates the construction, installation and operation, its environmental impact and the control of Wind Turbine Complexes. The Bill, which establishes requirements in the design of projects, defines compensation for the surrounding communities and includes a modification to the law on general environmental bases, is not urgent and the Chamber agreed that it be known by the Commission of Environment and then by the Mining and Energy Commission of the Chamber. So far there has been no major progress in this discussion.

It is worth to mention that the legislative agenda was altered due the parliamentary recess during February and, later by the installation in March of the new President Elect government. However, it can be highlighted that, in December 2021, the Executive submitted the following 3 bills to the Chamber of Deputies:

- Promotion of Storage and Electromobility

It seeks to enable a greater participation of renewable energies in the power matrix by promoting storage technologies, for which it allows "pure" or "isolated" storage systems, that is, those that are not part of a power plant, being remunerated for the power and capacity injected into the system, allowing them to participate in the balance of economic transfers in the short-term wholesale market. In addition, the project enables the efficient connection of "generation - consumption" systems, which have their own generation capacity with renewable energies and seeks to encourage the sale of electric vehicles, equating the value of their circulation permits to that of internal combustion cars and enabling them to participate in the electricity market as storage systems.

This initiative was approved in general and in particular by the Chamber of Deputies and passed to the Senate for its second constitutional procedure. It will be reviewed by the Senate's Mining and Energy Committee and Finance Committee.

- Promotion of the participation of Renewable Energies in the power matrix

It seeks to accelerate the incorporation of renewable energies in the matrix, for which it considers:

- a) To increase the large-scale goals of renewable generation, forcing generating companies to trade at least 40% of VREs by 2030 and, in addition, to trade at least 30% of VREs by 2030 in each time block within the day, promoting the management of energy from variable sources through storage systems.
- b) To establish a traceability system for the renewable nature of the energy that is traded, for which it obliges the National Electrical Coordinator to have information systems for monitoring and registering the traceability of the power market.
- c) To recognize the benefit of distributed generation in transmission savings due to the reduction of network losses and lower infrastructure needs, so that users of these systems receive a discount on their transmission charges. In addition, it establishes that it is no longer the responsibility of the infrastructure owners to pay for the additional connection works, since said costs will be charged.
- d) This initiative is in its first constitutional process in the Chamber of Deputies and will be reviewed by the Mining and Energy Commission and by the Finance Commission of the Chamber.

- Promotion of the production and use of Green Hydrogen

It seeks to promote the national green hydrogen market by establishing hydrogen mixtures in the Natural Gas concession networks and enabling the National Oil Company (ENAP) to participate in the development and marketing of H2V and its derivatives. Starting in 2030, network gas distributors are required to annually distribute a percentage of green hydrogen with respect to the total volume distributed, which will be calculated every 6 years by the CNE, following feasibility reports from the SEC. The Coordinator must verify that the green hydrogen originates from generated or contracted renewable energies.

This initiative is in its first constitutional process in the Chamber of Deputies and will be reviewed by the Mining and Energy Commission and by the Chamber's Finance Commission.

On the other hand, the government continues to promote the following regulatory changes, which depending on the way these changes are implemented, could represent opportunities or risks for the Company:

- (i) The "Modernization of the Distribution segment", which seeks to update the regulation of the distribution sector regulation to better address the technological and market advances that have occurred and are foreseen for the future, encourage investment and improve the quality of service to end users. In the context of the modernization and comprehensive reform of this segment, the Executive submitted to the Chamber of Deputies the Bill that establishes the right to electrical portability, creating the figure of trader as a new market agent, in addition to consider the modernization of the supply bidding mechanism and the introduction of the information manager role to reduce information asymmetries and protect customer's consumption data.

This bill corresponds to the first of three initiatives in which the Executive subdivided the Long Distribution Law. The other two bills, which have not yet entered the Congress, correspond to:

- a. Quality of Service, which seeks to improve the efficient pricing scheme, define a long-term strategic quality of service plan and establish compensations to clients for excessive long interruptions; and
- b. Distributed Generation, which purpose is to promote distributed generation, define new actors and enable pilot projects with a coordinated expansion of distribution and transmission networks.

- (ii) The "Flexibility Strategy", which aims to address the systemic and market consequences that will arise due to the increasing incorporation of variable renewable energy. The Strategy defined by the Ministry of Energy considers three axes or pillars: (a) Market design for the development of a Flexible System, (b) Regulatory framework for Storage Systems, and (c) Flexible operation of the system.

Within the framework of this Strategy, normative modifications are being developed at the regulatory and technical standards level, among which the process of elaboration of a new Regulation of Power Transfers that seeks to enhance the remuneration mechanism of sufficiency and introduce signals of long-term market that encourage investment in technologies that provide flexibility to the electrical system. The final proposal for this new regulation was submitted to Public Consultation in September 2021. Subsequently, in February 2022, the final version of the regulation that considered the observations of the Consultation process entered the Comptroller's Office for review. The new regulation considers modifications such as the redefinition of the peak hours of the system, the use of a probabilistic methodology for the recognition of power, the incorporation of a cost-efficiency signal within the recognition of power, the modification to the margin of theoretical power reserve, a transitory regime for its application, among others.

After 11 years of processing, the bill that reforms the Water Code, initiated in March 2011 and approved by the National Congress in January 2022, was enacted in March 2022. In the text, it can be highlighted the establishment of the temporary nature for the granting of the new water rights and the prioritization of human consumption, subsistence, and sanitation over other uses, the total or partial extinction of the rights for various reasons, mainly due to non-use of the same, the setting of a flow retroactive ecological for some rights already granted, particularly those existing in areas declared under official protection of biodiversity, among others.

The new Water Code also contemplates that each of the 101 basins in the country must have a public Strategic Plan for Water Resources aimed at promoting water security in the context of the restrictions associated with climate change.

In August 2021, a "Preventive" Rationing Decree (DS No. 51/2021) was published by the Ministry of Energy that establishes a series of preventive measures to avoid power rationing, which originally would be in force until March 31st, 2022, in order to "avoid, manage, reduce or overcome generation deficits that may occur in the National Electric System, thereby preserving safety." This Decree considered initiatives applicable to generation, transmission and distribution, in addition to other actions applicable to energy demand. The main measures include: the acceleration of advanced projects connection, small distributed generation facilities connection acceleration and self-dispatch of small-scale generation facilities, stored energy use, definition of the hydrological condition to be used in the programming of the operation by the Coordinator, the optimization of generating units maintenance, additional generation capacity registration, maximizing the availability of infrastructure for LNG, monitoring of unavailability of fuels, the special treatment of transmission facilities, relaxation of service quality standards (voltage) in distribution systems, etc. In addition, the Decree authorizes generation and distribution companies to adopt measures such as promoting reductions in power consumption, agreeing with their customers to reduce consumption, suspend supply, in the cases indicated in the Decree. Finally, a procedure is established for deficit management and compensation payments, in addition to considerations on quality and continuity of supply and rationing conditions.

In this context, in February 2022 the Ministry of Energy, through the Decree N°1/2022, modified the "Preventive" Rationing Decree to extend its validity period until September 30th, 2022 and establish new measures that seek to implement a new acquisition scheme and special remuneration for the purchase of safety diesel, in order to ensure supply and reduce generation risk. In this scheme, it is considered that the exceptional requirements that are established will be remunerated in proportion to the withdrawals made by the generators in the system. Additionally, the new Decree establishes new rules for the recognition of power of thermoelectric plants that use diesel fuel and natural gas for their operation.

Subsequently, in March 2022, the Ministry of Energy issued Supreme Decree N°29, which again modifies the "Preventive" Rationing Decree, indicating that the Coordinator must coordinate the reservoir hydroelectric plants to guarantee a water

reserve of 650 GWh, considering restrictions technical and operational. In addition, it enabled the National Electrical Coordinator to adjust the values of security diesel upwards and downwards.

Perú

On February 26th, 2022, Law N°31429 was published in the official Journal El Peruano, which modifies Law N° 27510, Law that creates the Electricity Social Compensation Fund (hereinafter, “FOSE Law”). These modifications will be applicable as of the tariff schedule for the month of January 2023 and have a special impact on unregulated clients of the power sector, since these have been included as subjects that will be affected by the FOSE surcharge. Before the approved modifications, unregulated clients were already making monthly contributions to finance the Energy Social Inclusion Fund (FISE), a support program to expand the energy frontier in vulnerable segments of the population. Consequently, the inclusion of unregulated users as subjects affected by the FOSE surcharge would mean that they make a double contribution to finance the same purpose, that is, offset the residential electricity rate.

B.1.7. Risk of change in demand/supply and selling price of electricity

The projection of future energy consumption is very relevant for the determination of its market price.

In Chile, a lower growth in demand, a decrease in fuel prices and an increase in the inflow of solar and wind renewables energy projects led to a decrease in the short-term price of energy (marginal cost) in the last years.

Regarding long-term values, the bidding process for the supply of regulated customers concluded in August 2016, October 2017 and August 2021 resulted in a significant drop in the bid and awarded prices, reflecting the greater competitiveness in the market and the impact of the emergence of new technologies - solar and wind fundamentally - with a significant reduction of costs due to its massification.

Additionally, given the price difference between regulated and unregulated clients, a portion of regulated clients have chosen a non-regulated regime. This can occur because the electricity legislation allows clients with connected capacity between 500 kW and 5,000 kW to choose to be categorized as regulated or unregulated customers. Colbun has one of the most efficient generation matrixes in the Chilean system, thus we have the ability to offer competitive conditions and costs to customers who require it.

In Peru, there is also a scenario of a temporary imbalance between supply and demand, mainly due to the increase of efficient supply (hydroelectric and natural gas plants).

The growth that has been observed in the Chilean (and potentially in the Peruvian) market of variable renewable energy sources such as solar and wind may generate integration costs and therefore affect the operating conditions of the rest of the electrical system especially in the absence of a market for ancillary services that adequately remunerates the services necessary to manage the variability of such generation sources.

Energy demand in Chile increased 4.1% during 1Q22 compared to 1Q21, while in Peru, there was an increase of 2.6% compared to 1Q21.

Additionally, the complex world economic outlook might lead to a contraction of the Chilean and Peruvian economies, which will probably affect future energy demand.

B.2 Financial risks

Financial risks are those associated with the inability to perform transactions or non-compliance of obligations due to lack of funds, as well as variations in interest rates, exchanges rates, counterparty financial stress or other financial market variables that may affect Colbun’ s equity.

B.2.1 Exchange rate risk

The exchange rate risk is mainly caused by currency fluctuations that come from two sources. The first source of exposure comes from cash flows corresponding to revenues, costs and disbursements of investments denominated in currencies other than the functional currency (U.S. dollar).

The second source of risk corresponds to the accounting mismatch between assets and liabilities of the Statement of Financial Position denominated in currencies other than the functional currency.

Exposure to cash flows in currencies other than USD is limited because virtually all sales of the Company are denominated directly in or indexed to USD.

Similarly, the main costs are related to natural gas and coal purchases, which incorporate pricing formulas based on international prices denominated in USD.

Regarding investment projects disbursements, the Company incorporates indexers in its contracts with suppliers and occasionally resorts to the use of derivatives to fix the expenses in currencies other than USD.

Exposure to the Balance Sheet accounts mismatch is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural items denominated in currencies other than USD. For purposes of the above, Colbun maintains a significant proportion of its cash surpluses in dollars and occasionally resorts to the use of derivatives, mainly using currency swaps and forwards.

B.2.2 Interest rate risk

Is related to changes in interest rates that affect the value of future cash flows tied to a floating interest rate, and changes in the fair value of assets and liabilities linked to fixed interest rate that are measured at fair value. In order to mitigate these risks, interest rate swaps are used.

As of March 2022, the Company's financial debt is 100% denominated in fixed rate.

B.2.3 Credit risk

The Company is exposed to the risk arising from the possibility that a counterpart fails to meet its contractual obligations, producing an economic or financial loss. Historically, all counterparties with which Colbun has maintained energy supply contracts have correctly made the corresponding payments.

In recent times, given that Colbun has expanded its presence in the medium and small unregulated clients segment, the Company has implemented new procedures and controls related to the risk assessment of this type of clients and collection monitoring. On a quarterly basis, un-collectability provisions are calculated based on risk analysis of each client considering the client's credit rating, payment behavior and industry, among other factors.

With respect to cash and derivatives statements, Colbun has entered into these transactions with financial institutions with high credit ratings. Additionally, the Company has established limits by counterparty, which are approved by the Board of Directors and periodically reviewed.

As of March 2022, cash surpluses are invested in interest-bearing current accounts, mutual funds (short-term mutual funds with maturities of less than 90 days, which are known as "money market") and in time deposits in local and international banks. Additionally, Colbun also holds investments in a fixed-income portfolio with a term of 2 to 3 years that is estimated to be held until maturity.

Information on contractual maturities of the main financial liabilities is disclosed in note 11.b of the Financial Statements.

B.2.4 Liquidity Risks

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, among others. The funds needed to meet these cash flow outputs are obtained from Colbun's own resources generated by the

Company's ordinary activities and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of March 31, 2022, Colbún has cash of approximately US\$1,198 million, invested in remunerated current accounts, time Deposits and mutual funds with an average duration of 57 days (Deposits with a duration of less than and greater than 90 days are included, the latter are recorded as "Other Current Financial Assets" in the Consolidated Financial Statements) and fixed income investments with a term of 2 to 3 years that is estimated to be held until maturity.

The Company also has as additional liquidity sources available to date: (i) three bond lines registered in the local market, two for a total joint amount of UF 7 million and another line for a total amount of UF 7 million, and (ii) uncommitted bank lines of approximately US\$150 million. On its part, Fenix has uncommitted lines for a total of US\$65 million, contracted with local Banks.

In the next 12 months, the Company must disburse approximately US\$120 million in interests and principal amortization. These obligations are expected to be funded with the Company's own cash flow generation.

As of March 31, 2022, Colbún has a local credit rating of AA by Fitch Ratings and Feller Rate, both with stable outlook. At international level, the Company's rating is Baa2 by Moody's, BBB by Standard & Poor's (S&P Global), and BBB+ by Fitch Ratings, all with stable outlook.

As of December 2021, Fenix has international credit ratings of BBB- by S&P and Fitch Ratings, both with stable outlook.

Considering the foregoing, it is assessed that the Company's liquidity risk is currently limited.

Information on contractual maturities of the main financial liabilities is disclosed in note 23.c.2 of the Financial Statements.

B.2.5 Risk exposure measurement

The Company periodically analyzes and measures its exposure to the different risk variables, in accordance with the previous paragraphs. Risk management is performed by a Risk Committee with the support of the Corporate Risk Management and in coordination with other divisions of the Company.

Regarding business risks, specifically those related to changes in commodity prices, Colbun has implemented mitigation measures consistent of indexers in energy sale contracts and of hedges with derivative instruments to cover any possible remaining exposure. It is for this reason that a sensitivity analysis is not presented.

To mitigate the risk of failures in equipment or in the project's construction, the Company has insurance coverage for damage to its physical property, business interruption damages and loss of profit for the delay in the commissioning of a project. This risk is considered fairly limited.

Regarding financial risks, for purposes of measuring exposure, Colbun prepares a sensitivity analysis and value at risk in order to monitor potential losses assumed by the Company in the event that the exposure exists.

The exchange rate risk is considered to be limited, since the Company's main flows (revenues, costs and projects disbursements) are denominated directly in or indexed to USD.

Exposure to the mismatching of accounts is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural balance items denominated in currencies other than USD. Given the above, as of March 31, 2022, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US\$6.2 million, in quarterly terms, based on a sensitivity analysis with 95% confidence.

There is no interest rates variation risk, since 100% of the financial debt is contracted at fixed rate.

Credit risk is limited because Colbun operates only with local and international banking counterparties with high credit ratings and has established policies of maximum exposure per counterparty that limits the specific concentration with these institutions. In the case of banks, local institutions have a local risk rating equal to or greater than BBB and foreign entities have an investment grade international rating.

At the end of the period, the financial institution that has the largest share of cash surpluses reached 24%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to BBB+ or higher and national counterparts have local credit rating of BBB+ or higher. It should be noted that no counterparty concentrates more than 52% in notional terms.

Liquidity risk is considered low because of the relevant cash position of the Company, the amount of financial obligations over the next twelve months and the access to additional sources of funding.

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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 commercial 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) and sends the financial statements and its corresponding notes to the Comisión para el Mercado Financiero, those documents should be read as a complement to this report.