Colbun
MEJOR ENERGÍA

QUARTERLY EARNINGS REPORT

As of June 30, 2023

2ND QUARTER 2023

CONTENTS

2Q23 Earnings Report

Conference Call
2Q23 Results

Date: July 28th, 2023
Hour: 12:00 PM Eastern Time
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1. HIGHLIGHTS

Main Figures at a Consolidated Level

- **Operating income** for the second quarter of 2023 (2Q23) amounted to **US$546.0 million**, increasing 6% compared to the operating income recorded in the second quarter of 2022 (2Q22), mainly explained by higher sales both unregulated and regulated clients, driven by a higher average sale price in both segments, as a result of a indexers positive variations. These effects were partially offset by lower sales to the spot market, due to the lower generation of the period both in Chile and Perú. **In cumulative terms**, operating income as of Jun23 amounted to **US$1,100.6 million**, increasing 18% compared to Jun22, mainly due to the same reasons that explain the variations in quarterly terms.

- Consolidated **EBITDA** for 2Q23 reached **US$134.8 million**, decreasing 12% compared to the US$152.9 million EBITDA in 2Q22. This decrease is mainly explained by (1) higher energy and capacity purchases in Perú, driven by Fenix Power plant major maintenance extension, which were at a higher average purchase price due to a significant increase in the marginal cost observed during the quarter due to the dispatch of diesel thermal units and (2) higher coal and gas consumption due to a higher average purchase price. These effects were partially offset by higher operating income. **In cumulative terms**, EBITDA as of Jun23 totaled **US$327.0 million**, increasing 10% compared to Jun22, mainly due to higher operating income, partially offset by higher raw materials and consumables costs.

- **Non-Operating Result** in 2Q23 recorded profits of **US$88.7 million**, which compares to losses of US$40.9 million in 2Q22, mainly due to "Other profits" mainly as a result of (1) the income of US$ 116.4 million, corresponding to the final price adjustment associated with the sale of Colbún Transmisión S.A to Alfa Desarrollo SpA, (2) higher cash surpluses investment rates and (3) a lower loss due to exchange rate appreciation compared to 2Q22. **In cumulative terms**, the non-operating result as of Jun23 reached profits of **US$69.4 million**, compared to losses of US$71.3 million as of Jun22. The higher profit is mainly explained by the same reasons that explain the variations in quarterly terms.

- In 2Q23, a **tax expense** of **US$41.9 million** was recorded, compared to a US$19.0 million tax expense in 2Q22. The increase is mainly explained by the higher pre-tax profit recorded during the period. This effect was partially offset by the appreciation of the Peruvian Sol during 2Q22 and its impact on deferred taxes, given that Fenix's tax accounting is in Peruvian Soles, according to the tax legislation in Peru. **In cumulative terms**, as of Jun-23, a tax expense of **US$72.3 million** was recorded, compared to US$25.4 million as of Jun-22, mainly due to the same reasons which explain the variations in quarterly terms.

- In 2Q23, the Company recorded a **profit** of **US$131.2 million**, compared to US$37.7 million profit presented in 2Q22, mainly due to the income of US$ 116.4 million, corresponding to the final price adjustment associated with the sale of Colbún Transmisión S.A to Alfa Desarrollo SpA previously mentioned. **In cumulative terms**, Colbún presented a profit of **US$223.2 million** as of Jun23, which compares with the US$93.6 million profit registered as of Jun22, mainly due to the same reason which explains the variations in quarterly terms.

Highlights of the quarter

- On April 24, the Company received US$116.4 million corresponding to the final price adjustment associated with Colbún Transmisión S.A sale, to Alfa Desarrollo SpA, as agreed by parties in the Purchase and Sale Agreement dated March 30, 2021, whose closing and payment was reported on August 10, 2021, pending a final adjustment price customary in this type of transaction.

- On May 12, a dividend was paid of US$139.5 million. This payment is comprised of (1) a definitive dividend of US$64.5 million, which, together with the provisional dividend paid in December 2022, totaled US$83.5 million, equivalent to the 50% profit in line with Colbún's policy, and (2) an additional dividend, charged to the previous fiscal year profits of US$75.0 million. Total dividends distribution amounted to US$223 million charged to the 2022 fiscal year.

- During this quarter, Fenix Power plant performed its major maintenance schedule, which had an extension of additional 26 days with respect to the original calendar, reaching 70 days in total. This extension was mainly due, in Fenix's judgment, to a deficient planning and execution by the service provider, as a result, the power plant was available for only 22 days during the quarter. Regarding the major maintenance, it should be noted that it allows extending the unit's operating hours by 32,000 factored firing hours (FFH). The main activities involved included GT11 and GT12 gas turbines major maintenance (removal of rotors, replacement of capital and combustion parts, inspections, and non-destructive testing), ST10 steam turbine major maintenance (removal of rotors, inspection, cleaning and non-destructive testing, and repairs) and MarkVI control system upgrade in the three turbines and of GT11 and GT12 gas turbines system start-up.

- As of June 30, the Company reached 59% progress of Horizonte wind farm project, reaching *mechanical completion* of 13 wind turbines. In addition, the construction of internal roads, platforms and foundations of the wind turbines is still in progress, with an advance of 85%, as well as the substations, transmission lines and medium voltage networks, with an advance of 65%. In total, 255 main components have been unloaded to date at the wind turbine site, including blades, towers, hubs, and generators. It is worth mentioning the transporting challenge of oversized wind turbines components from Puerto Angamos in Mejillones to the Project, 170 km south of La Negra - Antofagasta, due to police escorts scarcity available for these transfers. The Company is making all the efforts at regional and national level to minimize any delays that this situation may cause to the Project, which to date have not occurred. If this problem is not resolved in the coming months, it could cause a delay.

- As of June 30, Diego de Almagro power plant storage system is awaiting authorization from the National Electric Coordinator for real-time signal testing (SITE) for commercial operation. These tests completion is essential for their certification and commissioning.

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 2Q22 and 2Q23 and cumulative as of Jun22 and Jun23.

Table 1: Physical sales and generation in Chile

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
6,738	**6,793**	**Total Physical Sales (GWh)**	**3,549**	**3,431**	**1%**	**(3%)**
1,171	1,276	Regulated Clients	622	656	9%	6%
4,793	4,767	Unregulated Clients	2,393	2,329	(1%)	(3%)
775	750	Sales to the Spot Market	535	446	(3%)	(17%)
1,508	**1,626**	**Capacity Sales (MW)**	**1,552**	**1,623**	**8%**	**5%**

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
6,873	**6,960**	**Total Generation (GWh)**	**3,623**	**3,514**	**1%**	**(3%)**
1,806	**2,096**	Hydraulic	**1,001**	**1,140**	**16%**	**14%**
4,565	**4,478**	Thermal	**2,371**	**2,204**	**(2%)**	**(7%)**
3,091	3,172	Gas	1,564	1,531	3%	(2%)
183	61	Diesel	153	39	(67%)	(75%)
1,291	1,245	Coal	653	634	(4%)	(3%)
502	**386**	VRE*	**250**	**170**	**(23%)**	**(32%)**
57	41	Wind Farm	24	22	(28%)	(8%)
444	345	Solar	226	148	(22%)	(35%)
0	**0**	**Spot Market Purchases (GWh)**	**0**	**0**	**-**	-
775	**750**	**Sales - Purchases to the Spot Market (GWh)**	**535**	**446**	**(3%)**	**(17%)**

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

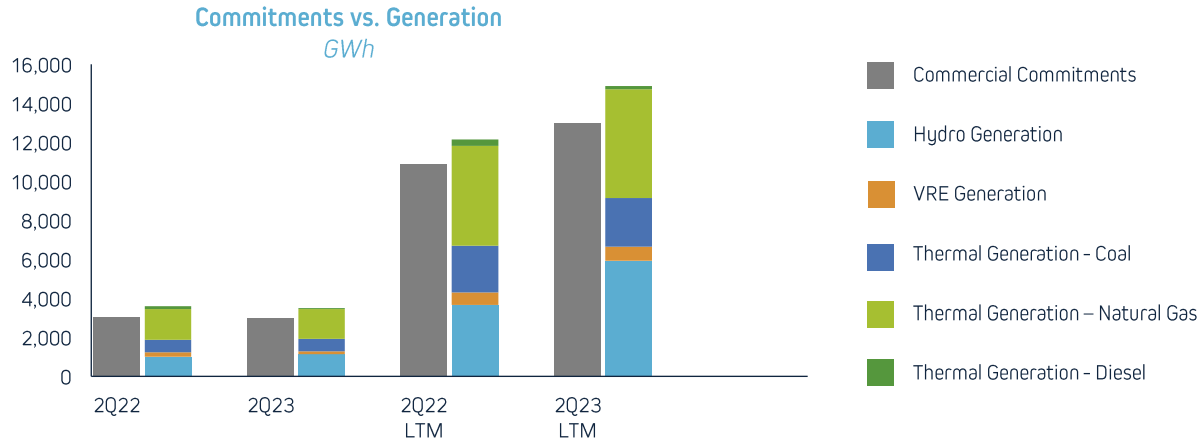
Physical sales during 2Q23 reached **3,431 GWh**, decreasing 3% compared to 2Q22, mainly due to (1) lower sales in the spot market driven by a lower generation recorded during the quarter and (2) lower sales to unregulated clients given a lower consumption from this segment. These effects were partially offset by higher sales to regulated clients, due to some contract's expiration between other generation companies and distribution companies, which generate a higher load factor for those contracts that are still in force.

On the other hand, **generation** for the quarter reached **3,514 GWh**, decreasing 3% compared to 2Q22, mainly due to a lower generation with diesel (-114 GWh) given a lower economic dispatch and REVS (-80 GWh) due to the expiration a third-party energy purchase contract. These effects were partially offset by a higher hydroelectric generation (+139 GWh).

In cumulative terms, physical sales as of Jun23 reached **6,793 GWh**, increasing 1% compared to Jun22, mainly due to the higher sales to regulated clients mentioned above. These effects were partially offset by lower sales to unregulated clients and in the spot market. Moreover, **cumulative generation** as of Jun-23 reached **6,960 GWh**, increasing 1% compared to Jun22, mainly due to higher hydroelectric generation (+290 GWh). These effects were partially offset by lower thermal generation (-87 GWh) due to lower diesel generation before mentioned.

Spot market balance during the quarter registered net sales of **446 GWh**, while in 2Q22 net sales for 535 GWh were recorded. This variation is mainly explained by lower generation during the period. **In cumulative terms**, as of Jun-23, the balance in the

spot market registered net sales of **750 GWh**, while as of Jun-22, net sales of 775 GWh were recorded. This variation is mainly explained by a lower accumulated generation.



Generation mix in Chile: As of Jun23, the hydrological year (Apr23-Mar24) has presented variations in terms of rainfalls of an average year in the main SEN basins. In this way, the surpluses/deficits were: Aconcagua: -27.8%; Maule: +70.0%; Laja: +42.3%; Biobío: +21.5%; Chapo: -22.4%. Average marginal cost, measured at Alto Jahuel, decreased 13% compared to 2Q22, averaging US$120.8/MWh in 2Q23.

Accumulated Figures		SEN Generation	Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
41,620	**41,564**	**Total Generation (GWh)**	**20,868**	**20,699**	**(0%)**	**(1%)**
7,460	7,887	Hydraulic	3,576	3,645	6%	2%
8,680	10,710	Gas	4,760	5,716	23%	20%
1,068	414	Diesel	790	167	(61%)	(79%)
11,887	7,965	Coal	6,080	4,380	(33%)	(28%)
4,333	4,734	Wind Farm	2,069	2,438	9%	18%
6,829	8,457	Solar	2,933	3,629	24%	24%
1,363	1,397	Others	660	724	2%	10%

2.2. *Physical sales and generation balance in Peru*

Table 2 shows a comparison between physical energy and capacity sales and generation in 2Q22 and 2Q23 and cumulative as of Jun22 and Jun23.

Table 2: Physical sales and generation in Peru

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
1,954	1,839	Total Physical Sales (GWh)	952	889	(6%)	(7%)
982	998	Regulated Clients	481	492	2%	2%
225	720	Unregulated Clients	108	358	-	-
748	121	Sales to the Spot Market	363	39	(84%)	(89%)
568	570	Capacity Sales (MW)	568	570	0%	0%

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
1,957	1,307	Total Generation (GWh)	929	338	(33%)	(64%)
1,957	1,307	Gas	929	338	(33%)	(64%)
44	567	Spot Market Purchases (GWh)	44	562	-	-
703	(446)	Sales - Purchases to the Spot Market (GWh)	318	(524)	-	-

- **Physical sales** during 2Q23 reached **889 GWh**, decreasing 7% compared to 2Q22. The lower physical sales are mainly explained by lower sales in the spot market, given a lower generation of the power plant, due to a major maintenance was carried out, with a total extension of 70 days. This effect was partially offset by higher sales to unregulated clients compared to 2Q22, given the entry into force of new contracts for 37 MW.

- Additionally, **Fenix's generation** reached **338 GWh**, decreasing by 64% compared to 2Q22. The lower generation is mainly explained by a longer extension of the major maintenance compared to the one carried out during 2Q22.

- **In cumulative terms**, physical sales as of Jun-23 reached **1,839 GWh,** decreasing by 6% compared to Jun-22 given the same reasons that explain the variations in quarterly terms. On the other hand, **Fenix's generation** as of Jun-23 decreased by 33% compared to 2Q22, reaching **1,307 GWh**, mainly as a result of major maintenance, which lasted longer than in the previous year.

- The **balance in the spot market** registered net purchases of **524 GWh**, compared to net sales of 318 GWh during 2Q22, due to the lower availability of Feniw Power plant previously mentioned. **In accumulated terms**, as of Jun23, net purchases of 446 GWh were recorded, compared to net sales of 703 GWh registered as of Jun22; the variations are mainly explained by the same reasons that explain the variations in quarterly terms.

- **Generation mix in Peru:** The Mantaro river basin, which supplies the main hydroelectric complex in Peru, HP Mantaro and HP Restitucion (900 MW), presented a dry hydrological condition with a 79% probability of exceedance as of Jun23 vs.34% to the same period year 2022.

In cumulative terms, hydroelectric generation in the National Interconnected Electric System (SEIN) decreased by 8% compared to Jun22, mainly due to the lower hydrological conditions in 2Q23, and the maintenances of hydroelectric plants, Mantaro, Restitucion and Cerro del Aguila. On the other hand, thermoelectric generation increased by 33% as of Jun23 compared to Jun22 due to lower hydraulic production and hydro power plants maintenance previously mentioned.

The electricity demand growth rate at the end of 2Q23 was 7% compared to 2Q22, due to the growth of regulated demand and mining companies.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement (Chile and Peru) in 2Q22 and 2Q23 and cumulative as of Jun22 and Jun23.

Table 3: Income Statement (US$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
930.8	**1,100.6**	**OPERATING INCOME**	**514.0**	**546.0**	**18%**	**6%**
215.8	252.1	Regulated Customers Sales	111.1	128.8	17%	16%
480.6	603.5	Unregulated Customers Sales	244.8	298.2	26%	22%
211.4	211.6	Energy and Capacity Sales	147.9	103.2	-	(30%)
0.0	0.0	Transmission Tolls	0.0	0.0	-	-
22.9	33.4	Other Operating Income	10.2	15.7	46%	54%
(564.1)	**(693.6)**	**RAW MATERIALS AND CONSUMABLES USED**	**(326.5)**	**(370.0)**	**23%**	**13%**
(73.5)	(80.4)	Transmission Tolls	(36.8)	(41.9)	9%	14%
(68.8)	(105.8)	Energy and Capacity Purchases	(40.4)	(73.0)	-	81%
(269.5)	(342.5)	Gas Consumption	(150.2)	(163.9)	27%	9%
(57.9)	(16.1)	Diesel Consumption	(50.8)	(8.7)	(72%)	(83%)
(63.0)	(101.3)	Coal Consumption	(32.0)	(55.7)	61%	74%
(31.5)	**(47.4)**	Other Operating Expenses	(16.3)	(26.8)	51%	64%
366.7	**407.0**	**GROSS PROFIT**	**187.5**	**176.0**	**11%**	**(6%)**
(41.4)	(45.6)	Personnel Expenses	(21.2)	(23.4)	10%	10%
(26.8)	(34.5)	Other Expenses, by Nature	(13.4)	(17.8)	29%	33%
(108.1)	(100.9)	Depreciation and Amortization Expenses	(55.3)	(50.3)	(7%)	(9%)
190.4	**226.1**	**OPERATING INCOME (LOSS) (*)**	**97.6**	**84.5**	**19%**	**(13%)**
298.5	**327.0**	**EBITDA**	**152.9**	**134.8**	**10%**	**(12%)**
6.8	31.8	Financial Income	4.2	16.5	-	-
(41.5)	(45.2)	Financial Expenses	(20.6)	(22.1)	9%	7%
(9.5)	(2.2)	Exchange rate Differences	(11.0)	(3.1)	(77%)	-
5.2	7.4	Profit (Loss) of Companies Accounted for Using the Equity Method	2.6	3.4	42%	29%
(32.3)	77.5	Other Profit (Loss)	(16.1)	94.0	-	-
(71.3)	**69.4**	**NON-OPERATING INCOME**	**(40.9)**	**88.7**	**-**	**-**
119.0	**295.4**	**PRE-TAX PROFIT (LOSS)**	**56.7**	**173.1**	**-**	**-**
(25.4)	**(72.3)**	Income Tax Expense	(19.0)	(41.9)	-	-
93.6	**223.2**	**AFTER TAX PROFIT (LOSS)**	**37.7**	**131.2**	-	**-**
86.5	**221.8**	**PROFIT (LOSS) OF CONTROLLER**	**38.8**	**133.9**	-	**-**
7.1	**1.4**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**(1.1)**	**(2.7)**	**-**	**-**

(*): 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.

Table 4: Closing Exchange Rates

Exchange Rates	Jun-22	Dec-22	Jun-23
Chile (CLP / US$)	932.08	855.86	801.66
Chile UF (CLP/UF)	33,086.83	35,110.98	36,089.48
Peru (PEN / US$)	3.83	3.82	3.63

3.1. Chile's Operating Income Analysis

Table 5 presents a summary of Operating Income and EBITDA in 2Q22 and 2Q23, and cumulative as of Jun22 and Jun23. Subsequently, the major accounts and/or variations will be analyzed.

Table 5: EBITDA Chile (US$ million)

Accumulated Figures			Quarterly Figures		Var %	
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
822.7	**977.4**	**OPERATING INCOME**	**461.0**	**482.3**	**19%**	**5%**
143.8	171.4	Regulated Customers Sales	75.4	88.4	19%	17%
471.0	568.4	Unregulated Customers Sales	240.1	278.4	21%	16%
190.9	209.7	Energy and Capacity Sales	137.0	103.2	10%	(25%)
17.0	27.8	Other Operating Income	8.4	12.4	63%	47%
(510.7)	**(604.3)**	**RAW MATERIALS AND CONSUMABLES USED**	**(298.7)**	**(310.7)**	**18%**	**4%**
(70.4)	(78.5)	Transmission Tolls	(35.4)	(41.1)	12%	16%
(66.6)	(66.2)	Energy and Capacity Purchases	(38.2)	(35.0)	(1%)	(9%)
(225.5)	(301.8)	Gas Consumption	(128.0)	(147.5)	34%	15%
(57.8)	(16.1)	Diesel Consumption	(50.8)	(8.7)	(72%)	(83%)
(63.0)	(101.3)	Coal Consumption	(32.0)	(55.7)	61%	74%
(27.4)	(40.3)	Other Operating Expenses	(14.4)	(22.7)	47%	58%
312.0	**373.0**	**GROSS PROFIT**	**162.2**	**171.7**	**20%**	**6%**
(37.2)	(40.8)	Personnel Expenses	(19.5)	(21.1)	10%	8%
(23.1)	(30.6)	Other Expenses, by Nature	(11.6)	(16.0)	32%	38%
(90.4)	(83.4)	Depreciation and Amortization Expenses	(46.4)	(41.8)	(8%)	(10%)
161.3	**218.2**	**OPERATING INCOME (LOSS) (*)**	**84.7**	**92.7**	**35%**	**9%**
251.7	**301.6**	**EBITDA**	**131.1**	**134.5**	**20%**	**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 Colbún are only non-operating items, was incorporated as an operating item in the Financial Statements.

- **Operating Income** in 2Q22 amounted to **US$482.3 million,** increasing 5% compared to the operating income of US$461.0 million recorded in 2Q22, mainly due to (1) higher sales to unregulated clients, driven by the higher average sales price despite lower physical sales registered, and (2) higher regulated clients, mainly driven by a higher average sales price due to a positive indexer's variation during the quarter. These effects were partially offset by lower energy and capacity sales in the spot market. **In cumulative terms**, operating income as of Jun23 amounted to **US$977.4 million**, increasing 19% compared to Jun22, mainly driven by the same reasons that explain variations in quarterly terms.

- **Raw materials and consumables used costs** amounted to **US$310.7 million** in 2Q23, increasing 4% compared to 2Q22, mainly due to higher gas and coal consumption costs associated with a higher average purchase price. These effects were partially offset by lower diesel consumption cost, mainly explained by a lower generation with this fuel during the quarter. **In cumulative terms**, as of Jun23 raw materials and consumables used costs reached **US$604.3 million**, increasing 18% compared to Jun22, mainly driven by the same reasons that explain variations in quarterly terms.

- **EBITDA** in 2Q22 reached **US$134.5 million,** increasing 3% compared to the EBITDA of US$131.1 million in 2Q22, mainly due to the higher operating income recorded during the period, partially offset by the higher raw materials and consumables used costs previously explained. **In cumulative terms**, EBITDA as of Jun23 recorded **US$301.6 million**, increasing 20% compared to Jun22, mainly driven by the same reasons that explain variations in quarterly terms.

3.2. Peru's Operating Income Analysis

Table 6 shows a summary of Fenix's Operating Income and EBITDA for the quarters 2Q22 and 2Q23 and cumulative as of Jun22 and Jun23. Subsequently, the main accounts and/or variations will be analyzed.

Table 6: EBITDA Peru (US$ million)

Accumulated Figures			Quarterly Figures		Var %	
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
108.1	**123.2**	**OPERATING INCOME**	**53.0**	**63.7**	**14%**	**20%**
72.0	80.7	Regulated Customers Sales	35.7	40.5	12%	14%
9.6	35.1	Unregulated Customers Sales	4.7	19.8	-	-
20.6	1.8	Energy and Capacity Sales	10.9	0.0	-	-
5.9	5.6	Other Operating Income	1.8	3.4	(5%)	90%
(53.6)	**(89.3)**	**RAW MATERIALS AND CONSUMABLES USED**	**(27.9)**	**(59.3)**	**67%**	**-**
(3.1)	(1.8)	Transmission Tolls	(1.4)	(0.8)	(42%)	(43%)
(2.1)	(39.6)	Energy and Capacity Purchases	(2.1)	(38.0)	-	-
(44.0)	(40.7)	Gas Consumption	(22.2)	(16.4)	(8%)	(26%)
(0.0)	0.0	Diesel Consumption	(0.0)	0.0	-	-
(4.2)	(7.1)	Other Operating Expenses	(2.1)	(4.1)	69%	96%
54.6	**33.9**	**GROSS PROFIT**	**25.1**	**4.3**	**(38%)**	**(83%)**
(4.3)	(4.7)	Personnel Expenses	(1.7)	(2.2)	11%	35%
(3.6)	(4.0)	Other Expenses, by Nature	(1.7)	(1.9)	10%	11%
(17.7)	(17.5)	Depreciation and Amortization Expenses	(8.9)	(8.5)	(1%)	(4%)
28.9	**7.7**	**OPERATING INCOME (LOSS) (*)**	**12.9**	**(8.3)**	**(73%)**	**-**
46.6	**25.2**	**EBITDA**	**21.7**	**0.2**	**(46%)**	**(99%)**

(*): 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 2Q23 totaled US$ 63.7 million,** increasing 20% compared to the operating income of US$53.0 million recorded in 2Q22, mainly due to (1) higher sales to unregulated clients, due to contracts which entered into force for a total of 37 MW, and (2) higher sales to regulated clients given price indexation in contracts and higher physical sales in this segment. These effects were partially offset by lower sales to the spot market. **In cumulative terms**, operating income amounted to **US$123.2 million**, increasing 14% compared to Jun22, mainly driven by the same reasons that explains variations in quarterly terms.

- **Raw materials and consumables used costs reached US$59.3 million in 2Q23,** increasing to 2Q22, mainly driven by higher energy and power purchases in the spot market, mainly due to lower generation registered during this quarter, due to the above mentioned major maintenance extension was carried out, and a higher average purchase price due to a significant increase in the marginal cost observed during the quarter as diesel based power plants dispatch result. **In cumulative terms**, raw materials and consumables used costs reached **US$89.3 million**, increasing 67% compared to Jun22, mainly driven by the same reasons that explain variations in quarterly terms.

- **Fenix's EBITDA reached US$0.2 million in 2Q23,** decreasing 99% compared to the US$21.7 million EBITDA recorded in 2Q22, mainly explain by higher power and capacity purchases in the spot market, explained by the lower generation recorded, previously mentioned. **In cumulative terms**, EBITDA amounted to **US$25.2 million**, decreasing 46% compared to Jun22, mainly driven by the same reasons that explain variations in quarterly terms.

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 2Q22 and 2Q23 and cumulative as of Jun22 and Jun23. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
6.8	31.8	Financial Income	4.2	16.5	-	-
(41.5)	(45.2)	Financial Expenses	(20.6)	(22.1)	9%	7%
(9.5)	(2.2)	Exchange rate Differences	(11.0)	(3.1)	-	(72%)
5.2	7.4	Profit (Loss) of Companies Accounted for Using the Equity Method	2.6	3.4	-	29%
(32.3)	77.5	Other Profit (Loss)	(16.1)	94.0	-	-
(71.3)	**69.4**	**NON-OPERATING INCOME**	**(40.9)**	**88.7**	**-**	**-**
119.0	**295.4**	**PRE-TAX PROFIT (LOSS)**	**56.7**	**173.1**	**-**	**-**
(25.4)	(72.3)	Income Tax Expense	(19.0)	(41.9)	-	-
93.6	**223.2**	**AFTER TAX PROFIT (LOSS)**	**37.7**	**131.2**	-	**-**
86.5	**221.8**	**PROFIT (LOSS) OF CONTROLLER**	**38.8**	**133.9**	-	**-**
7.1	**1.4**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**(1.1)**	**(2.7)**	**-**	**-**

- **Non-Operating Result** in 2Q23 recorded profits of **US$88.7 million**, which compares to losses of US$40.9 million in 2Q22, mainly due to "Other profits" mainly as a result of (1) the income of US$ 116.4 million, corresponding to the final price adjustment associated with Colbún Transmisión S.A sale to Alfa Desarrollo SpA, (2) higher cash surpluses investment rates and (3) a lower loss due to exchange rate appreciation compared to 2Q22. **In cumulative terms**, the non-operating result as of Jun23 reached profits of **US$69.4 million**, compared to losses of US$71.3 million as of Jun22. The higher profit is mainly explained by the same reasons that explain the variations in quarterly terms.

- In 2Q23, a **tax expense** of **US$41.9 million** was recorded, compared to a US$19.0 million tax expense in 2Q22. The increase is mainly explained by the higher pre-tax profit recorded during the period. This effect was partially offset by the appreciation of the Peruvian Sol during 2Q22 and its impact on deferred taxes, given that Fenix's tax accounting is in Peruvian Soles, according to the tax legislation in Peru. **In cumulative terms**, as of Jun-23, a tax expense of **US$72.3 million** was recorded, compared to US$25.4 million as of Jun-22, mainly due to the same reasons which explain the variations in quarterly terms.

- In 2Q23, the Company recorded a **profit** of **US$131.2 million**, compared to US$37.7 million profit presented in 2Q22, mainly due to the income of US$ 116.4 million, corresponding to the final price adjustment associated with the sale of Colbún Transmisión S.A to Alfa Desarrollo SpA previously mentioned. **In cumulative terms**, Colbún presented a profit of **US$223.2 million** as of Jun23, which compares with the US$93.6 million profit registered as of Jun22, mainly due to the same reason which explains the variations in quarterly terms.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 8 shows an analysis of the Balance Sheet's relevant accounts as of Dec22 and Jun23. Subsequently, the main variations will be analyzed.

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

	Dec-22	Jun-23	Var	Var %
Current assets	1,688.3	1,487.6	(200.6)	(12%)
Non-current assets	4,917.7	5,111.5	193.8	4%
TOTAL ASSETS	**6,606.0**	**6,599.2**	**(6.8)**	**(0%)**
Current liabilities	542.6	396.6	(146.0)	(27%)
Non-current liabilities	3,110.5	3,095.2	(15.4)	(0%)
Total net equity	2,952.9	3,107.4	154.5	5%
TOTAL LIABILITIES AND NET EQUITY	**6,606.0**	**6,599.2**	**(6.8)**	**(0%)**

- **Current Assets:** Recorded **US$1,487.6 million** as of Jun23, decreasing 12% compared to current assets recorded as of Dec22, mainly due to a decrease in Cash and Financial Investments driven by; (1) the Company's dividends payment in May 23, for US$147.9 million, and (2) disbursements associated with Horizonte wind farm project, and (3) bond´s interest payments on and other obligations. These effects were partially offset by higher operating cash flow recorded in the period.

- **Non-current Assets:** Recorded **US$5,111.5 million** as of Jun23, increasing 4% compared to non-current assets registered as of Dec22, mainly explain by constructions and equipment's asset increasement, associated with Horizonte wind farm project.

- **Current Liabilities:** Totaled **US$396.6 million** as of Jun23, decreasing 27% compared to the current liabilities recorded as of Dec22, mainly due to a decrease in receivables resulting from dividends payment during May.

- **Non-current Liabilities:** Reached **US$3,095.2 million** as of Jun23, in line compared to the non-current liabilities recorded as of Dec 22.

- **Total Net Equity:** The Company reached a net equity of **US$3,107.4 million**, increasing 5% compared to the net equity registered as of Dec22, mainly due to the profits recorded during the period.

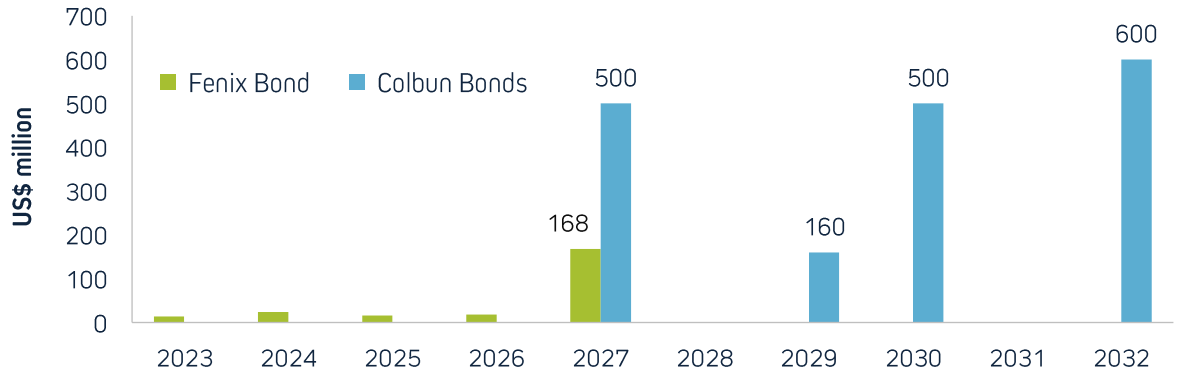
Tabla 9: **Main Debt Items (US$ million)**

	Dec-22	Jun-23	Var	Var %
Gross Financial Debt*	2,137.9	2,124.8	(13.1)	(1%)
Financial Investments**	1,154.4	949.7	(204.7)	(18%)
Net Debt	983.5	1,175.1	191.6	19%
EBITDA LTM	763.4	791.9	28.5	4%
Net Debt/EBITDA LTM	1.3	1.5	0.2	15%

(*) The amount includes debt associated to Fenix without recourse to Colbún: (1) an international bond with an outstanding capital of US$240.0 million, (2) a financial leasing for US$11.9 million associated with a transmission contract with Consorcio Transmantaro, (3) a US$98.6 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 less than 1 year, is recorded as "Other Current Financial Assets" in the Financial Statements.

Tabla 10: **Long Term Financial Debt**

Average Life	6.8 years
Average Interest Rate	3.78%
Currency	100% USD



5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec22 and Jun23 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-22	Jun-23	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	3.15	3.75	19%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	2.98	3.51	18%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	1.24	1.12	-9%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	14.85%	11.36%	-24%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	85.15%	88.64%	4%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	5.69	6.78	19%
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	10.51%	15.96%	52%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	4.48%	7.25%	62%
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	12.04%	14.36%	19%

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 **3.75x** y **3.51x** as of Jun23, increasing 19% and 18% respectively compared to Dec22, mainly due to current liabilities decrease, explained by lower receivables through dividends payment mentioned above.

- The **Indebtedness Ratio** recorded **1.12x** as of Jun23, decreasing 9% compared to the value of 1.24x as of Dic22, primarily due to dividends payment and lower receivables, previously mentioned.

- The percentage of **Short-Term Debt** as of Jun23 was **11.36%,** decreasing compared to the value of 14.85% as of Dec22, mainly due to current liabilities decrease, mentioned above.

- The percentage of **Long-Term Debt** as of Jun23 was **88.64%,** increasing 4% compared to the value of 85.15% as of Dec22, mainly due to current liabilities decrease, mentioned above.

- The **Financial Expenses Coverage** as of Jun23 reached **6.78x,** increasing 19% comparted to the value of 5.69x as of Dic22. The variation is explained by higher profits recorded in the period.

- The **Equity Profitability** as of Jun23 was **15.96%,** increasing 52% compared to the value of 10.51% registered as of Dec22. The variation is mainly due to the higher profits recorded in the period.

- **Asset Profitability** as of Jun23 was **7.25%,** increasing 62% compared to the value of 4.48% as of Dec22, mainly explained by higher profits registered in the period.

- The **Performance of Operating Assets** as of Jun23 was **14.36%,** increasing 19% compared to the value of 12.04% as of Dec22, mainly due to higher operating income registered during the period.

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)**

Jun-22	Jun-23		2Q22	2Q23	Ac/Ac	Q/Q
1,419.2	1,154.5	Cash Equivalents, Beg. of Period*	1,198.5	1,061.9	-	(11%)
(8.7)	156.5	Net cash flows provided by (used in) operating activities	(65.0)	78.7	-	-
(324.1)	(204.9)	Net cash flows provided by (used in) financing activities	(87.1)	(158.1)	(37%)	82%
(89.4)	(156.7)	Net cash flows provided by (used in) investing activities**	(45.9)	(34.6)	75%	(25%)
(422.2)	(205.0)	Net Cash Flows for the Period	(198.0)	(114.0)	(51%)	(42%)
(7.1)	0.3	Effects of exchange rate changes on cash and cash equivalents	(10.6)	1.9	-	-
989.8	949.8	Cash Equivalents, End of Period	989.8	949.8	(4%)	(4%)

(*) 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 less 1 year, is recorded as "Other 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 2Q23, the Company presented a **negative net cash flow of US$114.0 million,** compared to the negative net cash flow of US$198.0 million in 2Q22.

- **Operating Activities:** During 2Q23, a positive net flow of **US$78.7 million** was generated, which compares with the negative net flow of US$65.0 million in 2Q22, mainly explained by (1) higher operating income recorded in the period, and (2) a lower tax payment compared to 2Q22 driven by Colbún Transmisión S.A sale impact. This effect was partially offset by higher operating expenses. **In cumulative terms**, a positive net flow of **US$156.5 million** was recorded, which compares to the negative net flow of US$8.7 million as of Jun22, mainly due to the same reasons which explain the variation in quarterly terms.

- **Financing Activities:** Recorded a negative net flow of **US$158.1 million** during 2Q23, which compares to a negative net flow of US$87.1 million in 2Q22, mainly due to dividend payment of US$ 139.5 million. **In cumulative terms,** a negative net flow of **US$204.9** was recorded, which compares to US$324.1 million as of Jun22, mainly due to Company's local bonds US$181 million prepayment during 1Q22. This effect was partially offset by the dividend payment mentioned above.

- **Investment Activities:** Recorded a negative net flow of **US$34.6 million** during 2Q23, compared to a negative net flow of US$45.9 million in 2Q22, mainly explained by higher CAPEX disbursements associated with Horizonte wind farm project. This effect was partially offset by income of US$116.4 million corresponding to the final price adjustment associated with Colbún Transmisión S.A sale to Alfa Desarrollo SpA. **In cumulative terms**, a negative net flow of **US$156.7** million was recorded, which compares to a negative net flow of US$89.4 million as of Jun22 mainly due to the same reasons which explain the variation in quarterly terms.

7. ENVIRONMENT AND RISK ANALYSIS

Colbún S.A. is a power generation company whose installed capacity reaches 4,034 MW composed by 2,159 MW of thermal units, 1,627 MW of hydraulic units and 248 MW of the solar photovoltaic power plants. The Company operates in the National Electric System (SEN) in Chile, representing 17% of the market. It also operates in the National Interconnected Electric System (SEIN) in Peru, where it has approximately 5% 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 its asset base long-term profitability, limiting its results volatility. These have structural variability, since they depend on exogenous conditions such as hydrology and fuel prices (oil, natural gas and coal). To relieve the exogenous conditions effect, 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.

7.1 Medium-term outlook in Chile

On June 23, the hydrological year Apr23-Jun23 accumulated higher rainfalls compared to an average year in the main SEN basins. In contrast, there are deficits in Aconcagua and El Chapo. Thus, the superavits/deficits were: Aconcagua: -54%; Maule: +21%; Laja: +27%; Biobío: +8%; and Chapo: -19%. Compared to the previous hydrological year, the Aconcagua, Canutillar, Maule, Biobío and Laja basins presented variations in rainfall of +102%, -18%, +5%, -12% and +16% respectively. In terms of inflow energy, as of June 2023 the hydrological year has a Probability of Exceedance of 67%.

Currently, our fuel supply contracts allow us to have natural gas to operate two combined cycle units during a large part of the first half of the year, a period of the year in which there is generally less availability of water resources. In addition, there is the possibility of accessing additional natural gas via spot purchases. Additionally, contracts will be signed in firm and interruptible modalities for the supply of Argentine natural gas with producers directly, to complement the LNG supply for the period Oct23 to Apr24. The volume to be contracted in the different modalities is currently in the process of being defined.

This year contracts have been signed with 34 clients for 90 GWh/year. Among the main contracts signed, the Ballerina Group renewal stands out for a total of 11 GWh/year for 5 years.

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 dry hydrological condition continues.

7.2 Medium-term outlook in Peru

During the second quarter of 2023, the SEIN registered a hydrological condition with 78.69%, exceedance probability compared to 34% recorded during 2022.

In 2Q23, energy demand growth reached 7.0% compared to the same period of 2022, due to increased regulated and mining companies' demand. On the other hand, compared to the previous quarter, in 2Q23 the energy demand decreased by 0.2%.

Santa Rosa's average marginal cost during 2Q23 reached US$64/MWh. In contrast to 1Q23 (US$32/MWh), water resources lower availability and RER, thermal power plants unavailability.

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.

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

Generation projects under development

Project	Installed Capacity	Technology	Location	Status
Horizonte	816 MW	Wind	Antofagasta Region	Under Construction
Baterías Diego de Almagro	8 MW/ 32 MWh	Bateries	Atacama Region	Commissioning
Inti Pacha I,II&III	750 MW	Photovoltaic	Antofagasta Region	Environmentally Approved
Jardín Solar	537 MW	Photovoltaic	Tarapacá Regiion	Environmentally Approved
Junquillos	360 MW	Wind	Biobío Region	Preparing ES
Celda Solar	422 MW + 240 MW/ 1200MWh	Photovoltaic + Storage System	Arica Region	Preparing ES

- **Horizonte Wind Farm (816 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 816 MW, slightly higher from the 812MW installed capacity previously reported which is made up of 140 machines of 5.83 MW each and an average annual generation of approximately 2,450 GWh. It considers the connection to SEN in the future Parinas substation, located at 19kms 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 13, 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 for this project will reach US$898 million. It is estimated that it will begin to inject energy into the system in 1Q24, secured on Parinas substation operation entry, in construction by Transelec. On the other hand, the entry into operation of the last wind turbines is projected towards 4Q24.

By the second quarter of 2023, 59% progress of the project was reached. The assembly of the turbines continues in advance, reaching the "mechanical completion" of 13 wind turbines by June. In addition, the construction of internal roads, platforms and foundations for the wind turbines is still in development, with an accumulated progress of 85%, as well as the substations, transmission lines and medium voltage network, with a cumulative progress of 65%. In total, 255 main components have been unloaded to date at the wind turbine site, including blades, towers, hubs, hubs and generators. It is worth mentioning the transporting challenge of oversized wind turbines components from Puerto Angamos in Mejillones to the Project, 170 km south

of La Negra - Antofagasta, due to police escorts scarcity available for these transfers. The company is making all the efforts at regional and national level to minimize any delays that this situation may cause to the Project, which to date have not occurred. If this problem is not resolved in the coming months, it could cause a delay.

- **Batteries - Diego de Almagro Proyect (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.

As of 2Q23, it is awaiting the tests authorization for the commercial operation by the National Electricity Coordinator.

- **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 1,000 ha.

The project considers the installation of a solar energy generation park in three phases, with an installed capacity of approximately 250 MW per phase and a total annual generation of approximately 2,000 GWh considering the three phases, which will be injected into the Interconnected System through an electric transmission line of approximately 3 km in length, connecting to the Crucero substation.

This project originates from the award of 3 concessions of onerous use tendered by the Ministry of National Assets.

The project obtained its RCA in 4Q20 and includes the 3 CUOs.

The easement contract for the connection line to SE Crucero for Inti Pacha I and II was signed in 4Q22.

The National Electric Coordinator approved, in 1Q23, the Request for Authorization to connect the project to the S/S Crucero with a deadline to be declared under construction in April 2024.

During 2Q23 the project remains uneventful.

- **Photovoltaic Solar Project Jardín Solar (537 MW):** The Project considers the installation of a solar energy generation park with an installed capacity of approximately 537 MW to be built in 2 stages, 263 MW and 274 MW, and an average annual generation of approximately 1,500 GWh. This solar park is located approximately 8 km southeast of the town of Pozo Almonte, in the commune of Pozo Almonte in the Tarapacá Region, and uses a total area of approximately 1,000 ha.

The energy generated will be injected into the Interconnected System through an electric transmission line, which starts at the S/E associated with the park, and has an approximate extension of 3 km, connecting to the new Pozo Almonte substation located 2.5 km northeast of the park.

The project obtained its RCA in 3Q21.

During 2Q23 the project remains uneventful.

- **Los Junquillos Wind Project (360 MW):** The 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 will include the installation of a maximum of 63 wind turbines (up to 7.5 MW each), which will result in an installed capacity of up to 472.5 MW.

The energy generated will be injected into the Interconnected System through a 12 km power transmission line to S/S Mulchén.

During 1Q23, the public participation process was initiated as part of the environmental processing.

During 2Q23 the project remains uneventful.

- **Celda Solar Photovoltaic Project (420 MW +240 MW of storage):** The project considers the installation of a solar power generation park that has an installed capacity of close to 420 MW plus 1,200 MWh in batteries (BESS) in two phases, with a first phase of 230 MWDC of photovoltaic park and 120MW/5h - 600MWh of energy storage. An average annual generation of approximately 610 GWh is estimated for phase 1. This solar farm is located approximately 76 km south of Arica, in the commune of Camarones 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 a 3.5 km long power transmission line, connecting to the new Roncacho substation.

This project originates from the award of 3 concessions of onerous use tendered by the Ministry of National Assets, which were signed in 3Q19.

The National Electrical Coordinator approved, in 1Q23, the Request for Authorization to connect the project to S/E Roncacho.

The Environmental Impact Study for a 420 MW photovoltaic project and a 240 MW BESS with 5 hours duration, was entered into processing on 3Q22 and is currently in the ICSARA 2 response process contemplated before August 14, 2023.

- **Other renewable energy projects from variable sources:** At the end of 2Q23, Colbún 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.

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, Colbún 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 Colbún's costs, increasing results variability depending on the hydrological conditions.

The Company's exposure to hydrological risk is reasonably mitigated through a commercial policy that aims to maintain a balance between competitive generation (hydraulic in an average to dry year, and cost-efficient coal-fired and natural gas-fired thermal generation, and other cost-efficient renewable energies and duly complemented by other generation sources given

their intermittency and volatility) and commercial commitments. In conditions of extreme and repeated droughts, an eventual lack of water for cooling would affect the generating capacity of the combined cycles.

In Peru, Colbún 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 inflows to the hydraulic plants, Colbún must make use mainly of its thermal plants or purchase energy in the spot market at marginal cost. The foregoing generates a risk due to variations in international fuel prices. To mitigate the impact of very important and unforeseen variations in fuel prices, hedging programs are carried out with various derivative instruments, such as call options and put options, among others. Otherwise, in the face of abundant hydrology, the Company could find itself in a surplus position in the spot market, the price of which would be, in part, determined by the price of fuel.

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

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. In addition, there is the possibility of accessing additional natural gas via spot purchases. Additionally, contracts will be signed in firm and interruptible modalities for the supply of Argentine natural gas with producers directly, to complement the supply of LNG for the period Oct23 to Apr24, the volume to be contracted in the different modalities is currently in the process of being defined.

On the other hand, on May 19, Colbún signed an interruptible contract with Gas Andes until April 30, 2024. This contract purpose is to facilitate 4,100,000 m^3 gas transportation per day, from the Chile/Argentina border gas reception point to the "city gate Chena" delivery point.

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 2022), 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 stoppage damage.

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 are facing 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.

Colbún 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

On December 12, 2022, the "Agreement for Chile" was signed, a new draft constituent process that was dispatched by the National Congress for the signature of the President of the Republic on January 11, 2023. This process has three bodies incumbents, Constitutional Council, Expert Commission, and Technical Admissibility Committee. These bodies will be in charge of drafting a new draft constitution, which must be ratified or rejected by the public through a plebiscite with a mandatory vote. The process will end on November 26, 2023, with the ratification plebiscite, and its result will be fundamental since it could result in changes to the institutional framework applicable to business activity in the country. The Expert Commission is currently developing the draft that it will propose to the Constitutional Council, a body that has not yet been voted on by the population.

Enacted Laws

On Tuesday, August 2, Law 21,472 was enacted, which created a temporary mechanism for stabilizing energy prices for customers subject to price fixing, which will be differentiated by consumption segment. This mechanism is complementary to the one enacted by Law 21,185 of 2019 and lasts until December 31, 2032.

The main characteristics of the mechanism are:

Tariff Stabilization Fund. It creates a fund of US$500 million, to which all customers -regulated and free- will contribute through an additional public service charge that will depend on monthly consumption. This fund will be administered by the General Treasury of the Republic.

Client Protection Mechanism (MPC "Mecanismo de Protección al cliente"). It commits resources with a limit of US$1,800 million for the payment to generators of the differences that occur between the stabilized rate of the clients and the price that

corresponds to pay by contract. Said differences may be collected by the suppliers through a transferable credit instrument, issued by the Ministry of Finance, which considers the financial costs and has a state guarantee.

The regulation on how the Tariff Stabilization Fund will operate is still pending, as it was withdrawn from the Comptroller's Office in May. However, the Ministry of Finance is already enabled to issue payment documents in supplier's name.

Main Developments in Bills in Processing

On July 11, 2023, the Government presented the Energy Transition Bill to the Senate, whose main purpose is to achieve enabling conditions in the power industry in order to be a carbon neutral country by 2050 and boost the country's local economies.

The bill is based on three pillars, which includes measures to achieve a stronger transmission system, but also with some actions focused on promoting competition in the sector.

- **Electricity sector and climate change:** Enabling infrastructure, territorial energy planning and low-emission electrical system operation.
- **Transmission infrastructure:** Tender and new mechanisms for expansion works.
- **Competition and storage promotion:** Regulation according to current market conditions.

Currently the project is in the first legislative process with great urgency under the mining and energy senate commission review.

Main Developments in Bill Projects

The Bill on ERNC quotas is in the second constitutional process with urgency qualified as sum and will be analyzed by the mining and energy commission, and the senate's finance commission, starting in April 2023. The project currently under discussion considers the following changes to the General Law of Electric Services:

- Increase the goals of large-scale renewable generation, imposing the generation companies to trade at least 60% of REVS by 2030 and, in addition, to trade at least 40% of REVS by 2030 in each temporary block within the day, promoting the management of energy from variable sources through storage systems.
- Establish a traceability system of the renewable nature of the energy that is traded, for which it obliges the National Electricity Coordinator to have information systems for the follow-up and record of traceability of the energy trade. The methodology will be determined by regulation.
- Promote distributed generation, through the definition of terms and costs of connection to the distribution network. It also considers an increase in the injection limit capacity of residential customers, from 300 to 500 kW, and the possibility that City Halls act as coordinators of residential generation facilities.

One of the main risks of this project is that the energy generated by reservoirs will not be counted for REVS quotas.

Agenda for a Second Period of the Energy Transition

On April 17, the Ministry of Energy launched the "Initial Agenda for Energy Transition Second Half" that includes initiatives that aim to establish concrete actions that deliver clear signals and certainty to the electricity sector for the short, medium, and long term.

The initiatives are summarized in 4 topics:

- Storage promotion.
- Risk suppliers mitigation.
- Operational flexibility.
- General measures (political and regulatory actions and urgent works).

As of today, some measures included in the agenda have already materialized, which are detailed below:

- Green tax compensation adjustment: The "Type B Compensation" was eliminated through an administrative act of the National Energy Commission. This measure will be implemented for the calculation that will be carried out in the year 2024, but which considers the taxes for the year 2023.
- Supply tender modernization: During July, the definitive bases corresponding to the year 2023 were issued. Among the novelties of the document is a segmentation into 3 zonal blocks, an increase in supply contract tenor to 20 years, the possibility of transferring the systemic costs of the short-term market, and a direct incentive for storage or generation projects with non-variable renewable energies.
- Technical minimums review and adjustment: The Coordinator launched a campaign to detect spaces for flexibility in thermal power plants, consistent with the update of the emissions standard. Colbún will participate collaboratively in this process.
- Open Call for Urgent Works: During May, the National Energy Commission launched a call to present works in the context of Art. 102°. July 10th was the deadline for the Coordinated GenCos to send proposals to the Commission.

Storage and Electromobility Law

On November 21, 2022, Law 21,505 was published, which promotes electrical energy and electromobility storage. For law implementation, and some regulations modifications are pending, which the Ministry estimates will be carried out as of the second quarter of 2023.

For the competitive storage development in the power sector, the fundamental regulatory closure definitions is pending, such as:

- **Power Regulation:** Establish the storage systems power recognition regime.
- **Coordination and Operation Regulations:** Define the dispatch criteria and operation modes.
- **Small Generation Means Regulation:** Define storage systems participation and pricing in this type of power plants.

Green Hydrogen Action Plan

The Ministry of Energy launched the "Green Hydrogen Action Plan", which corresponds to a collaborative work that will develop the roadmap for this industry deployment in Chile. The ministry chose to give continuity to the National H2V Strategy presented by the previous government (published on July 12 in the Official Newspaper) and is developing the Action Plan for the period 2023 - 2030, in order to establish a roadmap to promote this industry, reconciling economic development with respect for the environment, regions and communities. It is in Colbún's interest to actively participate in this process.

Short-Term Market

In October 2022, the insolvency situation of two generation companies in the electricity sector became known, which were subsequently withdrawn from the short-term market and their respective guarantees were executed. This event has raised several alarms in the sector, ranging from; the operation of the system, supply tenders for regulated customers, short-term guarantees, and the high levels of dumping at national level.

On February 6, 2023, nine generation companies, in a letter to the Minister of Energy, requested changes to the energy market pricing through modifications to the Coordination and Operation regulation. Specifically, they requested that those plants that are operating at Technical Minimum and out of the economic order, set the marginal cost of the system. Both the National Energy Commission and the Competition Monitoring Unit have expressed their opposition to such a measure for generating a distortion in the price signal and eliminating the incentive to storage, among other reasons.

Subsequently, on June 1, 2023, the company Copihue Energía SpA, a subsidiary of Mainstream Renewable Power, was withdrawn from the short-term market, for reporting that it was unable to meet its obligations under the regulated supply contract awarded in the 2015 bidding process.

Finally, on July 12, 2023, the Coordinator informed by letter, the reinstatement of Ibereólica Cabo Leones II S.A. to the Short-Term market (withdrawn in October 2022), given that it complies with the requirements established in the regulation.

News Rationing Decree

On March 16, through decree 12, the Ministry of Energy extended the preventive rationing decree (DS N°51/2021) until September 30, 2023.

In addition, due to the storm that occurred in the central-southern part of the country at the end of June, and the spill condition that it generated in several reservoirs of the electricity system, on July 4, the Ministry of Energy modified the preventive rationing decree (DS N°51/2021) in order to provide the Coordinator with greater flexibility in the hydrological considerations for the operation programming.

Perú

Laws Enacted

On October 28, 2022, Law 31598 was published, which brought forward to November 2022 the effective date of Law 31429, which introduced amendments to Law 27510, Law that creates the Electric Social Compensation Fund ("FOSE Law"). The main characteristics of the mechanism are:

- The increase of the range of beneficiaries of the FOSE to those users with a monthly consumption equal to or less than 140 kW/h month (previously, it was a consumption equal to or less than 100 kWh month).
- The incorporation of free users to the universe of users affected with a surcharge for the financing of the FOSE (previously, only regulated users paid).

On December 19, 2022, the draft of the New Procedure for the application of the FOSE was published, approved by Resolution No. 233-2022-OS-CD. This procedure will replace the current TUO of the Procedure approved by Resolution No. 689-2007-OS-CD. The purpose of the Project is to regulate a new procedure for the application of the FOSE, considering the modifications introduced by Law No. 31429, which modified the FISE Law (Law 27510), increasing the range of beneficiaries of the FISE and incorporating Free Users as contributors to said fund, among others. Subsequently, in March 2023 through Law 31713, the article 3-A law application that creates the FOSE (Law 27510), modified by the aforementioned Law 31429, is suspended until December 31, 2023. This article refers to the user exclusion criteria, pending new technical report issuance on socioeconomic stratification at the national level.

Main Developments in Bills in Processing

Law to ensure the efficient development of Electricity Generation

Through Ministerial Resolution No. 227-2022-MINEM dated June 24, 2022, the Energy and Mines Ministry ("MINEM") ordered the proposed legislative initiative publication "Law that modifies Law 28832, Law to ensure the Electricity Generation efficient development" together with its explanatory statement, in order to receive contributions and/or comments from interested parties and citizens, within 30 calendar days period. As indicated in the Bill, its purpose is to guarantee the safe, reliable, and electricity efficient supply, and to promote energy matrix diversification. This proposal considered the following relevant issues:

- Contracts and new rules for bidding processes: power and/or capacity Contracting, modality by hourly blocks and short, medium, and long-term tenders.
- Ancillary Services: New agent Providers.
- Tender for Isolated Systems: Tender with renewable generation requirement and COES in coordinating the operation. charge.

- Transmission Plan: Concurrence sectorial procedure option and Assistance from the COES to the MINEM – PROINVERSION.
- Bar rate: The bar rate is a weighted unregulated and regulated prices average.

At the end of the first semester of 2023, the initiative has not shown any progress or response to the comments sent by the interest groups.

However, in line with promoting investments objective in renewable energies, the following bill initiatives have been presented: PdL 2139/2021, 3662/2022 and 4565/2022, the first two being promoted by Congress and the last by the Executive Power.

The Bill that seeks to modify Law 28832 (PdL 2139/2021, PdL 3662/2022, PdL 4565/2022 and PdL 4748/2022), which has been the result of previous initiatives, was approved on June 9, 2023, in Opinion 30 of the Energy and Mines Commission. This unified project raises the following issues:

- Ancillary Services: Ancillary service providers are included as market agents. Likewise, this market operation and administration will be regulated by the MINEM. The ancillary service market entry will be on January 1, 2026 and the responsibility for payment is given to those who generate the instability. This ancillary service market does not exclude any agent.
- Regulated Market Tenders: Energy blocks purchase or power and energy separately or jointly is contemplated, under the conditions established by the regulation. The bidding terms are established, categorized as short, medium, and long-term, with the maximum term to be contracted being 15 years. In addition, bilateral contracts will have 2 years maximum term.
- Bar Rate Prices: The bar price set by Osinergmin cannot differ by more than 10% from unregulated and regulated prices weighted average, taking each year March 31 as the cut-off date.
- Tenders in Isolated Systems: Renewable generation is prioritized in MINEM tenders.
- Coexistence of Contracts: Distribution of the energy and/or power consumed that respects the current contracts terms and conditions.

This project is awaiting debate in Congress plenary session at the end of June 2023.

The **Bill that establishes measures to promote the massification of natural gas** is the result of multiple bills: PdL 679, PdL 1453, PdL 523, PdL 817 and PdL 1939 that were presented during 2021 and 2022 in the Energy and Mines Commission, subsequently unified under Opinion 15 and also on June 23, 2023 had its approval in the plenary of the Congress. The main proposals are detailed below:

- Natural gas distribution projects Promotion: Natural gas distribution infrastructure increase through pipelines is sought through projects promoted by MINEM in those departments or provinces that do not have such infrastructure. These projects financing will be provided by the Energy Social Inclusion Fund (FISE), or from the Hydrocarbon Energy Security System (SISE).
- Compensation Mechanism Creation for Decentralized Access to Natural Gas: It seeks to create a compensation mechanism to level Natural Gas prices for users' distribution concessions. The reference prices are tariff categories final prices, where demand highest concentration is found in natural gas distribution concessions connected to the pipeline transportation system. The compensation mechanism is applied through a tariff discount in beneficiary users monthly billing. For NGV users, the mechanism whether consumption is applied regardless through pipelines or another modality. This mechanism is financed by the FISE in the first instance, or by the surcharge to the natural gas transportation service through pipelines to customers who make use of it if the FISE funds do not cover the compensation amounts. In generators case, a surcharge is made on the connection toll to the main transmission system.
- Fuel Inventory Agency Creation: Its main function is to manage, provide and hydrocarbon storage facilities dispose considered strategic by the Peruvian State, in order to guarantee fuels continuous supply, LPG and other hydrocarbons.

As of the end of June 2023, the Bill is awaiting approval.

The **Bill related to the Wind Canon** (PdL 2454/2021 and PdL 2939/2022), is an Local Government Ocucaje and the Congress initiative. On February 28, 2023, in Energy and Mines Commission session, a favorable opinion was issued, Opinion 18, where Title X (Wind Energy Fee) was incorporated into Law 27506 - Fee Law. This project mechanism proposes the canon creation for wind resources exploitation, 50% of the total income and rents paid composed by the concessionaires that use the wind resource for energy generation. The project is still awaiting debate in the plebiscite.
In line with this project, on June 27, 2023, a new Bill "PdL 5491/2022 - Law that incorporates the Wind Canon" was published, which raises as relevant points canon distribution under the following mechanism:

- 25% for district City Halls.
- 25% for provincial City Halls.
- 50% for towns or rural or native communities.

This bill has been assigned to the Economy, Banking, Finance and Financial Intelligence Commission and to the Energy and Mines Commission and is still under review by the respective commissions.

The **Bill that promotes the use of Hydrogen**, referring to PdL 3267/2022, PdL 3272/2022 and PdL 4374/2022. On June 20, 2023, it was approved under Energy and Mines Commission Opinion. The proposal considers the following relevant points:

- Policy and Planning: The Minem formulates sectoral energy policies and plans for the green hydrogen value chain development. It also mentions economic and tax benefits granting and short establishment, medium- and long-term goals.
- Certification of Green Origin: The Minem establishes in the regulation the necessary requirements to obtain green hydrogen green origin certification, for which it coordinates with the sectors involved.
- Declaration of National Interest: the research, development, production, transformation, storage, conditioning, transportation, distribution, commercialization, export and green hydrogen use as fuel and energy vector are national interest declared.

The **Bill Promoting Electromobility**, associated with PdL 3397/2022, PdL 3741/2022 and PdL 3741/2022. On June 14, 2023, it was approved under Energy and Mines Commission opinion 28. The following topics are proposed:

- National Interest: Electric vehicles use promotion, hybrids and necessary charging infrastructure implementation national interest declared, with reducing greenhouse gas (GHG) emissions and the reduction in liquid fuels importation objective.
- Policy and Planning: The Minem formulates sectoral energy policies and plans for electromobility promotion, which must be aligned with the policies of Transport and Communications Ministry (MTC) and the Economy and Finance (MEF) Ministry, which include Economic incentives for electric and hybrid vehicles acquisition for the purpose of renewing the vehicle fleet for electric and hybrid vehicles and charging infrastructure implementation for their energy supply. Economic and tax benefits for electric and hybrid vehicles manufacture and assembly.
- Charging Infrastructure: The service provided at the charging stations qualifies as a commercial activity, is developed under competitive conditions and is publicly accessible. The owners of the charging stations report the service tariffs to OSINERGMIN, so that such tariffs are published.

The **Bill that promotes Lithium**, associated to PdL 4775, PdL 5288 and PdL 4184. On May 18, 2023, it was approved under opinion 26 of the Energy and Mining Commission. Among the main initiatives are national interest creation declaration, construction and implementation of the National Lithium Plant for the production of batteries and other products, to serve and supply the domestic and international market.

The **Tariff Balancing and Stabilization Bill**, which is promoted by the Special Multiparty Commission Capital Peru. On March 27, 2023, it debated the legislative initiative on temporary measures formalization on electricity matters all National Electricity Market users benefit. The main measures of this bill are the following:

- A surcharge will be applied to the energy and unregulated users power charges during Tariff Balancing Program validity period. The unit purpose surcharge is to ensure that until the end of the year 2030, the Generation Level Price at the Generation Bar level differs by a Free Market Average Price 10% maximum published by OSINERGMIN.
- For setting the Tariff Balancing Surcharge, OSINERGMIN considers 3.5 USD/MWh maximum values until 2023, an 10% from 2024 increase and 7 USD/MWh maximum excess from 2029 to 2030.
- The Tariff Balancing Surcharge is set quarterly by OSINERGMIN based on users benefiting number projection from the Tariff Balancing Program.

At the end of the second quarter, this project is still under discussion in committee, showing no progress.

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. Colbún 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 2Q22 compared to 2Q21, while in Peru, there was an increase of 2.6% compared to 2Q21.

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 Colbún' 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, Colbún 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.

At June 30, 2023, the Company's financial debt is 92% fixed rate and 8% floating 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 Colbún has maintained energy supply contracts have correctly made the corresponding payments.

In recent times, given that Colbún 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, Colbún 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 June 30, 2023, cash surpluses investments are invested in interest-bearing checking accounts, mutual funds (of banking subsidiaries) and time deposits in local and international banks. The latter correspond to short-term mutual funds, with less than 90 days duration, known as "money market".

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 Colbún'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 June 30, 2023, Colbún has approximately US$950 million cash surpluses, invested in interest-bearing checking accounts, time deposits and mutual funds with 50 days average term (including deposits with less and more than 90 days terms of, the latter are recorded as "Other Current Financial Assets" in the Consolidated Financial Statements) and fixed-income investments with 0 to 1 year terms that are expected to be held to maturity.

Also, the Company has available as additional liquidity sources as of today: (i) three bond facilities registered in the local market, two for a combined UF 7 million total amount and one for UF 7 million amount and (ii) uncommitted bank lines for approximately US$150 million. Fenix has uncommitted totaling US$60 million credit lines.

In the next 12 months, the Company must disburse approximately US$101 million in interests and principal amortization. These obligations are expected to be funded with the Company's own cash flow generation.

As of June 30, 2023, Colbún has national risk ratings AA by Fitch Ratings and Feller Rate, both with stable outlook. Internationally, the Company's rating is Baa2 by Moody's, BBB by S&P and BBB+ by Fitch Ratings, all with stable outlook.

As of June 30, 2023, Fenix has international risk ratings of BBB- by S&P and Fitch Ratings, all 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 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, Colbún 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, Colbún 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 June 30, 2023, the Company's exposure to foreign exchange differences impact on structural items translates into approximately US$6.4 million potential effect, on a quarterly basis, based on a sensitivity analysis at 95% confidence level.

The exposure associated with the variation in interest rates is measured as monthly interest sensitivity expense to 25 basis points change in the variable reference rate, which is the SOFR rate. Thus, an increase of 25 basis points in the SOFR rate would mean an increase in the monthly interest expense US$33 thousand per accrual, while a decrease in the reference rate would result in a reduction of US$33 thousand in the monthly interest expense per accrual. The Company considers the interest rate risk to be limited. These effect is partially mitigated through cash investments linked to the SOFR rate.

Credit risk is limited because Colbún 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 15%. 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 in derivatives no counterparty concentrates more than 44% 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.

DISCLAIMER

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.Colbún.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.