Colbun
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QUARTERLY EARNINGS REPORT

As of September 30, 2023

3rd QUARTER 2023

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Conference Call
3Q23 Results

Date: November 3rd, 2023
Hour: 11:00 AM Eastern Time
12:00 PM Chilean Time

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Event Link:
https://mm.closir.com/slides?id=106945

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1. HIGHLIGHTS

Main Figures at a Consolidated Level

- **Operating income** for the third quarter of 2023 (3Q23) reached **US$493.8 million,** increasing 1% compared to the revenues recorded during the third quarter of 2022 (3Q22), primarily due to (1) a higher average selling price to both unregulated and regulated clients in Chile, as a result of the positive variation in indexers in those contracts, and (2) a higher average price in the Peruvian spot market. These effects were partially offset by a lower average selling price in the Chilean spot market. **In cumulative terms,** ordinary operating income as of Sep-23 amounted to **US$1,594.4 million**, increasing 12% compared to Sep-22, mainly due to the same reasons that explain the variations in quarterly terms, especially the higher average selling price to unregulated clients in Chile compared to the previous year.

- Consolidated **EBITDA** for 3Q23 reached **US$226.2 million**, increasing 10% compared to the US$205.2 million EBITDA in 3Q22. This increase is explained by a decrease in costs due to higher hydroelectric generation and consequently lower generation from thermal power plants during the quarter. Those effects were partially offset by (1) an increase in the costs of energy and power purchases in the spot market due to the higher average purchase price in Peru, and (2) lower revenue from the sale of energy and capacity in the spot market due to a lower average sell price in Chile. **In cumulative terms,** EBITDA as of Sep-23 totaled **US$553.1 million**, increasing 10% compared to Sep-22, mainly due to higher operating income, partially offset by higher raw materials and consumables costs.

- **Non-Operating Income** in 3Q23 recorded a loss of **US$0.5 million**, which compares to the loss of US$34.2 million during 3Q22, mainly associated with (1) higher financial income due to the increase in interest rates during this quarter, and (2) higher "Other profits" mainly due to the income of US$8.3 million corresponding to an insurance payment, because of the Nehuenco 2 thermal power plant failure that occurred in January 2022. **In cumulative terms**, non-operating income as of Sep-23 reached profits of **US$68.9 million,** compared to a loss of US$105.5 million in Sep-22. The higher profit is mainly explained by the higher financial income previously mentioned, and the final price adjustment associated with the sale of Colbún Transmisión S.A for US$116.4 million, which was recorded during 2Q23.

- In 3Q23, a **tax expense** of **US$51.4 million** was recorded, compared to a US$36.3 million tax expense in 3Q22. 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 3Q23 and its impact on deferred taxes. **In cumulative terms, as** of Sep-23, a tax expense of **US$123.7 millio**n was recorded, compared to US$61.7 million as of Sep-22, mainly due to the same reasons that explain the variations in quarterly terms.

- In 3Q23, the Company recorded a **profit** of **US$124.4 million,** compared to US$80.7 million profit presented in 3Q22, mainly due to the higher EBITDA and non-operating income mentioned earlier. This impact was partially offset by the higher tax expenses in this period. **In cumulative terms**, Colbún presented a profit of **US$347.6 million** as of Sep-23, which compares with the US$174.3 million profit registered as of Sep-22, mainly due to the final price adjustment associated with the sale of Colbún Transmisión S.A for US$116.4 million, in addition to the increase in financial income.

Highlights of the quarter

- On August 4, a fire broke out in the gas turbine filter area of Unit 1 at the Nehuenco Complex. The cause of the fire was the fall of an incandescent piece of metal into an area with flammable material filters, at a moment when the metal component was being welded to the structure of the filter area. However, it is important to note that this procedure is part of the major maintenance process that the mentioned Unit was undergoing at the time of the fire. Additionally, thanks to the action of the Complex's emergency brigade and the Quillota Fire Department, the fire was quickly contained without any injuries or spreading to other areas of the Complex. As a result, the estimated commissioning date for the unit is projected to be on January 20, 2024, a date that has already been communicated to the National Electric Coordinator. It should be noted that the Company has insurance for these types of events.

- On September 12, the signing of a 100% renewable energy contract between Colbún and Minera Collahuasi for up to 650 GWh per year was announced. The contract period is from January 2024 to December 2035. The first phase (2024-2025) corresponds to an agreement for 230 GWh per year, and the second phase (2026-2035) covers 650 GWh per year, which will be supplied by both renewable assets already under construction and new projects to be built.

- As of September 30, the Company has achieved 63% progress on the Horizonte wind project, reaching mechanical completion of 29 wind turbines by the end of the quarter. The construction of foundations has been completed, and work on internal roads and turbine platforms is still in progress, with an overall progress of 93% in civil works, substations, transmission lines, and medium voltage networks, as well as 78% progress in electrical works. In total, 407 main components have been unloaded at the wind turbine site. It's worth mentioning that the Company have experienced difficulties transporting oversized wind turbine components from Puerto Angamos in Mejillones to the Project site, due to the shortage of available police escorts for these transfers. During this quarter, there has been progress with the possibility to complement with private escorts on a "trial basis".

- As of September 30, the Diego de Almagro power plant's battery storage system has conducted real-time signal testing (SITR), which was essential for its certification and commercial operation. Currently, it is performing daily energy charging and injection operations, but awaits approval from the National Electric Coordinator for commercial operation.

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 3Q22 and 3Q23, and cumulative as of Sep-22 and Sep-23.

Table 1: **Physical sales and generation in Chile**

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/Ac	Q/Q
9,950	**9,995**	**Total Physical Sales (GWh)**	**3,211**	**3,189**	**0%**	**(1%)**
1,829	1,962	Regulated Clients	658	684	7%	4%
7,116	7,002	Unregulated Clients	2,323	2,241	(2%)	(3%)
1,005	1,031	Sales to the Spot Market	231	264	3%	15%
1,548	**1,625**	**Capacity Sales (MW)**	**1,548**	**1,625**	**5%**	**5%**

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/Ac	Q/Q
10,118	**10,197**	**Total Generation (GWh)**	**3,245**	**3,237**	**1%**	**(0%)**
3,460	**4,523**	Hydraulic	**1,654**	**2,428**	**31%**	**47%**
5,986	**5,134**	Thermal	**1,420**	**656**	**(14%)**	**(54%)**
3,772	3,606	Gas	681	434	(4%)	(36%)
206	62	Diesel	23	1	(70%)	(98%)
2,008	1,466	Coal	717	221	(27%)	(69%)
673	**539**	VRE*	**171**	**153**	**(20%)**	**(10%)**
84	69	Wind Farm	27	28	(18%)	4%
589	470	Solar	144	126	(20%)	(13%)
36	**16**	**Spot Market Purchases (GWh)**	**36**	**16**	**(55%)**	**(13%)**
970	**1,015**	**Sales - Purchases to the Spot Market (GWh)**	**195**	**248**	**5%**	**27%**

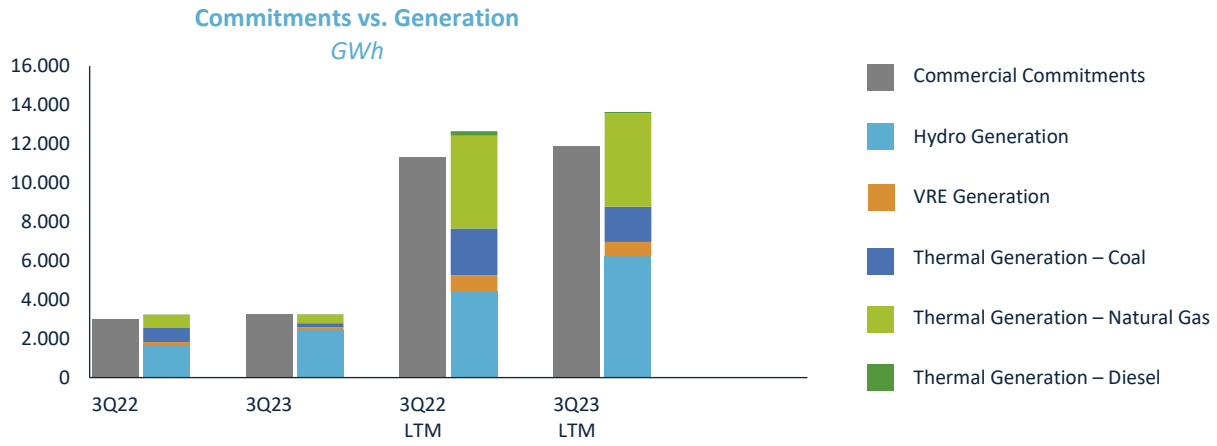
(*): Includes energy purchased from Punta Palmeras wind farm owned by Acciona and Santa Isabel owned by Total Sun Power.
VRE: Variable renewable energies

Physical sales during 3Q23 reached **3,189 GWh**, decreasing by 1% compared to 3Q22, mainly due to lower physical sales to unregulated clients, primarily explained by reduced consumption among mining clients. This effect was partially offset by (1) increased sales in the spot market due to lower consumption by our unregulated clients during this quarter, and (2) increased in physical sales to regulated clients explained by the expiration of contracts between other generation companies and distribution companies, resulting in a higher load factor for the contracts still in force.

On the other hand, **generation** for the quarter reached **3,237 GWh**, in line with 3Q22. This generation level was mainly due to increased hydroelectric generation (+773 GWh) due to better hydrology conditions, which offset a decrease in thermal generation (-764 GWh), particularly from coal (-496 GWh).

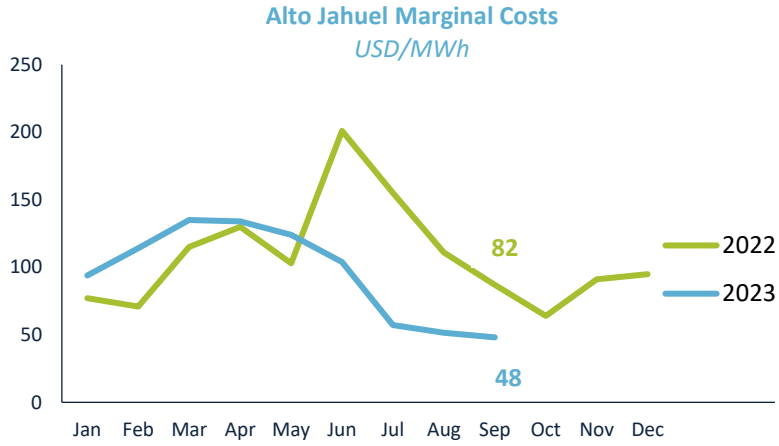
In cumulative terms, physical sales as of Sep-23 reached **9,995 GWh**, in line with cumulative sales as of Sep-22, primarily due to a balance between increased sales to regulated clients and decreased sales to unregulated clients, given the reduced consumption among mining clients. **Cumulative generation**, on the other hand, reached **10,197 GWh** as of Sep-23, increasing by 1% compared to Sep-22, mainly due to increased hydroelectric generation (+1,064 GWh). These effects were partially offset by decreased thermal generation (-852 GWh), as a result of reduced coal-based generation.

Spot market balance during the quarter recorded net sales of **248 GWh**, compared to 195 GWh of net sales in 3Q22. This variation is mainly explained by the reduced consumption of unregulated clients mentioned earlier. **In cumulative terms**, as of Sep-23, the spot market balance registered net sales of **1,015 GWh**, while as of Sep-22, net sales of 970 GWh were recorded. This variation is primarily explained by higher cumulative generation.



Generation mix in Chile: As of Sep-23, 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: -15%; Maule: +46%; Laja: +52%; Biobío: +35%; Chapo: +6%. Average marginal cost, measured at Alto Jahuel, decreased 17% compared to 3Q22, averaging US$52.3/MWh in 3Q23.

Accumulated Figures		SEN Generation	Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/Ac	Q/Q
62,465	**62,756**	**Total Generation (GWh)**	**20,846**	**21,142**	**0%**	**1%**
13,296	15,907	Hydraulic	5,836	8,020	20%	37%
12,534	13,761	Gas	3,854	3,048	10%	(21%)
1,296	454	Diesel	228	39	(65%)	(83%)
16,580	11,346	Coal	4,693	3,381	(32%)	(28%)
6,709	7,217	Wind Farm	2,376	2,442	8%	3%
10,003	11,971	Solar	3,174	3,508	20%	11%
2,047	2,099	Others	684	702	3%	3%



2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 3Q22 and 3Q23, and cumulative as of Sep-22 and Sep-23.

Table 2: Physical sales and generation in Peru

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/ Ac	Q/ Q
3,104	**3,008**	**Total Physical Sales (GWh)**	**1,150**	**1,169**	**(3%)**	**2%**
1,464	1,474	Regulated Clients	482	476	1%	(1%)
340	1,058	Unregulated Clients	116	338	-	-
1,300	476	Sales to the Spot Market	553	355	(63%)	(36%)
568	**570**	**Capacity Sales (MW)**	**570**	**570**	**0%**	**(0%)**

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/ Ac	Q/ Q
3,132	**2,504**	**Total Generation (GWh)**	**1,176**	**1,197**	**(20%)**	**2%**
3,132	2,504	Gas	1,176	1,197	(20%)	2%
44	**567**	**Spot Market Purchases (GWh)**	**-**	**-**	-	-
1,256	**(91)**	**Sales - Purchases to the Spot Market (GWh)**	**553**	**355**	-	(36%)

Physical sales during 3Q23 reached **1,169 GWh**, increasing by 2% compared to 3Q22. The higher physical sales are primarily explained by increased sales to unregulated clients, due to the entry of new supply contracts. This effect was partially offset by lower spot market sales compared to 3Q22, mainly due to the increased commitments with the unregulated clients mentioned before.

Fenix's **generation** reached **1,197 GWh**, increasing by 2% compared to 3Q22. This higher generation is mainly explained because during 3Q22, there was forced unavailability of the plant due to turbine failures, which meant that CT Fenix was approximately 20 hours out of service during the months of July and August in 3Q22.

In cumulative terms, physical sales as of Sep-23 reached **3,008 GWh**, decreasing by 3% compared to Sep-22, primarily due to lower spot market sales. Furthermore, **cumulative generation** as of Sep-23 reached **2,504 GWh**, decreasing by 20% compared to Sep-22, mainly due to the extended major maintenance, that lasted longer than the one conducted in the previous year.

The spot market balance in 3Q23 registered net sales of **355 GWh**, compared to net sales of 553 GWh during 3Q22, due to increased consumption by unregulated clients resulting from the entry of new supply contracts mentioned earlier. **In cumulative terms**, as of Sep-23, net purchases of **91 GWh** were recorded, compared to net sales of 1,256 GWh recorded as of Sep-22; the variations are mainly explained by the reduced availability of CT Fenix during this year.

Generation mix in Peru: The Mantaro river basin, which supplies the main hydroelectric complex in Peru, CH Mantaro and CH Restitución (900 MW), presented a hydrological condition with an 81.9% probability of exceedance as of September 2023, compared to 35.9% in September 2022.

In cumulative terms, hydroelectric generation in the National Interconnected Electric System (SEIN) decreased by 10.2% compared to Sep-22, primarily due to lower hydrology and maintenance of the Mantaro, Restitución, Cerro del Águila hydroelectric plants, and the shutdown of the Chaglla and Quitaracsa hydroelectric plants. On the other hand, thermoelectric generation increased by 25.4% as of Sep-23 compared to Sep-22, mainly due to increased system demand and reduced hydroelectric production, due to lower hydrology and the maintenance and shutdown of the hydroelectric plants.

The electricity demand growth rate at the end of 3Q23 was 3.1% compared to 3Q22, driven by increased consumption from mining companies.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement (Chile and Peru) in 3Q22 and 3Q23, and cumulative as of Sep-22 and Sep-23.

Table 3: Income Statement (US$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/ Ac	Q/Q
1,419.0	**1,594.4**	**OPERATING INCOME**	**488.2**	**493.8**	**12%**	**1%**
339.0	386.8	Regulated Customers Sales	123.2	134.7	14%	9%
729.8	864.1	Unregulated Customers Sales	249.2	260.5	18%	5%
316.0	285.8	Energy and Capacity Sales	104.6	74.2	(10%)	(29%)
34.2	57.7	Other Operating Income	11.3	24.3	69%	-
(812.8)	**(922.1)**	**RAW MATERIALS AND CONSUMABLES USED**	**(248.6)**	**(228.5)**	**13%**	**(8%)**
(105.1)	(110.9)	Transmission Tolls	(31.6)	(30.5)	5%	(3%)
(106.1)	(172.1)	Energy and Capacity Purchases	(37.3)	(66.2)	62%	77%
(384.9)	(419.8)	Gas Consumption	(115.3)	(77.2)	9%	(33%)
(65.1)	(20.4)	Diesel Consumption	(7.2)	(4.3)	(69%)	(41%)
(104.6)	(123.7)	Coal Consumption	(41.6)	(22.3)	18%	(46%)
(47.0)	(75.4)	Other Operating Expenses	(15.6)	(27.9)	60%	79%
606.2	**672.3**	**GROSS PROFIT**	**239.6**	**265.3**	**11%**	**11%**
(62.2)	(69.4)	Personnel Expenses	(20.7)	(23.8)	12%	15%
(40.4)	(49.8)	Other Expenses, by Nature	(13.7)	(15.3)	23%	12%
(162.1)	(150.8)	Depreciation and Amortization Expenses	(54.0)	(49.9)	(7%)	(8%)
341.5	**402.3**	**OPERATING INCOME (LOSS) (*)**	**151.1**	**176.3**	**18%**	**17%**
503.6	**553.1**	**EBITDA**	**205.2**	**226.2**	**10%**	**10%**
14.1	49.4	Financial Income	7.4	17.6	-	-
(64.3)	(66.2)	Financial Expenses	(22.8)	(21.0)	3%	(8%)
(12.9)	(6.1)	Exchange rate Differences	(3.5)	(4.0)	(53%)	15%
8.4	10.2	Profit (Loss) of Companies Accounted for Using the Equity Method	3.2	2.8	21%	(12%)
(50.8)	81.6	Other Profit (Loss)	(18.5)	4.1	-	-
(105.5)	**68.9**	**NON-OPERATING INCOME**	**(34.2)**	**(0.5)**	**-**	**(99%)**
236.0	**471.3**	**PRE-TAX PROFIT (LOSS)**	**117.0**	**175.8**	**-**	**50%**
(61.7)	**(123.7)**	Income Tax Expense	(36.3)	(51.4)	-	42%
174.3	**347.6**	**AFTER TAX PROFIT (LOSS)**	**80.7**	**124.4**	99%	**54%**
167.0	**339.6**	**PROFIT (LOSS) OF CONTROLLER**	**80.6**	**117.7**	-	**46%**
7.2	**8.0**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**0.1**	**6.7**	**11%**	**-**

(*): 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	Sep-22	Dec-22	Sep-23
Chile (CLP / US$)	960.24	855.86	895.60
Chile UF (CLP/UF)	34,258.23	35,110.98	36,134.97
Peru (PEN / US$)	3.98	3.82	3.80

3.1. Chile's Operating Income Analysis

Table 5 presents a summary of Operating Income and EBITDA in 3Q22 and 3Q23, and cumulative as of Sep-22 and Sep-23. Subsequently, the major accounts and/or variations will be analyzed.

Table 5: EBITDA Chile (US$ million)

Accumulated Figures			Quarterly Figures		Var %	
Sep-22	Sep-23		3Q22	3Q23	Ac/Ac	Q/Q
1,251.7	**1,344.6**	**OPERATING INCOME**	**429.0**	**367.2**	**7%**	**(14%)**
230.9	268.0	Regulated Customers Sales	87.1	96.6	16%	11%
715.4	792.5	Unregulated Customers Sales	244.4	224.0	11%	(8%)
278.4	233.9	Energy and Capacity Sales	87.6	24.2	(16%)	(72%)
27.0	50.2	Other Operating Income	10.0	22.4	86%	-
(728.8)	**(760.2)**	**RAW MATERIALS AND CONSUMABLES USED**	**(218.1)**	**(155.8)**	**4%**	**(29%)**
(100.7)	(107.5)	Transmission Tolls	(30.3)	(29.0)	7%	(4%)
(102.7)	(99.6)	Energy and Capacity Purchases	(36.1)	(33.4)	(3%)	(7%)
(315.3)	(352.5)	Gas Consumption	(89.8)	(50.6)	12%	(44%)
(65.0)	(17.0)	Diesel Consumption	(7.2)	(0.9)	(74%)	(87%)
(104.6)	(123.7)	Coal Consumption	(41.6)	(22.3)	18%	(46%)
(40.5)	(59.9)	Other Operating Expenses	(13.1)	(19.6)	48%	50%
522.9	**584.4**	**GROSS PROFIT**	**210.9**	**211.4**	**12%**	**0%**
(56.1)	(61.9)	Personnel Expenses	(18.9)	(21.1)	10%	11%
(34.8)	(43.8)	Other Expenses, by Nature	(11.6)	(13.1)	26%	13%
(135.5)	(125.1)	Depreciation and Amortization Expenses	(45.1)	(41.6)	(8%)	(8%)
296.5	**353.7**	**OPERATING INCOME (LOSS) (*)**	**135.2**	**135.5**	**19%**	**0%**
432.0	**478.7**	**EBITDA**	**180.4**	**177.2**	**11%**	**(2%)**

(*): 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 3Q23 amounted to **US$367.2 million**, decreasing by 14% compared to the operating income of US$429.0 million recorded in 3Q22, mainly due to (1) lower sales in the spot market, explained by a reduction in the average selling price, and (2) lower sales to unregulated clients associated with a decreased in physical sales to mining clients and a lower average price due to a drop in fuel prices compared to 3Q22. These effects were partially offset by higher sales to regulated clients, mainly associated with a higher average selling price due to a positive variation in the indexers during the quarter and an increase in the load factor for contracts that are still active due to the expiration of contracts from other companies in the market. **In cumulative terms,** operating income as of Sep-23 amounted to **US$1,344.6 million**, increasing by 7% compared to Sep-22, mainly due to higher sales to unregulated and regulated clients, despite the decrease in volume, driven by an increased average sale price. This effect is partially offset by lower sales in the spot market for the same reasons on a quarterly basis.

Raw materials and consumables used costs in 3Q23 totaled **US$155.8 million**, decreasing by 29% compared to 3Q22, mainly due to lower gas and coal consumption costs associated with reduced generation from both fuels, which, in turn, is explained by the increase in hydroelectric generation during the quarter. **In cumulative terms,** raw materials and consumables used costs as of Sep-23 reached **US$760.2 million,** increasing by 4% compared to Sep-22, mainly due to higher gas and coal consumption costs due to an increase in the price of these fuels. These effects are partially offset by lower diesel consumption costs, associated with reduced generation from this fuel during the year.

EBITDA in 3Q23 reached **US$177.2 million,** decreasing by 2% compared to the EBITDA of US$180.4 million in 3Q22, mainly due to lower operating income, partially offset by lower raw materials and fuel costs mentioned above. **In cumulative terms,** EBITDA as of Sep-23 totaled **US$478.7 million,** increasing by 11% compared to Sep-22, mainly due to higher operating income, partially offset by higher raw materials and fuel costs.

3.2. Peru's Operating Income Analysis

Table 6 shows a summary of Fenix's Operating Income and EBITDA for the quarters 3Q22 and 3Q23, and cumulative as of Sep-22 and Sep-23. Subsequently, the main accounts and/or variations will be analyzed.

Table 6: EBITDA Peru (US$ million)

Accumulated Figures			Quarterly Figures		Var %	
Sep-22	Sep-23		3Q22	3Q23	Ac/ Ac	Q/Q
167.3	**249.8**	**OPERATING INCOME**	**59.2**	**126.6**	**49%**	**-**
108.1	118.8	Regulated Customers Sales	36.1	38.1	10%	6%
14.5	71.6	Unregulated Customers Sales	4.8	36.5	-	-
37.6	51.9	Energy and Capacity Sales	17.0	50.1	38%	-
7.2	7.5	Other Operating Income	1.3	1.9	4%	47%
(84.1)	**(161.9)**	**RAW MATERIALS AND CONSUMABLES USED**	**(30.6)**	**(72.6)**	**92%**	**-**
(4.5)	(3.4)	Transmission Tolls	(1.3)	(1.5)	(25%)	16%
(3.4)	(72.5)	Energy and Capacity Purchases	(1.3)	(32.8)	-	-
(69.5)	(67.3)	Gas Consumption	(25.5)	(26.6)	(3%)	4%
(0.1)	(3.4)	Diesel Consumption	0.0	(3.4)	-	-
(6.7)	(15.4)	Other Operating Expenses	(2.5)	(8.3)	-	-
83.1	**87.9**	**GROSS PROFIT**	**28.6**	**53.9**	**6%**	**89%**
(6.1)	(7.5)	Personnel Expenses	(1.8)	(2.7)	23%	51%
(5.7)	(6.3)	Other Expenses, by Nature	(2.0)	(2.3)	11%	14%
(26.6)	(25.7)	Depreciation and Amortization Expenses	(8.9)	(8.2)	(3%)	(7%)
44.8	**48.3**	**OPERATING INCOME (LOSS) (*)**	**15.9**	**40.6**	**8%**	**-**
71.4	**74.1**	**EBITDA**	**24.7**	**48.9**	**4%**	**98%**

(*): 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 3Q23 amounted to US$126.6 million, increasing compared to the income of US$59.2 million recorded in 3Q22, mainly due to (1) higher sales in the spot market resulting from an increase in the average selling price, and (2) higher sales to unregulated clients due to the entry into force of new contracts. **In cumulative terms,** operating income as of Sep-23 reached **US$249.8 million**, increasing by 49% compared to Sep-22, primarily due to the same reasons that explain the variations on a quarterly basis.

Raw materials and consumables used costs in 3Q23 reached **US$72.6 million**, increasing compared to 3Q22, mainly due to higher purchases of energy and capacity in the spot market, mostly driven by the increase in the average purchase price. **In cumulative terms**, raw materials and consumables used costs as of Sep-23 reached **US$161.9 million**, increasing by 92% compared to Sep-22, primarily due to higher purchases of energy and capacity in the spot market resulting from the increase in the average purchase price and the higher volume of purchases due to the extended maintenance of Fenix during this year.

Fenix's EBITDA totaled US$48.9 million in 3Q23, recording a 98% increase compared to the EBITDA of US$24.7 million recorded in 3Q22, primarily due to higher sales of energy and capacity in the spot market as a result of the previously mentioned higher average selling price. **In cumulative terms**, EBITDA as of Sep-23 reached **US$74.1 million**, increasing by 4% compared to Sep-22, primarily explained by the same reasons that account for the variations on a quarterly basis.

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 3Q22 and 3Q23, and cumulative as of Sep-22 and Sep-23. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/ Ac	Q/Q
14.1	49.4	Financial Income	7.4	17.6	-	-
(64.3)	(66.2)	Financial Expenses	(22.8)	(21.0)	3%	(8%)
(12.9)	(6.1)	Exchange rate Differences	(3.5)	(4.0)	(53%)	15%
8.4	10.2	Profit (Loss) of Companies Accounted for Using the Equity Method	3.2	2.8	21%	(12%)
(50.8)	81.6	Other Profit (Loss)	(18.5)	4.1	-	-
(105.5)	**68.9**	**NON-OPERATING INCOME**	**(34.2)**	**(0.5)**	**-**	**(99%)**
236.0	**471.3**	**PRE-TAX PROFIT (LOSS)**	**117.0**	**175.8**	**-**	**50%**
(61.7)	(123.7)	Income Tax Expense	(36.3)	(51.4)	-	42%
174.3	**347.6**	**AFTER TAX PROFIT (LOSS)**	**80.7**	**124.4**	99%	**54%**
167.0	**339.6**	**PROFIT (LOSS) OF CONTROLLER**	**80.6**	**117.7**	-	**46%**
7.2	**8.0**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**0.1**	**6.7**	**11%**	**-**

- **Non-Operating Income** in 3Q23 recorded a loss of **US$0.5 million**, which compares to the loss of US$34.2 million in 3Q22, mainly associated with (1) higher financial income due to the increase in interest rates during this quarter, and (2) higher "Other profits" mainly due to the income of US$8.3 million corresponding to an insurance payment, because of the Nehuenco 2 thermal power plant that occurred in January 2022. **In cumulative terms**, non-operating result as of Sep-23 reached profits of **US$68.9 million,** compared to a loss of US$105.5 million in Sep-22. The higher profit is mainly explained by the higher financial income mentioned earlier, and the final price adjustment associated with the sale of Colbún Transmisión S.A for US$116.4 million, which was recorded during 2Q23.

- In 3Q23, a **tax expense** of **US$51.4 million** was recorded, compared to a US$36.3 million tax expense in 3Q22. 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 3Q23 and its impact on deferred taxes. **In cumulative terms, as** of Sep-23, a tax expense of **US$123.7 million** was recorded, compared to US$61.7 million as of Sep-22, mainly due to the same reasons which explain the variations in quarterly terms.

- In 3Q23, the Company recorded a **profit** of **US$124.4 million,** compared to US$80.7 million profit presented in 3Q22, mainly due to the higher EBITDA and non-operating income mentioned above. This impact was partially offset by the higher tax expense of this period. **In cumulative terms**, Colbún presented a profit of **US$347.6 million** as of Sep-23, which compares to the US$174.3 million profit registered as of Sep-22, mainly due to the final price adjustment associated with the sale of Colbún Transmisión S.A for US$116.4 million, in addition to the increase in financial income.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 8 shows an analysis of the Balance Sheet's relevant accounts as of Dec-22 and Sep-23. Subsequently, the main variations will be analyzed.

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

	Dec-22	Sep-23	Var	Var %
Current assets	1,688.3	1,653.7	(34.6)	(2%)
Non-current assets	4,917.7	5,074.4	156.7	3%
TOTAL ASSETS	**6,606.0**	**6,728.1**	**122.1**	**2%**
Current liabilities	542.6	415.8	(126.8)	(23%)
Non-current liabilities	3,110.5	3,079.1	(31.4)	(1%)
Total net equity	2,952.9	3,233.3	280.4	9%
TOTAL LIABILITIES AND NET EQUITY	**6,606.0**	**6,728.1**	**122.1**	**2%**

- **Current Assets:** Reached **US$1,653.7 million** as of Sep-23, decreasing by 2% compared to the current assets recorded as of Dec-22, primarily due to disbursements associated with the Horizonte wind farm project.

- **Non-current Assets:** Recorded **US$5,074.4 million** as of Sep-23, increasing 3% compared to non-current assets registered as of Dec-22, mainly explain by constructions and equipment's asset increasement, associated with Horizonte wind farm project.

- **Current Liabilities:** Totaled **US$415.8 million** as of Sep-23, decreasing by 23% compared to the current liabilities recorded as of Dec-22, mainly due to a decrease in accounts payable resulting from (1) payment for new coal shipments during the quarter and (2) a reduction in outstanding invoices, associated with fuels and domestic suppliers.

- **Non-current Liabilities:** Reached **US$3,079.1 million** as of Sep-23, in line compared to the non-current liabilities recorded as of Dec-22.

- **Total Net Equity:** The Company reached a Net Equity of **US$3,233.3 million**, increasing by 9% compared to the Net Equity recorded as of Dec-22, primarily due to the increase in operating results during the period.

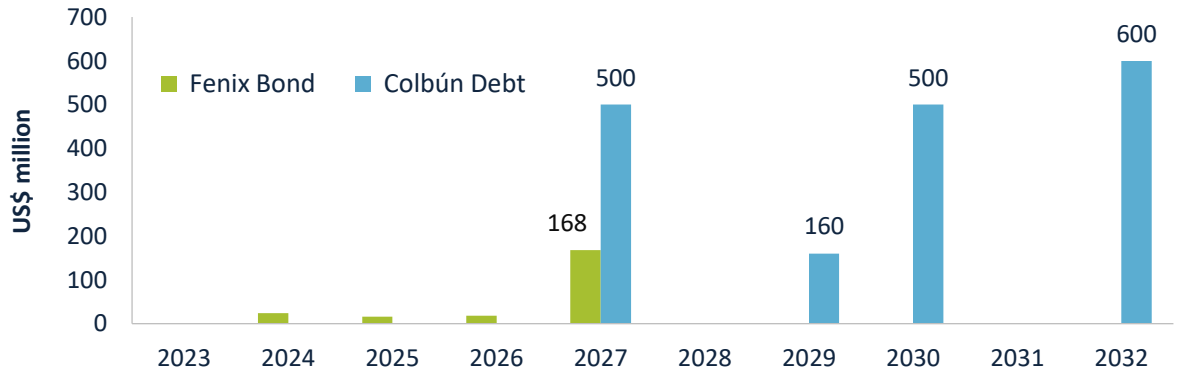
Table 9: **Main Debt Items (US$ million)**

	Dec-22	Sep-23	Var	Var %
Gross Financial Debt*	2,137.9	2,109.0	(28.9)	(1%)
Financial Investments**	1,154.4	1,170.7	16.3	1%
Net Debt	983.5	938.3	(45.2)	(5%)
EBITDA LTM	763.4	812.9	49.5	6%
Net Debt/EBITDA LTM	1.3	1.2	(0.1)	(10%)

(*) The amount includes debt associated to Fenix without recourse to Colbún: (1) an international bond with an outstanding capital of US$226.0 million, (2) a financial leasing for US$11.7 million associated with a transmission contract with Consorcio Transmantaro, (3) a US$96.8 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.

Table 10: **Long Term Financial Debt**

Average Life	6.8 years
Average Interest Rate	3.7%
Currency	100%USD



5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec-22 and Sep-23 is presented below. Balance Sheet financial indicators are calculated at the specified date and Income Statement ratios include the accumulated result over the last twelve months as of the indicated date.

Table 11: Financial Ratios

Ratio	Dec-22	Sep-23	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	3.15	3.98	26%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	2.98	3.67	23%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	1.24	1.08	-13%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	14.85%	11.90%	-20%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	85.15%	88.10%	3%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	5.69	8.12	43%
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	10.51%	10.75%	2%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	4.48%	5.05%	13%
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	12.04%	8.44%	-30%

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 **3.98x** and **3.67x** as of Sep-23, increasing 26% and 23% respectively compared to Dec-22, mainly associated with a decrease in current liabilities explained by lower accounts payable following the coal shipment payments.

- **The Indebtedness Ratio** reached **1.08x** as of Sep-23, decreasing by 13% compared to the value of 1.24x as of Dec-22, primarily due to lower accounts payable levels mentioned above.

- The percentage of **Short-Term Debt** as of Sep-23 was **11.90%,** decreasing by 20% compared to the value of 14.85% as of Dec-22, mainly due to the reduction in current liabilities mentioned above, while non-current liabilities remained in line with 4Q22 amounts.

- The percentage of **Long-Term Debt** as of Sep-23 was **88.10%,** increasing by 3% compared to the value of 85.15% as of Dec-22, primarily due to the reduction in current liabilities mentioned above, while non-current liabilities remained in line with 4Q22 amounts.

- The **Financial Expenses Coverage** as of Sep-23 reached **8.12x**, increasing by 43% compared to the value of 5.69x obtained as of Dec-22. The variation is mainly explained by the higher profits recorded in the period.

- The **Equity Profitability** as of Sep-23 was **10.75%,** increasing by 2% compared to the value of 10.51% recorded as of Dec-22. The variation is mainly explained by the higher profits recorded in the period.

- **Asset Profitability** as of Sep-23 was **5.05%,** registering a 13% increase compared to the value of 4.48% as of Dec-22, primarily due to the higher profits recorded in the period.

- The **Performance of Operating Assets** as of Sep-23 was **8.44%,** decreasing by 30% compared to the value of 12.04% as of Dec-22, primarily due to the higher amount of assets related to property, plant, and equipment over the last 12 months, as a result of the Horizonte wind farm project.

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)

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-22	Sep-23		3Q22	3Q23	Ac/ Ac	Q/ Q
1,419.2	1,154.5	Cash Equivalents, Beg. of Period*	989.8	949.7	(19%)	(4%)
313.5	538.1	Net cash flows provided by (used in) operating activities	322.2	381.6	72%	18%
(374.3)	(249.6)	Net cash flows provided by (used in) financing activities	(50.2)	(44.7)	(33%)	(11%)
(168.0)	(263.4)	Net cash flows provided by (used in) investing activities**	(78.6)	(106.7)	57%	36%
(228.8)	25.1	Net Cash Flows for the Period	193.4	230.1	-	19%
(14.6)	(8.9)	Effects of exchange rate changes on cash and cash equivalents	(7.5)	(9.2)	(39%)	22%
1,175.8	1,170.7	Cash Equivalents, End of Period	1,175.8	1,170.7	(0%)	(0%)

(*) 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 3Q23, the Company reported a **positive net cash flow of US$230.1 million**, which compares to the positive net cash flow of US$193.4 million in 3Q22.

- **Operating Activities:** During 3Q23, a positive net flow of **US$381.6 million** was generated, which compares with the positive net flow of US$322.2 million in 3Q22, mainly explained by a lower payment of VAT and income tax compared to 3Q22, primarily due to an income tax refund by the Treasury General of the Republic for US$79.6 million, related to the 2022 tax return. This effect was partially offset by higher operating expenses. **In cumulative terms,** a positive net flow of **US$538.1 million** was recorded, which compares to the negative net flow of US$313.5 million as of Sep-22, mainly explained by (1) higher operating revenues, and (2) lower tax payments, as the income tax associated with the sale of Colbún Transmisión S.A was paid in 2022. These cumulative effects were partially offset by higher operating expenses.

- **Financing Activities:** Generated a negative net flow of **US$44.7 million** during 3Q23, which compares to the negative net flow of US$50.2 million in 3Q22, mainly due to the payment of Fenix's bond installment and interest associated with the Company's debt. **In cumulative terms,** a negative net flow of **US$249.6 million** was recorded, which compares to the negative net flow of US$374.3 million, mainly because the Company prepaid local bonds for a total of US$181 million during 1Q22.

- **Investment Activities:** Generated a negative net flow of **US$106.7 million** during 3Q23, which compares to a negative net flow of US$78.6 million in 3Q22, primarily explained by higher CAPEX disbursements associated with the Horizonte wind farm project. **In cumulative terms**, a negative net flow of **US$263.4 million** was recorded, which compares to the negative net flow of US$168.0 million as of Sep-22, mainly explained by the same reasons that explain the variations 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 16% of the market. It also operates in the National Interconnected Electric System (SEIN) in Peru, where it has approximately 6% 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

As of Sep-23, the hydrological year that began in April 2023 has accumulated greater rainfall than an average year in the main generation basins of the SEN. In contrast, there are deficits in Aconcagua. Thus, the surpluses/deficits were: Aconcagua: -15%; Maule: +46%; Laja: +52%; Biobío: +35%; Chapo: +6%. Compared to the previous hydrological year, the Aconcagua, Canutillar, Maule, Biobío and Laja basins presented variations in precipitation of +59%, +8%, +47%, +22% and +52% respectively. In terms of inflow energy, the hydrological year to September 2023 has a probability of exceedance of 58%.

The Company has a contract with Enap Refinerías S.A. (“ERSA”) which includes reserved regasification and supply capacity for 13 years, which came into force on January 1, 2018. This agreement allows for natural gas to operate two combined cycle units during for much of the first semester, period of the year in which there is generally a lower availability of water resources. In addition, there is the possibility of accessing additional natural gas via spot purchases. Also, firm supply contracts for Argentine natural gas were signed for 2.3 MMm3/day for the period October 2023-April 2024.

This year, contracts have been signed with 66 clients for 829 GWh/year. Among the main contracts signed, the supply contract for the Doña Inés de Collahuasi Mining Company stands out, for up to a total of 650 GWh/year for 12 years starting in January 2024.

The Company's results for the upcoming months will be determined mainly by the ability to achieve a balanced level between cost-efficient own generation and contracting level. Such efficient generation will depend on the reliable operation that our plants may have, the hydrological conditions and the terms and volumes in which the purchase of natural gas is contracted if the dry hydrological condition is maintained.

7.2 Medium-term outlook in Peru

Until the third quarter of 2023, the SEIN registered a hydrological condition with a probability of exceedance of 82%, compared to 36% recorded in 2022.

In 3Q23, electricity demand increased by 3.1% compared to the same period in 2022, due to an increase in mining demand. On the other hand, compared to the previous quarter, during 3Q23 an increase in electricity demand of 0.3% was recorded.

Santa Rosa's average marginal cost during 3Q23 reached US$166/MWh. In contrast to 2Q23 (US$64/MWh), due to lower availability of water resources, unavailability of hydro plants and Pluspetrol Maintenance.

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.

As of September 30, the Company has achieved 63% progress on the Horizonte wind project, reaching "mechanical completion" of 29 wind turbines by the end of the quarter. The construction of foundations has been completed, and work on internal roads and turbine platforms is still in progress, with an overall progress of 93% for civil works, substations, transmission lines, and medium voltage networks, as well as 78% progress in electrical works. In total, 407 main components have been unloaded at the wind turbine site. It's worth to mention the challenge of transporting oversized wind turbine components from Puerto Angamos in Mejillones to the Project, due to the shortage of available police escorts for these transfers. That said, during this quarter, progress was made on the possibility of implementing private escorts on a "trial basis."

- **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 3Q23, the systemic tests have been executed and approval for commercial operation is expected, executing daily charging and energy injection operations.

- **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 awarding of 3 CUOs (Onerous Use Concessions) 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 3Q23 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 2.5 km northeast of the intersection of the highway to La Tirana with the Pan-American Highway.

The project obtained its RCA in 3Q21.

During 3Q23 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 3Q23, the Environmental Evaluation Service (SEA) initiated an Indigenous Consultation process for the project, and Colbún made progress in the Addendum 1 preparation within the project's environmental processing framework, with submission to SEA scheduled for 4Q23.

- **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 October 30, 2023.

- **Other renewable energy projects from variable sources:** At the end of 3Q23, 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 advances 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, firm supply contracts for Argentine natural gas were signed for 2.3 MMm3/day for the period October 2023-April 2024.

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 August 2023), inviting important international suppliers to bid, awarding the supply contract to well supported and competitive companies. The above follows 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

New projects development 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 potential project delays effects. 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 significant size projects construction.

Colbún also has the policy to integrate with excellence the social and environmental dimensions to projects development. The Company has social link developed model that allows it to work with neighboring communities and with the society in general, starting a transparent public participation process and confidence building in the project’s early stages 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.

Legislative Agreement

During October, the Ministry of Energy, in conjunction with the Senate Mining and Energy Committee, signed a legislative work agreement with the aim of addressing the tariff increase published by the National Energy Commission. This situation is a result of the debt nearing the established limit of 1.8 billion US dollars in the MPC mechanism. The agreement broadly includes:

- A new tariff stabilization mechanism, which will be presented as a bill in October, with the aim of applying the actual contract prices starting from the year 2025.
- The introduction of amendments to the current energy transition bill to expedite its approval.
- The creation of a subsidy for vulnerable customers.

Key Developments in Bills in Progress

1. On July 11, 2023, the Executive Branch presented the Energy Transition Bill in the Senate, which aims to create an electricity sector that enables the country to be carbon-neutral by 2050 and to boost the local economies. The presented project addresses various aspects of the sector, including transmission, storage, and operational principles, but the main risks are centered around three measures.
   - New Operating Principle: The project proposes that the Coordinator should operate the electrical system with the objective of promoting low-emission operations, adding a new criterion to the existing ones. Placing this principle at the same level of importance as operational safety is risky, granting the Coordinator an additional authority at the expense of existing institutions dedicated to this task.
   - Tariff Revenues Redistribution: The extension of Article 114bis of the law is proposed to address transmission congestion cases, aiming to mitigate the insolvency risk seen in sector companies due to the high costs they have incurred due to system decoupling. Colbún disagrees with this measure as it goes against the fundamental principle that risks should be managed by those who have the tools, which in this case are the supply companies through their supply contracts, rather than the end customers.
   - Storage Tender: The executive proposes a 2,000 MW storage tender in the system, with infrastructure remuneration fully financed by the end customer. The risk of bidding storage equivalent to transmission is that its operation becomes centralized, potentially leading to a loss of incentives for optimal operation.

Currently, the project is in the first legislative process in the Senate's mining and energy committee. At this stage, the executive will introduce amendments in line with the legislative agreement signed with the committee, aiming to focus the project on four points:

1. The creation of a subsidy for vulnerable customers and its sources of financing.
2. Reassignment of tariff revenues.
3. Development of urgent expansion works for the transmission system.
4. The tendering of energy storage systems.

A technical committee has been established to address matters that will facilitate the prompt approval of the energy transition bill.

2. The Renewable Energy Quota Bill is currently in the second constitutional process with a simple qualified urgency and is being analyzed by the Senate Mining and Energy Committee and the Senate Finance Committee. The project under discussion at present considers the following changes to the General Electricity Services Law:

- Increasing large-scale renewable generation targets, requiring generating companies to trade at least 60% of Renewable Non-Conventional Energy (ERNC) by 2030, and additionally to trade at least 40% of ERNC by 2030 within each time block during the day, promoting energy management from variable sources through storage systems.
- Establishing a traceability system for the renewable nature of the traded energy, which obliges the National Electric Coordinator to have information systems for monitoring and recording the traceability of energy trading. The methodology will be determined by regulation.
- Promoting distributed generation by defining connection deadlines and costs for the distribution network. It also includes an increase in the injection capacity limit for residential customers, from 300 to 500 kW, and the possibility for municipalities to act as coordinators for residential generation facilities.

One of the main risks of this project is that energy generated by reservoirs will not be counted towards the ERNC quotas. The Senate Mining and Energy Committee halted the discussion of this project to prioritize other initiatives presented by the executive.

3. On October 4, 2023, the Senate Water Resources, Desertification, and Drought Committee resumed the bill that regulates the use of seawater for desalination, with the novelty that a Technical Working Group of Ministry advisors and parliamentarians is preparing amendments to improve the text. The project was introduced in 2018 to the committee where the first report was prepared and voted on in general by the Chamber. In 2019, the committee presented a second report, and in 2021, the specific vote was scheduled but remained pending as the committee was requested to issue a supplementary report, which has not been delivered yet. In March 2022, Sebastián Piñera's government presented a substitute proposal that changed the entire text of the project. The main provisions incorporated into Piñera's substitute proposal are:
    - Creation of a concession for the extraction of seawater and the use of the coastline for desalination granted by the Water Directorate (DGA).
    - The concession does not grant ownership of BNUP included in the concession: it only enables their use and enjoyment, and in activities related to the concession.
    - Creation of a National Desalination Strategy with different purposes.
    - Prioritization of human consumption, sanitation, the preservation of ecosystems, and sustainable productive use.

Currently, the committee is analyzing the amendments proposed by the expert committee, which is based on the substitute proposal for the project.

4. On October 5, 2022, a motion was introduced to the Chamber of Deputies that amends Law No. 19,300 and regulates the installation and coexistence with neighboring communities of wind energy complexes and photovoltaic plants. This project was added to an initiative from June 2021 that regulates the construction, installation, and operation, environmental impact, and supervision of electric power wind generator complexes. On July 31, 2023, the Chamber of Deputies approved merging both projects into one document, which has not yet been released. This project is of special interest due to the risks it could pose to the renewable energy industry and the energy transition, as it covers design and construction aspects such as the minimum distance between towers, allowed soil types, and location restrictions for neighboring projects. Colbún and trade associations are closely monitoring the outcome of the merged document.

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, 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.

Decarbonization Plan

The Ministries of Energy and Environment have launched a new decarbonization plan. Through collaborative efforts with key stakeholders in the sector, the objective is to create a roadmap for decarbonization with a focus on 2030. To achieve this, working groups will be organized around three main themes:

1. Modernization of the electrical grid and the electricity market, and infrastructure
2. Thermo-electric conversion and transition fuels
3. Just Energy Transition and Communities

The working sessions will take place from September 28 to January 25, and the Ministry expects to finalize this roadmap by April 2024.

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, in September, it was announced that Acciona Energía Chile Holdings requested the National Energy Commission to activate the price review mechanism for bidding contracts, as established in Article 134 of the General Electricity Services Law. The conditions that may lead to the acceptance of their request are the detection of causes not attributable to the company, which generate economic imbalances and are associated with substantial and non-transitory changes in sectoral regulations. The Commission has already scheduled a hearing for November 10, 2023, where consumer associations will also participate. The main risk of this request being accepted is that it could lead to discriminatory treatment in the awarding of contracts, considering that sector contingencies could have been foreseen by other bidders in 2015, and therefore their prices were effectively competitive, in contrast to those companies that did not anticipate certain risks and could now use this mechanism to adjust their offered price.

News Rationing Decree
On September 30, the preventive rationing decree expired, and with it, the measures designed to prevent electricity rationing.

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.

On April 16, 2023, through OSINERGMIN Board Resolution No. 063-2023-OS/CD, the "Procedure for the Application of the Social Electric Compensation Fund (FOSE)" was approved, and this procedure is in accordance with the provisions of the aforementioned Law No. 314929.

On July 27, 2023, Law 31849 was published, which includes new beneficiaries for FISE, including public educational institutions that are part of the National School Feeding Program Qali Warma, dining facilities that are part of the Complementary Food Program, and community initiatives such as communal kitchens and similar initiatives that are established and registered in the National Unique Registry of Communal Kitchens created by Law 31458.

Main Developments in Bills in Processing

1. **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 discussion in the congressional plenary.

2. 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.

On October 4, 2023, the President of the Energy and Mining Committee requested clarification regarding the bill that addresses the assignment of functions to the Steering Committee responsible for managing the FISE fund.

3. 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.

4. 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.

     On October 4, 2023, the proposal was included in the Congress Plenary's Agenda.

5. 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.

6. 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.

   Additionally, on October 1, 2023, a new Bill 5799/2023 was published, which aims to promote the exploration, exploitation, industrialization, and commercialization of lithium and its derivatives within the national territory, with the purpose of ensuring their sustainable development and declaring them strategic resources.

7. **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.

The energy demand in Chile has experienced an increase of approximately 1.4% during 3Q23 compared to 3Q22, while Peru has also seen an increase of approximately 3.1% compared to 3Q22.

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.

On September 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 client 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 September 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 the “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 September 30, 2023, Colbún has approximately US$1.171 million cash surpluses, invested in interest-bearing checking accounts, time deposits and mutual funds with 66 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$67 million credit lines.

In the next 12 months, the Company must disburse approximately US$99 million in interest and principal amortization. These obligations are expected to be funded with the Company’s own cash flow generation.

As of September 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 September 30, 2023, Fenix has international risk ratings of BBB- by S&P and Fitch Ratings, all with stable outlook.

Considering the foregoing, it has been 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 limited.

Regarding financial risks, for the purpose 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 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. This 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 22%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to BBB+ or higher and national counterparts have local credit ratings of BBB+ or higher. It should be noted that in derivatives no counterparty concentrates more than 46% 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 () 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.