



# QUARTERLY EARNINGS REPORT

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As of December 31, 2023

4<sup>th</sup> QUARTER 2023

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## 4Q23 Earnings Report

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### Conference Call 4Q23 Results

**Date:** February 2nd, 2024  
**Hour:** 10:00 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 fourth quarter of the year 2023 (4Q23) amounted to **US\$409.2 million**, decreasing 26% compared to the revenues recorded in the fourth quarter of 2022 (4Q22), primarily attributed to (1) lower sales in the spot market in both Chile and Peru, mainly due to the lower generation during the period, and (2) lower sales to unregulated clients in Chile, primarily due to the decrease in indexers value. These effects were partially offset by higher sales to regulated clients in Chile. **In cumulative terms**, the operating income as of Dec-23 reached **US\$2,003.6 million**, in line with Dec-22. Throughout the year, there was an increase in sales to regulated clients in Chile, mainly associated with the increase in the pro-rata of Colbun's contracts, following the contract's expiration of other companies in the market. Additionally, there were higher sales to unregulated clients in Peru, mainly due to the entry into force of new PPAs during the year. These effects were largely offset by a decrease in sales in the spot market in both Chile and Peru, due to the lower generation during the year.
- Consolidated **EBITDA** for 4Q23 reached **US\$160.8 million**, decreasing 38% compared to the US\$259.8 million EBITDA in 4Q22. This decline is mainly due to a decrease in operating income, as explained above. This effect was partially offset by a lower gas consumption cost in Chile, stemming from the lower generation using this fuel source. **In cumulative terms**, EBITDA as of Dec-23 totaled **US\$713.9 million**, decreasing 6% compared to Dec-22, due to (1) lower EBITDA in Chile, primarily explained by a decline in operating income resulting from lower energy and capacity sales in the spot market, partially offset by a decrease in diesel and gas consumption due to a lower generation with these fuels, and (2) higher raw materials and consumables used costs in Peru, mainly due to the increase in energy and capacity purchases in the spot market, primarily due to lower generation throughout the year and the entry into force of new contracts with unregulated clients.
- **Non-operating Income** for 4Q23 recorded a loss of **US\$28.4 million**, which compares to the loss of US\$22.3 million during 4Q22, mainly associated with losses from exchange rate differences in Chile, due to the CLP/US\$ exchange rate variation impact on temporary balance sheet items in the local currency during the quarter. Conversely, this effect was positive during 4Q22. **In cumulative terms**, the non-operating result as of Dec-23 reached a gain of **US\$40.5 million**, compared to a loss of US\$127.8 million as of Dec-22. The profit is mainly explained by (1) the final price adjustment associated with the sale of Colbun Transmisión S.A for US\$116.4 million before taxes, recorded during 2Q23, and (2) higher financial income due to the interest rates increase during the year.
- In 4Q23, a **tax expense** of **US\$21.0 million** was recorded, compared to a US\$43.8 million tax expense in 4Q22. This decrease is mainly attributed to the lower profit recorded during the period. **In cumulative terms**, as of Dec-23, a tax expense of **US\$144.7 million** was recorded, compared to US\$105.5 million as of Dec-22, mainly due to the higher profit recorded during the year.
- The Company reported a **profit** of **US\$56.2 million** in 4Q23, compared to the US\$136.2 million profit obtained in 4Q22, primarily due to the lower EBITDA mentioned earlier. This impact was partially offset by the lower tax expense in this period. **In cumulative terms**, Colbun reported a **US\$403.8 million** profit as of Dec-23, compared to a US\$310.5 million profit recorded in Dec-22, mainly due to the final price adjustment associated with the sale of Colbun Transmisión S.A.

## *Highlights of the year*

### **Operation of our power plants:**

● During the second quarter, TPP Fenix Power carried out its scheduled major maintenance, which extended 26 days beyond the originally budgeted calendar, totaling 70 days. This extension was mainly due, in Fenix's judgment, to deficient planning and execution by the service provider, as a result of which the power plant was available for only 22 days during the quarter. Regarding the major maintenance, it should be noted that it allows extending the unit's operating hours by 32,000 factored firing hours (FFH).

● On January 20, 2024, Unit 1 of the Nahuenco Complex restarted operations, in line with the information provided to the Electrical Coordinator after the unit's fire on August 4, 2023, while it was undergoing major maintenance. The cause of the fire was the fall of an incandescent metal piece into an area with flammable filters, at the moment when the piece was being welded to the structure of the filter area. Thanks to the action of the Complex's emergency brigade and the Quillota Fire Department, the fire was quickly contained with no reported injuries or spreading to other areas of the Complex. It's worth noting that the Company has insurance coverage for this type of incident.

● Throughout 2023, the Company's operations in Chile faced various weather events, such as wildfires and weather fronts that affected the entire country. However, the effective communication and the timely and constant engagement strategy with the different public entities and respective communities allowed mitigating these contingencies effects. In fact, during the year, 14 working and dialogue sessions and 26 community conversations were conducted, involving the participation of 547 individuals. This enabled Colbun to safeguard the security of energy supply security to its customers and the National Electric System.

### **Colbun Transmisión S.A price adjustment:**

● On April 24, the Company received US\$116.4 million from Alfa Desarrollo SpA corresponding to the final price adjustment associated with the Colbun Transmisión S.A. shares sale, as agreed by the parties in the Purchase and Sale Agreement dated March 30, 2021, which closing and payment was reported on August 10, 2021, leaving on that occasion a final adjustment price customary in this type of transactions.

### **Dividends:**

● On May 12, a dividend payment of US\$139.5 million was recorded. This payment is comprised of (1) a definitive dividend of US\$64.5 million, which, together with the provisional dividend paid in December 2022, amounting to US\$83.5 million, reached US\$148 million, equivalent to 50% of the profit according to Colbun's policy, and (2) an additional dividend, charged to the previous fiscal year profits of US\$75.0 million. The total dividends distribution charged to the 2022 fiscal year amounted to US\$223 million.

● On December 15, a payment of provisional dividends of US\$169.8 million was recorded, charged to the profit for the year.

### **Commercial Strategy:**

● During 2023, energy sales contracts were signed in Chile with 76 clients for an annual total of 1,448 GWh. Among the main contracts signed, are the 100% renewable supply contract for Compañía Minera Doña Inés de Collahuasi, for a total of up to 650 GWh per year for 12 years starting from January 2024 onwards, and the supply contract for Aguas Pacífico, for a total of up to 280 GWh per year for 10 years starting from January 2024.

● During 2023, supply contracts were awarded in Peru with 20 clients for 363 MW per year. The supply contract with Compañía Minera Volcan stands out, providing up to a total of 114 MW per year for 10 years starting from February 2024 onwards. Additionally, it is worth noting the commencement of the supply contract with Generadora Eléctrica Inland for 121 MW for the period January-December 2023.

### Projects Progress:

- As of December 31, the Company has achieved a 76% progress on the Horizonte wind project, reaching mechanical completion of 44 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 96% in civil works, substations, transmission lines, and medium voltage networks, as well as 87% progress in electrical works. In total, 535 main components have been unloaded at the wind turbine site. It's worth mentioning that by the end of December 2023, an improvement in the frequency of wind turbine component transport has been achieved following the implementation of private escorts for certain sections of the transport route.
- As of December 31, the Diego de Almagro power plant's battery storage system has conducted real-time signal testing, which was essential for its certification and commercial operation. Currently, the plant is performing daily charging and energy injection operations, awaiting the commercial operation approval from the National Electric Coordinator. Additionally, during this quarter, a letter of relevance was submitted to the Environmental Assessment Service, aiming to determine the type of environmental permit required for the installation of a 1,000 MWh storage system.

## 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 4Q22 and 4Q23, and cumulative as of Dec-22 and Dec-23.

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

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
13,335	12,974	<b>Total Physical Sales (GWh)</b>	<b>3,383</b>	<b>2,946</b>	<b>(3%)</b>	<b>(13%)</b>
2,410	2,580	Regulated Clients	581	608	7%	5%
9,470	9,344	Unregulated Clients	2,354	2,303	(1%)	(2%)
1,455	1,050	Sales to the Spot Market	448	35	(28%)	(92%)
<b>1,511</b>	<b>1,626</b>	<b>Capacity Sales (MW)</b>	<b>1,551</b>	<b>1,626</b>	<b>8%</b>	<b>5%</b>

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
13,570	12,976	<b>Total Generation (GWh)</b>	<b>3,452</b>	<b>2,779</b>	<b>(4%)</b>	<b>(19%)</b>
5,163	6,872	Hydraulic	1,703	2,349	33%	38%
7,536	5,371	Thermal	1,550	237	(29%)	(85%)
4,967	3,754	Gas	1,196	148	(24%)	(88%)
216	64	Diesel	10	2	(70%)	(80%)
2,353	1,553	Coal	344	87	(34%)	(75%)
871	732	VRE	199	193	(16%)	(3%)
109	101	Wind*	25	32	(7%)	29%
762	631	Solar**	174	161	(17%)	(7%)
<b>36</b>	<b>192</b>	<b>Spot Market Purchases (GWh)</b>	<b>0</b>	<b>176</b>	<b>-</b>	<b>(13%)</b>
<b>1,419</b>	<b>858</b>	<b>Sales - Purchases to the Spot Market (GWh)</b>	<b>448</b>	<b>(141)</b>	<b>(40%)</b>	<b>-</b>

(\*): Includes energy purchased from Punta Palmeras wind farm.

(\*\*): Includes energy purchased from Imelsa solar pv plant.

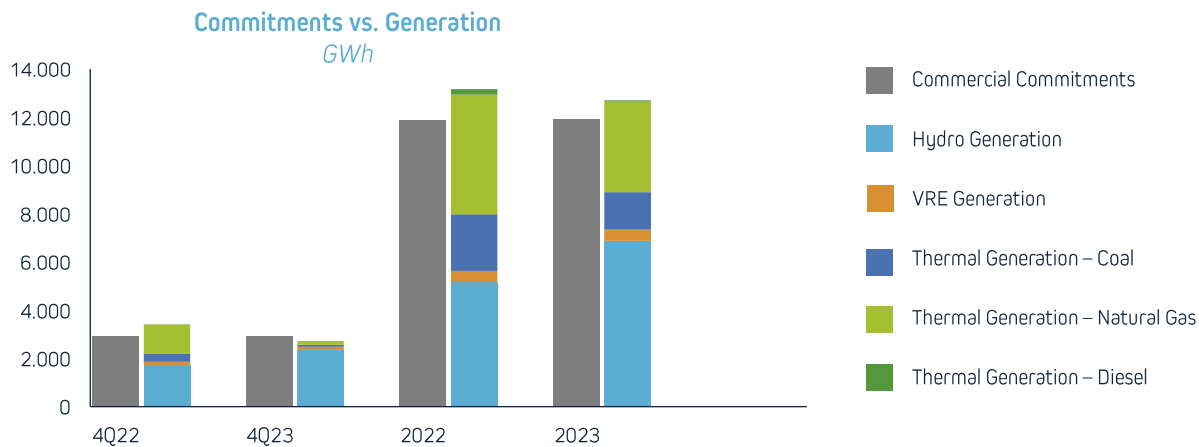
VRE: Variable renewable energies.

● **Physical sales** during 4Q23 reached **2,946 GWh**, decreasing by 13% compared to 4Q22, mainly due to (1) lower sales in the spot market, primarily explained by the lower generation during the quarter, and (2) lower sales to unregulated clients, mainly explained by the reduction in consumption of mining clients. This effect was partially offset by higher physical sales to regulated clients, explained by the contract's expiration between other generating companies and distribution companies that resulted in a higher pro-rata for those contracts still in force.

● On the other hand, **generation** for the quarter reached **2,779 GWh**, decreasing 19% compared to 4Q22. This was mainly due to lower thermal generation (-1,313 GWh), primarily due to the fire at Unit 1 of the Nehuenco Complex, occurred while the power plant was undergoing maintenance, and the lower economic dispatch of Unit 2 of the same Complex and of the Santa María power plant. This effect was partially offset by higher hydroelectric generation (+646 GWh), attributed to the high levels during the quarter.

● **In cumulative terms**, physical sales as of Dec-23 reached **12,974 GWh**, decreasing 3% compared to Dec-22, mainly due to (1) lower sales in the spot market due to the lower generation throughout the year, partially offset by higher sales to regulated clients due to the higher pro-rata for those contracts, mentioned above, and (2) lower sales to unregulated clients, given the reduction in consumption of mining customers. **Cumulative generation** as of Dec-23 reached **12,976 GWh**, a 4% decrease compared to Dec-22, primarily due to lower thermal generation (-2,165 GWh) resulting from reduced gas (-1,213 GWh), coal (-800 GWh), and diesel (-152 GWh) generation. ERFV generation also decreased (-139 GWh), due to the termination of a power purchase agreement with third parties. These effects were partially offset by a higher hydroelectric generation (+1,709 GWh), mainly due to the improved hydrological conditions throughout the year.

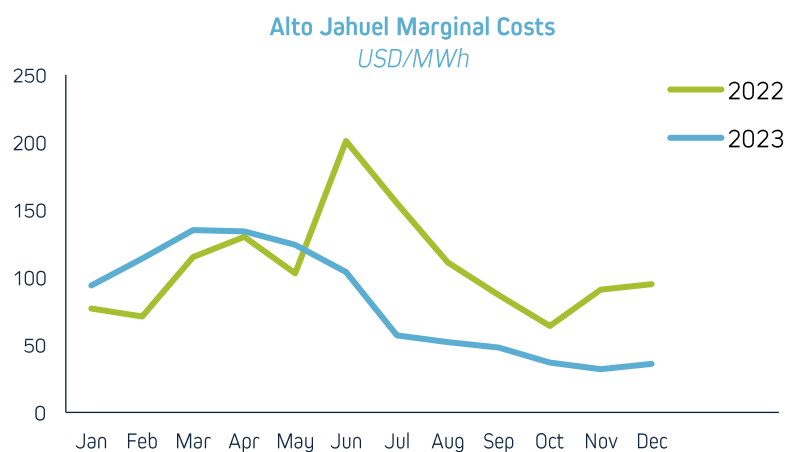
● The **Spot market balance** during the quarter recorded net purchases of **141 GWh**, compared to the net sales of 448 GWh in 4Q22. This variation is mainly explained by the lower generation mentioned earlier. **In cumulative terms**, as of Dec-23, the balance in the spot market recorded net sales of **858 GWh**, while as of Dec-22, net sales of 1,419 GWh were reported. This variation is mainly explained by a lower cumulative generation.



● **Generation mix in Chile:** As of Dec-23, the hydrological year (Apr23-Mar24) has presented surpluses in terms of rainfalls of an average year in the main SEN basins. The surpluses were; Maule: +47%; Laja: +43%; Biobío: +30%; Chapo: +2%. On the Aconcagua basin, on the other hand, a deficit of -16% was recorded. Average marginal cost, measured at Alto Jahuel, decreased 59% compared to 4Q22, averaging US\$34.6/MWh in 4Q23.

**Table 2: SEN Generation**

Accumulated Figures		SEN Generation	Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
<b>83.321</b>	<b>83.649</b>	<b>Total Generation (GWh)</b>	<b>20.862</b>	<b>20.886</b>	<b>0%</b>	<b>0%</b>
20.269	23.955	Hydraulic	6.995	8.044	18%	15%
15.900	15.455	Gas	3.365	1.696	(3%)	(50%)
1.505	488	Diesel	206	33	(68%)	(84%)
19.573	14.335	Coal	2.993	2.988	(27%)	(0%)
8.889	9.914	Wind	2.179	2.697	12%	24%
14.543	16.700	Solar	4.529	4.715	15%	4%
2.642	2.812	Others	595	712	6%	20%



## 2.2. Physical sales and generation balance in Peru

Table 3 shows a comparison between physical energy and capacity sales and generation in 4Q22 and 4Q23, and cumulative as of Dec-22 and Dec-23.

**Table 3: Physical sales and generation in Peru**

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
4,279	3,994	<b>Total Physical Sales (GWh)</b>	1,175	987	(7%)	(16%)
1,957	1,971	Regulated Clients	493	497	1%	1%
466	1,399	Unregulated Clients	126	341	-	-
1,856	624	Sales to the Spot Market	556	148	(66%)	(73%)
569	570	<b>Capacity Sales (MW)</b>	570	570	0%	0%
Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
4,334	3,404	<b>Total Generation (GWh)</b>	1,202	900	(21%)	(25%)
4,334	3,404	Gas	1,202	900	(21%)	(25%)
44	676	<b>Spot Market Purchases (GWh)</b>	-	109	-	-
1,812	(52)	<b>Sales - Purchases to the Spot Market (GWh)</b>	556	39	-	(93%)

Physical sales during 4Q23 reached **987 GWh**, decreasing by 16% compared to 4Q22, primarily due to lower physical sales in the spot market explained by the lower generation of the TPP Fenix. This was partially offset by higher sales to unregulated, mainly due to the increase in the number of clients in this segment compared to the previous year.

On the other hand, Fenix's **generation** reached **900 GWh**, a 25% decrease compared to 4Q22, mainly due to (1) the lower economic dispatch explained by lower market prices due to an improvement in hydrology and (2) the corrective maintenance of one of its turbines, which meant it was out of service for approximately 5 days during the quarter.

**In cumulative terms**, physical sales as of Dec-23 reached **3,994 GWh**, decreasing by 7% compared to Dec-22, primarily due to the lower sales in the spot market, partially offset by the higher sales to unregulated mentioned earlier. **Cumulative generation** as of Dec-23 reached **3,404 GWh**, decreasing by 21% compared to Dec-22, mainly due to the major maintenance, which had an increased length compared to the one performed during the previous year and to the lower economic dispatch during the last quarter of the year.

**The spot market balance** in 4Q23 registered net sales of **39 GWh**, compared to net sales of 556 GWh during 4Q22, due to the lower generation of the TPP Fenix mentioned earlier and to an increase in consumption by unregulated clients given the entry into force of new supply contracts. **In cumulative terms**, as of Dec-23, net purchases of **52 GWh** were recorded, compared to the net sales of 1,812 GWh recorded as of Dec-22. These variations are mainly explained by the reduced availability of TPP Fenix and the increase in sales to unregulated clients 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 a 77.1% probability of exceedance as of December 2023, compared to 44.4% as of December 2022.

In cumulative terms, hydroelectric generation in the National Interconnected Electric System (SEIN) decreased by 2.9% compared to Dec-22, primarily due to the lower hydrology and the maintenance of the Mantaro, Restitución, Cerro del Águila hydroelectric plants, and the unavailability of the Chaglla and Quitarcasa hydroelectric plants. On the other hand, thermoelectric generation increased by 9.7% as of Dec-23 compared to Dec-22, mainly due to the increase in the system's demand and the lower hydroelectric generation, due to the lower hydrology and the maintenance and unavailability of the hydroelectric plants previously mentioned. The electricity demand growth rate at the end of 4Q23 was 1.0% compared to 4Q22, mainly driven by the increase in consumption from the regulated segment.



### 3. INCOME STATEMENT ANALYSIS

Table 4 presents a summary of the Consolidated Income Statement (Chile and Peru) in 4Q22 and 4Q23, and cumulative as of Dec-22 and Dec-23.

**Table 4: Income Statement (US\$ million)**

Accumulated Figures			Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
<b>1,974.0</b>	<b>2,003.6</b>	<b>OPERATING INCOME</b>	<b>555.1</b>	<b>409.2</b>	<b>1%</b>	<b>(26%)</b>
454.2	529.4	Regulated Customers Sales	115.2	142.6	17%	24%
1,051.7	1,108.1	Unregulated Customers Sales	321.9	244.0	5%	(24%)
427.0	295.0	Energy and Capacity Sales	111.0	9.2	(31%)	(92%)
41.1	71.1	Other Operating Income	7.0	13.4	73%	(90%)
<b>(1,069.4)</b>	<b>(1,130.1)</b>	<b>RAW MATERIALS AND CONSUMABLES USED</b>	<b>(256.7)</b>	<b>(208.0)</b>	<b>6%</b>	<b>(19%)</b>
(139.8)	(140.5)	Transmission Tolls	(34.7)	(29.6)	1%	(14%)
(143.7)	(223.1)	Energy and Capacity Purchases	(37.6)	(51.0)	55%	35%
(520.1)	(499.0)	Gas Consumption	(135.3)	(79.2)	(4%)	(41%)
(70.4)	(21.5)	Diesel Consumption	(5.4)	(1.2)	(69%)	(78%)
(126.4)	(143.3)	Coal Consumption	(21.8)	(19.7)	13%	(10%)
(69.0)	(102.7)	Other Operating Expenses	(22.0)	(27.3)	49%	24%
<b>904.6</b>	<b>873.5</b>	<b>GROSS PROFIT</b>	<b>298.4</b>	<b>201.2</b>	<b>(3%)</b>	<b>(33%)</b>
(84.0)	(91.8)	Personnel Expenses	(21.9)	(22.4)	9%	2%
(57.2)	(67.7)	Other Expenses, by Nature	(16.8)	(18.0)	18%	7%
(219.5)	(205.9)	Depreciation and Amortization Expenses	(57.4)	(55.1)	(6%)	(4%)
<b>543.9</b>	<b>508.0</b>	<b>OPERATING INCOME (LOSS) (*)</b>	<b>202.4</b>	<b>105.7</b>	<b>(7%)</b>	<b>(48%)</b>
<b>763.4</b>	<b>713.9</b>	<b>EBITDA</b>	<b>259.8</b>	<b>160.8</b>	<b>(6%)</b>	<b>(38%)</b>
29.1	67.9	Financial Income	14.9	18.5	-	24%
(88.7)	(85.4)	Financial Expenses	(24.4)	(19.2)	(4%)	(21%)
(2.7)	(6.7)	Exchange Rate Differences	10.3	(0.5)	-	-
12.2	13.1	Profit (Loss) of Companies Accounted for Using the Equity Method	3.7	2.9	8%	(22%)
(77.7)	51.5	Other Profit (Loss)	(26.9)	(30.1)	-	12%
<b>(127.8)</b>	<b>40.5</b>	<b>NON-OPERATING INCOME</b>	<b>(22.3)</b>	<b>(28.4)</b>	<b>-</b>	<b>27%</b>
<b>416.0</b>	<b>548.5</b>	<b>PRE-TAX PROFIT (LOSS)</b>	<b>180.0</b>	<b>77.3</b>	<b>32%</b>	<b>(57%)</b>
<b>(105.5)</b>	<b>(144.7)</b>	Income Tax Expense	(43.8)	(21.0)	37%	(52%)
<b>310.5</b>	<b>403.8</b>	<b>AFTER TAX PROFIT (LOSS)</b>	<b>136.2</b>	<b>56.2</b>	<b>30%</b>	<b>(59%)</b>
<b>295.9</b>	<b>393.5</b>	<b>PROFIT (LOSS) OF CONTROLLER</b>	<b>128.9</b>	<b>53.9</b>	<b>33%</b>	<b>(58%)</b>
<b>14.5</b>	<b>10.3</b>	<b>PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>7.3</b>	<b>2.3</b>	<b>(29%)</b>	<b>(68%)</b>

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

**Table 5: Closing Exchange Rates**

Exchange Rates	Dec-22	Dec-23
Chile (CLP / US\$)	855.86	877.12
Chile UF (CLP/UF)	35,110.98	36,789.36
Peru (PEN / US\$)	3.82	3.71

### 3.1. Chile's Operating Income Analysis

Table 6 presents a summary of Operating Income and EBITDA in 4Q22 and 4Q23, and cumulative as of Dec-22 and Dec-23. Subsequently, the major accounts and/or variations will be analyzed.

**Table 6: EBITDA Chile (US\$ million)**

Accumulated Figures			Quarterly Figures		Var %	
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
<b>1.721,5</b>	<b>1.691,4</b>	<b>OPERATING INCOME</b>	<b>469,8</b>	<b>346,8</b>	<b>(2%)</b>	<b>(26%)</b>
307,1	370,0	Regulated Customers Sales	76,2	102,0	20%	34%
1.031,9	1.021,7	Unregulated Customers Sales	316,5	229,2	(1%)	(28%)
350,3	237,2	Energy and Capacity Sales	71,8	3,3	(32%)	(95%)
32,2	62,5	Other Operating Income	5,2	12,3	94%	-
<b>(939,1)</b>	<b>(934,8)</b>	<b>RAW MATERIALS AND CONSUMABLES USED</b>	<b>(210,4)</b>	<b>(174,6)</b>	<b>(0%)</b>	<b>(17%)</b>
(133,8)	(135,9)	Transmission Tolls	(33,1)	(28,3)	2%	(14%)
(126,7)	(145,7)	Energy and Capacity Purchases	(23,9)	(46,0)	15%	92%
(424,8)	(407,7)	Gas Consumption	(109,4)	(55,2)	(4%)	(50%)
(70,4)	(18,2)	Diesel Consumption	(5,4)	(1,2)	(74%)	(78%)
(126,4)	(143,3)	Coal Consumption	(21,8)	(19,7)	13%	(10%)
(57,1)	(84,1)	Other Operating Expenses	(16,7)	(24,2)	47%	45%
<b>782,4</b>	<b>756,6</b>	<b>GROSS PROFIT</b>	<b>259,4</b>	<b>172,2</b>	<b>(3%)</b>	<b>(34%)</b>
(75,2)	(81,9)	Personnel Expenses	(19,1)	(20,0)	9%	5%
(49,2)	(59,3)	Other Expenses, by Nature	(14,4)	(15,5)	20%	7%
(183,8)	(170,2)	Depreciation and Amortization Expenses	(48,2)	(45,2)	(7%)	(6%)
<b>474,2</b>	<b>445,1</b>	<b>OPERATING INCOME (LOSS) (*)</b>	<b>177,7</b>	<b>91,5</b>	<b>(6%)</b>	<b>(49%)</b>
<b>658,0</b>	<b>615,4</b>	<b>EBITDA</b>	<b>225,9</b>	<b>136,6</b>	<b>(6%)</b>	<b>(40%)</b>

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

● **Operating income** in 4Q23 amounted to **US\$346.8 million**, decreasing by 26% compared to the operating income of US\$469.8 million recorded in 4Q22, primarily due to (1) lower sales to unregulated clients, mainly due to the lower average sale price resulting from the decline in the indexators value of these contracts, and also due to a lower demand from mining clients, and (2) lower sales in the spot market, mainly explained by a lower thermal generation partially offset by a higher hydroelectric generation. These effects were partially offset by higher sales to regulated clients, mainly associated with the increase in the pro-rata for those contracts that continue in force due to the expiration of contracts of other companies in the market. **In cumulative terms**, operating income as of Dec-23 reached **US\$1,691.4 million**, decreasing by 2% compared to Dec-22, mainly due to lower sales in the spot market and lower sales to unregulated clients, partially offset by higher sales to regulated clients, mainly due to the same reasons explaining the variations in quarterly terms.

● **Raw materials and consumables used** costs in 4Q23 totaled **US\$174.6 million**, decreasing by 17% compared to 4Q22, mainly due to the decrease in gas consumption costs associated with the lower generation from this fuel source. This effect was partially offset by higher spot market purchases, mainly due to the lower generation. **In cumulative terms**, raw materials and consumables used as of Dec-23 reached **US\$934.8 million**, in line with Dec-22, mainly due to lower diesel and gas consumption costs, explained by the lower generation with these fuels. These effects were mostly offset by (1) higher "Other operating expenses" due to the increase in the public service charge due to the tariff stabilization fund collection, and (2) higher spot market purchases costs, mainly due to the lower generation throughout the year.

● **EBITDA** in 4Q23 reached **US\$136.6 million**, decreasing by 40% compared to the EBITDA of US\$225.9 million in 4Q22, primarily due to the lower operating income, partially offset by the lower raw materials and fuels costs mentioned earlier. **In cumulative terms**, EBITDA as of Dec-23 totaled **US\$615.4 million**, decreasing by 6% compared to Dec-22, mainly due to a decline in operating income resulting from the decrease in energy and capacity sales in the spot market, partially offset by a lower diesel and gas consumption given the lower generation with these fuels.

## 3.2. Peru's Operating Income Analysis

Table 7 shows a summary of Fenix's Operating Income and EBITDA for the quarters 4Q22 and 4Q23, and cumulative as of Dec-22 and Dec-23. Subsequently, the main accounts and/or variations will be analyzed.

**Table 7: EBITDA Peru (US\$ million)**

Accumulated Figures			Quarterly Figures		Var %	
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
<b>252.5</b>	<b>312.2</b>	<b>OPERATING INCOME</b>	<b>85.3</b>	<b>62.5</b>	<b>24%</b>	<b>(27%)</b>
147.1	159.4	Regulated Customers Sales	39.0	40.6	8%	4%
19.8	86.4	Unregulated Customers Sales	5.4	14.8	-	-
76.7	57.8	Energy and Capacity Sales	39.1	5.9	(25%)	(85%)
8.9	8.6	Other Operating Income	1.8	1.1	(4%)	(36%)
<b>(130.3)</b>	<b>(195.3)</b>	<b>RAW MATERIALS AND CONSUMABLES USED</b>	<b>(46.2)</b>	<b>(33.4)</b>	<b>50%</b>	<b>(28%)</b>
(6.0)	(4.7)	Transmission Tolls	(1.5)	(1.3)	(22%)	(15%)
(17.1)	(77.4)	Energy and Capacity Purchases	(13.7)	(5.0)	-	(64%)
(95.4)	(91.3)	Gas Consumption	(25.8)	(24.0)	(4%)	(7%)
(0.1)	(3.4)	Diesel Consumption	(0.0)	0.0	-	-
(11.8)	(18.6)	Other Operating Expenses	(5.1)	(3.2)	57%	(38%)
<b>122.2</b>	<b>116.9</b>	<b>GROSS PROFIT</b>	<b>39.1</b>	<b>29.1</b>	<b>(4%)</b>	<b>(26%)</b>
(8.8)	(9.9)	Personnel Expenses	(2.8)	(2.4)	12%	(14%)
(8.5)	(8.9)	Other Expenses, by Nature	(2.8)	(2.6)	5%	(9%)
(35.7)	(35.7)	Depreciation and Amortization Expenses	(9.1)	(9.9)	(0%)	9%
<b>69.1</b>	<b>62.5</b>	<b>OPERATING INCOME (LOSS) (*)</b>	<b>24.3</b>	<b>14.2</b>	<b>(10%)</b>	<b>(42%)</b>
<b>104.8</b>	<b>98.1</b>	<b>EBITDA</b>	<b>33.5</b>	<b>24.1</b>	<b>(6%)</b>	<b>(28%)</b>

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

◆ **Operating income** in 4Q23 amounted to **US\$62.5 million**, decreasing by 27% compared to the income of US\$85.3 million recorded in 4Q22, mainly due to a decrease in energy and capacity sales in the spot market resulting from the lower generation of TPP Fenix during the quarter. This effect was partially offset mainly by higher sales to unregulated due to the entry into force of new contracts. **In cumulative terms**, operating income as of Dec-23 reached **US\$312.2 million**, increasing by 24% compared to Dec-22, mainly due to higher sales to unregulated clients, due to the same reasons previously explained.

◆ **Raw materials and consumables used costs** in 4Q23 amounted to **US\$33.4 million**, decreasing by 28% compared to 4Q22, mainly due to lower energy and capacity purchases in the spot market, mainly due to the lower average purchase price, despite the increase in physical purchases during the quarter. **In cumulative terms**, raw materials and consumables used costs as of Dec-23 reached **US\$195.3 million**, increasing by 50% compared to Dec-22, mainly due to higher energy and capacity purchases in the spot market due to the higher purchase volume resulting from the extended maintenance of Fenix in 2Q23.

◆ **Fenix's EBITDA totaled US\$24.1 million** in 4Q23, decreasing by 28% compared to the EBITDA of US\$33.5 million recorded in 4Q22, mainly due to lower energy and capacity sales in the spot market as a result of the lower generation mentioned earlier. **In cumulative terms**, EBITDA as of Dec-23 totaled **US\$98.1 million**, decreasing by 6% compared to Dec-22, primarily explained by higher energy and capacity purchases in the spot market mainly due to the lower generation recorded during the year compared to the previous year. This effect was partially offset by higher sales to unregulated clients during the year.

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

Table 8 shows a summary of the Consolidated Non-Operating Result (Chile and Peru) in 4Q22 and 4Q23, and cumulative as of Dec-22 and Dec-23. Subsequently, the main accounts and/or variations will be analyzed.

**Table 8: Consolidated Non-Operating Result (US\$ million)**

Accumulated Figures			Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
29.1	67.9	Financial Income	14.9	18.5	-	24%
(88.7)	(85.4)	Financial Expenses	(24.4)	(19.2)	(4%)	(21%)
(2.7)	(6.7)	Exchange Rate Differences	10.3	(0.5)	-	-
12.2	13.1	Profit (Loss) of Companies Accounted for Using the Equity Method	3.7	2.9	8%	(22%)
(77.7)	51.5	Other Profit (Loss)	(26.9)	(30.1)	-	12%
<b>(127.8)</b>	<b>40.5</b>	<b>NON-OPERATING INCOME</b>	<b>(22.3)</b>	<b>(28.4)</b>	-	<b>27%</b>
<b>416.0</b>	<b>548.5</b>	<b>PRE-TAX PROFIT (LOSS)</b>	<b>180.0</b>	<b>77.3</b>	-	<b>(57%)</b>
(105.5)	(144.7)	Income Tax Expense	(43.8)	(21.0)	-	(52%)
<b>310.5</b>	<b>403.8</b>	<b>AFTER TAX PROFIT (LOSS)</b>	<b>136.2</b>	<b>56.2</b>	30%	<b>(59%)</b>
<b>295.9</b>	<b>393.5</b>	<b>PROFIT (LOSS) OF CONTROLLER</b>	<b>128.9</b>	<b>53.9</b>	-	<b>(58%)</b>
<b>14.5</b>	<b>10.3</b>	<b>PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>7.3</b>	<b>2.3</b>	<b>(29%)</b>	<b>(68%)</b>

● **Non-operating Income** for 4Q23 recorded a loss of **US\$28.4 million**, which compares to the loss of US\$22.3 million during 4Q22, mainly associated with losses from exchange rate differences in Chile, due to the CLP/US\$ exchange rate variation impact on temporary balance sheet items in the local currency during the quarter. Conversely, this effect was positive during 4Q22. **In cumulative terms**, the non-operating result as of Dec-23 reached a gain of **US\$40.5 million**, compared to a loss of US\$127.8 million as of Dec-22. The profit is mainly explained by (1) the final price adjustment associated with the sale of Colbun Transmisión S.A for US\$116.4 million before taxes, recorded during 2Q23, and (2) higher financial income due to the interest rates increase during the year.

● In 4Q23, a **tax expense** of **US\$21.0 million** was recorded, compared to a US\$43.8 million tax expense in 4Q22. This decrease is mainly attributed to the lower profit recorded during the period. **In cumulative terms**, as of Dec-23, a tax expense of **US\$144.7 million** was recorded, compared to US\$105.5 million as of Dec-22, mainly due to the higher profit recorded during the year.

● The Company reported a **profit** of **US\$56.2 million** in 4Q23, compared to the US\$136.2 million profit obtained in 4Q22, primarily due to the lower EBITDA mentioned earlier. This impact was partially offset by the lower tax expense in this period. **In cumulative terms**, Colbun reported a US\$403.8 million profit as of Dec-23, compared to a US\$310.5 million profit recorded in Dec-22, mainly due to the final price adjustment associated with the sale of Colbun Transmisión S.A.

## 4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 9 shows an analysis of the Balance Sheet's relevant accounts as of Dec-22 and Dec-23. Subsequently, the main variations will be analyzed.

**Table 9: Consolidated Balance Sheet Main Accounts for Chile and Peru (US\$ million)**

	Dec-22	Dec-23	Var	Var %
Current assets	1,688.3	1,426.2	(262.0)	(16%)
Non-current assets	4,917.7	5,234.5	316.8	6%
<b>TOTAL ASSETS</b>	<b>6,606.0</b>	<b>6,660.7</b>	<b>54.7</b>	<b>1%</b>
Current liabilities	542.6	470.8	(71.8)	(13%)
Non-current liabilities	3,110.5	3,092.6	(17.9)	(1%)
Total net equity	2,952.9	3,097.3	144.4	5%
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6,606.0</b>	<b>6,660.7</b>	<b>54.7</b>	<b>1%</b>

◆ **Current Assets:** Reached **US\$1,426.2 million** as of Dec-23, decreasing by 16% compared to the current assets recorded as of Dec-22, primarily due to the lower financial investments resulting from disbursements associated with the Horizonte wind farm project and dividend payments during the year. These effects were partially offset by the year's operational cash flow and the final price adjustment associated with the sale of Colbun Transmisión S.A.

◆ **Non-current Assets:** Recorded **US\$5,234.5 million** as of Dec-23, increasing 6% compared to the non-current assets registered as of Dec-22, mainly explained by ongoing constructions and equipment, associated with the Horizonte wind farm project.

◆ **Current Liabilities:** Totaled **US\$470.8 million** as of Dec-23, decreasing by 13% compared to the current liabilities recorded as of Dec-22, mainly due to a decrease in accounts payable resulting from a lower dividends provision payable as of Dec-23, derived from the lower profit in 4Q23 compared to 4Q22.

◆ **Non-current Liabilities:** Reached **US\$3,092.6 million** as of Dec-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\$3,097.3 million**, increasing by 5% compared to the Net Equity recorded as of Dec-22, primarily due to the profits recorded during the year. This effect was partially offset by the dividends distributed during the period.

**Table 10: Main Debt Items (US\$ million)**

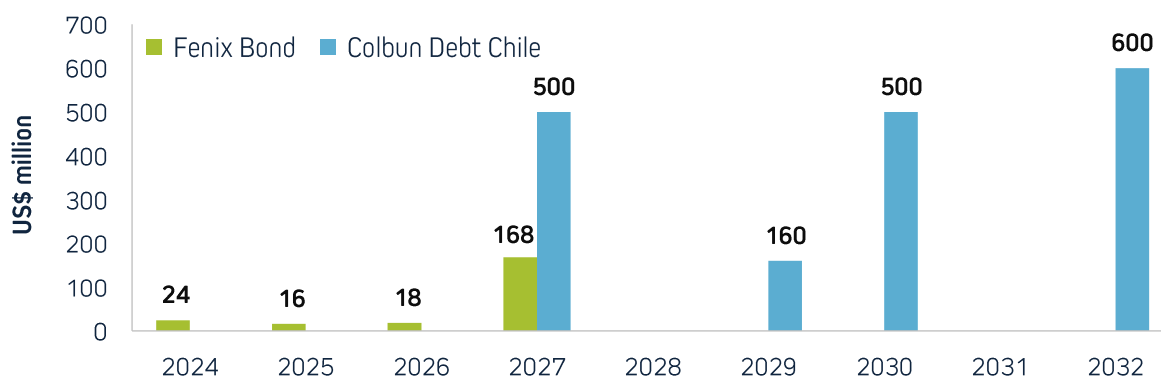
	Dec-22	Dec-23	Var	Var %
Gross Financial Debt*	2,137.9	2,123.3	(14.6)	(1%)
Financial Investments**	1,154.4	1,031.1	(123.3)	(11%)
Net Debt	983.5	1,092.2	108.7	11%
EBITDA LTM	763.4	713.9	(49.5)	(6%)
Net Debt/EBITDA LTM	1.3	1.5	0.2	19%

(\*) The amount includes debt associated to Fenix without recourse to Colbun: (1) an international bond with an outstanding capital of US\$226.0 million, (2) a financial leasing for US\$11.5 million associated with a transmission contract with Consorcio Transantaro, (3) a US\$94.9 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 11: Long Term Financial Debt**

Average Life	5.9 years
Average Interest Rate	3.8%
Currency	100% USD



## 5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec-22 and Dec-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 12: Financial Ratios**

Ratio	Dec-22	Dec-23	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	3.15	3.03	-4%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	2.98	2.81	-5%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	1.24	1.15	-7%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	14.85%	13.21%	-11%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	85.15%	86.79%	2%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	5.69	7.42	30%
Equity Profitability (%): Profit (Loss) After Taxes, Continuing Activities / Average Net Equity	10.51%	13.04%	24%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	4.48%	5.91%	32%
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	12.04%	10.41%	-14%

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 **3.03x** and **2.81x** as of Dec-23, decreasing by 4% and 5%, respectively, compared to the values as of Dec-22. This decrease is primarily due to lower current liabilities associated with a decrease in the accounts payable levels resulting from a lower dividends provision as of Dec-23, due to the lower profit in 4Q23 compared to 4Q22.
- **The Indebtedness Ratio** reached **1.15x** as of Dec-23, decreasing by 7% compared to the value of 1.24x as of Dec-22, primarily due to the lower current liabilities, as mentioned above.
- The percentage of **Short-Term Debt** as of Dec-23 was **13.21%**, decreasing by 11% 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 compared with 4Q22 amounts.
- The percentage of **Long-Term Debt** as of Dec-23 was **86.79%**, increasing by 2% 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 Dec-23 reached **7.42x**, increasing by 30% compared to the value of 5.69x as of Dec-22. The variation is mainly explained by the higher profits and the higher pre-tax income recorded in the year.
- The **Equity Profitability** as of Dec-23 was **13.04%**, increasing by 24% compared to the value of 10.51% recorded as of Dec-22. The variation is mainly explained by the higher profits recorded in the year.
- **Profitability of Assets** as of Dec-23 was **5.91%**, recording a 32% increase compared to the value of 4.48% as of Dec-22, primarily due to the higher profits recorded in the year.
- The **Performance of Operating Assets** as of Dec-23 was **10.41%**, decreasing by 14% compared to the value of 12.04% as of Dec-22, primarily due to the higher 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 13: Cash Flow Summary for Chile and Peru (US\$ million)**

Accumulated Figures			Quarterly Figures		Var %	Var %
Dec-22	Dec-23		4Q22	4Q23	Ac/Ac	Q/Q
1.419,2	1.154,5	<b>Cash Equivalents, Beg. of Period*</b>	1.175,8	1.170,7	(19%)	(0%)
492,0	718,3	Net cash flows provided by (used in) operating activities	178,5	180,2	46%	1%
(472,9)	(431,5)	Net cash flows provided by (used in) financing activities	(98,6)	(181,9)	(9%)	84%
(268,2)	(409,3)	Net cash flows provided by (used in) investing activities**	(100,2)	(145,9)	53%	46%
<b>(249,2)</b>	<b>(122,4)</b>	<b>Net Cash Flows for the Period</b>	<b>(20,4)</b>	<b>(147,5)</b>	(51%)	-
(15,5)	(1,0)	Effects of exchange rate changes on cash and cash equivalents	(0,9)	7,9	(94%)	-
<b>1.154,5</b>	<b>1.031,1</b>	<b>Cash Equivalents, End of Period</b>	<b>1.154,5</b>	<b>1.031,1</b>	(11%)	(11%)

(\*) 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 4Q23, the Company reported a **negative net cash flow of US\$147.5 million**, which compares to the negative net cash flow of US\$20.4 million in 4Q22.

● **Operating Activities:** During 4Q23, a positive net cash flow of **US\$180.2 million** was generated, compared to the positive net cash flow of **US\$178.5 million** in 4Q22, mainly explained by (1) a lower income tax payment compared to 4Q22, mainly due to the lower operational income, and (2) the lower operating profit mentioned above. **In cumulative terms**, a positive net cash flow of **US\$718.3 million** was recorded, compared to the positive net cash flow of US\$492.0 million as of Dec-22, mainly explained by (1) a lower tax payment, as the year 2022 included income tax payments associated with the sale of Colbun Transmisión S.A., and (2) the higher operating profit for the year.

● **Financing Activities:** Generated a negative net cash flow of **US\$181.9 million** during 4Q23, compared to the negative net flow of US\$98.6 million in 4Q22, mainly explained by the provisional dividend payment of US\$169.8 million, while in 4Q22, the dividend payment reached US\$80.3 million. **In cumulative terms**, a negative net cash flow of **US\$431.5 million** was recorded, compared to the negative net cash flow of US\$472.9 million, primarily due to (1) the prepayment of local bonds for US\$181 million made during 1Q22, and (2) the higher dividend payments during the year.

● **Investment Activities:** Generated a negative net cash flow of **US\$145.9 million** during 4Q23, which compares to a negative net flow of US\$100.2 million in 4Q22, mainly explained by higher CAPEX disbursements associated with the Horizonte wind project. **In cumulative terms**, a negative net cash flow of **US\$409.3 million** was recorded, compared to the negative net cash flow of US\$268.2 million as of Dec-22, primarily explained by the same reasons that explain the variations in quarterly terms.

## 7. ENVIRONMENT AND RISK ANALYSIS

Colbun 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 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 Dec-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. The surpluses were: Maule: +47%; Laja: +43%; Biobío: +30%; Chapo: +2%. On the other side, the Aconcagua basin has presented a deficit of -16%. Compared to the previous hydrological year, the Aconcagua, Maule, Biobío, Laja and Cautillar basins presented variations in precipitation of +70%, +59%, +20%, +50% and +9% respectively. In terms of inflow energy, the hydrological year to September 2023 has a probability of exceedance of 59%.

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 provides natural gas to operate two combined cycle units during most of the first half of the year, period in which there is generally a lower availability of water resources. In addition, it is possible to access 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.

During 2023, energy sales contracts were signed in Chile with 76 clients for an annual total of 1,448 GWh. Among the main contracts signed, are the 100% renewable supply contract for Compañía Minera Doña Inés de Collahuasi, for a total of up to 650 GWh per year for 12 years starting from January 2024 onwards, and the supply contract for Aguas Pacifico, for a total of up to 280 GWh per year for 10 years starting from 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 fourth quarter of 2023, the SEIN registered a hydrological condition with a probability of exceedance of 77.1%, compared to 44.4% recorded in 2022.

In 4Q23, electricity demand increased by 0.7% compared to the same period in 2022, due to an increase in regulated client demand. On the other hand, compared to the previous quarter, during 4Q23 an increase in electricity demand of 1.7% was recorded.

Santa Rosa's average marginal cost during 4Q23 reached US\$32/MWh, in contrast to the US\$166 MWh in 4Q23 due to the recovery of the hydric resource, the entry of a new wind generation plant and lower plant unavailability.

### 7.3 Growth plan and long-term actions

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

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

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

#### Generation projects under development

Project	Installed Capacity	Technology	Location	Status
Horizonte	816 MW	Wind	Antofagasta Region	Under Construction
Diego de Almagro Storage Capacity	8 MW/ 32 MWh	Storage	Atacama Region	Commissioning
Inti Pacha I,II&III	750 MW	Photovoltaic	Antofagasta Region	Environmentally Approved
Jardín Solar	537 MW	Photovoltaic	Tarapacá Region	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, 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 Parinas substation, located 19 kms from the project.

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

On September 13, 2021, the SEA issued the Environmental Qualification Resolution (Resolución de Calificación Ambiental or RCA) of the project. On September 21, the approval by the Board of Directors of the start of construction was announced at a meeting held in Taltal. On November 8 of the same year, the beginning of the Construction Phase of the Project was declared before the Superintendence of the Environment.

The investment for this project reaches US\$898 million. It is estimated that it will begin injecting energy into the system in 1Q24, subject to the entry into operation of the Parinas substation that is under the last construction stage by Transelec. On the other hand, the entry into operation of the last wind turbines is projected towards 4Q24.

By the fourth quarter of 2023, 75.6% progress on the project was reached. The assembly of the turbines continues to progress, reaching the mechanical completion of 44 wind turbines. In addition, the construction of internal roads and wind turbine platforms is still in progress, with a cumulative progress of 96% for civil works, as well as substations, transmission lines and medium voltage networks, with a cumulative progress of 87% with respect to the complete electrical works. In total, 535 main components have been unloaded to date at the wind turbine site, including blades, towers, bushings, hubs and generators. It is worth highlighting the challenge that has been to transport the oversized components of the wind turbines from Puerto Angamos in Mejillones to the Project, 170 km south of La Negra - Antofagasta, due to the shortage of police escorts available for these transfers. At the end of December 2023, an improvement in the frequency of transport of wind turbine components has been observed, following the implementation of private escorts for certain sections of the transport route.

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

As of 4Q23, the systemic tests have been executed and approval for commercial operation is expected, executing daily charging and energy injection operations.

In 4Q23, a letter of relevance was submitted to the Environmental Assessment Service, aiming to determine the type of environmental permit required for the installation of a 1,000 MWh storage system.

● **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 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 Connection Authorization Request of the project to the Crucero Substation with a deadline to Declare in construction by April 2024.

In 4Q23, a letter of relevance was submitted to the Environmental Assessment Service, aiming to determine the type of environmental permit required for the installation of 400 MW storage system of 5 hours duration.

● **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 of 263 MW and 274 MW respectively, 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.

In 4Q23, a letter of relevance was submitted to the Environmental Assessment Service, aiming to determine the type of environmental permit required for the installation of a 1,000 MWh storage system.

● **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 4Q23, Addendum 1 of the EIA was entered into the SEIA, within the framework of the environmental processing of the project.

● **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 MW DC 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 in 3Q22 and is currently awaiting the final resolution from the Environmental Evaluation Service. All services have expressed agreement with the project.

● **Other renewable energy projects from variable sources:** At the end of 4Q23, Colbun continues making progress in the pipeline of options for wind, solar and storage 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, are located near transmission lines and are distributed throughout the country.

These projects represent advances to fulfill our goal, of building around 4,000 MW in renewable energy in Chile 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 that meets monthly.

### B. Risk Factors

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

#### ● B.1. Electrical Business Risks

##### B.1.1. Hydrological risk

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

The Company's exposure to hydrological risk is reasonably mitigated through a commercial policy that aims to maintain a balance between competitive generation (hydraulic in an average to dry year, 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 combined cycles generating capacity.

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

#### **B.1.2. Fuel price risk**

In Chile, in situations of low inflows to the hydraulic plants, Colbun must use 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 relevant and unforeseen variations in fuel prices, hedging programs are carried out with various derivative instruments, such as options that fix the fuel price. Otherwise, in the face of abundant hydrology, the Company could find itself in a surplus position in the spot market, whose price would be, in part, determined by the fuel prices, but the company would be in a selling position, case in which the exposure to fuel prices would be lower.

In Peru, natural gas cost has a lower dependence to international prices, due to a relevant 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 of the year, period which generally has less availability of water resources. In addition, it is possible to access additional natural gas via spot purchases. Additionally, firm supply contracts for Argentine natural gas were signed for 2.3 MMm<sup>3</sup>/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 Colbun’s generating units and transmission facilities are essential to the Company’s business. Based on the above, Colbun 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. Additionally, clearance levels with respect to time and construction costs estimates are incorporated. Moreover, 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.

Colbun also has the policy to integrate with excellence the social and environmental dimensions to projects development. The Company has developed a social link 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. Colbun 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 agents in the sector confidence.

## Chile

### Constitutional Process

On December 17, 2023, citizens rejected the new draft constitution proposed by the Constitutional Council and with this, the process that began on December 12, 2022 with the signing of the "Agreement for Chile", ended. Due to the above, a process that could generate changes to the institutional framework applicable to business activity in the country has been closed.

### Enacted Laws

1. **Short Law of Desalination** is enacted. On December 27, Law 21,639 was published, amending DFL No. 850/1997 of the Ministry of Public Works ('MOP'), allowing the development of water infrastructure and desalination projects through public concession systems, in order to allocate water for subsistence and irrigation purposes.

### Key Developments in Bills in Progress

1. **The Energy Transition Bill** is in the first legislative process in the Senate's Mining and Energy Committee and has been approved in general by the Senate plenary. At this stage, the executive branch has submitted amendments with the aim of focusing the project on three points:
  - **Reassignment of tariff revenues:** It maintains the proposal for the creation of the concept of extraordinary tariff revenues. During 2024, and until the regulation is issued – which will define the calculation and reassignment methodology – extraordinary tariff revenues will be those exceeding 10% of the system National VAT.
  - **Urgent expansion of the transmission system:** The Ministry of Energy may exclude works from the transmission planning process, being able to decree their execution as necessary and urgent. It remains consistent with the original project that owners will be responsible for the bidding process and the investment value review process for awarded expansion works.
  - **Bidding for energy storage systems:** It is defined as a single mechanism, and the capacity to be auctioned cannot exceed 500 MW. The mechanism includes two auctions: one for infrastructure that awards construction and operation rights, and another for services that involves acquiring commercial rights in energy, power, and ancillary services markets. It does not include coverage or payment from the customer segment.

Senators have also submitted amendments to the project, including alternative mechanisms for reassigning tariff revenues and the authority for generating companies to propose and finance expansion works in transmission facilities at their own cost and risk.

Currently, the project is in the first constitutional process in the Senate, under review by the Mining and Energy Committee. It does not have an urgent status.

2. On January 16, 2024, the Ministry of Energy presented the **Tariff Normalization Bill** focusing on mitigating the anticipated increase in prices for regulated customers and respecting the actual prices agreed upon in bidding contracts. The main guidelines of the project include:
  - Extending the validity of the Tariff Stabilization Fund until 2035 and increasing the allocated resources for the operation of the Price Stabilization Mechanism (MPC, as its acronym in Spanish) from 1,800 million USD to 5,500 million USD.
  - Enabling financing for the creation of a temporary subsidy for vulnerable residential clients.
  - Allowing differences resulting from monthly variations in contract prices to be recognized as payment documents, following the MPC mechanism.
  - Gradually unfreezing distribution tariffs, known as the Value Added Distribution (VAD).

The project is in the first constitutional process in the Senate and is under review by the Mining and Energy Committee. It is categorized as having urgent status for immediate discussion.

3. On October 4, 2023, the Senate's Water Resources, Desertification, and Drought Committee resumed **the Bill regulating the use of seawater for desalination**. This project was introduced in 2018 to the Committee, which issued the first report and was then voted on in general by the Senate plenary. In 2019, the Committee presented a second report, and in 2021, the specific vote was scheduled but postponed as the Committee was requested to issue a supplementary report, which has not been delivered yet. In March 2022, the government of Sebastián Piñera presented a substitute amendment that changed the entire text of the project. The main provisions incorporated in that substitute amendment are:
  - Creation of a concession for the extraction of seawater and the use of the coastline for desalination granted by the General Water Directorate (DGA, as its acronym in Spanish).
  - The concession does not grant ownership of National Asset For Public Use (BNUP as its acronym in Spanish), 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 discussing this initiative in detail.

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. Colbun and the trade associations are closely monitoring the outcome of the merged document.

5.

#### **Announcements: Presentation of bills for the Intelligent System of Permits and Environmental Evaluation 2.0.**

On January 10, 2024, the Government presented two initiatives as part of the acceleration of public and private investment, entrusted to the Pro-Growth and Employment Cabinet. Both initiatives are bills that were subsequently introduced to Congress.

1. **Intelligent Permitting System:** On Monday, January 15, 2024, the Executive entered the Chamber of Deputies this project that seeks to simplify and reduce the processing time of sectoral permits. Its main proposals are:
  - Common regulatory framework establishment for the processing and regulation of sectoral authorities.
  - "System for Sectoral Regulation and Evaluation" creation: an entity that seeks to move towards a more coherent, integrated, and modern authorization regime.
  - "Service for Sectoral Regulation and Evaluation" creation: an institution that will ensure progressive improvement of sectoral regulations.
  - Established minimum procedural standards, and a unified information system.
  - 37 normative bodies modification, aiming for administrative efficiency.



Currently, the project is in the first constitutional process with qualified urgency for immediate discussion, being reviewed by the Committee on Economy and the Committee on Finance.

- 2. Environmental Evaluation 2.0:** On Wednesday, January 10, 2024, the Executive presented this project aiming to strengthening the environmental institutional framework contained in law 19,300, improving its efficiency, and modifying associated legal bodies. Its main proposals are:
- a. Voluntary early participation: companies can disclose the design of their projects to communities at early stages, prior to entering the system.
  - b. Decisions technification: grants greater powers to the Environmental Assessment Service (SEA, as its acronym in Spanish) and eliminates political instances such as the committee of ministers and the Environmental Assessment Commissions (COEVA, as its acronym in Spanish).
  - c. Establishes a single route for appeals to avoid excessive delays and referrals between courts and administration.

Currently, the project is in the first constitutional process with simple urgency, being reviewed by the Committee on Environment, Climate Change, and National Assets, and the Committee on Finance.

### **Green Hydrogen Action Plan 2023 – 2030**

On December 22, 2023, the public consultation for the Plan defining the Roadmap for the deployment of the green hydrogen industry began. The Plan aims to reconcile economic development with respect for the environment, territory, and communities. It was developed in coordination with various agencies, ministries, local governments, and private companies, attempting to cover all aspects influencing green hydrogen projects. The 111 measures outlined in this plan focus on 8 lines of action:

- Enablement and promotion of the market.
- Enabling infrastructure.
- Participation, information, and education.
- Permit system.
- Industry sustainability.
- Territorial deployment.
- Capacities, knowledge, and skills development.
- International positioning.

The public consultation period will extend until February 13.

### **Decarbonization Plan**

Workshops continue around the creation of a Roadmap for decarbonization with a focus on 2030. This initiative is by the Ministries of Energy and Environment. The workshops are focused on three main themes:

- Electrical grid, electricity market, and infrastructure modernization.
- Thermo-electric conversion and transition fuels.
- Fair Energy Transition and Communities.

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

### **Situation of Supply Contracts with Regulated Customers**

In September 2023, Acciona Energía Chile Holdings requested the National Energy Commission to activate the price review mechanism for bidding contracts, established in Article 134 of the General Electricity Services Law. The conditions that could trigger the acceptance of their request include the detection of causes not attributable to the company, leading to economic imbalances, and being associated with substantial and not transitory changes in sectoral regulations. This matter is still under evaluation by the Commission. The main risk of the request being accepted is triggering potential discriminatory treatment in bids awarding, 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.

Additionally, on January 9, 2024, the National Energy Commission informed the Coordinator that Energía Renovable Verano Tres SpA and Cox Energía SpA, both companies that were awarded regulated contracts in the 2017/01 bid, requested on December 22, 2023 the contract early termination. This request is currently being evaluated by the National Energy Commission.

## Peru

### Laws Enacted

On December 23, 2023, the amendment to the "Procedure for the Application of the Social Electric Compensation Fund (FOSE)" was published in El Peruano (Resolution No. 236-2023-OS/CD), which includes the following modifications:

- Exclusion from FOSE benefits for (i) legal entities, state entities, schools, and residential users with commercial names, and (ii) residential users with more than one supply. Except for areas without registered stratified plans in the National Institute of Statistics and Informatics (INEI, as its acronym in Spanish).
- Users who are holders of more than one supply nationwide must request their exclusion from FOSE benefits from the distribution companies to which each supply belongs.
- The OSINERGMIN Tariff Regulation Management will be responsible for approving the Surcharge Factor and FOSE Transfer Program. Against this resolution, the distribution company may file an appeal, which will be resolved by the General Management.

Finally, it is stipulated that this Resolution will be applicable from January 1, 2024.

### 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 previous initiatives result, 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 Ministry of Energy and Mines (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 of capacity 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 a maximum term of 2 years.
  - Bar Rate Prices: The bar price set by supervisory Organism of Investment in Energy and Mining (OSINERGMIN) cannot differ by more than 10% from unregulated and regulated prices weighted average, taking each year's March 31 as the cut-off date.
  - Tenders in Isolated Systems: Renewable generation is prioritized in MINEM tenders.
  - Contracts Coexistence: Energy and/or capacity consumed distribution 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. 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 the users of distribution concessions. The reference prices are the final prices on the tariff categories, where the highest demand 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, of LPG and other hydrocarbons.

On December 4, 2023, the President of the Republic made observations on the draft law regarding points such as the Hydrocarbon Energy Security System, the charge and destination of the Hydrocarbon Energy Security System, the financing of the FISE, the purpose of the fund, the administration of the fund and compliance with provisions, and finally, supervision and oversight.

**3. The Bill related to the Wind Canon** (PdL 2454/2021 and PdL 2939/2022), is an Ocucaje Local Government and Congress initiative. On February 28, 2023, in the Energy and Mines Commission session, a favorable opinion was issued, Opinion 18, where Title X (Wind Energy Canon) was incorporated into Law 27506 - Fee Canon. This project mechanism proposes the canon creation for wind resources exploitation, composed by 50% of the total income paid by the concessionaires that use the wind resource for energy generation.

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. Under Opinion 30, was approved on June 20, 2023, in the Energy and Mines Commission. 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.
- Green Origin Certification: The MINEM establishes in the regulation the necessary requirements to obtain green hydrogen green origin certification, for which it coordinates with the sectors involved.
- National Interest Declaration: 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 31, 2023, the proposal was placed on the Plenary Agenda and is currently awaiting congressional debate.

**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 and hybrids vehicles use promotion, and necessary charging infrastructure implementation are national interest declared, with the objective of reducing greenhouse gas (GHG) emissions and liquid fuels importation.
- Policy and Planning: The MINEM formulates sectoral energy policies and plans for electromobility promotion, which must be aligned with Transport and Communications Ministry (MTC) and the Economy and Finance Ministry (MEF) policies, which include economic incentives for electric and hybrid vehicles acquisition for the purpose of renewing the

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 are granted.

- **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.

As of May 2023, an additional Bills series promoting Electromobility (PdL 4903/2022, PdL 4902/2022, PdL 5369/2022, PdL 5306/2022, PdL 5188/2022), which are still under review within the respective committees, were also presented.

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. Likewise, on June 23, 2023, by an accumulation agreement, Bills 5288/2022 and 4184/2022 were added to the approved report.

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, the legislative initiative on temporary measures formalization on electricity matters all National Electricity Market users' benefit was debated. The main measures of this bill are the following:
  - A surcharge will be applied to the energy and capacity changes to unregulated users during the Tariff Balancing Program validity period. The unit surcharge purpose is to ensure that until the end of the year 2030, the Generation Level Price at the Generation Bar level differs of the Free Market Average price published by OSINERGMIN by a maximum of 10%.
  - For setting the Tariff Balancing Surcharge, OSINERGMIN considers 3.5 USD/MWh maximum values until 2023, a 10% increase from 2024 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 fourth quarter, this project is still under committee debate, showing no progress.

8. **The Bill that promotes the use of green energy (PdL 6354/2023)**. On November 8, 2023, this PdL was presented with the purpose of promoting a greater supply in energy generation, promoting research and technological development of new non-conventional renewable energy resources such as nuclear, biogas and carbon capture.

Currently, the PdL is awaiting the opinions of the Energy and Mines Committee and the Economy, Banking, Finance and Financial Intelligence Committee.

### Measures for the Economic Reactivation

On November 11, 2023, the Executive Branch published a total of 25 measures to reactivate the economy through the so-called United Plan, which provides for actions for all productive sectors of the country in order to encourage the growth of the Gross Domestic Product (GDP) and mitigate the impact of the El Niño Phenomenon.

In the energy sector, these are the main actions foreseen:

- Greater promotion of investment in renewable energy given that access to the market for wind and solar energy projects will be promoted.
- The contracting of capacity and energy as independent services will be enabled, as well as the contracting of energy through its unbundling in hourly blocks.
- New sources of investment will be generated in order not to affect existing investment.
- Finally, a bill will be presented to extend the accelerated depreciation regime for Income Tax (IR) purposes in energy generation activities until December 31, 2035.

### **Permanent Congressional Committee**

On December 16, 2023, it was published that the Permanent Commission of the Congress may legislate directly, until February 28, 2024, regarding issues that are included in national representation plenary agenda or sent by the Executive Branch; that is, it will be empowered to legislate on the opinions and bills or legislative resolutions that are on the daily agenda and on Congress plenary agenda, as well as those included by the Board of Spokespersons agreement.

### **Regulation for the installation and operation of electric mobility charging infrastructure**

On December 31, 2023, Supreme Decree No. 036-2023-EM was published, which provides for the publication of said regulation, which will enter into force six months after its publication. This regulation purpose is to establish a regulatory framework to guide the different actors involved in the installation, adaptation and operation of the electric mobility charging infrastructure (ICME); and to establish the minimum requirements for installation, operation, safety and maintenance that the ICME must comply with, as well as the design and construction of its facilities.

On the other hand, the scope of the Regulation includes the owners of new and/or existing ICMEs. Likewise, it establishes in its final complementary provision that OSINERGMIN and the Municipalities must adapt their procedures to supervise and oversee that the installations of the ICMEs comply with the provisions of the Regulation. Likewise, for a period of one year as from the entry into force of this Supreme Decree, Manufacturers, Importers, Distributors and Marketers must submit to the supervising and controlling entity, the certificate of conformity or a test report to comply with the requirements.

### **Installation of the Executive Board of the Executive Branch**

On January 5, 2024, the Minister of Economy and Finance, Alex Alonso Contreras Miranda, and the Minister of Energy and Mines, Oscar Vera Gargurevich, installed the Executive Board for the Development of Renewable Energies, aimed at promoting competitive and reliable energy investment to support the country's economic growth and development.

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

Future energy consumption projection is very relevant for its market price determination.

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 energy price (marginal cost) in the last years.

Regarding long-term values, the bidding process for regulated customers supply 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. However, August 2022 auction marked the reversal of the downward trend in prices due to the increased costs of the technologies mentioned above.

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

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 0.1% during 4Q23 compared to 4Q22, while Peru has also seen an increase of approximately 1.0% compared to 4Q22.

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

## **B.2 Financial risks**

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

### **B.2.1 Exchange rate risk**

The exchange rate risk is mainly caused by currency fluctuations that come from two sources. The first exposure source 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 Company sales are denominated directly in or indexed to USD.

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

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

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

### **B.2.2 Interest rate risk**

Is related to changes in interest rates that affect future cash flows value tied to a floating interest rate, and changes in the fair value of assets and liabilities linked to fixed interest rate that are accounted at fair value. To mitigate this risk, interest rate swaps are used.

On December 31, 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 Colbun has maintained energy supply contracts have correctly made the corresponding payments.

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

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

As of December 31, 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 of the Financial Statements.

#### B.2.4 Liquidity Risks

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, among others. The funds needed to meet these cash flow outputs are obtained from Colbun's own resources generated by the Company's ordinary activities and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of December 31, 2022, Colbun has approximately US\$1,031 million cash surpluses, invested in interest-bearing checking accounts, time deposits and mutual funds with 50 days average term (including deposits with less and more than 90 days terms of, the latter are recorded as "Other Current Financial Assets" in the Consolidated Financial Statements) and fixed-income investments with 0 to 1 year terms that are expected to be held to maturity.

Also, the Company has available as additional liquidity sources as of today: (i) three bond facilities registered in the local market, two for a combined UF 7 million total amount and one for UF 7 million amount and (ii) uncommitted bank lines for approximately US\$150 million. Fenix has uncommitted totaling US\$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 December 31, 2023, Colbun 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 December 31, 2023, Fenix has international risk ratings of BBB- by S&P and Fitch Ratings, both 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 Corporate Risk Management support and in coordination with other Company divisions.

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

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

Regarding financial risks, for the purpose of measuring exposure, Colbun prepares a sensitivity analysis and value at risk in order to monitor potential losses assumed by the Company in the event that the exposure exists. The exchange rate risk is limited, since the Company's main flows (revenues, costs and projects disbursements) are denominated directly in or indexed to USD. Exposure to accounts mismatching is mitigated by applying a maximum mismatch policy between assets and liabilities for those structural balance items denominated in currencies other than USD. Given the above, As of December 31, 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 of 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 Colbun operates only with local and international banking counterparties with high credit ratings and has established policies of maximum exposure per counterparty that limits the specific concentration with these institutions. In the case of banks, local institutions have a local risk rating equal to or greater than BBB and foreign entities have an investment grade international rating.

At the end of the period, the financial institution that has the largest share of cash surpluses reached 21%. 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 48% 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 funding sources.



## **DISCLAIMER**

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*This document provides Information about Colbun 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 Colbun's future performance and should be considered as good faith estimates by Colbun S.A.*

*In compliance with the applicable laws, Colbun 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.*