



1st Q U A R T E R 2021



QUARTERLY EARNINGS REPORT

As of March 31, 2021

1Q21 EARNINGS REPORT

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Conference Call
1Q21

Date: Friday May 28th, 2021

Time: 11:00 AM Eastern Time
11:00 AM Chilean Time

US Toll Free: +1 888 506 0062
International Dial: +1 973 528 0011
Event Link:
<https://www.webcaster4.com/Webcast/Page/1997/40865>

Investor Relations Team Contact:

Miguel Alarcón V.
malarcon@colbun.cl
+ (56) 2 24604394

Isidora Zaldívar S.
izaldivar@colbun.cl
+ (56) 2 24604308

1. HIGHLIGHTS

Main Figures at a Consolidated Level:

■ ■ ■ **Operating Income** for the first quarter of 2021 (1Q21) amounted to **US\$335.6 million**, decreasing 2% compared to the operating income recorded in the first quarter of 2020 (1Q20) mainly explained by (1) lower physical sales in the spot market due to a lower generation recorded during the quarter and (2) lower physical sales to regulated clients as a result of a diminished demand caused by the pandemic.

■ ■ ■ Consolidated **EBITDA** in 1Q21 reached **US\$137.4 million**, decreasing 20% compared to the US\$172.3 million EBITDA in 1Q20, mainly explained by (1) the higher raw materials and consumables used costs mainly due to higher generation with diesel and purchases in the spot market at a marginal cost higher than 1Q20 (US\$77/MWh vs US\$51/MWh) explained by lower hydroelectric generation and less gas availability; (2) lower operating income recorded during the period, and (3) higher personnel expenses in USD as a result of the appreciation of exchange rate compared to 1Q20.

■ ■ ■ **Non-operating result** in 1Q21 recorded losses of **US\$43.9 million**, lower than the losses of US\$49.4 million in 1Q20. The lower losses are mainly explained by lower “Other losses” recorded in 1Q20 associated to the premium paid for the prepayment of the 2024 Bond “144-A” maturing in 2024 of US\$17 million. This effect was partially offset by the recording of financial cost on “Other losses” line, related to the selling of the first group of accounts receivables generated by the energy price stabilization mechanism (PEC) of US\$14.2 million.

■ ■ ■ In 1Q21 **tax expenses** of **US\$79.3 million** were recorded, compared to the tax expenses of US\$21.9 million in 1Q20. The higher tax expense in 1Q21 is mainly explained by a deferred tax recognition of US\$64.5 million, associated with Colbún Transmisión S.A sale announcement and correspond to the tax applied to the difference between book value and tax value of the investment.

■ ■ ■ In 1Q21, the Company recorded **losses** of **US\$41.2 million**, compared to the profit of US\$40.5 million in 1Q20. The losses of the quarter are mainly explained by (1) the higher tax expenses and (2) the lower gross profit previously mentioned.

Highlights of the quarter:

■ ■ ■ Regarding the **COVID-19 pandemic contingency**, the Company's power plants are operating normally and Colbún has taken actions considering two priority focuses: (1) to protect the health of workers, collaborators, suppliers and our surrounding communities and (2) to ensure the continuity and security of the energy supply. Regarding the impact of COVID-19 on energy demand, there is still uncertainty about the magnitude and length of this contingency. Energy demand in Chile decreased approximately 0,1% during 1Q21 compared to 1Q20 and 0.6% during the last twelve months, while in Peru, there was an increase of approximately 2.5% during the quarter and a decrease of 6,0% during the last twelve months.

■ ■ ■ On February 6, Colbún sold to Chile Electricity PEC SpA the first group of accounts receivables associated to the energy price stabilization mechanism, Law 21,185. On April 1, the sale of the second group of accounts receivables was completed. As a whole, these sales comprised accounts receivable for a nominal value of US\$84.1 million. It should be noted that the differential between the nominal amount of the accounts receivables sold and the purchase price will be recorded as "Other losses" for fiscal year 2021. In the first quarter of 2021, US\$14.2 million were recorded for this concept associated with the first sales of accounts receivables.

■ ■ ■ On March 11, Colbún was included for the first time in The Sustainability Yearbook 2021, a yearbook that groups together the 15% of the companies in each industry with the best score in the Dow Jones Sustainability Index, and groups the companies with the best evaluation in sustainability matters, including economic, social and environmental management, as well as corporate governance aspects of the companies.

■ ■ ■ In order to simplify the presentation of the equity composition in the Financial Statements of Fenix Power Subsidiary, during March 2021, the accumulated losses for US\$171.5 million from previous years were capitalized. It should be noted this adjustment has no impact at the equity level.

■ ■ ■ On March 30, Colbún announced the sale of its subsidiary Colbún Transmisión S.A. to Alfa Desarrollo SpA, 80% controlled by APG Energy and Infra Investments and 20% by Celeo Redes. The closing of the transaction and the transfer of the shares are subject to certain customary conditions for this type of transaction. The sale price reached US\$1,295 million, which may experience variations due to the application of the adjustments stipulated in the respective contract, which are usual for this type of transaction. This operation is estimated to have a positive effect on income before taxes of US\$930 million.

Subsequent events:

■ ■ ■ On May 12, dividends were paid for a total of US\$246.3 million. This payment is comprised of (1) a definitive dividend for US\$81.7 million, and (2) an eventual dividend, charged to the profits of previous years, for US\$164.6 million. Based on the above and considering the US\$81.2 million paid in December 2020 as a provisional dividend, the total distribution of dividends reached US\$327.5 million.

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 1Q20 and 1Q21.

Table 1: Physical sales and generation in Chile

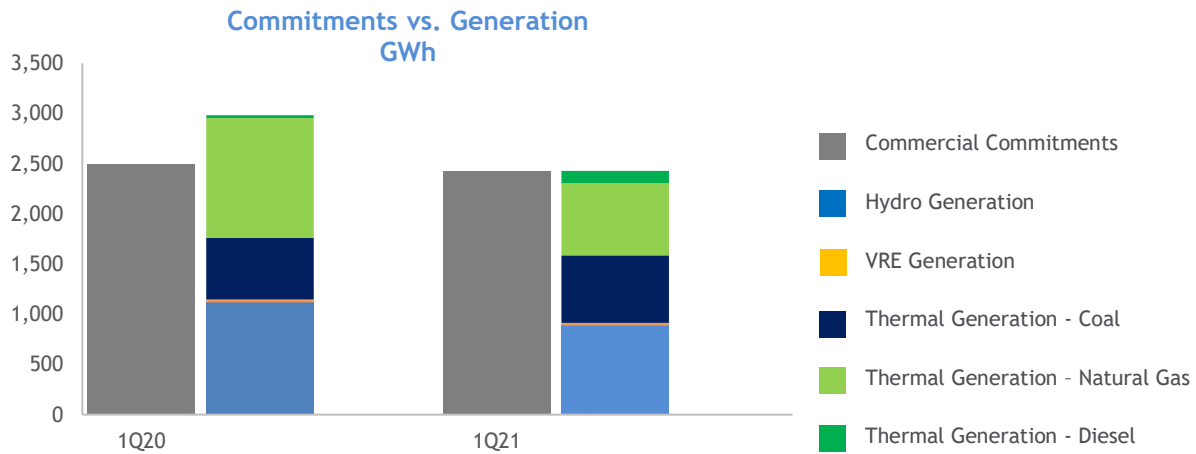
Sales	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
Total Physical Sales (GWh)	2,895	2,523	(13%)
Regulated Clients	788	726	(8%)
Unregulated Clients	1,706	1,699	(0%)
Sales to the Spot Market	400	98	(75%)
Capacity Sales (MW)	1,390	1,247	(10%)
Generation	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
Total Generation (GWh)	2,984	2,428	(19%)
Hydraulic	1,120	887	(21%)
Thermal	1,838	1,513	(18%)
Gas	1,190	722	(39%)
Diesel	31	119	278%
Coal	617	672	9%
VRE	26	28	5%
Wind Farm*	20	21	9%
Solar	7	6	(5%)
Spot Market Purchases (GWh)	0	174	-
Sales - Purchases to the Spot Market (GWh)	400	(76)	-

(*): Corresponds to the energy purchased from the Punta Palmeras wind farm owned by Acciona and San Pedro, owned by Alba S.A.
VRE: Variable renewable energies.

■ ■ ■ **Physical sales** reached **2,523 GWh** during 1Q21, decreasing 13% compared to 1Q20, due to lower sales to the spot market, mainly explained by the lower gas and hydroelectric generation registered during the quarter.

■ ■ ■ On the other hand, quarterly **generation** decreased 19% compared to 1Q20, mainly due to (i) a lower gas generation (-468 GWh) driven by a lower LNG import and lower availability of Argentinean gas compared to 1Q20. The decision to import less LNG is explained by the expectations of hydrological availability based on the thaw forecast made by the CNE, which was well above the actual availability and (2) a lower hydro generation (-233 GWh) explained by less favorable hydrological conditions compared to 1Q20. These effects were partially offset by higher generation based on diesel (+87 GWh) and coal (+55 GWh).

■ ■ ■ The **spot market balance** during the quarter recorded net purchases of 76 GWh, compared to the net sales of 400 GWh recorded in 1Q20. The difference is mainly explained by the lower generation during the quarter.



Generation Mix in Chile: As of Mar21, the hydrological year (Apr21-Mar22) presented lower rainfalls compared to an average year in the main SEN basins, being the basins that present deficits: Aconcagua: -24%; Maule: -19%; Laja: -8%; Biobío: -14% and Chapo -11%. Average marginal cost measured in Alto Jahuel increased compared to 1Q20, averaging US\$77/MWh in 1Q21, compared to US\$51/MWh.

SEN Generation	Quarterly Figures		Var %
	1Q20	1Q21	T/T
Total Generación (GWh)	19,931	19,917	(0%)
Hydraulic	4,835	4,349	(10%)
Gas Thermal	4,139	3,060	(26%)
Diesel Thermal	134	671	402%
Coal Thermal	7,142	7,196	1%
Wind Farm	1,140	1,444	27%
Solar	1,935	2,575	33%
Others	606	622	3%

2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 1Q20 and 1Q21.

Table 2: Physical sales and generation in Peru

Sales	Quarterly Figures		Var % Q/Q
	1Q20	1Q21	
Total Physical Sales (GWh)	515	561	9%
Costumers under Contract	515	509	(1%)
Sales to the Spot Market	-	52	-
Capacity Sales (MW)	558	560	0%
Generation	Quarterly Figures		Var % Q/Q
	1Q20	1Q21	
Total Generation (GWh)	343	521	52%
Gas	343	521	52%
Spot Market Purchases (GWh)	186	58	(69%)
Sales - Purchases to the Spot Market (GWh)	(186)	(6)	-

■ ■ ■ **Physical sales** during 1Q21 reached 561 GWh, increasing 9% compared to 1Q20. The higher physical sales are mainly explained by the higher sales to the spot market as a result of the higher generation of the plant during the quarter associated with (1) the preventive maintenance of the TG12 gas turbine carried out during 1Q20 and (2) the COES request to stop operating as a result of the decrease in demand registered in Perú after the State of Emergency decree in March 2020 in order to face the COVID-19 pandemic.

■ ■ ■ On the other hand, Fenix **thermal generation** reached 521 GWh, increasing 52% compared to 1Q20 mainly due to the same reasons that explain the lower physical sales registered during the quarter.

■ ■ ■ The **balance in the spot market** recorded net purchases for 6 GWh, compared to the net purchases for 186 GWh during the same quarter of the previous year, due to the higher generation registered in the period for the same reasons explained above.

■ ■ ■ **Generation mix in Peru:** Hydroelectric generation in the SEIN (National Interconnected Electrical System) decreased 0.4% compared to 1Q20 due to less favorable hydrological conditions recorded during the period. On the other hand, thermal generation increased 7.6% during 1Q21 compared to 1Q20, mainly due to a higher energy demand from the system.

The accumulated energy demand growth rate as of 1Q21 was 2.5%, mainly due to the recovery of the system demand.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement in 1Q20 and 1Q21.

Table 3: Income Statement (US\$ million)

	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
OPERATING INCOME	342.6	335.6	(2%)
Regulated Customers Sales	114.7	107.7	(6%)
Unregulated Customers Sales	168.5	166.8	(1%)
Energy and Capacity Sales	37.9	27.4	(28%)
Transmission Tolls	15.1	26.0	72%
Other Operating Income	6.3	7.7	21%
RAW MATERIALS AND CONSUMABLES USED	(144.0)	(163.2)	13%
Transmission Tolls	(21.6)	(31.3)	45%
Energy and Capacity Purchases	(15.5)	(15.9)	3%
Gas Consumption	(68.5)	(66.3)	(3%)
Diesel Consumption	(4.3)	(16.7)	289%
Coal Consumption	(20.8)	(21.1)	1%
Other Operating Expenses (*)	(13.4)	(12.0)	(10%)
GROSS PROFIT	198.6	172.3	(13%)
Personnel Expenses	(15.1)	(21.3)	41%
Other Expenses, by Nature (*)	(11.1)	(13.7)	23%
Depreciation and Amortization Expenses	(60.6)	(55.4)	(8%)
OPERATING INCOME (LOSS) (**)	111.8	81.9	(27%)
EBITDA	172.3	137.4	(20%)
Financial Income	5.0	1.3	(74%)
Financial Expenses	(22.5)	(22.2)	(1%)
Exchange rate Differences	(4.8)	(2.8)	-
Profit (Loss) of Companies Accounted for Using the Equity Method	2.3	1.4	(41%)
Other Profit (Loss)	(29.4)	(21.5)	(27%)
NON-OPERATING INCOME	(49.4)	(43.9)	(11%)
PRE-TAX PROFIT (LOSS)	62.4	38.1	-
Income Tax Expense	(21.9)	(79.3)	-
AFTER TAX PROFIT (LOSS)	40.5	(41.2)	-
PROFIT (LOSS) OF CONTROLLER	43.7	(38.9)	(189%)
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	(3.2)	(2.3)	-

(*) The Company made a change in the classification criteria in costs allocation mainly associated with Insurance, Surveillance, Patents and Contributions, which as of this year are charged as an expense. Therefore, for comparative purposes, the figures presented as of 1Q20 in this Earnings Report are pro forma.
(**): The subtotal shown in "OPERATING INCOME" presented herein, differs from the "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF (Financial Market Commission), by means of which the concept of "Other Profit (loss)", which in the case of Colbun are only non-operating items, was incorporated as an operating item in the Financial Statements.

Table 4: Closing Exchange Rates

Exchange Rates	Dec-20	Mar-20	Mar-21
Chile (CLP / US\$)	710.95	852.03	721.82
Chile UF (CLP/UF)	29,070.33	28,597.46	29,394.77
Peru (PEN / US\$)	3.62	3.44	3.76

3.1. Operating Income analysis of the generation business in Chile

Table 5 presents a summary of Operating Income and EBITDA in 1Q20 and 1Q21. Subsequently, the major accounts and/or variations will be analyzed.

Table 5: EBITDA generation business in Chile (US\$ million)

	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
OPERATING INCOME	289.8	288.5	(0%)
Regulated Customers Sales	85.4	80.4	(6%)
Unregulated Customers Sales	163.1	160.2	(2%)
Energy and Capacity Sales	36.2	24.9	(31%)
Other Operating Income	5.0	23.1	-
RAW MATERIALS AND CONSUMABLES USED	(132.4)	(153.4)	16%
Transmission Tolls	(28.4)	(38.8)	37%
Energy and Capacity Purchases	(14.2)	(15.7)	11%
Gas Consumption	(57.4)	(51.1)	(11%)
Diesel Consumption	(4.3)	(16.7)	288%
Coal Consumption	(20.8)	(21.1)	1%
Other Operating Expenses (*)	(7.3)	(10.0)	37%
GROSS PROFIT	157.4	135.1	(14%)
Personnel Expenses	(13.6)	(19.4)	43%
Other Expenses, by Nature (*)	(9.5)	(11.7)	24%
Depreciation and Amortization Expenses	(46.7)	(43.7)	(6%)
OPERATING INCOME (LOSS) (**)	87.6	60.2	(31%)
EBITDA	134.3	103.9	(23%)

(*) The Company made a change in the classification criteria in costs allocation mainly associated with Insurance, Surveillance, Patents and Contributions, which as of this year are charged as an expense. Therefore, for comparative purposes, the figures presented as of 1Q20 in this Earnings Report are pro forma.
(**): 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 1Q21 amounted to **US\$288.5 million**, in line with the income presented in 1Q20. The lower energy sales in the spot market are explained by lower generation recorded during the period and lower income from regulated clients, mainly due to lower physical sales recorded as a result of the pandemic. These effects were partially offset by higher "Other income", mainly explained by the registration of income from tolls, for the application of CUT according to the resolution in Jul20.

The **raw materials and consumables used costs** recorded **US\$153.4 million** in 1Q21, increasing 16% compared to 1Q20, mainly due to (1) higher generation with diesel and higher purchases in the spot market at a marginal cost higher than 1Q20 (US\$77 / MWh vs US\$51 / MWh) explained by lower hydroelectric generation and lower gas availability. These effects were partially offset by lower gas consumption associated with lower generation with said fuel.

EBITDA in 1Q21 reached **US\$103.9 million**, decreasing 23% compared to the EBITDA of US\$134.3 million in 1Q20, mainly due to (1) the higher raw materials and consumables used costs and (2) higher personnel expenses and "Other expenses, by nature" due to the appreciation of the exchange rate compared to 1Q20. This effect was partially offset by the lower operating income recorded during the period.

3.2. Operating Income analysis of the transmission business in Chile (Colbun Transmisión S.A.)

Table 6 shows a summary of the Operating Income and EBITDA for the quarters 1Q10 and 1Q21. Subsequently, the main accounts and/or variations will be analyzed.

Table 6: EBITDA transmission business in Chile (US\$ million)

	Quarterly Figures		Var % Q/Q
	1Q20	1Q21	
OPERATING INCOME	22.7	19.2	(15%)
Transmission Tolls	22.7	19.2	(15%)
RAW MATERIALS AND CONSUMABLES USED	(4.1)	(2.5)	(39%)
Transmission Tolls	0.0	0.0	-
Other Operating Expenses (*)	(4.1)	(2.5)	(39%)
GROSS PROFIT	18.6	16.7	(10%)
Other Expenses, by Nature (*)	(0.2)	(0.2)	-
Depreciation and Amortization Expenses	(2.7)	(2.8)	3%
OPERATING INCOME (LOSS) (**)	15.7	13.7	(12%)
EBITDA	18.4	16.5	(10%)

(*) The Company made a change in the classification criteria in costs allocation mainly associated with Insurance, Surveillance, Patents and Contributions, which as of this year are charged as an expense. Therefore, for comparative purposes, the figures presented as of 1Q20 in this Earnings Report are pro forma.
(**): 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 from Colbun's Transmission Business mainly comes from two sources: (1) **Annual Transmission Value per Tranche (VATT)**, which corresponds to the return on investment (AVI) added to the operation and maintenance costs (COMA); and (2) **tariff revenues (IT)**. On the other hand, the main components of Colbun's transmission costs are operation and maintenance costs and IT. Thereby, the margin received by the Company corresponds to AVI. Additionally, if they are received, reassessments are incorporated into income and costs.

Operating Income in 1Q21 reached **US\$19.2 million**, of which 36% corresponds to income from national assets, 3% to zonal assets and 61% corresponds to the dedicated segment. The lower income recorded in 1Q21 are mainly explained by (1) lower income from national assets driven by 2018's reassessments recorded in 1Q20 for approximately US\$1.0 million and (2) lower income from zonal assets due to the reclassification of some assets from this segment announced by the regulator of US\$1.1 million and (3) lower income from the dedicated segment explained by other adjustment in this segment contracts for approximately US\$0.6 million.

EBITDA for 1Q21 reached US\$16.5 million, lower than the US\$18.4 million EBITDA recorded in 1Q20, mainly due to the decrease in operating income, previously explained.

3.3. Operating Income analysis in Peru

Table 7 shows a summary of Fenix's Operating Income and EBITDA for the quarters 1Q20 and 1Q21. Subsequently, the main accounts and/or variations will be analyzed.

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

	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
OPERATING INCOME	37.8	38.0	0%
Regulated Customers Sales	29.3	27.4	(7%)
Unregulated Customers Sales	5.5	6.6	20%
Sales to Other Generators	1.7	2.5	48%
Other Operating Income	1.3	1.5	15%
RAW MATERIALS AND CONSUMABLES USED	(15.0)	(17.4)	16%
Transmission Tolls	(0.7)	(0.4)	(40%)
Energy and Capacity Purchases	(1.3)	(0.4)	-
Gas Consumption	(11.1)	(15.1)	36%
Diesel Consumption	-	0.0	-
Other Operating Expenses (*)	(1.9)	(1.5)	(22%)
GROSS PROFIT	22.8	20.5	(10%)
Personnel Expenses	(1.6)	(1.8)	15%
Other Expenses, by Nature (*)	(1.5)	(1.8)	21%
Depreciation and Amortization Expenses	(11.2)	(8.9)	(20%)
OPERATING INCOME (LOSS) (**)	8.5	8.0	(6%)
EBITDA	19.7	16.9	(14%)

(*) The Company made a change in the classification criteria in costs allocation mainly associated with Insurance, Surveillance, Patents and Contributions, which as of this year are charged as an expense. Therefore, for comparative purposes, the figures presented as of 1Q20 in this Earnings Report are pro forma.
(**): 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 1Q21 recorded **US\$38.0 million**, in line with the operating income recorded in 1Q20 of US\$37.8 million, despite a decrease in regulated client sales, mainly due to the higher income from unregulated clients, associated with the entry into force of a new contract with Distriluz (25 MW) and sales to the spot market driven by the plant greater availability during 1Q21.

Raw materials and consumables used costs reached **US\$17.4 million** in 1Q21, increasing 16% compared to the same quarter of the previous year, mainly explained by a higher gas consumption driven by the higher generation recorded during the period.

Fenix's EBITDA reached **US\$16.9 million** in 1Q21, decreasing 14% compared to the US\$19.7 million EBITDA recorded in 1Q20, mainly due to the higher gas consumption previously mentioned.

3.4. Consolidated Non-Operating Result analysis (Chile & Peru)



Table 8 shows a summary of the Consolidated Non-Operating Result (Chile and Peru) in 1Q20 and 1Q21. Subsequently, the main accounts and/or variations will be analyzed.

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

	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
Financial Income	5.0	1.3	(74%)
Financial Expenses	(22.5)	(22.2)	(1%)
Exchange rate Differences	(4.8)	(2.8)	-
Profit (Loss) of Companies Accounted for Using the Equity Method	2.3	1.4	(41%)
Other Profit (Loss)	(29.4)	(21.5)	(27%)
NON-OPERATING INCOME	(49.4)	(43.9)	(11%)
PRE-TAX PROFIT (LOSS)	62.4	38.1	(39%)
Income Tax Expense	(21.9)	(79.3)	-
AFTER TAX PROFIT (LOSS)	40.5	(41.2)	-
PROFIT (LOSS) OF CONTROLLER	43.7	(38.9)	(189%)
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	(3.2)	(2.3)	(28%)

■ ■ ■ **Non-operating result** in 1Q21 recorded losses of **US\$43.9 million**, lower than the losses of US\$49.4 million in 1Q20. The lower losses are mainly explained by lower “Other losses” recorded in 1Q20 associated to the premium paid for the prepayment of the 2024 Bond “144-A” maturing in 2024 of US\$17 million. This effect was partially offset by the recording of financial cost on “Other losses” line, related to the selling of the first group of accounts receivables generated by the energy price stabilization mechanism (PEC) of US\$14.2 million.

■ ■ ■ In 1Q21 **tax expenses** of **US\$79.3 million** were recorded, compared to the tax expenses of US\$21.9 million in 1Q20. The higher tax expense in 1Q21 is mainly explained by a deferred tax recognition of US\$64.5 million, associated with Colbún Transmisión S.A sale announcement and correspond to the tax applied to the difference between book value and tax value of the investment.

■ ■ ■ In 1Q21, the Company recorded **losses** of **US\$41.2 million**, compared to the profit of US\$40.5 million in 1Q20. The losses of the quarter are mainly explained by (1) the higher tax expenses and (2) the lower gross profit previously mentioned.

4. CONSOLIDATED BALANCE SHEET ANALYSIS



Table 9 shows an analysis of the Balance Sheet's relevant accounts as of Dec20 and Mar21. Subsequently, the main variations will be analyzed.

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

	Dec-20	Mar-21	Var	Var %
Current assets	1,259.2	1,835.5	576.3	46%
Non-current assets	5,374.7	4,858.2	(516.5)	(10%)
TOTAL ASSETS	6,633.9	6,693.7	59.9	1%
Current liabilities	306.5	429.7	123.1	40%
Non-current liabilities	2,742.0	2,718.0	(24.0)	(1%)
Total net equity	3,585.4	3,546.1	(39.3)	(1%)
TOTAL LIABILITIES AND NET EQUITY	6,633.9	6,693.7	59.8	1%

Current Assets: Reached US\$1,835.5 million as of Mar21, increasing 46% compared to the current assets registered as of Dec20, mainly explained by (1) a reclassification of non-current assets from Colbún Transmission's assets to the account "Non-current assets or group of assets disposal as held for sales or as held for distribution to owners" in the short term for US\$376.6 million; (2) higher current receivables, mainly associated with (i) the reclassification of accounts receivable generated by the price stabilization mechanism of US\$36.2 million to the short term, (ii) the recording of receivables associated with tolls and (iii) and an increase in receivables associated with standard operation and (3) higher financial investment driven by (1) operating income of the quarter and (ii) the sale of the first group of receivables from the price stabilization mechanism.

Non-current Assets: Recorded US\$4,858.2 million as of Mar21, decreasing 10% compared to the non-current assets recorded as of Dec20, mainly due to (1) a reclassification of non-current assets from Colbún Transmission's assets to the account "Non-current assets or group of assets disposal as held for sales or as held for distribution to owners" in the short term for US\$376.6 million and (2) lower non-current receivables, driven by the reclassification of receivables associated to the price stabilization mechanism.

Current Liabilities: Totaled US\$429.7 million as of Mar21, increasing 40% compared to the current liabilities recorded as of Dec20, mainly due to (1) a reclassification of non-current liabilities from Colbún Transmission's liabilities to the account "Current liabilities different than liabilities included in groups of assets for disposal classified as held for sale" in the short term for US\$ 71.2 million and (2) higher current receivables mainly associated with higher coal purchases.

Non-current Liabilities: Reached US\$2,718.0 million as of Mar21, decreasing 1% compared to Dec20 mainly due to reclassification of non-current liabilities from Colbún Transmission's liabilities to the account "Current liabilities different than liabilities included in groups of assets for disposal classified as held for sale" in the short term for US\$ 71.2 million. This effect was partially offset by an increase in deferred tax liabilities associated with Colbún Transmisión sale announcement previously mentioned.

Total Net Equity: Recorded US\$3,546.1 million, decreasing 1% compared to the total net equity as of Dec20, mainly due to the losses recorded during the period.

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

	Dec-20	Mar-21	Var	Var %
Gross Financial Debt*	1,796.3	1,781.2	(15.1)	(1%)
Financial Investments**	967.4	1,027.8	60.4	6%
Net Debt	828.9	753.4	(75.5)	(9%)
EBITDA LTM	682.5	647.5	(35.0)	(5%)
Net Debt/EBITDA LTM	1.2	1.2	(0.1)	(4%)

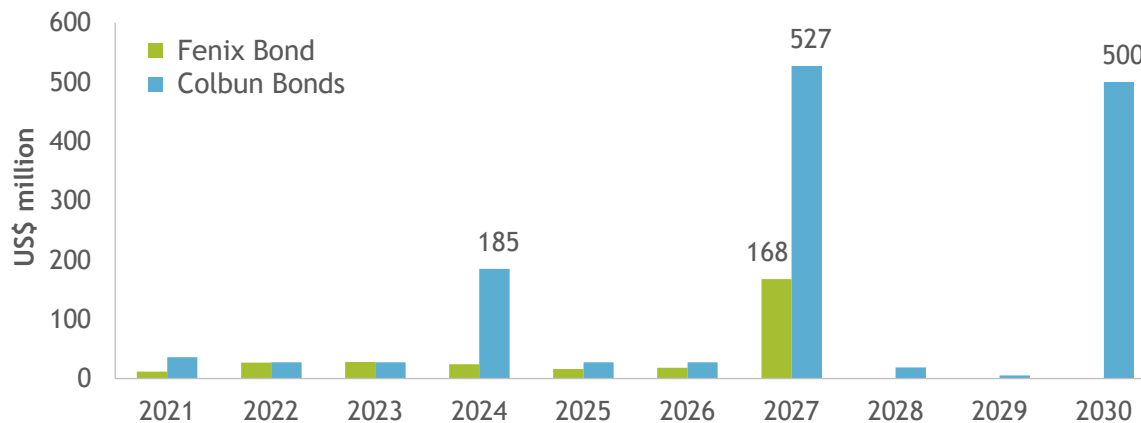
(*) The amount includes debt associated with Fenix without recourse to Colbun: (1) an international bond with an outstanding capital of US\$293.0 million, (2) a financial leasing for US\$13.5 million associated with a transmission contract with Consorcio Transmataro, and (3) a US\$114.1 million financial leasing associated with a gas distribution contract with Calidda.

(**) The account "Financial Investments" presented includes the amount associated to time deposits that, by having an investment term of more than 90 days, are recorded as "Other Current Financial Assets" in the Financial Statements.

Table 11: Long Term Financial Debt

Average Life	6.4 years
Average Interest Rate	4.0% (100% fixed rate)
Currency	97% USD / 3% UF

(*) Includes financial derivatives.



5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec20 and Mar21 is presented below. Balance Sheet financial indicators are calculated at the specified date and Income Statement ratios include the accumulated result over the last 12 months as of the indicated date.

Table 12: Financial Ratios

Ratio	Dec-20	Mar-21	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	4.11	5.25	28%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	4.00	5.10	28%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	0.85	0.87	1%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	10.06%	11.40%	13%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	89.94%	88.60%	(1%)
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	2.46	2.20	(11%)
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	2.44%	0.22%	(91%)
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	2.44%	1.18%	(51%)
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	8.48%	8.31%	(2%)

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 **5.25x** and **5.10x** as of Mar21, increasing 28% respectively compared to Dec20, mainly due to (1) the increase in current assets due to the reclassification of non-current assets from Colbún Transmission's assets, after the sale announcement, to the account "Non-current assets or group of assets disposal as held for sales or as held for distribution to owners" in the short term and (2) the higher current receivables previously explained.
- ■ ■ The **Indebtedness Ratio** recorded **0.87x** as of Mar21, in line compare to the value of 0.85x as of Dec20
- ■ ■ The percentage of **Short-Term Debt** as of Mar21 was **11.40%**, increasing compared to the value of 10.06% as of Dec20, mainly due to the reclassification of non-current assets from Colbún Transmission's assets, after the sale announcement, to the account "Non-current assets or group of assets disposal as held for sales or as held for distribution to owners" in the short term.
- ■ ■ The percentage of **Long-Term Debt** as of Mar21 was **88.60%**, decreasing compared to the value of 89.94% as of Dec20, mainly due to the reclassification of Colbún Transmission's long-term liabilities previously mentioned.
- ■ ■ The **Financial Expenses Coverage** as of Mar21 reached **2.20x**, decreasing 11% compared to the value as of Dec20, mainly due to the lower profits recorded in the last 12 months, compared to those of 2020, mainly explained by the higher tax expenses recorded this quarter.
- ■ ■ The **Equity Profitability** as of Mar21 was **0.22%**, decreasing 91% compared to the value of 2.44% as of Dec20. The variation is mainly explained by the lower profits recorded in the last 12 months, compared to those of 2020, due to the higher tax expenses previously mentioned.
- ■ ■ **Asset Profitability** as of Mar21 was **1.18%**, decreasing 51% compared to the value of 2.44% as of Dec20, mainly as a result of the lower profits recorded in the las 12 months, compared to the previous year, due to the higher tax expenses previously mentioned.
- ■ ■ The **Performance of Operating Assets** as of Mar21 was **8.31%**, in line with the recorded level as of Dec20.

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)

	Quarterly Figures		Var %
	1Q20	1Q21	Q/Q
Cash Equivalents, Beg. of Period*	797.4	967.4	21%
Net cash flows provided by (used in) operating activities	97.9	111.9	14%
Net cash flows provided by (used in) financing activities	105.7	(37.5)	(135%)
Net cash flows provided by (used in) investing activities**	(18.6)	(11.9)	(36%)
Net Cash Flows for the Period	185.0	62.5	(66%)
Effects of exchange rate changes on cash and cash equivalents	(2.7)	(2.1)	(23%)
Cash Equivalents, End of Period	979.7	1,027.9	5%

(*) The account "Cash and Cash Equivalents" presented includes the amount associated to time deposits that, by having an investment term of more than 90 days, are 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.

During 1Q21, the Company presented a **net cash flow of US\$62.5 million**, compared to the positive net cash flow of US\$185.0 million in 1Q20.

Operating activities: During 1Q21 a positive net flow of US\$111.9 million was generated, which compares with the positive net flow of US\$97.9 million in 1Q20 mainly explained by higher operating income during 1Q21 associated with the sale of the first groups of receivables generated by the price stabilization mechanism. This effect was partially offset by higher tax expenses during 1Q21 and lower operating incomes.

Financing activities: Recorded a negative net flow of US\$37.5 million during 1Q21, which compares with the negative net flow of US\$105.7 million in 1Q20, mainly explained by the issuance of an international bond during Mar20 and the partial refinancing of the 2024 bond, the net amount collected from the transaction amounted to US\$116 million.

Investment activities: Recorded a negative net flow of US\$11.9 million during 1Q21, which compares with negative net flow of US\$18.6 million in 1Q20, mainly explained lower properties, plants and equipment purchases recorded during the quarter.

7. ENVIRONMENT AND RISK ANALYSIS

Colbun S.A. is a power generation company whose installed capacity reaches 3,811 MW composed by 2,188 MW of thermal units, 1,614 MW of hydraulic units and 9 MW of the Ovejería solar photovoltaic power plant. The Company operates in the National Electric System (SEN) in Chile, representing 14% 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 the long-term profitability of its asset base, limiting the volatility of its results. These have structural variability, since they depend on exogenous conditions such as hydrology and fuel prices (oil, natural gas and coal). To relieve the effect of these exogenous conditions, the Company endeavors to contract in the long term its cost-effective generation sources (either own or acquired from third parties) and eventually, in case of deficit/surplus, it can buy/sell energy in the spot market at marginal cost.

Regarding the energy transmission infrastructure, Colbun owns 899 km of transmission lines: 335 km of its lines belong to the National segment, 70 km to the Zonal segment and 494 km belong to the Dedicated segment. In addition, it has a total of 27 substations.

7.1 Medium-term outlook in Chile

As of Mar-21, the hydrological year (Abr20-Mar21) has presented lower rainfalls compared to an average year in the main SEN basins, being the basins that present the largest deficits: Aconcagua: -37%; Maule: -25%; Laja: -9%; Biobío: -17%; and Chapo: -9%. Compared to 2019, the results are the following. Aconcagua basin has presented a 414% increase in rainfalls, although the recent precipitations at the end of January (with higher isotherm) had greater sediments and caused interruptions in the generation of some units. Maule basin has presented a 75% increase in rainfalls, along with higher tributaries. Along the same lines, but at more normal levels, Laja basin presented an increase of 8%. On the other hand, Biobío y Canutillar basins presented slightly lower rainfall than in 2019 (-6% and -10%, respectively).

In terms of inflow energy, the hydrological year ended with a Probability of Exceedance of 92%.

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

During 2021, Colbun continued participating in various supply bidding processes, favoring the recontracting of current unregulated client’s PPAs that expired in the short term. This year, new contracts were signed with 21 clients for 247 GWh/year. Among the main contracts signed are the renewal of energy supply contracts with Magotteaux (66 GWh/year for 8 years), Vulco (24 GWh/year for 5 years) and Asmar (17 GWh/year for 5 years), and the new contract of Grupo Marina (67 GWh/year for 9 years).

The results of the Company for the coming months will be mainly determined by the balance between cost-efficient own generation and contracting level. Such efficient generation level depends on the reliable operation that our plants may have and on the hydrological conditions.

7.2 Medium-term outlook in Peru

In the first quarter of 2021, the SEIN registered a hydrological condition with a probability of exceedance of 56%, compared to 53% recorded the same quarter of 2020.

In 1Q21, energy demand growth in 2,5% compared to the same period of 2020, due to the recovery of electricity demand. On the other hand, compared to the previous quarter, in 1Q21 the energy demand fell 0,8% due to the state of emergency during the month of February 2021 as a result of the second wave of COVID-19.

The evolution of marginal costs will mainly depend on demand growth, hydrology and regulatory changes related to the price declaration. Fenix's future results depend mainly on the evolution of the aforementioned variables, which to date have exhibited a behavior in line with the budgeted values, despite the negative impact of lower electricity demand that was offset by lower hydrological availability.

7.3 Growth plan and long-term actions

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

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

In Chile, Colbun has several potential projects currently in different stages of development, including wind, solar and hydroelectric projects and expansion and improvement of its current transmission assets.

Generation projects under development

■ ■ Horizonte Wind Farm (778 MW): Horizonte is a wind farm located 130 km northeast of Taltal and 170 km southwest of Antofagasta. It considers a minimum installed capacity of 778 MW, which is made up of 140 machines of 5,56 MW each and an average annual generation of approximately 2.380 GWh. It considers the connection to SEN in the future Parinas substation, located at 22kms from the project.

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

The development considers, from the award date, four years for the stages of studies and permits and three years for construction.

On September 15, 2020, the Environmental Evaluation Service (SEA) resumed the project's Environmental Assessment process, which had been suspended since March 20 due to COVID19. The Virtual Citizen Participation process with the Antofagasta Environmental Evaluation Service was conducted during the first week of October and the Environmental Impact Study Addendum was entered on December 23, 2020. On the other hand, during the first quarter, progress was made in the construction of the camp and access to Route 5 for the park, and civil and electrical BoP (Balance of Plant) are in the bidding process. Work is currently underway on the preparation of the second EIA Addendum.

■ ■ ■ Photovoltaic Solar Projects Diego de Almagro Sur I and II (230 MW):

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

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

As of the first quarter of 2021, project's progress is 40%, according to budget. The main construction and supply contracts are assigned and under execution, with deliveries on site according to plan. However, since the beginning of 2021 there have been delays in transport due to traffic jams in ports, lack of containers and diversions of ships reserved to other destinations. To date, the impacts have been minor and have been absorbed with a reorganization of the sequence of works.

■ ■ ■ Photovoltaic Solar Project Machicura (9 MW): This solar project is located near the Machicura reservoir, in the commune of Colbún, in the Maule Region, and uses a total area of approximately 20 hectares owned by Colbún. The generated energy will be injected to the SEN through an existing transmission line for auxiliary services from Machicura power plant to Colbún Substation.

The project considers the installation of a solar power plant with an installed capacity of 9MW and an annual average generation of approximately 21 GWh, which qualifies as a Small Means of Generation project (PMG).

As of the first quarter of 2021, project's progress is 40%, according to budget.

Regarding supplies, there have been some delays, for which the works have been rescheduled accordingly. To date, the impacts have been minor and have been absorbed with a reorganization of the sequence of works.

The total investment amount approved for this project is US\$7 million and its commissioning date is expected for 3Q21.

■ ■ ■ Photovoltaic Solar Project Inti Pacha (486 MW): This solar project is located approximately 75 km east of Tocopilla, in the María Elena commune, Antofagasta Region. It will use a total area of 736 hectares.

The project considers the installation of a solar power plant with an installed capacity of close to 486 MW and an average annual generation of approximately 1,363 GWh.

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

During the first quarter of 2021, the approval of the IFC (Informe Favorable para la Construcción) was obtained for accesses to route 5 for Inti Pacha I and II. The preparation of the bidding documents for the supply of the main equipment and basic engineering for the transmission line continued. During the quarter, pile driving, and extraction tests were carried out to determine the support capacity of the ground.

■ ■ ■ Photovoltaic Solar Project Jardín Solar (537 MW): The project considers the installation of a solar power plant with an installed capacity of close to 537 MW that will be built in 2 stages of 263 MW and 274 MW each. It has an annual average generation of approximately 1,500 GWh. This solar project is located approximately 8 km south-east of Pozo Almonte locality, in the commune of Pozo Almonte in the Tarapacá Region, and will use a total area of approximately 1,000 hectares.

The generated energy will be injected into the Interconnected System through a transmission line which begins in the substation associated with the park, and has an approximate length of 3 km, connecting to the new Pozo Almonte substation located 2.5 km northeast of the intersection of the highway to La Tirana with the Pan-American highway.

During the first quarter, the environmental processing process continued, the terms of which have been affected by provisions of the authority before Covid-19. Currently, Addendum 1, entered at the end of March, is under review by the authority. During the quarter, progress was made in the study of soil mechanics and the preparation of the basic engineering of the park.

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

The generated energy will be injected into the Interconnected System through an 11 km transmission line to Mulchén substation.

The first quarter ended with the summer environmental campaign and the basic geotechnical campaign. The measurement of the wind resource continued to refine the project data and progress was made with the preparation of the Project design for environmental processing.

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

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

Other renewable energy projects from variable sources: At 1Q21 closing, Colbun continues making progress in the pipeline of options for wind and solar projects, which are in early stages of development. These projects are highly competitive, locations have been chosen with the best energy resources, they have high socio-environmental feasibility, near to transmission lines and are distributed throughout the country. These projects represent advance to fulfill our goal, of building about 4,000 MW in renewable energy before the end of 2030.

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

In December 2018, the Environmental Impact Study was re-entered for project adjustments. At the end of April 2019, the environmental authority issued the first Environmental and Citizen ICSARA, whose initial response period was September 30, 2020; however, as a result of the Covid-19 contingency, the Authority extended the period by 30 business days. The Environmental Impact Service decreed a second face-to-face citizen participation, which has not been possible due to the pandemic situation, which normatively keeps suspended the environmental process.

Transmission projects under development

Maquis substation enhancement: Enhancement of the existing 220 kV substation, modifying the current configuration to GIS technology, the change considers at least 6 switchyards. The control systems and protections must also be adapted. The awarded investment value is US\$8.0 million and as of March 2021, it presents an advance of 98%.

■ ■ ■ **Puente Negro substation enhancement:** This project is originated by a Transmission service contract signed in 2019 with the company Tinguiririca Energía, to section and connect the Puente Negro substation with the 2x154 Tinguiririca-La Higuera line. The project has a budget of US\$11.8 million with an original commission date in December 2020, which has been postponed until April 2021 at the request of Tinguiririca Energía to avoid interference in the peak generation period. As of March 2021, it presents an advance of 99%.

■ ■ ■ **Capacity increase in LT 2x110 kV Aconcagua - Esperanza:** Expansion of the existing facilities, changing the 2x110kV Aconcagua-Esperanza line conductor, between the substations Rio Aconcagua and Nueva Panquehue, for a high-capacity, low-arrow line capable of transmitting 155 MVA at 35°C. CEN awarded it to the company SEMI for a value of US\$5.6 million. The contract between SEMI and Colbun Transmission was signed on January 31, 2020, with an execution period of 36 months and as of March 2021, it presents an 35% advance.

■ ■ ■ **Candelaria substation expansion:** Expansion work of existing facilities consisting of expansion of bars for 2 diagonals and level ground for another 2 future diagonals. CEN awarded it to the company INPROLEC for a value of US\$2.1 million. The contract between INPROLEC and Colbun Transmission was signed by the end of September 2020, with an execution period of 36 months from the award decree publication date, presenting an advance of 23% as of March 2021.

New transmission projects awards (Nov20)

■ ■ ■ **New S/S Codegua:** Sectioning of Alto Jahuel - Sauzal 2x110 kV line and Rancagua - San Francisco de Mostazal 1x66 kV line. The awarded investment value is US\$11.6 million, with an execution period of 36 months as of the date the corresponding award decree is published, without presenting progress as of March 2021.

■ ■ ■ **New S/S Loica and 2X2kV Loica-Portezuelo Line:** Sectioning of Rapel - Lo Aguirre 2x220 kV line and Rapel - Alto Melipilla 1x220 kV line, in addition to the new 2x220kV Loica-Portezuelo line. The awarded investment value is US\$11.6 million, with an execution period of 36 months as of the date the corresponding award decree is published, without presenting progress as of March 2021.

■ ■ ■ **S/S Portezuelo Expansion:** CGE's Portezuelo Substation expansion project, which was part of the tender for the Loica S/E and the Loica-Portezuelo line as a group of projects, for which Colbun Transmission had to take over as EPC contractor since the tender was jointly new construction and expansion. The project consists on the expansion of the 220kV and 66kV patios and a new bank of autotransformers. The contract between CGE and Colbun Transmission was signed on March 1, 2021, with a reference investment value of US \$ 7.5 million and an execution period of 24 months from the date the corresponding award decree is published, without presenting progress as of March 20

7.4 Risk Management

A. Risk Management Policy

The risk management strategy is oriented to safeguard the Company's stability and sustainability, identifying and managing the uncertainty sources that affect or might affect it. Global risks management undertake the identification, measurement, analysis, mitigation and control of the different risks arising from the Company's different management departments, as well as estimating the impact on its consolidated position, follow up and control throughout time. This process involves the intervention of the Company's senior management and risk-taking areas.

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



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

B. Risk Factors

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

B.1. Electrical Business Risks

B.1.1. Hydrological risk

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

The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy that aims to maintain a balance between competitive base load generation (hydro generation in a medium to dry year and cost efficient thermal generation with coal and natural gas, and other renewables cost-efficient generation properly complemented by other sources of generation given their intermittency and volatility) and commercial commitments. Under conditions of extreme and recurrent drought, a potential shortage of water for refrigeration could affect the generation capacity of the combined cycles. With the objective of minimizing the use of water and ensuring operational availability during periods of water scarcity, in 2017 Colbun built a Reverse Osmosis Plant that allows to reduce by up to 50% the water used in the cooling process of the combined cycles of the Nehuenco Complex.

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

B.1.2. Fuel price risk

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

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

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

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

B.1.3. Fuel supply risks

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

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 March 2021), inviting important international suppliers to bid, awarding the supply contract to well supported and competitive companies. The above following an early purchase policy and an inventory management policy in order to substantially mitigate the risk of not having access to this fuel.

B.1.4. Equipment failure and maintenance risks

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

On November 26, as a consequence of an accidental landslide, an obstruction of the water flow transported through the Pataguilla tunnel, part of Las Mercedes channel (used in the Carena hydroelectric plant), occurred. This collapse caused a lack of water availability in the aforementioned plant, as well as in the agricultural areas in the communes of Curacaví and María Pinto until December 18, date on which the tunnel’s operation was restored.

B.1.5. Project construction risks

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

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

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

Colbun also has the policy to integrate with excellence the social and environmental dimensions to the development of its projects. The Company has developed a model of social link that allows it to work with

neighboring communities and with the society in general, starting a transparent process of public participation and confidence building in the early stages of projects and throughout their entire life cycle.

B.1.6. Regulatory risks

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

Chile

In the context of the constitutional process originated from the commitment called "Agreement for Peace and the New Constitution" ("Acuerdo por la Paz y la Nueva Constitución"), and the subsequent approval by plebiscite of the drafting of a new Constitution, on April 11th the 155 constituents in charge of its drafting will be elected and the text must be submitted to a new plebiscite in 2022. However, due to the worsening of the health crisis caused by the COVID-19 outbreak that affects the country, and by virtue of an agreement of Congress, the constituent, municipal and regional elections that were scheduled were held on 15 and 16 of May. The constitutional process may result in changes to the institutional framework applicable to the business activity in the country.

On March 10th, 2021, due to the outbreak of COVID-19 that affects the country, classified as a pandemic by the World Health Organization, the President of the Republic decided to extend the State of Constitutional Exception of Catastrophe until June 30th, 2021, due to public calamity, throughout the national territory, by means of Supreme Decree 104, 2020, of the Ministry of the Interior and Public Security.

In this context, within the framework of the serious health crisis that affects the country, on January 5 Law 21,301 was enacted, extending the effects of Law 21,249, which provides for exceptional measures in favor of end users of health, electricity and gas network services. This initiative extends the term of benefits to end users, which were in force until November 2020, until May 2021. Additionally, at the beginning of May another parliamentary initiative was entered which extends, again, the effects of Law No. 21,249, extending the terms of the non-cut of supply due to delay payments and the accumulation of debts with distribution companies until December 31, 2021. This standard also increases the maximum number of installments in which the debt payment can be prorated from 36 to 48 installments and expands the universe of beneficiaries to 80% vulnerability according to the Social Registry of Households.

Additionally, the Environment and Natural Resources Commission of the Chamber of Deputies maintains under review the indications presented on the Bill that seeks to advance the closure of coal-fired power plants, which was generally approved by the Chamber. This Bill, initiated in a parliamentary motion, seeks to prohibit the installation and operation of coal-fired power plants throughout the national territory from January 1, 2026, onwards. The Ministries of Energy and Environment, the CNE and the CEN have exposed to the Commission the inconvenience of advancing the closure of coal-fired plants by legal means. It is important to note that in 2019 the generators signed a voluntary agreement with the government, by means of which they committed not to build new coal-fired power plants and the progressive closure of the existing ones was agreed.

On November 16, the processing of a new Bill began, corresponding to a parliamentary motion entered through the Senate, which seeks to "ensure water security for the different productive uses of water", and whose main provisions establish modifications in the Water Code and in the General Law of Electrical Services. The Senate Special Committee on Water Resources, Drought and Desertification, which is reviewing the legal initiative, reported that the rounds of consultations with academics, experts and representatives of the public

and private sector have concluded and that the bill must be reformulated by its sponsors reviewing its objectives and implications.

The Climate Change Framework Bill, entered into the Senate by the Executive on January 13, 2020, is in its first constitutional process, currently being discussed by the Environment and Natural Resources Committee of the Senate, with extreme urgency. The objective of this Bill is to create a legal framework to “face the challenges of climate change, move towards a low in greenhouse gas emissions development, until reaching and maintaining the neutrality of these emissions; reduce vulnerability and increase resilience to the adverse effects of Climate Change; and comply with the international commitments assumed by the Chilean State in this regard”. Currently, the Commission is in the stage of reviewing the indications for this initiative. Until April 2021, agreements have been reached regarding the objectives, principles and definitions, instruments for the local management of climate change, the creation of the National Greenhouse Gas Inventories System, national, regional and local sector plans, collaborating organizations, settings for the technical table, among many other subjects.

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

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

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

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

The Chamber’s Mining and Energy Commission has summoned the private sector, civil society, academics and the public sector with the purpose of capturing the opinion of different organizations so that parliamentarians can make the necessary indications to the bill. Currently, this initiative is being reviewed by the Ministry given the observations that have emerged regarding separating the bill into three initiatives and addressing the objectives of improving service quality and lowering rates.

- (ii) The “Flexibility Strategy”, which aims to address the systemic and market consequences that will arise due to the increasing incorporation of variable renewable energy. Recently, the Ministry of Energy published the definitive Strategy, detailing the three axes or pillars considered: (a) Market design for the development of a Flexible System, (b) Regulatory framework for Storage Systems, and (c) Flexible operation of the system. Within the framework of this Strategy, working groups are being formed with industry representatives to address the measures that have been proposed in each of the axes.

(iii) At the regulatory and resolution level, it is worth noting:

- a. In the context of the Flexibility Strategy, in particular, regarding the measures related to the improvement of the adequacy remuneration mechanism and the introduction of long-term market signals that encourage investment in technologies that provide flexibility to the power system, in October of last year, the Ministry of Energy and the National Energy Commission began a process to improve the Power Transfer Regulations to address these measures. This process is being developed through a Consultative Worktable, which is a participation instance whose purpose is to capture different opinions of the industry in order to prepare a proposed regulation and then submit it to a public consultation.

On December 30, 2020, the Ministry released a conceptual proposal for the new power transfer regulation, on which the industry made its observations. Said proposal considers modifications such as the redefinition of peak hours of the system, the creation of a dynamic and voluntary mechanism for the participation of the demand, the use of a probabilistic methodology for the recognition of power, the incorporation of a flexibility attribute within the recognition of Power, the modification to the theoretical power reserve margin, among others. Due to the comments received from the industry, the Ministry made the decision to extend the discussion on these modifications, in order to deepen the analysis of the proposals to be made to this market.

- b. LNG Technical Standard. Within the framework of the Technical Standards elaboration process that is defined in the Regulation for the Dictation of Technical Standards and the 2020 Annual Regulatory Plan, the CNE convened a Regulatory Advisory Committee with the main purpose of reviewing the aspects associated with the condition of supply (flexible and inflexible) of the current technical standard, whose committee was made up of 24 members, including representatives of companies (including Colbun) and trade associations (technical experts), who expressed their opinion on the inflexibility and proposals during the months of November and December 2020.

In January 2021, the CNE released its proposal to modify the LNG TS which, in general terms, assigns the LNG study prepared annually by the Coordinator the responsibility of determining the amounts of gas that will be required for the system in the following year and that will be the maximum volumes that will have the possibility of being declared inflexibly in accordance with the new operating rules, and the study of which will be subsequently updated, thereby modifying the recommendations for maximum amounts of gas that may be declared inflexible.

The CNE received several comments on its proposal. Currently we are awaiting the document with modification of the regulations that will later be submitted to public consultation.

- c. Technical Standard for Coordination and Operation. In accordance with the Regulations for Coordination and Operation of the National Electricity System, the Technical Standard for Coordination and Operation was drawn up, which has been submitted to different advisory committees for their chapters, the chapter on Operation Programming being recently in Public Consultation, which was available for comments by interested parties.
- d. Peak Control Hours. On Monday, March 22 of this year, the Short-Term Node Price Decree (Supreme Decree No. 3T/2021) was published, which is effective as of April 1, 2021. Due to the contingency of COVID-19, it exceptionally establishes a control schedule considering only the months of June and July (typically it goes from April to September).

- e. Failure cost report and peak unit. Within the framework of Supreme Decree 86 of 2012 "Node Price Regulation" the CNE released the Preliminary Technical Report associated with the Cost Study of the Peak Unit, which is carried out no later than every four years in order to determine the investment costs and fixed operating costs of Peak Unit from the respective subsystems defined by the Commission, as well as the costs of short and long-term failure.

Perú

After Luz del Sur made a complaint against the Ministry of Energy, due to the fact that - in the opinion of the company - Decree 043-2017-EM, which is related to the declaration of fuel prices by generating plants, had both legal and constitutional infractions, the Supreme Court declared that this Decree is invalid and ordered the Ministry of Energy to establish new provisions based on the already existing Decree 039-2017-EM.

In this context, the regulator (OSINERGMIN) established for the determination of the variable costs of gas all the real costs of the supply chain are used, that is, the cost of the supply, transportation and distribution of gas, a scheme that will begin to govern fully as of July 1, 2021.

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

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

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

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

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

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

The growth that has been observed in the Chilean (and potentially in the Peruvian) market of non-conventional 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.

Regarding the impact of COVID-19 on energy demand, there is still uncertainty about the magnitude and length of this contingency. Energy demand in Chile decreased 0.1% during 1Q21 respect to 1Q20, while in Peru, there was an increase of 2.5% in relation to 1Q20.



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

B.2 Financial risks

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

B.2.1 Exchange rate risk

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

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

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

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

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

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

B.2.2 Interest rate risk

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

As of March 2021, the Company's financial debt, considering the effect of associated derivatives, is 100% denominated in fixed rate.

B.2.3 Credit risk

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

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



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

As of March 2021, cash surpluses are invested in remunerated current accounts, mutual funds (of subsidiaries of banks) and in time deposits in local and international banks. The former correspond to short-term mutual funds with maturities of less than 90 days, which are known as “money market”.

Information on contractual maturities of the main financial liabilities is disclosed in note 12.b of the Financial Statements.

B.2.4 Liquidity risk

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

As of March 2021, Colbun has cash in excess for approximately US\$1.028 million, invested in time deposits with an average maturity of 65 days (including time deposits with a duration of more than 90 days, which are recorded as “Other Current Financial Assets” in the Consolidated Financial Statements) and in short-term mutual funds with a maturity of less than 90 days.

The Company also has as additional liquidity sources available to date: (i) three bond lines registered in the local market, two for a total joint amount of UF 7 million and another line for a total amount of UF 7 million, and (ii) uncommitted bank lines of approximately US\$150 million. On its part, Fenix Power has committed credit lines for a total of US\$25 million, with a one-year term, contracted with two local banks. In addition, Fenix Power has uncommitted lines for a total of US\$34 mm, contracted with three local banks.

In the next 12 months, the Company must disburse approximately US\$111 million in interests and principal amortization. These obligations are expected to be funded with the Company’s own cash flow generation.

As of March 2021, Colbun has a local credit rating of AA by Fitch Ratings and Feller Rate, both with stable outlook. At international level, the Company’s rating is Baa2 by Moody’s, BBB by Standard & Poor’s (S&P Global), and BBB+ by Fitch Ratings, all with stable outlook.

As of March 2021, Fenix has international credit rating of Ba1 by Moody’s and BBB- by S&P and Fitch Ratings, all with stable outlook.

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

Information on contractual maturities of the main financial liabilities is disclosed in note 24.c.2 of the Financial Statements.

B.2.5 Risk exposure measurement

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

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



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

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

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

Exposure to the mismatching of accounts is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural balance items denominated in currencies other than USD. Given the above, as of March 2021, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US\$4.2 million, in quarterly terms, based on a sensitivity analysis with 95% confidence.

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

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

At the end of the period, the financial institution that has the largest share of cash surpluses reached 24%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to BBB+ or higher and national counterparts have local credit rating of BBB+ or higher. It should be noted that no counterparty concentrates more than 25% in notional terms.

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

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This document provides Information about Colbún S.A. In no case this document constitutes a comprehensive analysis of the financial, production and commercial situation of the Company.

This document may contain forward-looking statements concerning Colbún's future performance and should be considered as good faith estimates by Colbún S.A.

In compliance with the applicable laws, Colbún S.A. publishes on its website (www.colbun.cl) and sends the financial statements and its corresponding notes to the Comisión para el Mercado Financiero, those documents should be read as a complement to this report.