



3rd Q U A R T E R 2021



QUARTERLY EARNINGS REPORT

As of September 30, 2021

3Q21 EARNINGS REPORT

HIGHLIGHTS	3
PHYSICAL SALES AND GENERATION BALANCE	5
Physical sales and generation balance Chile	5
Physical sales and generation balance Peru	7
INCOME STATEMENT ANALYSIS	8
Operating Income analysis Generation Chile	9
Operating Income analysis Transmission Chile	10
Operating Income analysis Peru	11
Consolidated Non-Operating Result analysis	12
CONSOLIDATED BALANCE SHEET ANALYSIS	13
CONSOLIDATED FINANCIAL RATIOS	15
CONSOLIDATED CASH FLOW ANALYSIS	17
ENVIROMENT AND RISKS ANALYSIS	18
Medium-term outlook in Chile	18
Medium-term outlook in Peru	19
Growth plan and long-term actions	19
Risk Management	22

Conference Call
3Q21

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US Toll Free: +1 888 506 0062
International Dial: +1 973 528 0011
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Investor Relations Team Contact:

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

Soledad Errázuriz V.
serrazuriz@colbun.cl
+ (56) 2 24604450

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

1. HIGHLIGHTS

Main Figures at a Consolidated Level:

■ ■ ■ **Operating Income** for the third quarter of 2021 (3Q21) amounted to **US\$357.1 million**, increasing 4% compared to the operating income recorded in the third quarter of 2020 (3Q20) mainly explained by (1) higher sales in the spot market in Chile, driven by higher marginal costs, despite lower physical sales in that market; (2) higher sales in the spot market in Peru explained by higher physical sales and marginal costs. These effects were partially offset by lower physical sales to unregulated clients, driven by Anglo American's contract expiration on Dic20.

In cumulative terms, operating income from ordinary activities as of Sep21 reached **US\$1,064.8 million**, increasing 5% compared to the income recorded as of Sep20. To the reasons that explain the variation in the third quarter, and that also apply to the accumulated income, is added the impact of a higher power demand from regulated clients in Chile compared to the reduced levels of 2020, affected by the pandemic.

■ ■ ■ Consolidated **EBITDA** in 3Q21 reached **US\$71.8 million**, decreasing 59% compared to the US\$175.0 million EBITDA in 3Q20. The decrease is mainly explained by (1) a significantly lower hydroelectric generation (consequence of the extreme drought that affects Chile) and (2) a very significant increase in costs of thermal generation and spot market purchases due to the higher fossil fuel prices in international markets. Also, there were higher "Other expenses, by nature" associated with a lower comparative base considering that during 3Q20, third-party services, trainings, travels among others, were suspended as a result of the pandemic.

In cumulative terms EBITDA as of Sep21 totaled **US\$355.9 million**, decreasing 29% compared to Sep20. The same reasons that explain the variations in 3Q21 apply, although to a lower extent, to accumulated EBITDA.

■ ■ ■ **Non-operating result** in 3Q21 recorded gains of **US\$790.4 million**, compared to the losses of US\$24.8 million in 3Q20. The profit is mainly explained by the extraordinary effect on results of the sale of the subsidiary Colbun Transmisión S.A. The sale price amounted to US\$1,185 million, with which the effect on profit before taxes of the transaction reached US\$830 million.

In cumulative terms, non-operating result as of Sep21 recorded a profit of **US\$706.2 million**, compared with the loss of US\$96.3 million recorded as of Sep20, explained by the same reasons for the variation in quarterly terms.

■ ■ ■ In 3Q21 **tax expenses** of **US\$202.4 million** were recorded (US\$25.8 million in 3Q20). The increase is mainly explained by (1) the higher profit before taxes recorded during the quarter due to the subsidiary Colbun Transmisión S.A sale and (2) higher tax expenses in Peru, due to the depreciation of the PEN/USD exchange rate during the period and its impact on deferred taxes given that Fenix's tax accounting is carried out in Peruvian soles, according to the Peruvian tax legislation.

In cumulative terms, tax expenses as of Sep21 recorded **US\$303.1 million** (US\$70.3 million in Sep20). The higher tax expenses are mainly explained by the same reasons for the variation in quarterly terms.

■ ■ ■ In 3Q21, the Company recorded a **profit** of **US\$600.9 million**, compared to the profit of US\$62.2 million in 3Q20 mainly explained by the higher profit recorded in non-operating results previously mentioned.

In cumulative terms, the Company recorded a **profit** of **US\$592.6 million** as of Sep21, compared to the profit of US\$152.3 million as of Sep20. The higher profit is mainly explained by the same reasons for the variation in quarterly terms.

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 increased approximately 8.5% during 3Q21 compared to 3Q20 and 3.6% during the last twelve months, while in Peru, there was an increase of approximately 7.2% during the quarter and 8.8% during the last twelve months.

■ ■ ■ In September of this year, the Board of Directors approved to start the construction of **Horizonte wind farm**. The project considers an installed capacity of 778 MW and it's located in Antofagasta Region. The start of construction is scheduled for 4Q21 and commissioning of the last wind turbines for 4Q24. The total investment amount approved for this project is US\$850 million.

■ ■ ■ On September 29th, the Environmental Assessment Commission approved the Environmental Qualification Resolution (RCA) for **Jardín Solar photovoltaic project**. The project, located in the Pozo Almonte commune, in the Tarapacá Region, has an installed capacity of 537 MW. This project doesn't have the Board of Directors approval to start construction yet.

■ ■ ■ On September 30th, the **sale of all the shares of Colbún Transmission S.A.** to Alfa Desarrollo SpA was executed. The final sale price was US\$1,185 million, with which the effect on income before taxes amounted to US\$830 million.

■ ■ ■ On September 30th, Colbún obtained the second place in **Informe Reporta**, which evaluates the information flow that companies give to the market, for its 2020 Integrated Annual Report.

Subsequent highlights:

■ ■ ■ As a result of the extraordinary income received from the sale of Colbún Transmission S.A. and the Company's liquidity position, on October 12th, **dividends were paid for a total of US\$1,000 million**. This payment is comprised of (1) a provisional dividend for US\$250 million, charged to this year's profits, and (2) an eventual dividend, charged to the profits of the previous fiscal years, for US\$750 million, which was approved during the extraordinary shareholders meeting held on September 15th.

■ ■ ■ On October 14th, Colbún issued its first **"green bond" in international markets, for US\$ 600 million** (Rule 144A / Regulation S), with a 10-year maturity (January 2032), obtaining a coupon rate of 3.15%, with a yield of 3.17%. The funds will be used to finance renewable energy projects, eligible in accordance with our Green Financing Framework, adopted based on the criteria of the Sustainability Bond Guidelines and the Green Bond Principles 2021, of the International Capital Markets Association (ICMA).

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 3Q20, 3Q21 and cumulative as of Sep20 and Sep21.

Table 1: Physical sales and generation in Chile

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
9,368	8,385	Total Physical Sales (GWh)	3,453	2,768	(10%)	(20%)
2,400	2,363	Regulated Clients	827	846	(2%)	2%
5,278	5,007	Unregulated Clients	1,836	1,639	(5%)	(11%)
1,690	1,015	Sales to the Spot Market	789	283	(40%)	(64%)
1,446	1,319	Capacity Sales (MW)	1,486	1,318	(9%)	(11%)

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
9,645	8,454	Total Generation (GWh)	3,546	2,849	(12%)	(20%)
3,631	2,941	Hydraulic	1,530	899	(19%)	(41%)
5,924	5,371	Thermal	1,978	1,861	(9%)	(6%)
4,045	2,969	Gas	1,429	1,040	(27%)	(27%)
66	266	Diesel	3	102	300%	2853%
1,813	2,136	Coal	545	719	18%	32%
89	142	VRE*	39	88	59%	129%
75	106	Wind Farm	34	62	41%	81%
14	35	Solar	4	26	157%	537%
0	155	Spot Market Purchases (GWh)	0	0	-	-
1,690	860	Sales - Purchases to the Spot Market (GWh)	789	283	(49%)	(64%)

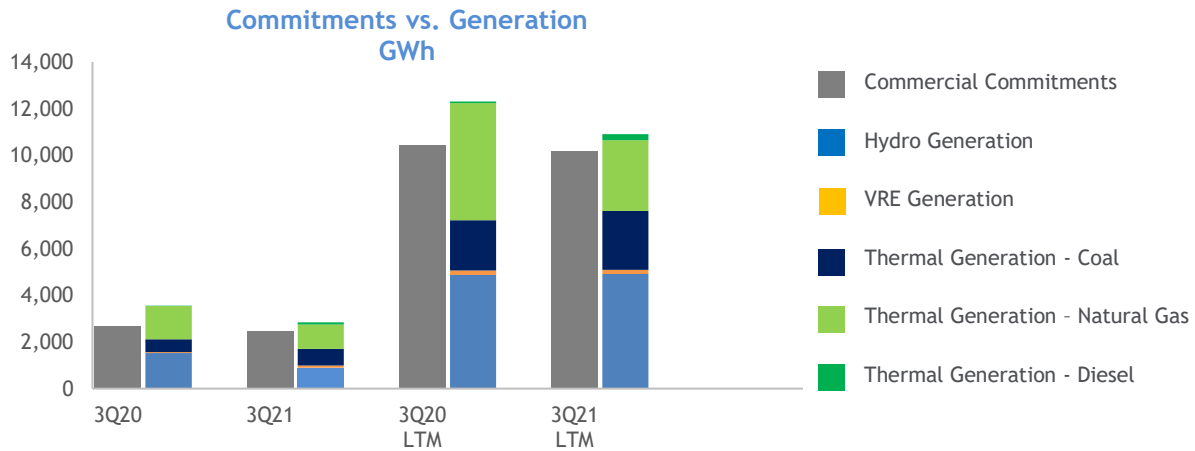
(*): Corresponds to the energy purchased from the Punta Palmeras wind farm owned by Acciona and San Pedro, owned by Alba S.A and Santa Isabel owned by Total Sun Power.

VRE: Variable renewable energies.

Physical sales reached **2,768 GWh** during 3Q21, decreasing 20% compared to 3Q20, mainly explained by (1) lower sales in the spot market, due to the lower generation recorded during the quarter and (2) lower sales to unregulated clients given the expiration of Anglo-American contract in Dic20. On the other hand, quarterly generation decreased 20% compared to 3Q20, mainly due to lower hydro generation (-631 GWh) mainly explained by very unfavorable hydrological conditions and (2) lower gas generation (-389 GWh) due to the lower gas availability compared to 3Q20. These effects were partially offset by higher coal generation (+174 GWh) and diesel (+98 GWh) due to a higher economic dispatch and decouples in the national electrical system.

In cumulative terms, physical sales as of Sep21 reached **8,385 GWh**, decreasing 10% compared to Sep20, mainly explained by the same reasons for the variation in quarterly terms. Cumulative generation as of Sep21 reached 8,454 GWh, decreasing 12% compared to Sep20, mainly explained by (1) lower gas generation (-1,076 GWh) due to lower LNG importation and the lower availability of Argentinean gas compared to last year and (2) lower hydro generation (-690 GWh) driven by very unfavorable hydro conditions. These effects were partially offset by higher coal generation (+324 GWh) and diesel generation (+200 GWh) due to the higher economic dispatch.

■ ■ ■ The **spot market balance** during the quarter recorded net sales for 283 GWh, compared to the net sales of 789 GWh recorded in 3Q20. The variation is mainly explained by the lower generation during the quarter. In cumulative terms, as of Sep21, the spot market balance sheet recorded net sales for 860 GWh, compared to net sales of 1,690 GWh as of Sep20. The variation is mainly explained by a lower cumulative generation as of Sep21.



■ ■ ■ **Generation Mix in Chile:** As of Sep21, the hydrological year (Apr21-Mar22) has presented lower rainfalls compared to an average year in the main SEN basins. In this sense, deficits were Aconcagua: -69%; Maule: -50%; Laja: -20%; Bío Bío: -31% and Chapo: -14%. Average marginal cost measured in Alto Jahuel reached US\$88/MWh in 3Q21, increasing compared to the average of US\$42/MWh in 3Q20.

Accumulated Figures		SEN Generation	Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Acc/Acc	Q/Q
58,043	60,821	Total Generación (GWh)	19,101	20,726	5%	9%
13,376	11,681	Hydraulic	5,337	3,610	(13%)	(32%)
12,369	11,288	Gas Thermal	3,602	3,976	(9%)	10%
525	1,609	Diesel Thermal	84	746	206%	789%
21,240	22,304	Coal Thermal	6,353	7,264	5%	14%
3,793	4,940	Wind Farm	1,512	2,008	30%	33%
5,015	6,976	Solar	1,705	2,444	39%	43%
1,724	2,023	Others	508	678	17%	34%

2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 3Q20, 3Q21 and cumulative as of Sep20 and Sep21.

Table 2: Physical sales and generation in Peru

Accumulated Figures		Sales	Quarterly Figures		Var %	
Sep-20	Sep-21		3Q20	3Q21	Q/Q	Ac/Ac
2,161	2,622	Total Physical Sales (GWh)	1,019	1,184	16%	21%
1,395	1,520	Customers under Contract	467	507	9%	9%
766	1,102	Sales to the Spot Market	552	677	23%	44%
559	563	Capacity Sales (MW)	558	565	1%	1%
Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Q/Q	Ac/Ac
1,898	2,509	Total Generation (GWh)	1,042	1,210	16%	32%
1,898	2,509	Gas	1,042	1,210	16%	32%
313	178	Spot Market Purchases (GWh)	-	-	-	-
453	925	Sales - Purchases to the Spot Market (GWh)	552	677	23%	104%

Physical sales during 3Q21 reached **1,184 GWh**, increasing 16% compared to 3Q20. The higher physical sales are mainly explained by (1) higher sales to the spot market as a result of the higher generation of the plant during the quarter and (2) higher sales to customers under contracts driven by (i) the enter into force of 40 MW new PPAs during the quarter and (ii) regulated segment demand recovery from the reduced 2020 levels affected by the pandemic. On the other hand, **thermal generation** reached **1,210 GWh**, increasing 16% compared to 3Q20 mainly driven by the higher dispatch of the power plant given the demand recovery on the Peruvian market.

In cumulative terms, physical sales as of Sep21 reached **2,622 GWh** increasing 21% compared to Sep20 mainly explained by the same reasons for the variations in quarterly terms. On the other hand, **cumulative generation** as of Sep21 reached **2,509 GWh**, increasing 32% compared to Sep20 mainly due to (1) the same reasons for the variation in quarterly terms and (2) the repair of GT12 gas turbine and the preventive maintenance of the GT11 gas turbine during 1Q20.

The **balance in the spot market** recorded net sales for 677 GWh, compared to the net sales for 552 GWh during the same quarter of the previous year, due to the higher generation recorded in the quarter. In cumulative terms, the balance in the spot market as of Sep21 recorded net sales of 925 GWh, compared to net sales of 453 GWh recorded as of Sep20 due to the same reasons that explain the variations in quarterly terms.

Generation mix in Peru: Hydroelectric generation in the SEIN (National Interconnected Electrical System) decreased 0.4% compared to 3Q20 due to lower availability of hydro power plants during the quarter. On the other hand, thermal generation increased 15.7% during 3Q21 compared to 3Q20 due to the higher energy demand of the system.

The accumulated energy demand growth rate in 3Q21 was 7.2%, mainly due to the recovery of system demand.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement in 3Q20 and 3Q21 and cumulative as of Sep20 and Sep21, for Chile and Peru.

Table 3: Income Statement (US\$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
1,013.1	1,064.8	OPERATING INCOME	344.0	357.1	5%	4%
328.0	339.7	Regulated Customers Sales	117.7	117.1	4%	(0%)
509.6	488.8	Unregulated Customers Sales	169.3	153.7	(4%)	(9%)
107.4	157.9	Energy and Capacity Sales	38.5	64.4	47%	67%
49.2	41.9	Transmission Tolls	14.3	2.9	(15%)	-
19.0	36.6	Other Operating Income	4.3	19.0	93%	-
(430.8)	(606.0)	RAW MATERIALS AND CONSUMABLES USED	(141.8)	(253.3)	41%	79%
(74.7)	(84.8)	Transmission Tolls	(26.5)	(23.9)	14%	(10%)
(31.4)	(47.8)	Energy and Capacity Purchases	(8.9)	(18.5)	52%	109%
(213.7)	(310.3)	Gas Consumption	(75.5)	(149.9)	45%	98%
(7.7)	(43.2)	Diesel Consumption	(0.4)	(18.8)	-	-
(59.5)	(72.9)	Coal Consumption	(17.5)	(26.6)	23%	52%
(43.8)	(47.1)	Other Operating Expenses (*)	(13.0)	(15.5)	7%	19%
582.3	458.8	GROSS PROFIT	202.2	103.8	(21%)	(49%)
(47.6)	(62.1)	Personnel Expenses	(16.5)	(19.3)	30%	17%
(32.1)	(40.8)	Other Expenses, by Nature (*)	(10.7)	(12.7)	27%	19%
(183.7)	(166.5)	Depreciation and Amortization Expenses	(62.1)	(58.9)	(9%)	(5%)
318.9	189.5	OPERATING INCOME (LOSS) (**)	112.9	12.9	(41%)	(89%)
502.6	355.9	EBITDA	175.0	71.8	(29%)	(59%)
9.8	3.4	Financial Income	1.8	0.9	(66%)	(47%)
(68.2)	(64.6)	Financial Expenses	(22.9)	(21.0)	(5%)	(8%)
2.2	(12.5)	Exchange rate Differences	2.1	(10.3)	-	-
6.7	5.4	Profit (Loss) of Companies Accounted for Using the Equity Method	2.2	2.1	(19%)	(6%)
(46.8)	774.5	Other Profit (Loss)	(8.0)	818.7	-	-
(96.3)	706.2	NON-OPERATING INCOME	(24.8)	790.4	-	-
222.6	895.6	PRE-TAX PROFIT (LOSS)	88.0	803.3	-	-
(70.3)	(303.1)	Income Tax Expense	(25.8)	(202.4)	-	-
152.3	592.6	AFTER TAX PROFIT (LOSS)	62.2	600.9	-	-
162.4	600.4	PROFIT (LOSS) OF CONTROLLER	64.6	604.2	-	-
(10.1)	(7.8)	PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	(2.4)	(3.2)	-	-

(*) 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 3Q20 and accumulated as of Sep20 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 Colbún are only non-operating items, was incorporated as an operating item in the Financial Statements.

Table 4: Closing Exchange Rates

Exchange Rates	Sep-20	Dec-20	Sep-21
Chile (CLP / US\$)	788.15	710.95	811.90
Chile UF (CLP/UF)	28,707.85	29,070.33	30,088.37
Peru (PEN / US\$)	3.60	3.62	4.14

3.1. Operating Income analysis of the generation business in Chile

Table 5 presents a summary of Operating Income and EBITDA in 3Q20 and 3Q21 and cumulative as of Sep20 and Sep21. Subsequently, the major accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
848.6	907.0	OPERATING INCOME	286.9	296.2	7%	3%
246.9	261.7	Regulated Customers Sales	90.9	92.5	6%	2%
493.2	471.8	Unregulated Customers Sales	162.7	149.1	(4%)	(8%)
93.6	130.0	Energy and Capacity Sales	30.3	45.7	39%	51%
14.9	43.5	Other Operating Income	3.0	8.8	192%	199%
(379.5)	(563.4)	RAW MATERIALS AND CONSUMABLES USED	(122.1)	(235.5)	48%	93%
(85.3)	(106.7)	Transmission Tolls	(30.9)	(31.3)	25%	1%
(29.6)	(46.6)	Energy and Capacity Purchases	(8.8)	(18.4)	58%	109%
(167.4)	(256.2)	Gas Consumption	(54.9)	(128.2)	53%	134%
(7.7)	(42.9)	Diesel Consumption	(0.4)	(18.8)	-	-
(59.5)	(72.9)	Coal Consumption	(17.5)	(26.6)	22%	52%
(30.1)	(38.1)	Other Operating Expenses (*)	(9.5)	(12.1)	27%	28%
469.1	343.6	GROSS PROFIT	164.8	60.7	(27%)	(63%)
(43.0)	(57.2)	Personnel Expenses	(15.0)	(17.7)	33%	18%
(27.6)	(35.0)	Other Expenses, by Nature (*)	(8.9)	(10.8)	27%	-
(140.5)	(131.2)	Depreciation and Amortization Expenses	(47.1)	(44.2)	(7%)	(6%)
257.9	120.1	OPERATING INCOME (LOSS) (**)	93.8	(12.0)	(53%)	-
398.4	251.3	EBITDA	140.9	32.2	(37%)	(77%)

(*) 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 3Q20 and accumulated as of Sep20 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 for 3Q21 amounted to **US\$296.2 million**, increasing 3% compared to the operating income of US\$286.9 million recorded in 3Q20, mainly explained by higher energy and capacity sales in the spot market, due to higher marginal costs, and higher sales to regulated customers, partially offset by lower sales to unregulated customers, due to the expiration of Anglo American contract in Dec20.

In cumulative terms, operating income from ordinary activities as of Sep21 reached **US\$907.0 million**, increasing 7% compared to the income recorded as of Sep20, mainly due to the same reasons that explain the variations in quarterly terms.

Raw materials and consumables used costs recorded **US\$235.5 million** in 3Q21, increasing 93% compared to 3Q20, mainly due to (1) higher gas consumption costs, despite the lower generation with that fuel, due to a higher average purchase price, (2) higher diesel and coal consumption costs driven by the higher generation with both fuels and (3) higher energy and capacity purchases associated with (i) higher tariff revenues (IT) payments due to the increase in marginal costs during the months of July and August and (ii) the enter into force of an energy sale contract with Total Sun Power.

In cumulative terms, the raw materials and consumables used costs as of Sep21 reached **US\$563.4 million**, increasing 48% compared to Sep20, mainly due to (1) higher gas consumption costs, despite the lower generation with that fuel, as a result of a higher average purchase price, (2) higher toll costs associated with the inclusion of an additional cost in the transmission charge in Jul20, (3) higher diesel consumption associated to higher generation with that fuel and (4) higher coal consumption, due to higher generation with this fuel and (5) the higher tariff revenues (IT) payments explained above.

■ ■ ■ **EBITDA** in 3Q21 reached **US\$32.2 million**, decreasing 77% compared to the EBITDA of US\$140.9 million recorded in 3Q20, mainly due to (1) a significantly lower hydroelectric generation (as a consequence of the extreme drought that affects Chile) and (2) a very significant increase in thermal generation and spot market purchases due to the higher fossil fuel prices in international markets. Also, there were higher “Other expenses, by nature” associated with a lower comparative base considering that during 3Q20, third-party services, trainings, travels among others were suspended as a result of the pandemic.

In cumulative terms, EBITDA as of Sep21 totaled US\$251.3 million, decreasing 37% compared to Sep20, mainly due to (1) the same reasons that explain the variations in quarterly terms and (2) higher expenses in dollars of items in local currency, especially in salaries, as a result of the exchange rate appreciation during the first half of 2021.

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 3Q20 and 3Q21 and cumulative as of Sep20 and Sep21. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	T/T
65.4	45.7	OPERATING INCOME	21.4	6.0	(30%)	(72%)
65.4	45.7	Transmission Tolls	21.4	6.0	(30%)	(72%)
(9.5)	(8.9)	RAW MATERIALS AND CONSUMABLES USED	(2.7)	(3.3)	(6%)	22%
(1.5)	(0.3)	Transmission Tolls	(1.2)	(0.3)	(77%)	(78%)
(8.0)	(8.6)	Other Operating Expenses (*)	(1.5)	(3.1)	7%	103%
55.9	36.8	GROSS PROFIT	18.7	2.7	(34%)	(86%)
(0.7)	(0.6)	Other Expenses, by Nature (*)	(0.2)	(0.2)	(17%)	(9%)
(8.2)	(8.7)	Depreciation and Amortization Expenses	(2.8)	(3.1)	6%	11%
47.0	27.5	OPERATING INCOME (LOSS) (**)	15.6	(0.7)	(42%)	(104%)
55.2	36.2	EBITDA	18.4	2.4	(34%)	(87%)

(*) 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 3Q20 and accumulated as of Sep20 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 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 3Q21 reached **US\$6.0 million**, decreasing 72% compared to 3Q20. The lower operating income recorded in 3Q21 compared to 3Q20 are mainly explained by the recognition of lower income as a result of the tariffication process that is still in progress which would affect the tariffs that apply from Jan-20 onwards, based on the Company’s best estimate.

In cumulative terms, operating income as of Sep21, amounted to US\$45.7 million, decreasing 30% compared to operating income as of Sep20, mainly for the same reasons that explain the variations in quarterly terms.

■ ■ ■ **EBITDA** for 3Q21 reached **US\$2.4 million**, lower than the US\$18.4 million EBITDA recorded in 3Q20, mainly due to the decrease in operating income previously explained.

In cumulative terms, EBITDA as of Sep21 reached US\$36.2 million, decreasing 34% compared to the EBITDA registered as of Sep20, due to same reasons that explain the variations in quarterly terms.

3.3. Operating Income analysis in Peru

Table 7 shows a summary of Fenix's Operating Income and EBITDA for the quarters 3Q20 and 3Q21 and cumulative as of Sep20 and Sep21. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
115.5	126.8	OPERATING INCOME	42.9	49.0	10%	14%
81.1	78.1	Regulated Customers Sales	26.8	24.6	(4%)	(8%)
16.4	17.0	Unregulated Customers Sales	6.6	4.6	3%	(30%)
13.8	27.8	Sales to Other Generators	8.2	18.6	102%	128%
4.1	3.9	Other Operating Income	1.4	1.2	(5%)	(14%)
(58.1)	(65.3)	RAW MATERIALS AND CONSUMABLES USED	(24.2)	(25.8)	12%	7%
(4.2)	(3.2)	Transmission Tolls	(1.2)	(1.5)	(23%)	18%
(1.8)	(1.6)	Energy and Capacity Purchases	(0.1)	(0.5)	(11%)	665%
(46.3)	(54.1)	Gas Consumption	(20.6)	(21.7)	17%	5%
(5.8)	(6.1)	Other Operating Expenses (*)	(2.2)	(2.2)	5%	(3%)
57.4	61.5	GROSS PROFIT	18.7	23.2	7%	24%
(4.7)	(4.9)	Personnel Expenses	(1.5)	(1.6)	5%	2%
(3.8)	(5.3)	Other Expenses, by Nature (*)	(1.5)	(1.7)	-	15%
(34.9)	(26.5)	Depreciation and Amortization Expenses	(12.2)	(8.8)	(24%)	(28%)
14.0	24.7	OPERATING INCOME (LOSS) (**)	3.5	11.1	76%	219%
48.9	51.3	EBITDA	15.7	19.9	5%	27%

(*) 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 3Q20 and accumulated as of Sep20 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 3Q21 totaled **US\$49.0 million**, increasing 14% compared to the income of US\$42.9 million recorded in 3Q20, mainly due to higher sales in the spot market given both the higher generation and higher average sale prices registered during the quarter.

In cumulative terms, operating income from ordinary activities as of Sep21 amounted **US\$126.8 million**, increasing 10% compared to US\$115.5 million operating income as of Sep20, mainly due to the same reasons that explain the variations in quarterly terms.

Raw materials and consumables used costs reached **US\$25.8 million** in 3Q21, increasing 7% compared to 3Q20, mainly due to higher gas consumption as a result of the higher generation registered during the period. In cumulative terms, raw materials and consumables costs as of Sep21 reached **US\$65.3 million**, increasing 12% compared to Sep20, mainly for the same reasons that explain the variations in quarterly terms.

Fenix's EBITDA reached **US\$19.9 million** in 3Q21, increasing 27% compared to the EBITDA of US\$15.7 million recorded in 3Q20, mainly due to the higher income from ordinary activities previously explained.

In cumulative terms, EBITDA totaled **US\$51.3 million** as of Sep21, increasing 5% compared to the EBITDA recorded as of Sep20, mainly due to the same reasons that explain the variations in quarterly terms.

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

Table 8 shows a summary of the Consolidated Non-Operating Result (Chile and Peru) in 3Q20 and 3Q21 and cumulative as of Sep20 and Sep21. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
9.8	3.4	Financial Income	1.8	0.9	(66%)	(47%)
(68.2)	(64.6)	Financial Expenses	(22.9)	(21.0)	(5%)	(8%)
2.2	(12.5)	Exchange rate Differences	2.1	(10.3)	-	-
6.7	5.4	Profit (Loss) of Companies Accounted for Using the Equity Method	2.2	2.1	(19%)	(6%)
(46.8)	774.5	Other Profit (Loss)	(8.0)	818.7	-	-
(96.3)	706.2	NON-OPERATING INCOME	(24.8)	790.4	-	-
222.6	895.6	PRE-TAX PROFIT (LOSS)	88.0	803.3	-	-
(70.3)	(303.1)	Income Tax Expense	(25.8)	(202.4)	-	-
152.3	592.6	AFTER TAX PROFIT (LOSS)	62.2	600.9	-	-
162.4	600.4	PROFIT (LOSS) OF CONTROLLER	64.6	604.2	-	-
(10.1)	(7.8)	PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	(2.4)	(3.2)	(23%)	35%

■ ■ ■ **Non-operating result** in 3Q21 recorded gains of **US\$790.4 million**, compared to the losses of US\$24.8 million in 3Q20. The profit is mainly explained by the extraordinary effect on results of the sale of the subsidiary Colbún Transmisión S.A. The sale price reached US\$1,185 million, with which the effect on profit before taxes of the transaction reached US\$830 million.

In cumulative terms, non-operating result as of Sep21 recorded a profit of **US\$706.2 million**, compared with the loss of US\$96.3 million recorded as of Sep20, explained by the same reasons for the variation in quarterly terms.

■ ■ ■ In 3Q21 **tax expenses** of **US\$202.4 million** were recorded (US\$25.8 million in 3Q20). The increase is mainly explained by (1) the higher profit before taxes recorded during the quarter due to the subsidiary Colbún Transmisión S.A sale and (2) higher tax expenses in Peru, due to the depreciation of the PEN/USD exchange rate during the period and its impact on deferred taxes given that Fenix's tax accounting is carried out in Peruvian soles, according to the Peruvian tax legislation.

In cumulative terms, tax expenses as of Sep21 recorded **US\$303.1 million** (US\$70.3 million in Sep20). The higher tax expenses are mainly explained by the same reasons for the variation in quarterly terms.

■ ■ ■ In 3Q21, the Company recorded a **profit** of **US\$600.9 million**, compared to the profit of US\$62.2 million in 3Q20 mainly explained by the higher profit recorded in non-operating results previously mentioned.

In cumulative terms, the Company recorded a **profit** of **US\$592.6 million** as of Sep21, compared to the profit of US\$152.3 million as of Sep20. The higher profit is mainly explained by the same reasons for the variation in quarterly terms.

4. CONSOLIDATED BALANCE SHEET ANALYSIS



Table 9 shows an analysis of the Balance Sheet's relevant accounts as of Dec20 and Sep21. Subsequently, the main variations will be analyzed.

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

	Dec-20	Sep-21	Var	Var %
Current assets	1,259.2	2,162.3	903.1	72%
Non-current assets	5,374.7	4,981.9	(392.8)	(7%)
TOTAL ASSETS	6,633.9	7,144.2	510.4	8%
Current liabilities	306.5	571.6	265.1	86%
Non-current liabilities	2,742.0	2,649.3	(92.6)	(3%)
Total net equity	3,585.4	3,923.3	337.9	9%
TOTAL LIABILITIES AND NET EQUITY	6,633.9	7,144.2	510.3	8%

Current Assets: Recorded US\$2,162.3 million as of Sep21, increasing 72% compared to current assets recorded as of Dec20, mainly due to the receipt of funds associated with the sale of the subsidiary Colbún Transmisión S.A.

Non-current Assets: Recorded US\$4,981.9 million as of Sep21, decreasing 8% compared to the non-current assets registered as of Dec20, mainly due to a decrease in property, plant and equipment for US\$430 million, mainly associated with the sale of the subsidiary Colbún Transmisión S.A.

Current Liabilities: Totaled US\$571.6 million as of Sep21, increasing 86% compared to current liabilities recorded as of Dec20, mainly due to (1) an increase in current tax liabilities of US\$136 million, due to higher tax expense recorded in the period associated with the sale of the subsidiary Colbún Transmisión S.A. and (2) higher other current non-financial liabilities associated with withholdings for provisional monthly taxes payments as a result of the sale of the subsidiary Colbún Transmisión S.A. for US\$55 million.

Non-current Liabilities: Reached US\$2,649.3 million as of Sep21, decreasing 3% compared to the non-current liabilities recorded as of Dec20, mainly due to (1) the transfer of amortizations of financial debt from long to short term for approximately US\$50 million, (2) lower deferred tax liabilities and other non-current non-financial liabilities of approximately US\$21 million and US\$15 million, respectively, associated with the sale of the subsidiary Colbún Transmisión S.A.

Total Net Equity: The Company reached a net equity of US\$3,923.3 million, increasing 9% compared to the net equity registered as of Dec20, mainly due to the profit recorded during the period. This effect was partially offset by the dividend distribution of US\$246 million in May 2021.

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

	Dec-20	Sep-21	Var	Var %
Gross Financial Debt*	1,796.3	1,750.8	(45.5)	(3%)
Financial Investments**	967.4	1,886.1	918.7	95%
Net Debt	828.9	(135.3)	(964.2)	-
EBITDA LTM	682.5	535.9	(146.7)	(21%)
Net Debt/EBITDA LTM	1.2	-	-	-

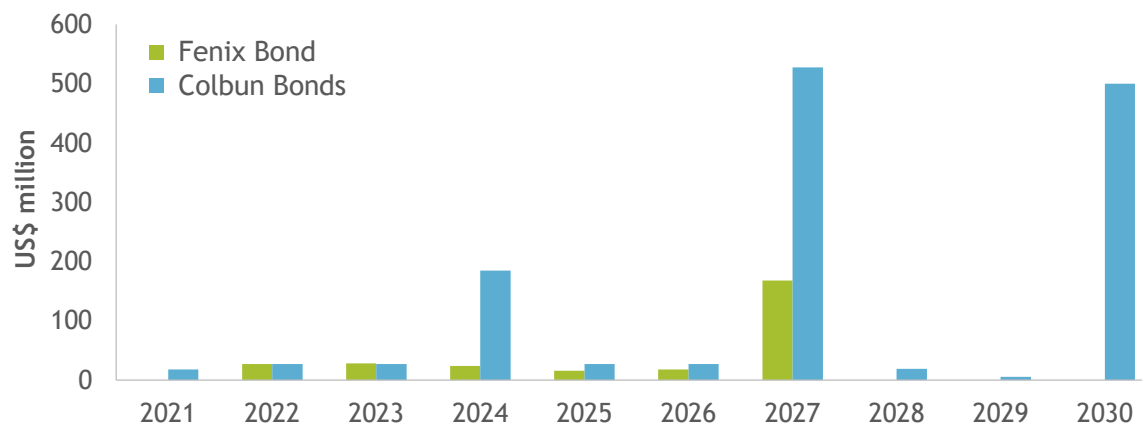
(*) The amount includes debt associated with Fenix without recourse to Colbun: (1) an international bond with an outstanding capital of US\$281.0 million, (2) a financial leasing for US\$13.2 million associated with a transmission contract with Consorcio Transmataro, and (3) a US\$110.9 million financial 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	5.9 years
Average Interest Rate	3.9% (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 Sep21 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	Sep-21	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	4.11	3.78	(8%)
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	4.00	3.72	(7%)
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	0.85	0.82	(4%)
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	10.06%	17.75%	76%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	89.94%	82.25%	(9%)
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	2.46	10.27	317%
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	2.44%	14.19%	480%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	2.44%	8.68%	256%
Performance of Operating Assets (%): Operating Income / Property, Plant and Equipment, Net (Average)	8.48%	6.26%	(26%)

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 **3.78x** and **3.72x** as of Sep21, decreasing by 8% and 7% respectively compared to Dec20, mainly due to the increase in current liabilities associated with the sale of the subsidiary Colbún Transmisión S.A.

■ ■ ■ The **Indebtedness Ratio** recorded **0.82x** as of Sep21, decreasing 4% compared to the value of 0.85x as of Dec20, mainly due to higher net equity associated with the proceeds from the sale of the subsidiary Colbún Transmisión S.A.

■ ■ ■ The percentage of **Short-Term Debt** as of Sep21 was **17.75%**, increasing compared to the 10.06% value as of Dec20, mainly due to the increase in current liabilities after the sale of the subsidiary Colbún Transmisión S.A.

■ ■ ■ The percentage of **Long-Term Debt** as of Sep21 was **82.25%**, decreasing compared to the value of 89.94% in Dec20, mainly due to the increase in current liabilities after the sale of the subsidiary Colbún Transmisión S.A. previously mentioned.

■ ■ ■ The **Financial Expenses Coverage** as of Sep21 reached **10.27x**, increasing by 317% compared to the value obtained in Dec20, mainly due to the higher profit recorded in the last 12 months, compared to 2020, mainly explained by the sale of the subsidiary Colbún Transmisión S.A.

■ ■ ■ The **Equity Profitability** as of Sep21 was **14.19%**, increasing 480% compared to the value of 2.44% as of Dec20. The variation is mainly explained by the higher profits recorded in the last 12 months, compared to 2020, mainly explained by the sale of the subsidiary Colbún Transmisión S.A.

■ ■ ■ **Asset Profitability** as of Sep21 was **8.68%**, increasing 256% compared to the value of 2.44% as of Dec20, mainly due to the higher profit recorded in the last 12 months, compared to 2020, mainly explained by the sale of the subsidiary Colbún Transmisión S.A.

■ ■ ■ The **Performance of Operating Assets** as of Sep21 was **6.26%**, decreasing 26% compared to the value of 8.48% in Dec20, mainly as a result of the lower operating income recorded during the period.

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 %
Sep-20	Sep-21		3Q20	3Q21	Ac/Ac	Q/Q
797.3	790.1	Cash Equivalents, Beg. of Period*	854.1	790.1	(1%)	(7%)
376.5	316.6	Net cash flows provided by (used in) operating activities	183.2	94.3	(16%)	(49%)
(127.3)	(358.5)	Net cash flows provided by (used in) financing activities	(33.2)	(35.3)	182%	6%
(79.2)	970.8	Net cash flows provided by (used in) investing activities**	(42.3)	1,047.2	-	-
170.0	928.8	Net Cash Flows for the Period	107.7	1,106.2	-	-
(1.5)	(10.3)	Effects of exchange rate changes on cash and cash equivalents	4.2	(10.3)	-	-
966.0	1,886.0	Cash Equivalents, End of Period	966.0	1,886.0	95%	95%

(*) 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 3Q21, the Company presented a **net cash flow of US\$1,106.2 million**, compared to the positive net cash flow of US\$107.7 million in 3Q20.

Operating activities: During 3Q21, a positive net flow of US\$94.3 million was generated, which compares with the positive net flow of US\$183.2 million in 3Q20, mainly explained by higher operating costs registered during the quarter.

In cumulative terms, as of Sep21 a positive net flow of US\$316.6 million was registered, which compares to the positive net flow of US\$376.5 million as of Sep20, mainly due to the same reasons that explain the variations in quarterly terms.

Financing activities: Recorded a negative net flow of US\$35.3 million during 3Q21, which compares to the negative net flow of US\$33.2 million in 3Q20, mainly explained by higher loan payments and interests recorded during the period.

In cumulative terms, a negative flow of US\$358.5 million was generated as of Sep21, compared to the US\$127.3 million as of Sep20, mainly due to (1) the issuance of an international bond during March 2020 and partial refinancing of the 2024 bond, the net amount collected by that transaction reached US\$116 million and (2) the higher dividends distribution as of Sep21, which reached US\$246 million, while as of Sep20, it amounted US\$162 million.

Investment activities: Recorded a negative net flow of US\$1,047.2 million during 3Q21, which compares to a negative net flow of US\$42.3 million in 3Q20, mainly explained by the proceeds from the sale of the subsidiary Colbun Transmisión S.A.

In cumulative terms, a negative net flow of US\$970.8 million was registered, which compares with the positive flow of US\$79.2 million as of Sep20, mainly 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 3,795 MW composed by 2,159 MW of thermal units, 1,626 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.

On September 30th, Colbun carried out the sale of its subsidiary Colbun Transmission S.A. to Alfa Desarrollo SpA, controlled 80% by APG Energy and Infra Investments and 20% by Celeo Redes. The electricity transmission infrastructure sold corresponds to 899 km of transmission lines divided into 335 km of lines belonging to the National segment, 70 km belonging to the Zonal segment and 494 km belonging to the Dedicated segment. Additionally, Colbun Transmission S.A. owns 27 substations.

7.1 Medium-term outlook in Chile

As of Sep-21, the hydrological year (Abr21-Mar22) has presented cumulative lower rainfalls compared to an average year in the main SEN basins, being the basins that present the largest deficits: Aconcagua: -67%; Maule: -46%; Laja: -17%; Biobío: -29%; and Chapo: -8%. Compared to 2020, Aconcagua basin has presented a 40% decrease in rainfalls and the Maule basin presented 35% lower rainfalls, which resulted in lower affluents. In the same line, but at more moderate levels, the Laja, Biobío and Chapo basins presented lower rainfall than in 2020, at -5%; -5% and -14% respectively.

In terms of inflow energy, the hydrological current year presents a Probability of Exceedance of 95%.

Regarding gas supply, the Company has an agreement with Enap Refinerías S.A. (“ERSA”), that includes reserved regasification capacity and supply for 13 years, whose entry into force was January 1, 2018. With this contract the Company has natural gas supply to operate two combined cycle units during most of the first half part of each calendar year, period of the year which generally has less availability of water resources. Colbun has also the possibility of accessing additional natural gas via spot purchases, allowing the Company to have efficient backup in the case of unfavorable hydrological conditions in the second half of the year. Additionally, gas supply agreements with Argentine producers such as Pampa and PAE have been signed to complement the supply of liquified natural gas. These contracts consider the import of 2,000,000 m³ of gas per day, between October 2021 and April 2022.

During 2021, Colbun has 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 have been signed with 31 clients for 309 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 ability to reach a 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 and the terms in which the purchase of natural gas is contracted if the extreme dry hydrological condition continues.

7.2 Medium-term outlook in Peru

In the third quarter of 2021, the SEIN registered a hydrological condition with a probability of exceedance of 52%, compared to 50% recorded the same quarter of 2020.

In 3Q21, energy demand growth reached 7.2% compared to the same period of 2020, due to the electricity demand recovery . On the other hand, compared to the previous quarter, in 3Q21 the energy demand raised by 1.7%

Marginal costs of the system increased after the entry into force of the new regulation that establishes that all the supply chain costs must be included to determine the variable costs of gas, that is, the cost of supply, transportation and distribution of gas, a scheme that became fully effective as of July 1, 2021. The average marginal cost of Santa Rosa during the months of January to June 2021 reached US\$9.5/MWh, while the average for the months of July as of September of the same year reached US\$26.8/MWh.

7.3 Growth plan and long-term actions

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

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

In Chile, Colbun has several potential projects currently in different stages of development, including wind, solar and hydroelectric projects 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 started in December 2017 with the award of a tender conducted by the Ministry of National Assets (MBN), for the development, construction and operation of a wind farm by a 30 year Onerous Use Concession Agreement, in a state property of about 8 thousand hectares.

On September 13th, 2021, the SEA issued the Environmental Qualification Resolution (RCA) for the project and on September 21st, at a meeting held in Taltal, the Board of Directors announced the approval for starting construction.

Construction is scheduled to start in 4Q21, and operations will begin in 4Q24. The investment approved for this project reaches US\$850 million.

■ ■ ■ 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 third quarter of 2021, progress is 80%, as expected. The main construction and supply contracts are 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.

■ ■ ■ 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.

In the third quarter, the project engineering was completed and a supply and commissioning contract was signed with the main equipment integrator. The total investment of the project reaches US\$11 million.

■ ■ ■ 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 considered 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 third quarter of 2021, the plant is completed, with the output substation energized and the commissioning and performance tests are coordinated with the authority.

Total investment of the project reached US\$7 million.

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

During the quarter, the basic engineering for the transmission line was completed and the processing of the easements for the transmission line and access roads continued. The project obtained its Environmental Qualification Resolution (RCA) in November 2020.

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

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

During the third quarter, the environmental qualification resolution (RCA) was obtained.

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.

To date, the environmental campaign for spring, summer, autumn and the archeology and human environment campaigns have been concluded. We continued with the measurement of the wind resource to refine the project data and the project engineering for the environmental processing was concluded.

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

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

During the third quarter, progress was made in the development for the EIA and in soil mechanics.

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 3Q21 closing, Colbun continues making progress in the pipeline of options for wind and solar projects, which are in early stages of development. These projects are highly competitive, locations have been chosen with the best energy resources, they have high socio-environmental feasibility, near to transmission lines and are distributed throughout the country. These projects represent advance to fulfill our goal, of building about 4,000 MW in renewable energy before the end of 2030.

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

In December 2018, the Environmental Impact Study was re-entered for project adjustments. At the end of April 2019, the environmental authority issued the first Environmental and Citizen ICSARA, and on November 4, 2020, ADDENDUM N°1 was entered with their respective responses. The PAC process was resumed in September and is running until the end of October.

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

B.1.4. Equipment failure and maintenance risks

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

B.1.5. Project construction risks

The development of new 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. 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 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 a ceremony held on May 15th and 16th the 155 constituents in charge of its drafting were elected. On October 7th, 2021, the Constitutional Convention approved the regulations to begin preparing a new Constitution. The Constitutional process, which culminates in the submission of the constitutional text to a new plebiscite in 2022, may result in changes to the institutional framework applicable to business activity in the country.

Within the framework of the serious health crisis that affects the country, on January 5 Law 21,301 was enacted, extending the effects of Law 21,249, which provides for exceptional measures in favor of end users of health, electricity and gas network services, establishing the prohibition of cutting basic services due to non-payment and allows prorating bad debts. This initiative extended the term of benefits to end users (non-cut of supply due to delay payments and the accumulation of debts with distribution companies) until December 2021.. This norm also increases the maximum number of installments in which the debt payment can be prorated from 36 to 48 installments and expands the universe of beneficiaries to 80% vulnerability according to the Social Registry of Households. In response to the debt problem that has been accumulating among users of basic services, on June 17, 2021, the Chamber of Deputies presented a draft Resolution that requests the President of the Republic to establish a financing mechanism to solve the debt of basic services for residential users, micro, small and medium enterprises. Subsequently, in August 2021, two bills related to the Basic Services Law were entered:

- i. On August 10, 2021, a Constitutional Reform was entered, to authorize a bonus for the payment of the accounts accumulated for basic services (drinking water and energy) from the national budget, for all families registered in the social registry of homes, for the lasting of the constitutional state of emergency of catastrophe, with a limit of 12 months.
- ii. On August 19, 2021, a bill that establishes a third extension of the Basic Services Law was entered, aiming to extend the term by one year to prevent cuts and expand the coverage of the population protected to 100% vulnerability.

Additionally, the Chamber of Deputies sent to the Senate for its second constitutional process the Bill that seeks to fast-forward the phasing out of coal-fired plants.

This bill, initiated by parliamentary motion, seeks to prohibit the installation and operation of coal-fired thermoelectric generation plants throughout the national territory from January 1, 2026 onwards. Currently, this initiative is being reviewed by the Senate's Mining and Energy Commission, which has started a round of guest presentations. It is important to recall that in 2019 the generators signed a voluntary agreement with the government by means of which they committed not to build new coal-fired plants and the progressive closure of the coal-fired plants was agreed until 2040, along with reviews every 5 years in conjunction with the regulator. In the framework of this discussion, a bill that prohibits injecting energy from fossil sources into the System from January 1, 2030 onwards, recently entered the Senate through motion. This initiative will be reviewed by the Mining and Energy Commission.

Recently, a parliamentary motion that regulates the construction, installation and operation, its environmental impact and the inspection of Wind Turbine Complexes entered the Chamber of Deputies. The Bill, which establishes requirements in the design of projects, defines compensation for neighboring communities and includes an amendment to the law on general environmental bases, has no urgency and the Chamber agreed that this be known by the Commission of Environment and then by the Chamber's Mining and Energy Commission. So far there have been no major advances in this discussion.

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

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

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

- a. Quality of Service, which seeks to improve the efficient pricing scheme, define a long-term strategic quality of service plan and establish compensations to clients for excessive long interruptions; and
 - b. Distributed Generation, which purpose is to promote distributed generation, define new actors and enable pilot projects with a coordinated expansion of distribution and transmission networks.
- (ii) The "Flexibility Strategy", which aims to address the systemic and market consequences that will arise due to the increasing incorporation of variable renewable energy. The Strategy defined by the Ministry of Energy considers three axes or pillars: (a) Market design for the development of a Flexible System, (b) Regulatory framework for Storage Systems, and (c) Flexible operation of the system. Within the framework of this strategy, changes are being made at a regulations and technical standards level.
 - (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 regulations, on which the industry made its observations. The Public Consultation period started in September 2021 recently ended. The final proposal considers modifications such as the redefinition of the system's peak hours, the use of a probabilistic methodology for the capacity recognition, the incorporation of a cost efficiency signal within the capacity recognition, the modification of the theoretical capacity reserve margin, a transitory regime for its application, among others.

In accordance with the Ministry's schedule, and based on the Public Consultation carried out, a final version of the new regulation should be released in the coming weeks to be submitted to the Comptroller's Office for its reasoning.

- 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 standard and proposals during the months of November and December 2020.

On Monday, October 18th, the new LNG Technical Standard was finally published. In general terms, this proposal assigns to the Coordinator the responsibility of determining the LNG volumes that the system will require for the following year and that will be the maximum volumes that will have the possibility of being declared in a condition of inflexibility. Additionally, an LNG platform is established and the opportunity cost calculation of potentially inflexible volumes is determined. For the transition, the volumes already declared by each generating company in the ADP (Annual Delivery Program) of August 2021 may be declared inflexible and the LNG Spot can only be inflexible until July 2022.

Peru

On May 4, 2021, a resolution was published that modifies the COES Technical Procedure "Calculation of Variable Costs of Generation Units", establishing a change in the methodology for calculating Marginal Costs in the short-term market. The regulator (OSINERGMIN) established that for the determination of the variable costs of gas all the costs of the supply chain must be used, that is, the cost of the supply, transportation and distribution of gas, a scheme that entered into force as of 1 July, 2021.

On the other hand, on May 19, 2021, Supreme Decree N° 012-2021-EM was published in the Official Journal El Peruano, which (i) approves the Regulations to optimize the use of Natural Gas and creates the Gas Manager; and (ii) modifies and incorporates new provisions to the Regulation of the Natural Gas Secondary Market, approved by Supreme Decree N° 046-2010-EM. However, to start the operation of the Natural Gas Secondary Market, the issuance of operating procedures by the Ministry of Energy and Mines is required.

In this context, on September 21, 2021, Directorial Resolution N° 368-2021-MINEM / DGH was published in the Official Journal El Peruano, which provides for the publication of the project of the "Operational Procedure



of the electronic market for transfer auctions of supply volume and / or natural gas transportation capacity (MECAP)” and its Legal Technical Report, for the issuance of comments by the interested parties.

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

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

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

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

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

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

The growth that has been observed in the Chilean (and potentially in the Peruvian) market of 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 increased 8.5% during 3Q21 respect to 3Q20, while in Peru, there was an increase of 7.2% in relation to 3Q20.

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 September 2021, the Company's financial debt, is 100% denominated in fixed rate.

B.2.3 Credit risk

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

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

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

As of September 2021, cash surpluses are invested in interest-bearing current accounts, mutual funds (of subsidiaries of banks) and in time deposits in local and international banks. The latter corresponds 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 September 2021, Colbun has cash in excess for approximately US\$1,886 million, invested in time deposits with an average maturity of 50 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), in interest-bearing current accounts 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 has uncommitted lines for a total of US\$24 mm, contracted with three local banks.

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

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

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

Information on contractual maturities of the main financial liabilities is disclosed in note 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 September 2021, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US\$4.6 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 16%. 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 51% in notional terms.

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

DISCLAIMER

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

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

In compliance with the applicable laws, Colbún S.A. publishes on its website (www.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.