



2nd Q U A R T E R 2020



QUARTERLY EARNINGS REPORT

As of June 30, 2020

2Q20 EARNINGS REPORT

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Conference Call
2Q20

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1. HIGHLIGHTS

Main Figures at a Consolidated Level:

■ ■ ■ **Operating Income** for the second quarter of 2020 (2Q20) amounted to **US\$326.5 million**, decreasing 16% compared to the operating income recorded in the second quarter of 2019 (2Q19) mainly explained by (1) lower physical sales to regulated clients, mainly due to the expiration of the contract with SAESA in December 2019 and due to a lower demand driven by the State of Emergency; and (2) lower sales to the spot market. Those effects were partially offset by higher physical sales mainly to new unregulated clients in Chile.

In cumulative terms, operating income as of Jun20 amounted to US\$669.1 million, decreasing 14% compared to Jun19, mainly due to the expiration of the contract with SAESA in December 2019.

■ ■ ■ Consolidated **EBITDA** in 2Q20 reached **US\$155.3 million**, decreasing 9% compared to the US\$170.0 million EBITDA in 2Q19, mainly explained by the lower operating income recorded during the period. This effect was partially offset by (1) lower raw materials and consumables used costs in Chile, explained by (i) a lower gas consumption cost due to a lower average purchase price recorded during the period, despite de higher generation in Chile; (ii) lower toll costs; (iii) lower energy and capacity purchases in the spot market; and (iv) a lower coal consumption during the period; and (2) lower expenses denominated in local currency driven by the CLP/ US\$ exchange rate depreciation compared to 2Q19.

In cumulative terms, EBTIDA as of Jun20 recorded US\$327.6 million, decreasing 2% compared to Jun19, mainly due to the same reasons that explain the variations in quarterly terms.

■ ■ ■ **Non-operating result** in 2Q20 recorded losses of **US\$22.1 million**, lower than the losses of US\$25.1 million in 2Q19. The lower losses are mainly explained by a positive effect of the CLP/US\$ exchange rate variation on temporary balance sheet items in local currency during the quarter.

In cumulative terms, Non-operating result as of Jun20 recorded losses of US\$71.5 million, 68% greater that the losses recorded as of Jun19, mainly explained by (1) higher “Other losses”, mainly due to expenses associated with the 2024’s bond refinancing made in March, for US\$17 million; (2) lower financial income earned during the period, driven by lower interest rates of cash surpluses at local and international level; and (3) the lower positive effect of the CLP/US\$ exchange rate variation on temporary balance sheet items in local currency during the period.

■ ■ ■ 2Q20’s **tax expenses** reached **US\$22.5 million**, increasing 18% compared to the expenses in 2Q19, despite the decrease in the pre-tax profit, mainly explained by the 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 Jun20 recorded US\$44.4 million, increasing 14% compared to Jun19, despite the decrease in the pre-tax profit, mainly due to the same reasons that explain the variations in quarterly terms.

■ ■ ■ In 2Q20, **profits** reached **US\$49.7 million**, 20% lower than the US\$62.3 million gain in 2Q19. The lower profit is mainly explained by (1) lower EBITDA recorded during the quarter; and (2) higher tax expenses. These effects were partially offset by lower non-operating losses.

In cumulative terms, as of Jun20, profit reached US\$90.1 million, decreasing 29% compared to the cumulative profit as of Jun19, mainly driven by (1) higher non-operating losses recorded during 1H20; and (2) lower EBITDA of the period.

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:

- i. To protect the health of workers, collaborators, suppliers and our surrounding communities:
 - a. Home office was established for all the positions that can carry out their functions with this mode. This corresponds to 98% for headquarters employees.
 - b. For positions with functions in which an on-site attendance is critical, this working mode is maintained, but with the necessary safeguards. Different preventive measures were adopted in the Company's power plants to prevent contagion, such as equipment segmentation, safeguards in feeding places, temperature controls, collective and individual cleaning and disinfection practices reinforcements, and special transportation to and from the homes of the workers.
- ii. To ensure the continuity and security of the energy supply:
 - a. Measures were adopted to ensure the procurement of the necessary supplies for the correct operation of all the power plants.
 - b. Power plant's maintenances were postponed in the cases that it didn't risk the operational continuity and integrity of the generation units.

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 2% during 2Q20 compared to 2Q19, while in Perú, there was a decrease of approximately 23%.

- ■ ■ On June 2020, the Board of Directors approved the construction of two photovoltaic projects:
- a. Diego de Almagro Sur I and II (220 MW): located in Atacama Region. The start of construction is scheduled for 3Q20 and the commissioning for 1Q22. The total investment amount approved for this project is US\$147 million.
 - b. Machicura (9MW): located in Maule Region. The start of construction is scheduled for 3Q20 and the commissioning for 1Q21. The total investment amount approved for this project is US\$7 million.

■ ■ ■ Regarding the Fenix plant' gas supply, in June of this year a modification to the gas supply contract with Pluspetrol was signed, which mainly introduced the following changes:

- a. ToP (take or pay) clause was significantly reduced compared to the previous contract.
- b. The allotted maintenance period was increased, giving greater flexibility to the Company.
- c. The contract was extended until December 2029.
- d. These changes were applied to the contract retroactively from Dec-19 onwards.

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 2Q19, 2Q20 and cumulative as of Jun19 and Jun20.

Table 1: Physical sales and generation in Chile

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
6,528	5,913	Total Physical Sales (GWh)	3,269	3,019	(9%)	(8%)
2,198	1,553	Regulated Clients	1,111	765	(29%)	(31%)
3,085	3,447	Unregulated Clients	1,592	1,743	12%	9%
1,245	913	Sales to the Spot Market	566	511	(27%)	(10%)
1,585	1,415	Capacity Sales (MW)	1,574	1,440	(11%)	(9%)

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
6,669	6,098	Total Generation (GWh)	3,334	3,114	(9%)	(7%)
2,566	2,101	Hydraulic	1,372	982	(18%)	(28%)
4,016	3,947	Thermal	1,903	2,108	(2%)	11%
2,562	2,616	Gas	1,199	1,425	2%	19%
64	63	Diesel	13	32	(2%)	144%
1,390	1,268	Coal	691	651	(9%)	(6%)
87	51	VRE	60	24	(42%)	(59%)
77	41	Wind Farm*	57	21	(47%)	(63%)
9	10	Solar	3	3	3%	1%

(*): 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 **3,019 GWh** during 2Q20, decreasing 8% compared to 2Q19, due to (1) lower sales to regulated clients mainly explained by (i) the expiration of the contract with SAESA in Dec19 and (ii) a lower energy demand driven by the State of Emergency, and (2) to lower sales in the spot market, partially offset by higher sales to unregulated clients. On the other hand, quarterly **generation** decreased 7% compared to 2Q19, mainly due to (1) lower hydro generation (-390 GWh) driven by less favorable hydrological conditions for most of the quarter; (2) lower coal generation (-39 GWh) driven by lower economic dispatch during certain hours of the day and (3) lower wind farm generation (-36 GWh) explained by the expiration of San Pedro plant contract in May20. These effects were partially offset by a higher gas generation (+226 GWh).

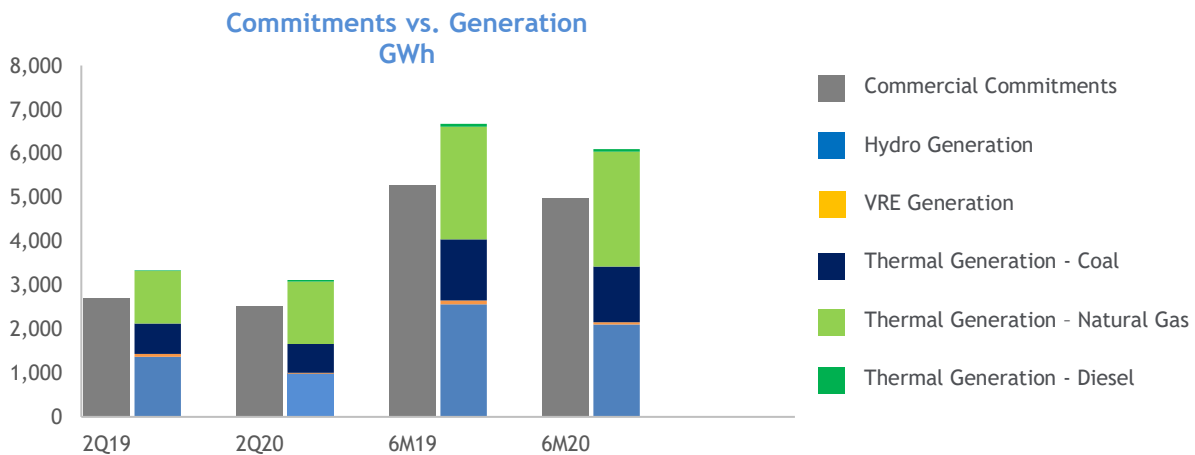
In **cumulative terms**, physical sales as of Jun20 reached 5,913 GWh, decreasing 9% compared to Jun19, mainly explained by the same reasons for the variations in quarterly terms. On the other hand, generation as of Jun20 reached 6,098 GWh, decreasing 9% compared to Jun19, mainly explained by a lower hydro generation (-465 GWh) and coal generation (-122 GWh); partially offset by a lower gas generation (+54 GWh).

The **spot market balance** during the quarter recorded net sales of 511 GWh, compared to the net sales of 566 GWh recorded in 2Q19. The decrease is mainly explained by the lower generation during the quarter driven by the lower energy demand due to the State of Emergency. In 2Q20 100% of the Company's commitments were supplied with cost-efficient generation (hydro, VRE, coal and natural gas).

In cumulative terms, net sales as of Jun20 reached 933 GWh, decreasing 25% compared to Jun19, mainly explained by the same reasons for the variations in quarterly terms.

Generation mix in Chile: As of June, the hydrological year (Apr20-Mar21) has presented lower rainfalls than an average year in the main SEN basins, the most significant deficit in relation to an average year: Aconcagua: -28%; Biobio: -20% Laja: -8%; and Maule: -7%; partially offset by a surplus in Chapo: +10%. Although rainfall were higher than in 2019 at the same date, the tributaries available for generation were lower. Higher tributary water courses than last year began to be registered from July. The basins' s cumulative energy during Jun20 is lower compared to Jun19.

During 2Q20 the SEN generation decreased 1% compared to the same period of 2019 (19,195 GWh in 2Q19 vs. 19,010 GWh in 2Q20). During the quarter, a lower hydro generation was recorded (4,361 GWh in 2Q19 vs. 3,204 GWh in 2Q20) explained by a less favorable hydro condition during most of the quarter. On the other hand, gas generation increased 11% (4,185 GWh in 2Q19 vs. 4,627 GWh in 2Q20), VRE generation increased 9% (2,946 GWh in 2Q19 vs. 3,218 GWh in 2Q20) associated with an increase in installed capacity of these technologies and diesel generation increased 190% (106 GWh in 2Q19 vs. 308 GWh in 2Q20). The average marginal cost measured in Alto Jahuel decreased compared to 2Q19, averaging US\$44.7/MWh in 2Q20, compared to US\$64.3/MWh in 2Q19.



2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 2Q19, 2Q20 and cumulative as of Jun19 and Jun20.

Table 2: Physical sales and generation in Peru

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
1,925	1,253	Total Physical Sales (GWh)	983	628	(35%)	(36%)
1,459	1,129	Costumers under Contract	706	504	(23%)	(29%)
466	124	Sales to the Spot Market	277	124	(73%)	(55%)
556	559	Capacity Sales (MW)	557	560	1%	1%

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
1,869	856	Total Generation (GWh)	937	513	(54%)	(45%)
1,869	856	Gas	937	513	(54%)	(45%)
101	425	Spot Market Purchases (GWh)	68	129	320%	(55%)
365	(300)	Sales - Purchases to the Spot Market (GWh)	209	(5)	-	-

■ ■ ■ **Physical sales** during 2Q20 reached 628 GWh, decreasing 36% compared to 2Q19. The lower physical sales are mainly explained by (1) lower sales to customers under contract mainly explained by (i) the State of Emergency decreed by the Peruvian Government since March 18th due to COVID-19 pandemic and (ii) lower sales to regulated clients due to the expiration of Distriluz contract (40 MW) in Dec19 and (2) lower sales in the spot market as a consequence of the COES request to stop operating from March 18 until April 30, due to the demand decrease registered in the country after the State of Emergency previously mentioned. Since May the Government gradually began to activate some economy sectors, and the plant started to be dispatched.

In cumulative terms, physical sales as of Jun20 reached 1,253 GWh, decreasing 35% compared to Jun19; mainly explained by the same reasons for the variations in quarterly terms and by the lower generation due to the repair of GT12 gas turbine and the preventive maintenance of the GT11 gas turbine.

■ ■ ■ On the other hand, Fenix **thermal generation** reached 513 GWh, decreasing 45% compared to 2Q19 due to the lower economic dispatch of the plant driven by de State of Emergency decreed since March 16th.

In cumulative terms, as of Jun20 thermal generation reached 856 GWh, decreasing 54% compared to Jun19, mainly due to the same reasons that explain the variations in quarterly terms and by the lower generation due to 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 purchases of 5 GWh, compared to the net sales of 209 GWh during the same quarter of the previous year, due to the lower generation of the quarter.

In cumulative terms, as of Jun20 balance in the spot market recorded net purchases of 300 GWh, compared to the net sales of 365 GWh of Jun19, due to the lower generation of the period.

■ ■ ■ **Generation mix in Peru:** Hydroelectric generation in the SEIN (National Interconnected Electrical System) decreased 6.1% compared to 2Q19, driven by a greater exceedance probability and lower energy demand since March 18th due to the State of Emergency. On the other hand, thermal generation decreased 57.5% during 2Q20 compared to 2Q19, explained by the same reasons. The accumulated energy demand growth rate in 2Q20 was -12.2%, mainly explained by the State of Emergency in the due to the COVID-19 pandemic.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement in 2Q19, 2Q20 and cumulative as of Jun19 and Jun20, for Chile and Peru.

Table 3: Income Statement (US\$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
773.6	669.1	OPERATING INCOME	390.5	326.5	(14%)	(16%)
297.5	210.3	Regulated Customers Sales	149.5	95.7	(29%)	(36%)
329.5	340.3	Unregulated Customers Sales	165.5	171.8	3%	4%
100.6	68.9	Energy and Capacity Sales	48.0	31.0	(31%)	(35%)
30.1	34.9	Transmission Tolls	19.6	19.8	16%	1%
15.9	14.7	Other Operating Income	7.9	8.3	(8%)	6%
(389.1)	(299.4)	RAW MATERIALS AND CONSUMABLES USED	(195.2)	(150.3)	(23%)	(23%)
(67.3)	(48.2)	Transmission Tolls	(34.3)	(26.6)	(28%)	(22%)
(15.9)	(22.6)	Energy and Capacity Purchases	(13.2)	(7.0)	41%	-
(202.7)	(138.2)	Gas Consumption	(99.2)	(69.7)	(32%)	(30%)
(11.3)	(7.2)	Diesel Consumption	(2.1)	(2.9)	(36%)	37%
(51.3)	(42.0)	Coal Consumption	(25.3)	(21.2)	(18%)	(16%)
(40.6)	(41.3)	Other Operating Expenses	(21.0)	(22.8)	2%	9%
384.5	369.7	GROSS PROFIT	195.4	176.2	(4%)	(10%)
(36.8)	(31.1)	Personnel Expenses	(18.7)	(16.0)	(16%)	(15%)
(12.2)	(11.0)	Other Expenses, by Nature	(6.6)	(5.0)	(10%)	(25%)
(126.0)	(121.6)	Depreciation and Amortization Expenses	(63.7)	(61.0)	(4%)	(4%)
209.4	206.1	OPERATING INCOME (LOSS) (*)	106.4	94.3	(2%)	(11%)
335.4	327.6	EBITDA	170.0	155.3	(2%)	(9%)
11.3	8.0	Financial Income	4.9	3.0	(29%)	(39%)
(45.6)	(45.2)	Financial Expenses	(22.7)	(22.7)	(1%)	(0%)
2.1	0.1	Exchange rate Differences	0.9	4.9	(96%)	-
4.9	4.5	Profit (Loss) of Companies Accounted for Using the Equity Method	2.7	2.1	(9%)	(21%)
(15.3)	(38.8)	Other Profit (Loss)	(10.8)	(9.4)	154%	(12%)
(42.5)	(71.5)	NON-OPERATING INCOME	(25.1)	(22.1)	68%	(12%)
166.9	134.6	PRE-TAX PROFIT (LOSS)	81.3	72.2	(19%)	(11%)
(39.1)	(44.4)	Income Tax Expense	(19.0)	(22.5)	14%	18%
127.8	90.1	AFTER TAX PROFIT (LOSS)	62.3	49.7	(29%)	(20%)
125.7	97.8	PROFIT (LOSS) OF CONTROLLER	61.3	54.1	(22%)	(12%)
1.2	(7.7)	PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	0.1	(4.5)	-	-

(*): 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	jun-19	dec-19	jun-20
Chile (CLP / US\$)	679.15	748.74	821.23
Chile UF (CLP/UF)	27,903.30	28,309.94	28,696.42
Peru (PEN / US\$)	3.29	3.32	3.54

3.1. Operating Income analysis of the generation business in Chile

Table 5 presents a summary of Operating Income and EBITDA in 2Q19, 2Q20 and cumulative as of Jun19 and Jun20. 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 %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
658.3	561.7	OPERATING INCOME	329.6	271.9	(15%)	(17%)
242.1	156.0	Regulated Customers Sales	121.7	70.6	(36%)	(42%)
313.5	330.5	Unregulated Customers Sales	157.8	167.4	5%	6%
90.9	63.3	Energy and Capacity Sales	43.2	27.1	(30%)	(37%)
11.8	11.9	Other Operating Income	6.8	6.9	1%	1%
(350.3)	(265.9)	RAW MATERIALS AND CONSUMABLES USED	(172.5)	(129.4)	(24%)	(25%)
(76.2)	(54.4)	Transmission Tolls	(34.1)	(26.0)	(29%)	(24%)
(15.3)	(20.7)	Energy and Capacity Purchases	(12.8)	(6.6)	35%	(49%)
(166.9)	(112.5)	Gas Consumption	(83.0)	(55.1)	(33%)	(34%)
(11.3)	(7.2)	Diesel Consumption	(2.1)	(2.9)	(36%)	37%
(51.3)	(42.0)	Coal Consumption	(25.3)	(21.2)	(18%)	(16%)
(29.2)	(29.1)	Other Operating Expenses	(15.2)	(17.6)	(0%)	16%
308.1	295.8	GROSS PROFIT	157.1	142.6	(4%)	(9%)
(33.8)	(28.1)	Personnel Expenses	(17.1)	(14.4)	(17%)	(16%)
(10.7)	(10.1)	Other Expenses, by nature	(5.8)	(4.9)	(6%)	(16%)
(96.5)	(93.4)	Depreciation and Amortization Expenses	(48.6)	(46.8)	(3%)	(4%)
167.1	164.2	OPERATING INCOME (LOSS) (*)	85.5	76.5	(2%)	(11%)
263.6	257.6	EBITDA	134.2	123.3	(2%)	(8%)

(*): 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 2Q20 amounted to **US\$271.9 million**, decreasing 17% compared to the operating income recorded in 2Q19, mainly due to (1) lower physical sales to regulated clients driven by (i) the expiration of the contract with SAESA in Dec19 and (ii) a lower energy demand due to the State of Emergency; (2) lower sales to the spot market and (3) a decrease in the contracts average price for both unregulated and regulated clients, mainly due to the application of the Equivalent Transmission Charge (CET), a mechanism by which generation companies and their clients can voluntarily register, by modifying their energy supply contracts, to a decrease in the energy price and in return, the customer begins to directly pay the national transmission toll from the same date onwards, freeing the generator from that toll payment. Those effects were partially offset by higher physical sales to unregulated clients.

In cumulative terms, operating income as of Jun20 amounted US\$561.7 million, decreasing 15% compared to operating income recorded as of Jun19, mainly explained by the expiration of the contract with SAESA in Dec19.

The **costs of raw materials and consumables used** recorded **US\$129.4 million**, decreasing 25% compared to 2Q19, mainly due to (1) a lower gas consumption cost, despite the greater generation with this fuel, driven by a lower average purchase price during the period; (2) lower transmission costs due to the CET adoption previously mentioned; (3) lower purchases in the spot market and (4) lower coal consumption cost due to a lower generation with that fuel and a lower average purchase price recorded during the period.

In cumulative terms, cost of raw materials and consumables used as of Jun20 reached US\$265.9 million, decreasing 24% compared to US\$350.3 million recorded on Jun19, mainly explained by the same reasons for the variations in quarterly terms.

■ ■ ■ **EBITDA** in 2Q20 reached **US\$123.3 million**, decreasing 8% compared to EBITDA of US\$134.2 million in 2Q19, mainly due to the lower operating income recorded during the period. These effects were partially offset by (1) lower cost of raw materials and consumables used and (2) lower expenses denominated in local currency as a result of the depreciation of the CLP/US\$ exchange rate compared to 2Q19.

In cumulative terms, EBITDA as of Jun20 amounted US\$257.6 million, decreasing 2% compared to Jun19, mainly explained by the same reasons for the variations in quarterly terms.

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 2Q19, 2Q20 and cumulative as of Jun19 and Jun20. 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 %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
43.1	44.0	OPERATING INCOME	21.1	21.3	2%	1%
43.0	44.0	Transmission Tolls	21.1	21.3	2%	1%
0.1	0.0	Other Operating Income	-	-	(76%)	-
(4.9)	(6.8)	RAW MATERIALS AND CONSUMABLES USED	(2.5)	(2.7)	38%	6%
(1.1)	(0.3)	Transmission Tolls	(1.2)	(0.3)	(78%)	(76%)
(3.8)	(6.5)	Other Operating Expenses	(1.4)	(2.4)	74%	74%
38.2	37.2	GROSS PROFIT	18.5	18.7	(3%)	1%
(0.3)	(0.4)	Other Expenses, by nature	(0.2)	(0.2)	27%	(3%)
(7.2)	(5.4)	Depreciation and Amortization Expenses	(3.6)	(2.7)	(25%)	(24%)
30.6	31.4	OPERATING INCOME (LOSS) (*)	14.7	15.7	2%	7%
37.9	36.8	EBITDA	18.4	18.5	(3%)	1%

(*): 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 component of Colbun's transmission costs are IT. Thereby, the margin received by the Company corresponds to VATT. Additionally, if they are received, reassessments are incorporated into income and costs.

■ ■ ■ **Operating Income** in 2Q20 reached **US\$21.3 million**, of which 57% corresponds to income from national assets, 7% to zonal and 36% corresponds to the dedicated segment.

In cumulative terms, operating income as of Jun20 amounted US\$44.0 million, increasing 2% compared to Jun19.

■ ■ ■ **EBITDA** for 2Q20 reached US\$18.5 million, in line with the US\$18.4 million EBITDA recorded in 2Q19. **In cumulative terms**, as of Jun20 EBITDA amounted US\$36.8 million, decreasing 3% compared to the US\$37.9 million recorded as of Jun19, mainly explained by an increase in raw material cost due to non-recurring expenses associated to maintenance services.

3.3. Operating Income analysis in Peru

Table 7 shows a summary of Fenix's Operating Income and EBITDA for the quarters 2Q19, 2Q20 and cumulative as of Jun19 and Jun20. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
83.3	72.5	OPERATING INCOME	41.3	34.8	(13%)	(16%)
55.4	54.3	Regulated Customers Sales	27.8	25.1	(2%)	(10%)
16.0	9.8	Unregulated Customers Sales	7.7	4.4	(39%)	(43%)
9.6	5.6	Sales to Other Generators	4.8	3.9	(42%)	(18%)
-	-	Transmission Tolls	-	-	-	-
2.2	2.7	Other Operating Income	1.0	1.5	24%	43%
(44.1)	(35.8)	RAW MATERIALS AND CONSUMABLES USED	(20.6)	(19.8)	(19%)	(4%)
(1.2)	(2.9)	Transmission Tolls	(0.7)	(2.2)	-	204%
(0.6)	(1.8)	Energy and Capacity Purchases	(0.4)	(0.5)	185%	-
(35.8)	(25.7)	Gas Consumption	(16.2)	(14.6)	(28%)	(10%)
0.0	0.0	Diesel Consumption	-	-	-	-
(6.4)	(5.3)	Other Operating Expenses	(3.3)	(2.5)	(17%)	(23%)
39.2	36.7	GROSS PROFIT	20.7	15.0	(6%)	(28%)
(3.1)	(3.0)	Personnel Expenses	(1.6)	(1.5)	(2%)	(5%)
(1.2)	(0.5)	Other Expenses, by Nature	(0.6)	0.1	(57%)	(113%)
(22.3)	(22.7)	Depreciation and Amortization Expenses	(11.4)	(11.5)	2%	1%
12.7	10.5	OPERATING INCOME (LOSS) (*)	7.1	2.0	-	(71%)
34.9	33.2	EBITDA	18.5	13.5	(5%)	(27%)

(*): 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 2Q20 totaled **US\$34.8 million**, decreasing 16% compared to the revenues perceived in 2Q19, mainly due to: (1) lower sales to both unregulated and regulated clients due to the Emergency State decreed by the Peruvian Government due to the COVID-19 pandemic; (2) the expiring of Distriluz (40 MW) contract and (3) lower sales in the spot market as a consequence of the lower generation of the quarter due to the COES request to stop operating, as a result of the demand decrease registered in the country after the State of Emergency previously mentioned.

In cumulative terms, operating income as of Jun20 amounted US\$72.5 million, decreasing 13% compared to Jun19 mainly due to (1) lower sales both unregulated and regulated clients due to the Emergency State and (2) lower sales in the spot market driven by (i) the COES request to stop operating previously mentioned and (ii) the repair of GT12 gas turbine and preventive maintenance of the GT11 gas turbine during 1Q20.

Costs of raw materials and consumables used reached **US\$19.8 million**, decreasing 4% compared to the same quarter of the previous year. The decrease is mainly explained by a lower gas consumption due to the lower generation as a result of the lower availability of the plant during the quarter. These effects were partially offset by higher spot market purchases registered during the quarter.

In cumulative terms, cost of raw materials and consumables used as of Jun20 recorded US\$35.8 million, decreasing 19% compared to Jun19, mainly explained by the same reasons for the variations in quarterly terms.

■ ■ ■ Fenix's **EBITDA** reached **US\$13.5 million** in 2Q20, lower than the EBITDA of US\$18.5 million recorded in 2Q19, mainly due to lower operating income recorded during the period. In cumulative terms, EBITDA amounted US\$32.2 million, 5% lower than the US\$34.9 million recorded in Jun19, mainly explained by the same reasons for 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 2Q19, 2Q20 and cumulative as of Jun19 and Jun20. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
11.3	8.0	Financial Income	4.9	3.0	(29%)	(39%)
(45.6)	(45.2)	Financial Expenses	(22.7)	(22.7)	(1%)	(0%)
2.1	0.1	Exchange rate Differences	0.9	4.9	(96%)	-
4.9	4.5	Profit (Loss) of Companies Accounted for Using the Equity Method	2.7	2.1	(9%)	(21%)
(15.3)	(38.8)	Other Profit (Loss)	(10.8)	(9.4)	154%	(12%)
(42.5)	(71.5)	NON-OPERATING INCOME	(25.1)	(22.1)	68%	(12%)
166.9	134.6	PRE-TAX PROFIT (LOSS)	81.3	72.2	(19%)	(11%)
(39.1)	(44.4)	Income Tax Expense	(19.0)	(22.5)	14%	18%
127.8	90.1	AFTER TAX PROFIT (LOSS)	62.3	49.7	(29%)	(20%)
125.7	97.8	PROFIT (LOSS) OF CONTROLLER	61.3	54.1	(22%)	(12%)
1.2	(7.7)	PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	0.1	(4.5)	-	-

■ ■ ■ **Non-operating result** in 2Q20 recorded losses of **US\$22.1 million**, lower than the losses of US\$25.1 million in 2Q19. The lower losses are mainly explained by a positive effect of the CLP/US\$ exchange rate variation on temporary balance sheet items in local currency during the quarter.

In cumulative terms, Non-operating result as of Jun20 recorded losses of US\$71.5 million, 68% greater than the losses recorded as of Jun19, mainly explained by (1) higher "Other losses", mainly due to expenses associated with the 2024's bond refinancing made in March, for US\$17 million; (2) lower financial income earned during the period, driven by lower investment rates of cash surpluses at local and international level; and (3) the lower positive effect of the CLP/US\$ exchange rate variation on temporary balance sheet items in local currency during the period.

■ ■ ■ 2Q20's **tax expenses** reached **US\$22.5 million**, increasing 18% compared to the expenses in 2Q19, despite the decrease in the pre-tax profit, mainly explained by the 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 Jun20 recorded US\$44.4 million, increasing 14% compared to Jun19, despite the decrease in the pre-tax profit, mainly due to the same reasons that explain the variations in quarterly terms.

■ ■ ■ In 2Q20, **profits** reached **US\$49.7 million**, 20% lower than the US\$62.3 million gain in 2Q19. The lower profit is mainly explained by (1) lower EBITDA recorded during the quarter; and (2) higher tax expenses. These effects were partially offset by lower non-operating losses.

In cumulative terms, as of Jun20, profit reached US\$90.1 million, decreasing 29% compared to the cumulative profit as of Jun19, mainly driven by (1) higher non-operating losses recorded during 1H20; and (2) lower EBITDA of the period.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 9 shows an analysis of the Balance Sheet's relevant accounts as of December 31, 2019 and June 30, 2020. Subsequently, the main variations will be analyzed.

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

	Dec-19	Jun-20	Var	Var %
Current assets	1,139.4	1,157.1	17.7	2%
Non-current assets	5,565.9	5,545.5	(20.4)	(0%)
TOTAL ASSETS	6,705.3	6,702.7	(2.7)	(0%)
Current liabilities	338.3	300.1	(38.3)	(11%)
Non-current liabilities	2,631.4	2,740.2	108.8	4%
Total net equity	3,735.6	3,662.4	(73.3)	(2%)
TOTAL LIABILITIES AND NET EQUITY	6,705.3	6,702.7	(2.7)	(0%)

Current Assets: Reached US\$1,157.1 million as of Jun20, increasing 2% compared to current assets registered as of Dec19, mainly due to higher cash and cash equivalents recorded driven by (1) the international bond issuance during March 2020 which resulted in a net cash increase of US\$116 million and (2) the period's profits; partially offset by the US\$160.6 million dividend payment on May-20.

Non-current Assets: Recorded US\$5,545.5 million as of Jun20, in line with the non-current assets recorded as of Dec19.

Current Liabilities: Totaled US\$300.1 million as of Jun20, decreasing 11% compared to the current liabilities recorded as of Dic19, mainly due to the income tax payment carried out on Apr20.

Non-current Liabilities: Reached US\$2,740.2 million as of Jun20, increasing 4% compared to Dec19, mainly due to the issuance of the international bond during March 2020. Of the US\$500 million issued, US\$343 million were destined to partially prepay the 2024 bond, while the difference corresponded to incremental debt for the Company.

Total Net Equity: The Company recorded US\$3,662.4 million, decreasing 2% compared to Dec19, mainly due to the dividend payment on May20, partially offset by the profit of the period.

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

	Dec-19	Jun-20	Var	Var %
Gross Financial Debt*	1,678.7	1,806.4	127.8	8%
Financial Investments**	797.3	854.0	56.7	7%
Net Debt	881.3	952.4	71.1	8%
EBITDA LTM	697.1	689.3	(7.8)	(1%)
Net Debt/EBITDA LTM	1.3	1.2	(0.1)	(7%)

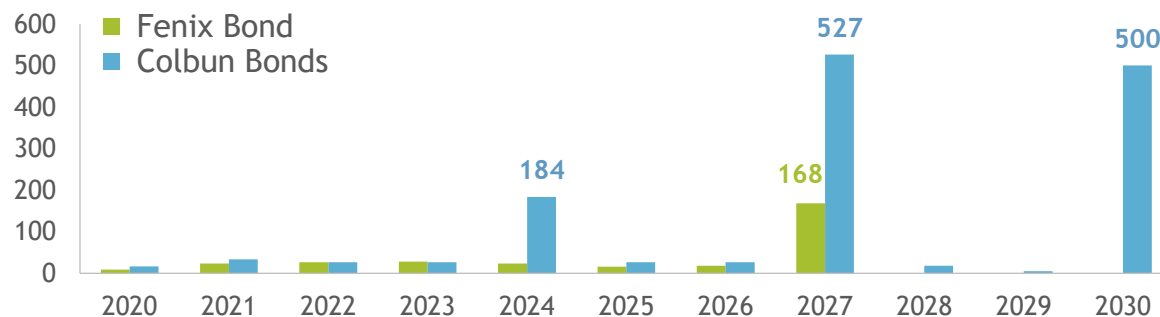
(*) The amount includes debt associated with Fenix without recourse to Colbun: (1) an international bond with an outstanding capital of US\$314.1 million, (2) a financial leasing for US\$13.9 million associated with a transmission contract with Consorcio Transmataro, and (3) a US\$118.7 million financial 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	7.0 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 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-19	Jun-20	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	3.37	3.86	14%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	3.22	3.70	15%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	0.79	0.83	4%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	11.39%	9.87%	(13%)
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	88.61%	90.13%	2%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	3.89	3.62	(7%)
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	5.32%	4.42%	(17%)
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	2.98%	2.60%	(13%)
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	8.28%	8.27%	(0%)

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 **3.86x** and **3.70x** as of Jun20, increasing 14% and 15% respectively compared to Dec19, mainly due to the increase in current assets resulting from the higher cash and cash equivalents recorded during the period; and the decrease in current liabilities after the income tax payment during 2Q20.

■ ■ ■ The **Indebtedness Ratio** recorded **0.83x** as of Jun20, increasing 4% compared to the value of 0.79x as of Dec19, mainly due to higher non-current liabilities recorded after the issuance of the International Bond during the quarter. Of the US\$500 million obtained from the new issuance, US\$343 million were destined to refinance the bond maturing in 2024.

■ ■ ■ The percentage of **Short-Term Debt** as of Jun20 was **9.87%**, decreasing compared to the value of 11.39% as of Dec19, mainly due to an increase in the non-current liabilities driven by the issuance previously mentioned and the decrease in the current liabilities after the income tax payment during 2Q20.

■ ■ ■ The percentage of **Long-Term Debt** as of Jun20 was **90.13%**, increasing compared to the value of 88.61% as of Dec19, mainly due to an increase in the non-current liabilities driven by the issuance previously mentioned and the decrease in the current liabilities after the income tax payment during 2Q20.

■ ■ ■ The **Financial Expenses Coverage** as of Jun20 reached **3.62x**, decreasing 7% compared to the value as of Dec19, mainly due to the decrease in profits before taxes recorded in the last 12 months compared to last year's same period.

■ ■ ■ The **Equity Profitability** as of Jun20 was **4.42%**, decreasing 17% compared to the value of 5.32% as of Dec19. The variation is explained by the lower profits recorded in the last 12 months compared to last year's same period.

■ ■ ■ **Asset Profitability** as of Jun20 was **2.60%**, decreasing 13% compared to the value of 2.98% as of Dec19, mainly as a result of the lower profits recorded in the last 12 months compared to last year's same period.

■ ■ ■ The **Performance of Operating Assets** as of Mar20 was **8.27%**, in line with the Dec19 recorded level.

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 %
Jun-19	Jun-20		2Q19	2Q20	Ac/Ac	Q/Q
788.1	797.3	Cash Equivalents, Beg. of Period*	815.7	979.7	1%	20%
253.0	193.3	Net cash flows provided by (used in) operating activities	174.7	95.4	(24%)	(45%)
(327.1)	(94.1)	Net cash flows provided by (used in) financing activities	(291.0)	(199.8)	(71%)	(31%)
(46.3)	(36.9)	Net cash flows provided by (used in) investing activities**	(28.7)	(18.3)	(20%)	(36%)
(120.4)	62.3	Net Cash Flows for the Period	(145.0)	(122.7)	(152%)	(15%)
(0.4)	(5.6)	Effects of exchange rate changes on cash and cash equivalents	(3.4)	(2.9)	-	(15%)
667.3	854.1	Cash Equivalents, End of Period	667.3	854.1	28%	28%

(*) 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 2Q20, the Company presented a **negative net cash flow of US\$122.7 million**, compared to the negative net cash flow of US\$145.0 million in 2Q19.

Operating activities: During 2Q20 a positive net flow of US\$95.4 million was generated, which compares with the positive net flow of US\$174.7 million in 2Q19, mainly due to (1) lower income tax payments on 2019 associated to a lower taxable base and (2) lower operating income during 2Q20 driven by (i) tariff stabilization mechanism (PEC) and (ii) lower sales recorded during the period.

In cumulative terms, as of Jun20 a positive net flow of US\$193.3 million was generated; 24% lower compared to the positive net flow of US\$253.0 million recorded as of Jun19, mainly explained by the same reasons for the variations in quarterly terms; partially offset by a lower gas consumption cost.

Financing activities: Recorded a negative net flow of US\$199.8 million during 2Q20, which compares with the negative net flow of US\$291.0 million in 2Q19, mainly explained by the lower dividend payments.

In cumulative terms, as of Jun20 a negative net flow of US\$94.1 million was generated, which compares with the negative net flow of US\$327.1 million as of Jun19, mainly explained by (1) the issuance of an international bond in March 2020 and the partial prepayment of the 2024 bond, the net amount collected by that transaction was US\$116 million and (2) lower dividend payments.

Investing activities: Recorded a negative net flow of US\$18.3 million during 2Q20, which compares with disbursements of US\$28.7 million in 2Q19, mainly explained by lower expenses associated to plant maintenances, given the delay of those during the pandemic.

In cumulative terms, as of Jun20 a negative net flow of US\$36.9 was generated, which compares with the negative net flows of US\$46.3 million in Jun19, mainly driven by the same reasons for the variations in quarterly terms.

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 15% of the market. It also operates in the National Interconnected Electric System (SEIN) in Peru, where it has approximately 7% of market share. Both participations measured in terms of power 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 942 km of transmission lines: 335 km of its lines belong to the National segment, 70 km to the Zonal segment and 536 km belong to the Dedicated segment. In addition, it has a total of 31 substations.

7.1 Medium-term outlook in Chile

As of June, the hydrological year (Apr20-Mar21) has presented rainfalls in line with an average year in the main SEN basins, with some basins on surpluses and other on deficits: Aconcagua: +11%; Maule: +11%; Laja: -8%; Biobio: -16% and Chapo: +10%. Although rainfall were higher than in 2019 at the same date, the tributaries available for generation were lower. Higher tributary water courses than last year began to be registered from July. The basins' cumulative energy during 2Q20 is lower compared to Jun19, driven by an unfavorable hydrological condition last year, this despite the lower hydro generation during this year.

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 LNG gas.

In 2020 Colbun continues to participate in supply bidding processes, favoring the re-contracting of current clients that are expiring in the short term. During this year, we have signed new contracts with 18 clients for 239 GWh/year.

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 second quarter of 2020, the SEIN registered a hydrological condition with a probability of exceedance of 55%, compared to 42% recorded the same quarter of 2019.

In 2Q20, energy demand fell 22.7% compared to 2Q19, a contraction that reflects the impact of the operational restriction measures applied by the Peruvian government since March 16 in the face 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 below the budgeted values, also projecting a slower recovery compared to the situation considered at the beginning of this year.

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 (607 MW): Horizonte is a wind farm located 130 km northeast of Taltal and 170 km southwest of Antofagasta. It considers an installed capacity of approximately 607 MW and an annual average generation of approximately 2,000 GWh (considering that capacity). 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 years Onerous Use Concession Agreement, in a state property of about 8 thousand hectares.

The development considers four years for the stages of studies and permits and three years for construction.

During the second quarter of 2020, the Environmental Impact Study assessment process was suspended until July 31 by the SEA as a result of COVID-19. However, 23 out of 25 services participating in the environmental assessment process have already issued their official letters. In parallel, the Company continued with the development of detailed civil engineering.

■ ■ ■ Photovoltaic Solar Projects Diego de Almagro Sur I and II (220 MW): The projects are located in the Atacama Region, 27 kilometers south of Diego de Almagro, and all together consider an approximate capacity of 220 MW. 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 approval assessment approved.

On June 26, the Board of Directors approved the final investment decision.

As of the second quarter of 2020, there is a short list of bidders for the supply of the main equipment such as panels, inverters and trackers.

■ ■ ■ **Photovoltaic Solar Project Machicura (9 MW):** This solar project is located near to 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 a transmission line from Machicura power plant to Colbún Substation.

The project considers the installation of a solar power plant with an installed capacity of 9MW, which qualifies as a Small Means of Generation project (PMG).

On June 3 the RCA of the project was obtained and on June 26 the Board of Directors approved the final investment decision.

■ ■ ■ **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 approximately 486 MW.

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

During the second quarter of 2020, work was done on preparing answers to ICSARA N° 1, a process that ended with the entry of Addendum N° 1 on June 30.

■ ■ ■ **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. 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.

During the second quarter, the environmental processing process continued, whose terms have been affected by authority provisions before Covid-19.

■ ■ ■ **Los Junquillos Wind Project (265 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 754 GWh.

EIA / DIA preparation was awarded in the second quarter and the resource continued to be measured to refine the project's data.

■ ■ ■ **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 2Q20 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 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.

The operation of the power plant will be such that the level of the reservoir should remain virtually constant, which means that the flow downstream of the power plant is not going to be altered by its operation.

This project considers the San Pedro-Ciruelos transmission line project, which will allow evacuating the power of the San Pedro power plant to the SEN (Nacional Electric System) through a 220 kV line and 47 km. length, and will be connected to the Ciruelos substation, located about 40 km northeast of Valdivia.

In December 2018, an 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 is September 30, 2020; however, as a result of the Covid-19 contingency, the Authority has extended the period by 30 business days. In the second quarter of 2020, work continued on the preparation of ADDENDUM 1 with the responses to the ICSARAS indicated above.

Transmission projects under development

■ ■ ■ **New Bank of Condensers Series for Puente Negro substation:** Assembly of 2 in series capacitor banks with capacity of 224 MVar, in the southern part of the substation. The awarded investment value is US\$6.8 million, and its commissioning date was on April 10, 2020.

■ ■ ■ **Maquis substation enhancement:** Enhancement of the existing 220 kV substations, 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 June 2020, it is 96% complete. The work is halted due to the delay in the equipment importation due to the impact of COVID-19, so its commissioning date is estimated for December 2020.

■ ■ ■ **Mulchen substation extension:** Expansion of the substation platform for the construction of 5 new connection switchyards in 220 kV. The awarded investment value is US\$3.6 million, and as of June 2020, it presents a 99% advance, lacking the connection to the substation bars. Its commissioning date is estimated for 3Q20.

■ ■ ■ **Pirque substation:** To regularize the connection of the Pirque substation through a sectioning of the line Maipo - Puente Alto 1x110 kV, with its respective switchyards to replace the current Tap OFF. The awarded investment value is US\$1.8 million and as of Jun20 it presents a 96% progress. Its commissioning date is estimated for 3Q20.

■ ■ ■ **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 substation Puente Negro with the 2x154 Tinguiririca-La Higuera line. The project has a budget of US\$ 11.7 million with completion date in December 2020. In June 2019, an EPC contract was signed for the execution of the project with Agrosonda, which as of June 2020 was 61% complete.

■ ■ ■ **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 Jun20, it presents a 99% 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. The CEN awarded it to the company INPROLEC for a value of US\$ 2.1 million. The contract between INPROLEC and Colbun Transmission is in the signing process with an execution period of 24 months.

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 management of risks 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.

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 indexed formulas in 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 LNG 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 undertaken (the last in June 2019), 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 Colbun’s generating units and transmission facilities are essential to the Company’s business. Based on the above, Colbun holds a policy of conducting regular maintenances, preventive and predictive maintenance on its equipment according to the recommendations of its suppliers and maintains a policy to cover such risks through insurances for its physical assets, including coverage for physical damage and 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 the "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 requires 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

During the second quarter of 2020, the constitutional process originated from the commitment called "Agreement for Peace and the New Constitution" ("Acuerdo por la Paz y la Nueva Constitución"), has not been a reprogrammed, so the plebiscite to decide whether to approve or reject the drafting of a new Constitution continues to be scheduled for October 2020. The constitutional process may result in changes to the institutional framework applicable to the business activity in the country.

On Monday, June 15, due to the outbreak of COVID-19 that affects the country, classified like a pandemic by World Health Organization, the President of the Republic decided to extend the State of Constitutional Exception of Catastrophe, due to public calamity, throughout the national territory, by means of Supreme Decree 104, 2020, of the Ministry of the Interior and Public Security, and its modifications, for an additional period of 90 days.

In this context, after almost three months of processing, Congress dispatched a bill aimed mainly for assisting the most vulnerable Chilean families with the delay in paying their basic services bills during the State of Constitutional Exception of Catastrophe. This initiative was reviewed by the Executive, who made observations on the bill, through a presidential veto, with the purpose of correcting some aspects of unconstitutionality that the Executive noted during its processing. All the observations of this veto were rejected in the Origin Chamber (Deputies) and in the Reviewer Chamber (Senate), in addition, the quorum required for insistence

on the original text approved by the National Congress was not reached, so the observed points that deleted articles of the initiative will not be part of the Law. In particular, article 8 of the bill is deleted, which establishes that the costs incurred by companies and cooperatives for the implementation of the law will not be transferred to end customers; and that the effects of the law may not be considered in any tariff process related to the basic services referred to in the regulations.

Additionally, through the Exempt Resolution 264, the CNE modified the Technical Report for the Fixing of Short-Term Node Prices for the first half of 2020, eliminating Peak Control Period the months of August and September 2020. Previously, they had already been eliminated from the mentioned period the months of April and May 2020, therefore, the year 2020 will have a Peak Control Period that considers only the months of June and July, between 6:00 p.m. and 10:00 p.m. The foregoing does not have a relevant impact for Colbun S.A.

On the other hand, the current government is carrying out different regulatory changes, which depending on the way these changes are implemented, they could represent an opportunity or risk for the Company.

- (i) The “New Distribution Law” (Long Law), seeks to update the regulation of the distribution sector 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. Recently, the Minister of Energy disclosed to the Mining and Energy Commission of the Chamber of Deputies the general guidelines of the draft law and stated that the initiative will be entered into Congress in late July 2020, through a subdivision into three bills: (i) Electric Portability, which seeks to enable commercialization, modernize the supply bidding mechanism and introduce the role of the information manager to reduce information asymmetries and protect data; (ii) Quality of Service, which seeks to improve the efficient pricing scheme, define a long-term strategic quality of service plan and establish compensations for clients for excessive long interruptions; (iii) 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” aims to address the systemic and market consequences that will arise due to the increasing incorporation of variable renewable energy. Reports have been developed by consultants who have evaluated the issue in greater depth in order to continue the discussion. The definitive publication of the Strategy and the potential draft of the associated bill has also been delayed due to the country's health contingency.
- (iii) At the regulatory and resolution level, it is worth noting:
 - a. The National Energy Commission (CNE) launched a public consultation to modify exempt resolution No. 164 of 2010, which proposes to establish incentives for customers who substitute firewood heating by electricity, establishing a discount on the regulated rate for increases in energy consumption that comes from the heating source substitution, and where generators that supply electricity can make offers through distribution companies.
 - b. On the other hand, the Ministry of Energy re-entered to the Controller the Regulation for Small-Scale Generation Means, the version of which contains some specific modifications regarding the periods of remaining in the stabilized price mechanism that exist in the current regulation.

Perú

Through the Emergency Decree No. 074-2020, the “Electricity Bonus” was created, with the purpose of granting a one-time subsidy in favor of Targeted Residential Users, which covers the amount of the corresponding receipts for the public power service, which include consumptions pending payment recorded in the period March to December 2020, that are not in the claim process, up to a value of S/160 per user. The residential users must meet the following characteristics:

1. Residential users with an average consumption of up to 125 kWh/month during the months included in the period March 2019 - February 2020, and no more than 150 kWh of average consumption during the months of the summer season included in the months of January and February 2020.
2. Residential users of the power service of unconventional rural electrical systems supplied with autonomous photovoltaic supply, registered in the month of March 2020.

Finally, Article 3 of the Emergency Decree No. 035-2020 was modified, in order to change that the receipts pending payment that include any consumption made until June 30 may be divided up to twenty-four (24) months.

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

The projection of future electricity 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. Although the factors that trigger these competitive dynamics and price trends can be expected to remain in the future, it is difficult to determine their precise impact in the long-term values of energy.

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 complementary 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 has decreased approximately 2% during 2Q20 compared to 2Q19, while in Peru, there has been a decrease of approximately 23%. 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 materially affect Colbun.

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 diesel, 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 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 June 30, 2020, 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 made the corresponding payments correctly.

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 June 30, 2020, cash surpluses are invested in mutual funds (of subsidiaries of banks) and in time deposits in local and international banks. The former 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 10.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 June 30, 2020, Colbun has cash in excess for approximately US\$854 million, invested in time deposits with an average maturity of 35 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. For 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\$36 mm, contracted with three local banks.

In the next 12 months, the Company must disburse approximately US\$108 million in interests and principal amortization. These obligations are expected to be funded with the Company’s own cash flow generation.

As of June 30, 2020, Colbun has a local credit rating of AA- by Fitch Ratings with positive outlook, and AA by Feller Rate, with stable outlook. At the international level, the Company’s rating is Baa2 by Moody’s, and BBB by Standard & Poor’s (S&P Global), both with stable outlook, and BBB by Fitch Ratings, with positive outlook.

As of June 30, 2020, 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 22.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 June 30, 2020, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US\$4.3 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 a 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 international risk rating investment grade.

At the end of the period, the financial institution that has the largest share of cash surpluses reached 13%. 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 26% 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.