4th QUARTER 2021

Colbun
MEJOR ENERGÍA

QUARTERLY EARNINGS REPORT

As of December 31, 2021

CONTENTS

4Q21

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
4Q21

Date: Friday January 28th, 2021

Time: 09:00 AM Eastern Time
11:00 AM Chilean Time

US Toll Free: +1 877 545 0320
International Dial: +1 973 528 0002
Event Link:
https://www.webcaster4.com/Webcast/Page/1997/44391

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 fourth quarter of 2021 (4Q21) amounted to **US$374.9 million**, increasing 12% compared to the operating income recorded in the fourth quarter of 2020 (4Q20) mainly explained by (1) higher physical sales in the spot market in Chile; and (2) a higher average sale price in Chile. These effects were partially offset by lower physical sales to unregulated clients, driven by Anglo American's contract expiration in Dic20.
In cumulative terms, operating income from ordinary activities as of Dec21 reached **US$1,439.7 million**, increasing 7% compared to the income recorded as of Dec20 mainly explained by (1) higher sales in the spot market driven by the system's higher marginal cost; despite of lower physical sales in that market; (2) higher incomes related to IT and tolls provision collections and (3) higher sales to regulated clients associated with a higher average sale price for the application of the indexation clauses stipulated in the contracts. These effects were partially offset by lower tolls income as a result of Colbún Transmisión's sale on Sep21 (in 2021 9 months are included in this segment, while the complete year was included in 2020) and lower physical sales to unregulated clients, driven by Anglo American's contract expiration in Dic20.

Consolidated **EBITDA** in 4Q21 reached **US$164.3 million**, decreasing 9% compared to the US$179.9 million EBITDA in 4Q20. The decrease is mainly explained by (1) a significantly lower hydroelectric generation (consequence of the extreme drought that affects Chile) which was replaced by higher gas generation, increasing the Company's variable cost.
In cumulative terms EBITDA as of Dec21 totalized **US$520.2 million**, decreasing 24% compared to Dec20. The decrease is mainly explained by the same reasons for the variation in quarterly terms and by a significant increase on thermal generation costs and purchases in the spot market given higher system's marginal costs driven by higher fossil fuel prices on international markets.

Non-operating result in 4Q21 recorded losses of **US$182.1 million,** compared to the losses of US$207.4 million in 4Q20. The lower losses are mainly explained by lower impairment provisions recorded on individual assets. During 4Q21, provisions were recorded for an amount net of deferred taxes of US$102 million for this concept, of which US$100 million corresponds to the San Pedro hydroelectric project. This project continues with its environmental assessment process. On the other hand, during 4Q20 an accounting impairment provision was recorded in the subsidiary Fenix in Peru for an amount net of deferred taxes of US$127 million.
In cumulative terms, non-operating result as of Dec21 recorded a profit of **US$518.1 million,** compared with the loss of US$303.7 million recorded as of Dec20. The profit as of Dec21 is mainly explained by the extraordinary effect on results of Colbún Transmission S.A's sale. The sale price amounted to US$1,185 million with which the effect on results before taxes of this transaction amounted to US$830 million. This effect was partially offset by the provisions for impairment recorded, previously explained.

In 4Q21 **tax profits** of **US$18.1 million** were recorded, compared to US$27.5 million profits in 4Q20. Tax profits are explained in both periods by the effects on results of the accounting record of impairment provisions previously mentioned, which decreased Colbun' s deferred tax liability.
In cumulative terms, tax expenses as of Dec21 recorded **US$285.0 million** compared to US$42.8 million in Dec20. The higher tax expenses are explained by (1) the higher profit before taxes recorded during the year due to the subsidiary Colbún Transmisión S.A's 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 in Peruvian soles, according to the Peruvian tax legislation.

In 4Q21, the Company recorded a loss of **US$52.4 million,** compared to the loss of US$62.9 million in 4Q20, mainly explained by the impairment provisions recorded, previously mentioned.
In cumulative terms, the Company recorded a **profit** of **US$540.2 million** as of Dec21, compared to the profit of US$89.5 million as of Dec20. The higher profit is mainly explained by the higher non-operational profits recorded previously mentioned.

Highlights of the year:

Regarding the **COVID-19 pandemic contingency**, the Company's power plants continue 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. Reflecting the rebound in economic activity with the decrease in quarantines in 2021, compared to 2020, the energy demand in Chile experienced a growth of approximately 5.5% during 4Q21 compared to 4Q20 and 4.6 % in the last 12 months, while in Peru demand grown approximately 3.0% during the quarter, compared to the same period of the year 2020 and 9.8% in the last 12 months.

Within the framework of an agreement signed with Goldman Sachs, IDB Invest and Allianz, during the first half of 2021 **Colbún sold to Chile Electricity PEC SpA accounts receivable originated by the energy price stabilization mechanism** to regulated clients (Law 21,185), for a total face value of US$96 million. The difference between the nominal amount of the balances sold and the purchase price was recorded as "Other losses" for the year. The agreement contemplates carrying out successive sales of the accounts receivable that originate by virtue of the aforementioned law.

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.

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, the Company distributed **dividends for US$1,000 million.** This payment is comprised of (1) a provisional dividend for US$250 million, charged to this 2021's profits, and (2) an eventual dividend, charged to the profits of the previous fiscal years, for US$750 million.

Regarding the progress in the development of our projects during the year, the following stand out:

i. **Diego de Almagro Sur Photovoltaic Projects I and II (232 MW)**: As of 4Q21, presents progress of 93%, according to budget. As of December 21, the project is progressively injecting energy into the system. The commissioning of the entire park is scheduled for 1Q22. The investment approved for this project reaches US$147 million.
ii. **Horizonte Wind Project (778 MW):** On September 21, the Board of Directors approved its construction, which began during 4Q21. The investment for this project amounts to US$850 million. We estimate it will start injecting energy to the system in 4Q23 and the entry into operation of the last wind turbines is estimated towards 4Q24.
iii. **Jardín Solar photovoltaic project (537 MW)**: On September 21, its RCA (Environmental Qualification Resolution) was obtained. This project has not yet received Board approval to begin construction.
iv. Colbún has other renewable projects in its portfolio for more than 1,800 MW, in various stages of development (for more information, see the section "Long-term Growth Plan and Actions").

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).

Colbún was selected to list for the sixth consecutive year in **DJSI Chile** index and for the fifth year in **DJSI Pacific Alliance**. Also, obtained the second place for its 2020 Integrated Annual Report by **Informe Reporta,** which evaluates the information flow that companies give to the market.

In Nov21, in the context of the annual review of provisions in order to assess the application of impairments in accordance with IFRS standards, an **impairment provision** was recorded on certain assets for an amount net of deferred taxes for an approximate value of US$102 million. These include a provision for impairment of approximately US$100 million for the San Pedro Hydroelectric Project (170 MW), which continues with its environmental processing process.

On December 30, 2021 Colbún S.A. sold its full participation (50%) in **Transmisora Eléctrica de Quillota Ltda.** to APG Energy & Infra Investments Chile Expansion SpA and Celeo Redes Chile Expansion SpA. Transmisora Eléctrica de Quillota Ltda's main assets are San Luis Substation and the San Luis-Quillota transmission line. The sale price for the 50% associated to Colbun's participation in the company was US$14 million. This sale generated a profit before taxes for Colbún of approximately US$12 million.

Subsequent highlights:

In Dec21 Colbún announced the total prepayment of its outstanding bonds in the local debt capital market (Series F and I), which was executed on January 24, 2022. The total current notional amount of those bonds amounted to UF4.6 million. As of Dec21, a provision was recorded for the accounting costs associated with the prepayment, which had an effect net of taxes on the year's result of US$13 million.

2. PHYSICAL SALES AND GENERATION BALANCE

2.1. Physical sales and generation balance in Chile

Table 1 shows a comparison between physical energy and capacity sales, and generation in 4Q20, 4Q21 and cumulative as of Dec20 and Dec21.

Table 1: Physical sales and generation in Chile

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
12,069	**10,922**	**Total Physical Sales (GWh)**	**2,677**	**2,569**	**(10%)**	**(4%)**
3,153	3,099	Regulated Clients	753	737	(2%)	(2%)
7,191	6,680	Unregulated Clients	1,889	1,652	(7%)	(13%)
1,725	1,142	Sales to the Spot Market	35	180	(34%)	411%
1,452	**1,319**	**Capacity Sales (MW)**	1,469	1,316	**(9%)**	**(10%)**

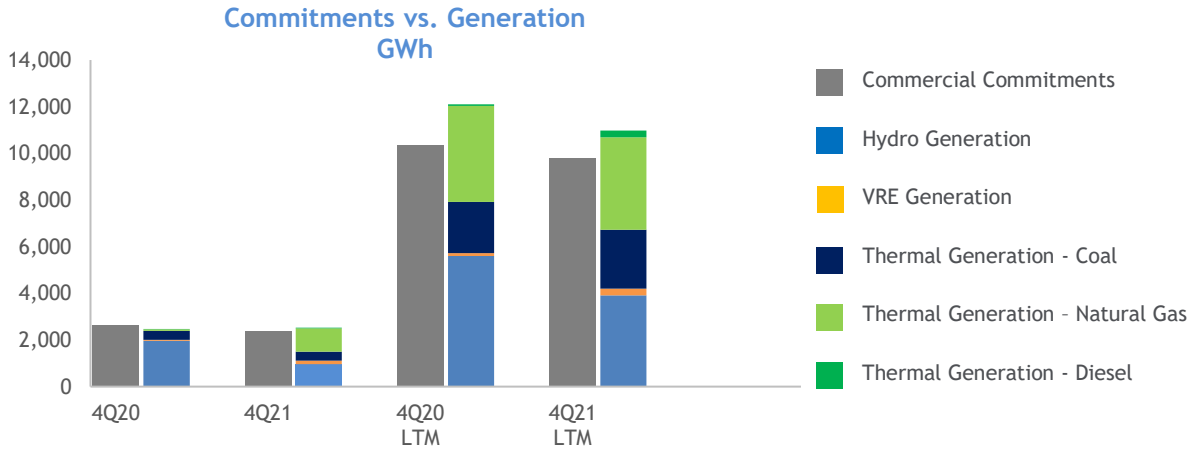
Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
12,103	**10,982**	**Total Generation (GWh)**	**2,458**	**2,528**	**(9%)**	**3%**
5,596	**3,905**	**Hydraulic**	**1,965**	**964**	**(30%)**	**(51%)**
6,375	**6,781**	**Thermal**	**450**	**1,410**	**6%**	213%
4,108	3,966	Gas	62	997	(3%)	-
72	294	Diesel	6	28	306%	374%
2,195	2,520	Coal	382	384	15%	0%
131	**296**	**VRE***	**42**	**154**	**125%**	**264%**
111	99	Wind Farm	35	29	(10%)	(16%)
21	197	Solar	7	125	846%	-
281	**286**	**Spot Market Purchases (GWh)**	**281**	**105**	**2%**	**(63%)**
1,444	**857**	**Sales - Purchases to the Spot Market (GWh)**	**(246)**	**74**	**(41%)**	**(130%)**

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

Physical sales reached **2,569 GWh** during 4Q21, decreasing 4% compared to 4Q20, mainly explained by (1) lower sales to unregulated clients, given the expiration of Anglo-American contract in Dic20, partially offset by higher sales to the spot market. On the other hand, quarterly **generation** increased 3% compared to 4Q20, mainly explained by higher gas generation (+935 GWh) and diesel (+22 GWh) due to a higher economic dispatch and system's decoupling. VRE generation also increased (+112 GWh) mainly driven by the entry into force of an energy purchase agreement with Total SunPower, in Aug21. These effects were partially offset by lower hydroelectric generation (-1,001 GWh), mainly due to drier hydrological conditions during 4Q21.

In cumulative terms, physical sales as of Dec21 reached **10,922 GWh**, decreasing 10% compared to Dec20, mainly explained by (1) lower sales to the spot market due to the lower generation recorded during the year, (2) lower sales to unregulated clients explained by the expiration of Anglo-American contract previously mentioned and (3) lower sales to regulated clients. **Cumulative generation** as of Dec21 decreased 9% compared to Dec20, mainly explained by (1) lower hydro generation (-1,691 GWh) driven by very unfavorable hydro conditions and (2) lower gas generation (-141 GWh) due to lower LNG importation and the lower availably of Argentinean gas compared to last year. These effects were partially offset by higher coal generation (+325 GWh) and diesel generation (+222 GWh) due to the higher economic dispatch and a higher REVS generation (+165 GWh), mainly explained by the entry into force of the energy purchase agreement with Total Sunpower.

The **spot market balance** during the quarter recorded net sales for 74 GWh, compared to the net purchases of 246 GWh recorded in 4Q20. The variation is mainly explained by the higher generation during the quarter. In cumulative terms, as of Dec21, the spot market balance sheet recorded net sales for 857 GWh. The variation is mainly explained by a lower cumulative generation as of Dec21.



Generation Mix in Chile: As of Dec21, 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: -70%; Maule: -52%; Laja: -20%; Bío Bío: -32% and Chapo: -15%. Average marginal cost measured in Alto Jahuel reached US$70.5/MWh in 4Q21, increasing compared to the average of US$35.9/MWh in 4Q20.

Accumulated Figures		SEN Generation	Quarterly Figures		Var %	Var %
dic-20	dic-21		4T20	4T21	Acc/Acc	Q/Q
77,709	**81,486**	**Total Generation (GWh)**	**19,667**	**20,663**	**5%**	**5%**
20,633	16,475	Hydraulic	7,256	4,794	(20%)	(34%)
13,710	14,484	Gas Thermal	1,341	3,196	6%	138%
565	1,857	Diesel Thermal	40	249	229%	522%
27,349	28,013	Coal Thermal	6,110	5,710	2%	(7%)
5,516	7,235	Wind Farm	1,724	2,294	31%	33%
7,626	10,769	Solar	2,610	3,794	41%	45%
2,310	2,651	Others	586	628	15%	7%

2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 4Q20, 4Q21 and cumulative as of Dec20 and Dec21.

Table 2: Physical sales and generation in Peru

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
3,127	**3,529**	**Total Physical Sales (GWh)**	**966**	**907**	**13%**	**(6%)**
1,531	1,548	Regulated Clients	384	386	1%	1%
354	498	Unregulated Clients	106	139	41%	32%
1,242	1,483	Sales to the Spot Market	476	381	19%	(20%)
559	**564**	**Capacity Sales (MW)**	**558**	**566**	**1%**	**1%**

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
2,887	**3,439**	**Total Generation (GWh)**	**989**	**930**	**19%**	**(6%)**
2,887	3,439	Gas	989	930	19%	(6%)

313	**178**	**Spot Market Purchases (GWh)**	**-**	**-**	(43%)	-
929	**1,306**	**Sales - Purchases to the Spot Market (GWh)**	**476**	**381**	41%	(20%)

Physical sales during 4Q21 reached **907 GWh**, decreasing 6% compared to 4Q20. The lower physical sales are mainly explained by lower sales to the spot market as a result of a lower economic dispatch of gas power plants in the Peruvian system, and, in a small extent, the lower availability of the plant during the quarter. These effects were partially offset by higher sales to unregulated clients due to new contracts signed in this segment. On the other hand, **thermal generation** reached **930 GWh**, decreasing 6% compared to 4Q20 mainly driven by a lower economic dispatch and plant availability.

In cumulative terms, physical sales as of Dec21 reached **3,529 GWh** increasing 13% compared to Dec20, mainly explained by (1) higher sales to the spot market given the greater generation of the plant explained by the higher system's demand and the higher availability of the plant; (2) higher sales to unregulated clients given the entry of new energy sale agreements such as Distriluz Mercado Libre (25 MW), Tejidos San Jacinto (7.9 MW) and Seal Mercado Libre (5 MW) and (3) higher sales to regulated clients due to the demand's recovery. On the other hand, **cumulative generation** as of Dec21 reached **3,439 GWh**, increasing 19% compared to Dec20 mainly due to the demand's recovery on the Peruvian energy market and the higher plant's availability during the year.

The **balance in the spot market** during 4Q21 recorded net sales for 381 GWh, compared to the net sales for 476 GWh during the same quarter of the previous year, due to the lower generation recorded in the quarter. In cumulative terms, the balance in the spot market as of Dec21 recorded net sales of 1,306 GWh, compared to net sales of 929 GWh recorded as of Dec20 due the higher generation of the year.

Generation mix in Peru: Hydroelectric generation in the SEIN (National Interconnected Electrical System) increased 14.8% compared to 4Q20 mainly due to more wet hydrological conditions presented during the quarter. As a result, thermoelectric generation decreased by 10.0% during 4Q21 compared to 4Q20.

The accumulated energy demand growth rate in 4Q21 was 3.0%, mainly due to the recovery the system's demand.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement in 4Q20 and 4Q21 and cumulative as of Dec20 and Dec21, for Chile and Peru.

Table 3: Income Statement (US$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
1,348.9	**1,439.7**	**OPERATING INCOME**	**335.7**	**374.9**	**7%**	**12%**
438.4	454.5	Regulated Customers Sales	110.3	114.8	4%	4%
697.9	689.4	Unregulated Customers Sales	188.3	200.7	(1%)	7%
131.6	210.9	Energy and Capacity Sales	24.3	53.0	60%	118%
55.3	41.9	Transmission Tolls	6.1	-	(24%)	-
25.6	43.1	Other Operating Income	6.6	6.5	68%	(2%)
(554.4)	**(782.0)**	**RAW MATERIALS AND CONSUMABLES USED**	**(123.6)**	**(176.0)**	**41%**	**42%**
(112.8)	(115.0)	Transmission Tolls	(38.1)	(30.2)	2%	(21%)
(54.1)	(70.6)	Energy and Capacity Purchases	(22.7)	(22.9)	31%	1%
(245.4)	(394.4)	Gas Consumption	(31.7)	(84.1)	61%	165%
(9.5)	(49.3)	Diesel Consumption	(1.9)	(6.2)	418%	232%
(70.4)	(89.7)	Coal Consumption	(10.8)	(16.7)	27%	55%
(62.3)	(63.0)	Other Operating Expenses (*)	(18.4)	(15.9)	1%	(14%)
794.5	**657.8**	**GROSS PROFIT**	**212.1**	**199.0**	**(17%)**	**(6%)**
(65.4)	(79.7)	Personnel Expenses	(17.7)	(17.6)	22%	(1%)
(46.6)	(57.9)	Other Expenses, by Nature (*)	(14.5)	(17.1)	24%	18%
(246.6)	(213.2)	Depreciation and Amortization Expenses	(63.0)	(52.7)	(14%)	(16%)
435.9	**307.0**	**OPERATING INCOME (LOSS) (**)**	**117.0**	**111.6**	**(30%)**	**(5%)**
682.5	**520.2**	**EBITDA**	**179.9**	**164.3**	**(24%)**	**(9%)**
11.2	5.0	Financial Income	1.5	1.6	(56%)	9%
(90.5)	(86.3)	Financial Expenses	(22.3)	(21.8)	(5%)	(2%)
5.7	(13.8)	Exchange rate Differences	3.5	(1.3)	(342%)	-
9.9	6.7	Profit (Loss) of Companies Accounted for Using the Equity Method	3.3	1.3	(33%)	(60%)
(240.2)	606.6	Other Profit (Loss)	(193.3)	(161.9)	(353%)	(16%)
(303.7)	**518.1**	**NON-OPERATING INCOME**	**(207.4)**	**(182.1)**	**-**	**(12%)**
132.2	**825.2**	**PRE-TAX PROFIT (LOSS)**	**(90.4)**	**(70.5)**	**524%**	**(22%)**
(42.8)	(285.0)	Income Tax Expense	27.5	18.1	567%	(34%)
89.5	**540.2**	**AFTER TAX PROFIT (LOSS)**	**(62.9)**	**(52.4)**	**504%**	**(17%)**
162.9	**545.3**	**PROFIT (LOSS) OF CONTROLLER**	**0.5**	**(55.1)**	**235%**	**-**
(73.4)	**(5.1)**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**(63.3)**	**2.7**	**(93%)**	**-**

(*) 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 4Q20 and accumulated as of Dec20 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	Dec-20	Dec-21
Chile (CLP / US$)	710.95	844.69
Chile UF (CLP/UF)	29,070.33	30,991.74
Peru (PEN / US$)	3.62	4.00

3.1. Operating Income analysis of the generation business in Chile

Table 5 presents a summary of Operating Income and EBITDA in 4Q20 and 4Q21 and cumulative as of Dec20 and Dec21. 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 %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	T/T
1,134.0	**1,237.0**	**OPERATING INCOME**	**285.4**	**330.0**	**9%**	**16%**
329.8	349.2	Regulated Customers Sales	82.9	87.6	6%	6%
675.5	666.9	Unregulated Customers Sales	182.3	195.1	(1%)	7%
108.8	172.6	Energy and Capacity Sales	15.1	42.5	59%	181%
19.9	48.4	Other Operating Income	5.0	4.9	143%	(2%)
(484.4)	**(716.2)**	**RAW MATERIALS AND CONSUMABLES USED**	**(104.9)**	**(152.8)**	**48%**	**46%**
(130.4)	(135.4)	Transmission Tolls	(45.1)	(28.7)	4%	(36%)
(52.2)	(69.4)	Energy and Capacity Purchases	(22.7)	(22.7)	33%	0%
(179.5)	(320.8)	Gas Consumption	(12.2)	(64.6)	79%	431%
(8.6)	(49.1)	Diesel Consumption	(0.9)	(6.2)	470%	555%
(70.4)	(89.7)	Coal Consumption	(10.8)	(16.7)	27%	55%
(43.2)	(51.9)	Other Operating Expenses (*)	(13.2)	(13.8)	20%	5%
649.7	**520.8**	**GROSS PROFIT**	**180.5**	**177.2**	**(20%)**	**(2%)**
(59.3)	(73.3)	Personnel Expenses	(16.2)	(16.1)	24%	(1%)
(39.9)	(50.1)	Other Expenses, by Nature (*)	(12.3)	(15.1)	25%	22%
(189.0)	(174.9)	Depreciation and Amortization Expenses	(48.5)	(43.7)	(7%)	(10%)
361.4	**222.5**	**OPERATING INCOME (LOSS) (**)**	**103.5**	**102.4**	**(38%)**	**(1%)**
550.4	**397.5**	**EBITDA**	**152.0**	**146.1**	**(28%)**	**(4%)**

(*) 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 4Q20 and accumulated as of Dec20 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.

Operating Income for 4Q21 amounted to **US$330.0 million**, increasing 16% compared to the operating income of US$285.4 million recorded in 4Q20, mainly explained by (1) higher physical sales to the spot market; and (2) a higher average sale price for both regulated and unregulated clients. These effects were partially offset by lower physical sales to unregulated customers, due to the expiration of Anglo-American contract in Dec20.
In cumulative terms, operating income from ordinary activities as of Dec21 reached **US$1,237.0 million**, increasing 9% compared to the income recorded as of Dec20, mainly due to (1) higher sales to the spot market driven by a higher marginal cost, despite lower physical sales to that market; (2) higher "Other Income" mainly explained by IT and tolls provisions collections; and (3) higher sales to regulated clients associated with higher average sale price. These effects were partially offset by lower physical sales to unregulated customers, due to the expiration of Anglo-American contract in Dec20.

Raw materials and consumables used costs recorded **US$152.8** million in 4Q21, increasing 46% compared to 4Q20, mainly due to (1) higher gas and diesel consumption costs due to a higher generation with those fuels during the quarter; (2) higher coal consumption costs driven by a higher average purchase price of this fuel. These effects were partially offset by lower toll costs because during 4Q20 an extraordinary additional charge was included in transmission tolls.
In cumulative terms, the raw materials and consumables used costs as of Dec21 reached **US$716.2 million**, increasing 48% compared to Dec20, mainly due to (1) higher gas consumption costs as a result of a higher average purchase price, (2) higher coal and diesel consumption cost associated with a higher generation with those fuels and (3) higher energy purchases cost in the spot market driven by a higher marginal cost compared to last year.

EBITDA in 4Q21 reached **US$146.1 million**, decreasing 4% compared to the EBITDA of US$152.0 million recorded in 4Q20, mainly due to higher consumption and raw material costs previously mentioned and higher "Other expenses, by Nature" associated to a lower comparative base considering that in 4Q20, third-party

services, trainings, travels among others were mostly suspended as a result of the pandemic. These effects were partially offset by higher operating income previously mentioned.
In cumulative terms, EBITDA as of Dec21 totaled US$397.5 million, decreasing 28% compared to Dec20, mainly due to (1) higher raw materials and consumable used cost previously mentioned; (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 and; (3) a lower comparative base considering that in 2020, third-party services, trainings, travels among others were mostly suspended as a result of the pandemic.

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

On September 30, Colbún executed the sale of its subsidiary Colbún Transmission S.A. to Alfa Desarrollo SpA, controlled 80% by APG Energy and Infra Investments and 20% by Celeo Redes. The energy 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, Colbún Transmission S.A. owns 27 substations. **Given this, for the year 2021 the results of Colbún Transmission S.A. are consolidated in Colbún S.A. only until Sep21 (period of 9 months).**

Table 6 shows a summary of the Operating Income and EBITDA for the quarters 4Q20 and 4Q21 and cumulative as of Dec20 and Dec21. Subsequently, the main accounts and/or variations will be analyzed.

Table 6: EBITDA transmission business in Chile (US$ million) – Consolidated in Colbún S.A.

Accumulated Figures			Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	T/T
80.2	**45.7**	**OPERATING INCOME**	**14.8**	**-**	**(43%)**	**-**
80.2	45.7	Transmission Tolls	14.8	-	(43%)	-
(12.2)	**(8.9)**	**RAW MATERIALS AND CONSUMABLES USED**	**(2.7)**	**-**	**(27%)**	**-**
(1.9)	(0.3)	Transmission Tolls	(0.4)	-	(82%)	-
(10.3)	(8.6)	Other Operating Expenses (*)	(2.4)	-	(17%)	-
68.0	**36.8**	**GROSS PROFIT**	**12.0**	**-**	**(46%)**	**-**
(1.1)	(0.6)	Other Expenses, by Nature (*)	(0.4)	-	(47%)	-
(11.0)	(8.7)	Depreciation and Amortization Expenses	(2.8)	-	(21%)	-
55.8	**27.5**	**OPERATING INCOME (LOSS) (**)**	**8.9**	**-**	**(51%)**	**-**
66.8	**36.2**	**EBITDA**	**11.6**	**-**	**(46%)**	**-**

(*) 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 4Q20 and accumulated as of Dec20 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.

EBITDA of the consolidated transmission business in Colbún S.A as of Dec21 amounts to **US$36.2 million**, compared with the EBITDA of US$66.8 million for this segment as of Dec20. The lower EBITDA is explained because 2021's results consider the consolidation of Colbún Transmission for only 9 months, while the results of 2020 consider the full year.

3.3. Operating Income analysis in Peru

Table 7 shows a summary of Fenix's Operating Income and EBITDA for the quarters 4Q20 and 4Q21 and cumulative as of Dec20 and Dec21. Subsequently, the main accounts and/or variations will be analyzed.

Table 7: EBITDA in Peru (US$ million)

Accumulated Figures			Quarterly Figures		Var %	
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
159.6	**171.8**	**OPERATING INCOME**	**44.1**	**45.0**	**8%**	**2%**
108.6	105.3	Regulated Customers Sales	27.4	27.2	(3%)	(1%)
22.4	22.6	Unregulated Customers Sales	6.0	5.6	1%	(7%)
22.9	38.3	Sales to Other Generators	9.1	10.5	67%	15%
5.6	5.7	Other Operating Income	1.5	1.8	1%	16%
(82.7)	**(88.5)**	**RAW MATERIALS AND CONSUMABLES USED**	**(24.6)**	**(23.1)**	**7%**	**(6%)**
(5.3)	(4.7)	Transmission Tolls	(1.2)	(1.5)	(12%)	26%
(1.8)	(1.8)	Energy and Capacity Purchases	(0.0)	(0.1)	(5%)	-
(65.9)	(73.6)	Gas Consumption	(19.6)	(19.5)	12%	(0%)
(0.9)	(0.3)	Diesel Consumption	(0.9)	0.0	(70%)	-
(8.7)	(8.1)	Other Operating Expenses (*)	(2.9)	(2.1)	(7%)	(30%)
76.9	**83.3**	**GROSS PROFIT**	**19.5**	**21.9**	**8%**	**12%**
(6.2)	(6.4)	Personnel Expenses	(1.5)	(1.5)	3%	(3%)
(5.5)	(7.4)	Other Expenses, by Nature (*)	(1.7)	(2.1)	35%	24%
(46.6)	(35.4)	Depreciation and Amortization Expenses	(11.7)	(8.9)	(24%)	(24%)
18.6	**34.1**	**OPERATING INCOME (LOSS) (**)**	**4.6**	**9.3**	**83%**	**104%**
65.2	**69.5**	**EBITDA**	**16.3**	**18.3**	**7%**	**12%**

(*) 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 4Q20 and accumulated as of Dec20 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.

Operating income in 4Q21 totaled **US$45.0 million,** increasing 2% compared to the income of US$44.1 million recorded in 4Q20, mainly due to higher sales in the spot market as a result of a higher average sale price, driven by the entry into force of the new standard which establish that the complete gas supply chain must be considered for the variable cost determination, this is, supply, transport and distribution gas cost, scheme which entered into force from July 1st, 2021 onwards.
In cumulative terms, operating income from ordinary activities as of Dec21 amounted **US$171.8 million**, increasing 8% compared to the US$159.6 million operating income as of Dec20, mainly due to the higher sales to the spot market as a result of a higher generation recorded during the year and a higher average sale price.

Raw materials and consumables used costs reached **US$23.1 million** in 4Q21, decreasing 6% compared to 4Q20, mainly explained by (1) lower diesel consumption cost while during 4Q20 Fenix generated with that fuel because TGP (Transportadora de Gas del Perú) carried out tests that restricted the dispatch of gas.
In cumulative terms, raw materials and consumables used cost reached **US$88.5 million**, increasing 7% compared to Dec20, mainly due to a higher gas consumption driven by a higher generation recorded during the period.

Fenix's **EBITDA** reached **US$18.3 million** in 4Q21, increasing 12% compared to the EBITDA of US$16.3 million recorded in 4Q20, mainly due to the higher operating income and lower raw materials and consumable costs previously explained.
In cumulative terms, EBITDA totalized **US$69.5 million** as of Dec21, increasing 7% compared to the EBITDA recorded as of Dec20, 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 4Q20 and 4Q21 and cumulative as of Dec20 and Dec21. Subsequently, the main accounts and/or variations will be analyzed.

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

Accumulated Figures			Quarterly Figures		Var %	Var %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
11.2	5.0	Financial Income	1.5	1.6	(56%)	9%
(90.5)	(86.3)	Financial Expenses	(22.3)	(21.8)	(5%)	(2%)
5.7	(13.8)	Exchange rate Differences	3.5	(1.3)	-	-
9.9	6.7	Profit (Loss) of Companies Accounted for Using the Equity Method	3.3	1.3	(33%)	(60%)
(240.2)	606.6	Other Profit (Loss)	(193.3)	(161.9)	-	(16%)
(303.7)	**518.1**	**NON-OPERATING INCOME**	**(207.4)**	**(182.1)**	**-**	**(12%)**
132.2	**825.2**	**PRE-TAX PROFIT (LOSS)**	**(90.4)**	**(70.5)**	**524%**	**(22%)**
(42.8)	(285.0)	Income Tax Expense	27.5	18.1	**567%**	**(34%)**
89.5	**540.2**	**AFTER TAX PROFIT (LOSS)**	**(62.9)**	**(52.4)**	**504%**	**(17%)**
162.9	**545.3**	**PROFIT (LOSS) OF CONTROLLER**	**0.5**	**(55.1)**	**235%**	**-**
(73.4)	**(5.1)**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**(63.3)**	**2.7**	**(93%)**	**-**

Non-operating result in 4Q21 recorded losses of **US$182.1 million,** compared to the losses of US$207.4 million in 4Q20. The lower losses are mainly explained by lower impairment provisions recorded on individual assets. During 4Q21, provisions were recorded for an amount net of deferred taxes of US$102 million for this concept, of which US$100 million corresponds to the San Pedro hydroelectric project. This project continues with its environmental assessment process. On the other hand, during 4Q20 an accounting impairment provision was recorded in the subsidiary Fenix in Peru for an amount net of deferred taxes of US$127 million.
In cumulative terms, non-operating result as of Dec21 recorded a profit of **US$518.1 million,** compared with the loss of US$303.7 million recorded as of Dec20. The profit as of Dec21 is mainly explained by the extraordinary effect on results of Colbún Transmission S.A's sale. The sale price amounted to US$1,185 million with which the effect on results before taxes of this transaction amounted to US$830 million. This effect was partially offset by the provisions for impairment recorded, previously explained.

In 4Q21 **tax profits** of **US$18.1 million** were recorded, compared to US$27.5 million profits in 4Q20. Tax profits are explained in both periods by the effects on results of the accounting record of impairment provisions previously mentioned, which decreased Colbun' s deferred tax liability.
In cumulative terms, tax expenses as of Dec21 recorded **US$285.0 million** compared to US$42.8 million in Dec20. The higher tax expenses are explained by (1) the higher profit before taxes recorded during the year due to the subsidiary Colbún Transmisión S.A's 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 in Peruvian soles, according to the Peruvian tax legislation.

In 4Q21, the Company recorded a loss of **US$52.4 million,** compared to the loss of US$62.9 million in 4Q20, mainly explained by the impairment provisions recorded, previously mentioned.
In cumulative terms, the Company recorded a **profit** of **US$540.2 million** as of Dec21, compared to the profit of US$89.5 million as of Dec20. The higher profit is mainly explained by the higher non-operational profits recorded previously mentioned.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 9 shows an analysis of the Balance Sheet's relevant accounts as of Dec20 and Dec21. Subsequently, the main variations will be analyzed.

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

	Dec-20	Dec-21	Var	Var %
Current assets	1,259.2	1,766.4	507.3	40%
Non-current assets	5,374.7	4,836.1	(538.6)	(10%)
TOTAL ASSETS	**6,633.9**	**6,602.5**	**(31.4)**	**(0%)**
Current liabilities	306.5	679.0	372.5	122%
Non-current liabilities	2,742.0	3,082.1	340.1	12%
Total net equity	3,585.4	2,841.4	(743.9)	(21%)
TOTAL LIABILITIES AND NET EQUITY	**6,633.9**	**6,602.5**	**(31.4)**	**(0%)**

Current Assets: Recorded US$1,766.4 million as of Dec21, increasing 40% compared to current assets recorded as of Dec20, mainly due to the increase in Cash and Financial Investments, mainly explained by the issuance of an international bond for US$600 million in Oct21.

Non-current Assets: Recorded US$4,836.1 million as of Dec21, decreasing 10% 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$679.0 million as of Dec21, increasing 121% compared to current liabilities recorded as of Dec20, mainly due to (1) the reclassification from non-current liabilities to current of all the local bonds (Series F and I), for a total amount of US$151 million, given the prepayment announcement of those bonds published in Dec21. These bonds were prepaid on January 24, 2022; and (2) an increase in current tax liabilities of US$136 million, due to the higher tax expense recorded in the period associated with the sale of the subsidiary Colbún Transmisión S.A.

Non-current Liabilities: Reached US$3,082.1 million as of Dec21, increasing 12% compared to the non-current liabilities recorded as of Dec20, mainly due to (1) the issuance of an international bond for US$600 million, previously explained. This effect was partially offset by (1) the short-term reclassification of all the local bonds, due to the aforementioned prepayment announcement, (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$2,841.4 million, decreasing 21% compared to the net equity registered as of Dec20, mainly due to the dividend distribution for US$1,246 million during the year, of which US$1,000 million were distributed in Oct21, as a result of the extraordinary income received from the sale of Colbún Transmission S.A. and the Company's liquidity position. This effect was partially offset by the gains recorded during the period.

Table 10: Main Debt Items (US$ million)

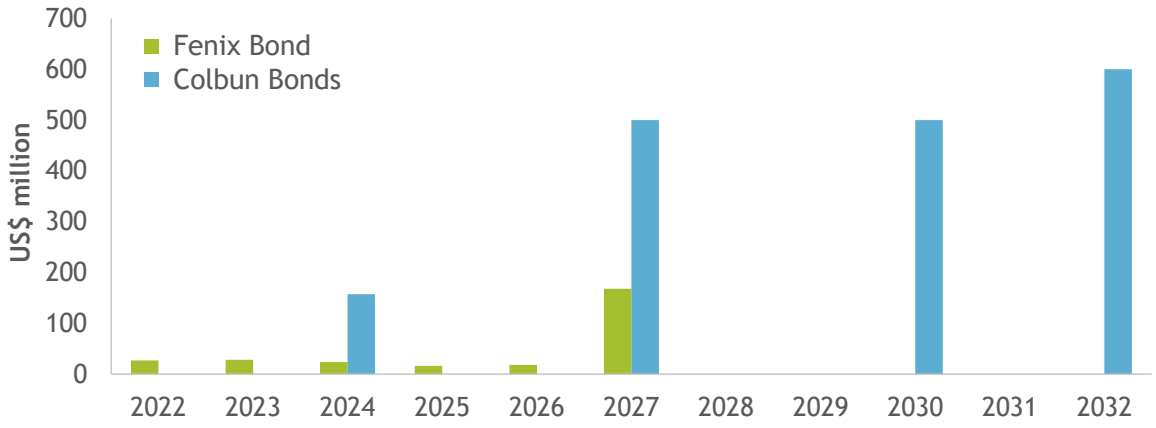
	Dec-20	Dec-21	Var	Var %
Gross Financial Debt*	1,796.3	2,310.5	514.2	29%
Financial Investments**	967.4	1,419.2	451.8	47%
Net Debt	828.9	891.2	62.4	8%
EBITDA LTM	682.5	520.2	(162.3)	(24%)
Net Debt/EBITDA LTM	1.2	1.7	0.5	41%

(*) 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$13.0 million associated with a transmission contract with Consorcio Transmantaro, and (3) a US$109.3 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	7.2 years
Average Interest Rate	3.6% (100% fixed rate)
Currency	100% USD

(*) Includes financial derivatives.



(*) Does not include local bonds for US$185 mm (Series F and I), which were prepaid on January 24, 2021.

5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec20 and Dec21 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	Dec-21	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	4.11	2.60	(37%)
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	4.00	2.55	(36%)
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	0.85	1.32	55%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	10.06%	18.05%	79%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	89.94%	81.95%	(9%)
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	2.46	10.56	329%
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	2.44%	16.81%	588%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	2.44%	8.24%	238%
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	8.48%	6.54%	(23%)

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 **2.60x** and **2.55x** as of Dec21, decreasing 37% and 36% respectively compared to Dec20, mainly due to the increase in current liabilities associated with (1) the reclassification from non-current liabilities to current of all local bonds, given the prepayment announcement of those bonds published in Dec21. These bonds were prepaid on January 24, 2022; and (2) an increase in current tax liabilities due to higher tax expense recorded in the period associated with the sale of the subsidiary Colbún Transmission S.A.

The **Indebtedness Ratio** recorded **1.32x** as of Dec21, increasing 55% compared to the value of 0.85x as of Dec20, mainly explained by (1) the decrease in equity as of Dec21 due to the dividend distribution for US$1,246 million made during the year, partially offset by these year's profits; and (2) the increase in liabilities, mainly due to the issuance of an international bond for US$600 million.

The percentage of **Short-Term Debt** as of Dec21 was **18.05%**, 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 Dec21 was **81.95%,** decreasing compared to the value of 89.94% in Dec20, mainly due to the reclassification from non-current liabilities to current of all local bonds previously mentioned; and by an increase in current tax liabilities due to higher tax expense recorded in the period associated with the sale of the subsidiary Colbún Transmission S.A. These effects were partially offset by the issuance of an international bond for US$600 million.

The **Financial Expenses Coverage** as of Dec21 reached **10.56x**, increasing by 329% 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 Dec21 was **16.81%**, increasing 588% 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 Dec21 was **8.24%**, increasing 238% 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 Dec21 was **6.54%**, decreasing 23% 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 %
Dec-20	Dec-21		4Q20	4Q21	Ac/Ac	Q/Q
797.4	**967.4**	**Cash Equivalents, Beg. of Period***	**966.0**	**1,886.0**	**21%**	**95%**
525.4	334.5	Net cash flows provided by (used in) operating activities	148.9	17.9	(36%)	(88%)
(246.5)	(800.2)	Net cash flows provided by (used in) financing activities	(119.2)	(441.7)	225%	271%
(117.9)	929.2	Net cash flows provided by (used in) investing activities**	(38.7)	(41.6)	-	7%
161.0	**463.5**	**Net Cash Flows for the Period**	**(9.0)**	**(465.3)**	**188%**	**-**
9.0	(11.7)	Effects of exchange rate changes on cash and cash equivalents	10.4	(1.4)	-	-
967.4	**1,419.2**	**Cash Equivalents, End of Period**	**967.4**	**1,419.2**	**47%**	**47%**

(*) 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 4Q21, the Company presented a **negative net cash flow of US$465.3 million,** compared to the negative net cash flow of US$9.0 million in 4Q20.

Operating activities: During 4Q21, a positive net flow of US$17.9 million was generated, which compares with the positive net flow of US$148.9 million in 4Q20, mainly explained by higher operating costs registered during the quarter.
In cumulative terms, as of Dec21 a positive net flow of US$334.5 million was registered, which compares to the positive net flow of US$525.4 million as of Dec20, mainly due to the same reasons that explain the variations in quarterly terms.

Financing activities: Recorded a negative net flow of US$441.7 million during 4Q21, which compares to the negative net flow of US$119.2 million in 4Q20, mainly explained by the extraordinary dividend distribution for US$1,000 million in Oct21, as a result of the extraordinary income received as a result of the sale of Colbún Transmisión S.A. and the Company liquidity position. These effects were partially offset by the issuance of an international bond of US$600 million in Oct21.
In cumulative terms, a negative flow of US$800.2 million was generated as of Dec21, compared to the US$246.5 million as of Dec20, mainly explained by the same reasons that explain the variations in quarterly terms.

Investment activities: Recorded a positive net flow of US$41.6 million during 4Q2, in line with the negative net flow of US$38.7 million in 4Q20.
In cumulative terms, a negative net flow of US$929.2 million was registered, which compares with the negative flow of US$117.9 million as of Dec20, mainly explained by the resources received for the sale of the subsidiary Colbún Transmission, partially offset by the disbursements for the construction of Diego de Almagro and Horizonte.

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 Ovejeria solar photovoltaic power plant. The Company operates in the National Electric System (SEN) in Chile, representing 13% 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 Dec-21, the hydrological year (Abr21-Mar22) has presented cumulative lower rainfalls compared to an average year in the main SEN basins the deficits: Aconcagua: -70%; Maule: -50%; Laja: -27%; Biobío: -36%; and Chapo: -22%. Compared to 2020, Aconcagua basin has presented a 54% decrease in rainfalls and the Maule basin presented 36% lower rainfalls, which resulted in lower affluents. In the same line, but at more moderate levels, the Laja, Biobío and Chapo basins presented lower rainfalls than in 2020, at -27%; -24% and -23% respectively.

In terms of energy inflow, as of Dec-21 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 (Pampa, PAE and Total) have been signed to complement the supply of liquified natural gas. These contracts consider the import of 2,500,000 m^3 of gas per day for the next months (January-April 2022).

During 2021, Colbún 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 48 clients for 434 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

During 2021, the SEIN registered a hydrological condition with a probability of exceedance of 51%, compared to 53% recorded during 2020.

In 2021, energy demand growth reached 9.8% compared to the same period of 2020, due to the electricity demand recovery. On the other hand, compared to the previous quarter, in 4Q21 the energy demand raised by 3.0%.

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 December of the same year reached US$25.1/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. On November 8, the beginning of the Construction Phase of the Project was declared before the Environment Superintendence.

The first activities on site began with the installation of fiber optics for communications and the start of construction of the access to Route 5. We estimate it will start injecting energy to the system in 4Q23 and the entry into operation of the last wind turbines is estimated towards 4Q24.

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 fourth quarter of 2021, progress in site is 93%, in line with budget. The main construction and supply contracts are in progress, with 100% of the photovoltaic panels on site. Since December 9th, the project has been injecting power into the system, progressively entering 50 MW by December. Commissioning of the entire park is scheduled for 1Q22.

Batteries - Diego de Almagro Proyect (8 MW/32 MWh): The Project considers the installation of a battery pack with a capacity of 8 MW for 4 hours (32 MWh) in the installations of the Diego de Almagro photovoltaic park. The evacuation of energy will be through the existing infrastructure of the photovoltaic park.

During the fourth quarter, the engineering was developed by Colbún and background information was prepared to be sent to the authority. 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 fourth quarter of 2021, the plant is injecting power into the system, starting progressively.

Total investment of the project reached US$7 million.

Photovoltaic Solar Project Inti Pacha I, II and III (250 MW each): This solar project is located approximately 75 km east of Tocopilla, in the María Elena commune, Antofagasta Region. It will use a total area of 736 hectares.

The Project considers the installation of a solar generation park in three phases, which has an installed capacity of close to 250 MW per phase and a total annual generation of approximately 2,000 GWh considering the three phases.

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

The project obtained its environmental qualification resolution (RCA) in 4Q20. During the fourth quarter of 2021 National Assets Ministry authorizes the creation of traffic easements for access roads.

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 fourth quarter, advanced basic engineering studies, optimization of the high-voltage line and processing of permits for alternative access to the site continued.

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 though 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. The Advance Citizen Participations (PACAs) are being prepared, to be held in January and March 2022. The project is expected to enter environmental processing in mid-2022.

Celda Solar Photovoltaic Project (156 MW +90 MW of storage): 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 fourth quarter, processing and development of the Environmental Impact Study continued, carrying out soil mechanics studies, human environment investigation, hydrological studies, driving tests and flora and fauna studies.

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.

Environmental resolution qualification was approved during 3T21.

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 4Q21 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. A second citizen participation process was carried out between September and October 2021. On November 9th, 2021, the second ICSARA was issued. This ICSARA 2 was answered by means of Addendum No. 2, which must be delivered by May 31, 2022. The issuance of Citizen ICSARA No. 2 is pending by the SEA.

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 (Pampa, PAE and Total) have been signed to complement the supply of liquified natural gas. These contracts consider the import of 2,500,000 m^3 of gas per day for the next months (January-April 2022).

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. Colbún believes that regulatory changes should be made considering the complexities of the electrical system and maintaining the appropriate incentives for investment. It is important to have a regulation with clear and transparent rules in order to boost confidence of the agents in the sector.

Chile

In the context of the constitutional process originated from the commitment called "Agreement for Peace and the New Constitution" (“Acuerdo por la Paz y la Nueva Constitución”), and the subsequent approval by plebiscite of the drafting of a new Constitution, on a ceremony held on May15th and 16th the155 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 delayed 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, two bills are currently being processed in the Senate:

i. 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.

ii. On January 4th, 2022, the Executive submitted a bill to the Senate that regulates the apportionment and debt payments for basic services and establishes subsidies for vulnerable customers, the latter defined in the power sector as those who registered an average consumption during the year 2021 of up to 250 kWh/month. The initiative extends the term to receive the benefits of the Basic Services Law until March 31, 2022 and regulates the debt contracted between March 18, 2020 and December 31, 2021 by users benefited by the Law, for which it establishes an additional benefit for vulnerable clients that consists of an automatic proration in 48 months of the contracted debt. These monthly installments may not exceed 15% of the client's average account and will be covered by a state subsidy. The balance not covered during the period is extinguished. In this initiative, there is no warning of a burden on generating companies. This bill was reviewed and approved by the Senate's Finance and Economy Committees, and it is expected to be voted on in the Chamber before being dispatched to the Chamber of Deputies.

Also, in the Senate a bill that aims to advance the phasing out of coal-fired plants is being processed. 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 received various guests to present their assessments. 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. This initiative was approved by the Mining and Energy Commission to be reviewed and will be voted in Chamber.

The parliamentary motion that regulates the construction, installation and operation, its environmental impact and the inspection of Wind Turbine Complexes is still being analyzed by 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.

Additionally, it should be noted that the legislative agenda will be altered by the parliamentary recess during February and, later, by the installation in March of the new President Elect government. However, the recent entry by the Executive of 3 bills related to the promotion of storage systems and electromobility, the promotion of renewable energies and the impulse for the creation of a green hydrogen market in Chile stands out. These bills entered the Chamber of Deputies last December, they will be reviewed by the M&E Commission and by the Chamber's Finance Commission. However, it is highly likely that its processing will extend to the next parliamentary term.

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, normative modifications are being developed at the regulatory and technical standards level, among which the process of elaboration of a new Regulation of Power Transfers that seeks to enhance the remuneration mechanism of sufficiency and introduce signals of long-term market that encourage investment in technologies that provide flexibility to the electrical system. The final proposal for this new regulation considers modifications such as the redefinition of the peak hours of the system, the use of a probabilistic methodology for the recognition of power, the incorporation of a cost-efficiency signal within the recognition of power, the modification to the margin of theoretical power reserve, a transitory regime for its application, among others. According to the Ministry's schedule, and based on the Public Consultation carried out, a final version of the new regulation should be released soon to be submitted to the Comptroller's Office for its decision.

In August 2021, a "Preventive" Rationing Decree (DS No. 51/2021) was published by the Ministry of Energy that establishes a series of preventive measures to avoid power rationing, which will be in force until March 31st, 2022 , in order to "avoid, manage, reduce or overcome generation deficits that may occur in the National Electric System, thereby preserving safety." This Decree considered initiatives applicable to generation, transmission and distribution, in addition to other actions applicable to demand. The main measures include: the acceleration of advanced projects connection, small distributed generation facilities connection acceleration and self-dispatch of small-scale generation facilities, sored energy use, definition of the hydrological condition to be used in the programming of the operation by the Coordinator, the optimization of generating units maintenance, additional generation capacity registration, maximizing the availability of infrastructure for LNG, monitoring of unavailability of fuels, the special treatment of transmission facilities, relaxation of service quality standards (voltage) in distribution systems, etc. In addition, the Decree authorizes generation and distribution companies to adopt measures such as promoting reductions in power consumption, agreeing with their customers to reduce consumption, suspend supply, in the cases indicated in the Decree. Finally, a procedure is established for deficit management and compensation payments, in addition to considerations on quality and continuity of supply and rationing conditions.

In this context, the Ministry of Energy is preparing to send a modification to the "Preventive" Rationing Decree to extend its validity period until September 30th, 2022 and establish new measures that seek to implement a new acquisition scheme and special remuneration for the purchase of safety diesel, in order to ensure supply and reduce generation risk. In this scheme, it is considered that the exceptional requirements that are established will be remunerated in proportion to the withdrawals made by the generators in the system. Additionally, the new Decree establishes new rules for the recognition of power of thermoelectric plants that use diesel fuel and natural gas for their operation.

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.

Finally, on December 18th, the Board of Directors No. 244-2021-OS/CD Resolution was published in the Official Journal El Peruano, which modified the Technical Procedure of the COES No. 07 "Determination of Short-Term Marginal Costs" (PR-07) (Res. No. 244-2021-OS/CD). The aforementioned modifications will come into force from July 1st, 2022.

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 5.5% during 4Q21 respect to 4Q20, while in Peru, there was an increase of 3.0% in relation to 4Q20.

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 December 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 December 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 December 31, 2021, Colbún has cash surpluses of approximately US$1,419 million, invested in remunerated current accounts, time deposits and mutual funds with an average duration of 80 days and fixed income investments with a term of 2 to 3 years that it is estimated to be held until maturity. Deposits with a duration of less than and greater than 90 days, the latter being recorded as "Other Current Financial Assets" in the Consolidated Financial Statements).

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$25 mm, contracted with two local banks.

In the next 12 months, the Company must disburse approximately US$100 million in interests and principal amortization (excluding all local bonds, which were prepaid on January 24th, 2022). These obligations are expected to be funded with the Company’s own cash flow generation.

As of December 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 December 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 December 2021, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US$4.7 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 25%. 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.