

RATING ACTION COMMENTARY

Fitch Affirms Colbun's IDRs at 'BBB+'; Outlook Stable

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Fitch Ratings - Rio de Janeiro - 22 Dec 2025: Fitch Ratings has affirmed Colbun S.A.'s Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BBB+'. In addition, Fitch has affirmed Colbun's Long-Term National Scale Rating at 'AA(cl)' and its National Equity Rating at 'Primera Clase Nivel 1(cl)'. The Rating Outlook is Stable.

Colbun S.A.'s (Colbun; BBB+/Stable) ratings reflect its strong credit profile based on its solid capital structure and ample liquidity. Fitch expects EBITDA leverage will average 3.2x in 2025-2027, coupled with EBITDA interest coverage above 6.5x. The ratings also reflect the company's solid contracted position, with an average life of seven years for its power purchase agreements (PPAs).

KEY RATING DRIVERS

Strong Credit Profile: Fitch's base case anticipates EBITDA leverage averaging slightly below 3.0x in 2026-2028, following a temporary spike in 2025, with EBITDA interest coverage remaining above 6.5x over the rated horizon. The company's credit profile is enhanced by strong financial flexibility, including ample liquidity, well staggered debt maturity profile, and a debt service coverage ratio (DSCR) historically exceeding 2.0x, and above 5.0x over the rated horizon. These financial metrics are underpinned by stable, and predictable cash flows from long-term power purchase agreements (PPAs) and a diversified energy generation portfolio.

Diversified Asset Base: Fitch believes Colbun's balanced portfolio of assets should further improve as it expands into renewables. This expansion will help offset the company's existing exposure to hydrology risk, as 40%-50% of the company's total power generation is sourced from hydro plants. Fitch's base case assumes hydro production of around 5,500 gigawatt hours (GWh) per year during 2025-2028, a more conservative scenario compared

with the 7,200 GW coming from hydro in 2024, that benefited from an improvement in hydrological conditions.

Colbun's commercial strategy uses third-party agreements to secure flexible natural gas supplies for its efficient combined-cycle units with third-party agreements to purchase fuel at competitive prices, aiming to reduce spot-market risk exposure. Colbun will likely increase the dispatch of its thermal assets during severe droughts to meet contractual obligations.

Solid Contractual Position: Colbun maintains a strong contracted profile, supported by long-term PPAs with an average life of eight years in Chile and five years in Perú. Fitch expects the company to keep a significant portion of its capacity contracted in the long term, with continued exposure to PPAs with non-regulated customers as it gradually incorporates new contracts. We project Colbun will sustain a contracted position of 16-17 terawatts per year over 2025-2027. The ratings reflect its major plants operating under constructive regulatory environments in Chile and Peru with re-contracting prospects comparable to existing agreements.

Manageable Renewable Capex: Fitch expects Colbun's renewable expansion to affect cash flows in the medium term, but the investment will strengthen its diversified asset base. FCF will remain low to negative through 2025 and 2026, as the company implements its expansion plan in renewables that is tied to a conservative commercial strategy keeping a balance position. Over the rated horizon, Fitch's base case assumes a dividend policy of 50% from the previous year net income, combined with no additional debt, as the company can finance its expansion with internal cash flow generation and its ample liquidity.

National Equity Rating: Fitch rates Colbun's National Equity at 'Primera Clase Nivel 1(cl)' based on the company's solid solvency position and consolidated stock history. As of the 16 of December 2025, Colbun had a market capitalization of USD2.7 billion with an average daily volume traded last month of USD1.5 million. The stock is part of the 'Indice de Precio Selectivo de Acciones' and has a free float of 40.5% between pension funds and other shareholders.

PEER ANALYSIS

Colbun's business profile and solid contractual position with PPAs are slightly lower than that of Engie Energia Chile S.A. (BBB/Stable) and AES Andes S.A. (BBB-/Stable). These companies have PPAs averaging more than 10 years. Colbun has a generation mix evenly distributed between hydro and thermal, similar to Enel Generacion Chile S.A.

(BBB+/Stable). Both have adequate indexing mechanisms that closely match their generation mix and contracts, which mitigate exposure to fuel price volatility and reduce business risk consistent with the rating category.

AES Andes and Engie Chile mainly concentrate on coal-based units and have less exposure to hydroelectricity generation in Chile. Enel Chile S.A. (BBB+/Stable) has slightly less business risk than its peers due to the integration provided by the generation business under Enel Generacion Chile, the renewable business from Enel Green Power and distribution business under Enel Distribution. Colbun's credit profile is among the country's strongest, with EBITDA leverage around 3.2x and DSCR above 4x.

Colbun has lower scale of operations compared with RWE AG (BBB+/Stable), a large European generation company based in Germany, with a total installed capacity of 34GW, well-diversified asset base and global footprint exposure across western Europe and the U.S.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Energy sales around 15,500 GWh on 2025 and 2026 between Chile and Peru, and above to 17,000 GWh by 2027;
- Hydro generation a above of 5,000 GWh per year during 2025-2028;
- Thermal coal (Australia Newcastle) USD97 per ton in 2025, USD90 per ton in 2026 and 2027 and USD85 in the long term;
- Henry Hub gas prices of USD3.5 per thousand cubic feet in 2025, and USD2.25 from 2027 onward;
- Expected capex for the period from 2025 to 2028 of about USD1,120 million;
- Annual maintenance capex above USD94 million during 2025-2028;
- Dividend pay-out ratio of 50% in 2025-2028.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A change in Colbun's commercial policy that results in an imbalanced long-term contracted position;
- Pressure from shareholders that could result in a significant increase in dividend payments beyond the company's plan;
- EBITDA leverage consistently above 3.0x, combined with EBITDA interest coverage below 4.5x and debt DSCR consistently above 2.0x;
- Inability to re-contract a significant portion of expiring contracts;
- Debt-financed acquisitions that would cause the company's credit metrics to deteriorate.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Although unlikely in the short term, a positive rating action is possible should the company maintain gross debt to EBITDA consistently below 2.0x, maintaining robust liquidity indicators consistent with the past.

LIQUIDITY AND DEBT STRUCTURE

Colbun has a solid liquidity position, with USD949 million of cash and cash equivalents as of September 2025, compared with USD47 million of short-term debt. Fitch expects Colbun will maintain strong liquidity driven by cash generation. Liquidity is buoyed by uncommitted credit lines of approximately USD150 million.

Colbun's debt consists almost entirely of international notes of approximately USD2.3 billion, including USD186 million outstanding notes from Fenix Power Peru S.A. (BBB-/Stable). Fenix 2027 notes are already in an active refinancing process targeted for completion in 2025. In September 2025, Colbun issued an additional loan of USD500 million maturing in 2035, from the proceeds, USD 266 million were used to partially redeem the company's outstanding \$500 million bond of the same type, maturing in 2027. The company has no significant maturities until 2027.

ISSUER PROFILE

Colbun is a Chilean electric generation company with an installed capacity of 4,456MW and 12% market share in Chile. It owns 100% of Fenix Power Peru S.A., a 572MW combined cycle unit with 6% of market share in Peru.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅		PRIOR ⇅
Colbun S.A.	LT IDR	BBB+ Rating Outlook Stable	BBB+ Rating Outlook Stable
	Affirmed		
	LC LT IDR	BBB+ Rating Outlook Stable	BBB+ Rating Outlook Stable
	Affirmed		

	Natl LT	AA(cl) Rating Outlook Stable	AA(cl) Rating Outlook Stable
	Affirmed		
	Nat Equity Rating	Primera Clase Nivel 1	Primera Clase Nivel 1
	Affirmed		
senior unsecured	LT	BBB+	BBB+
		Affirmed	
senior unsecured	Natl LT	AA(cl) Rating Outlook Stable	AA(cl) Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Metodología de Clasificación de Acciones en Chile \(pub. 19 Jul 2024\)](#)

[Chilean Equity Rating Criteria \(pub. 22 Jul 2024\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub. 27 Jun 2025\)](#)

[Corporate Rating Criteria \(pub. 27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

[Metodología de Calificación de Finanzas Corporativas \(pub. 24 Jul 2025\)](#)

[Metodología de Vínculo de Calificación entre Matriz y Subsidiaria \(pub. 10 Sep 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

ADDITIONAL DISCLOSURES

[Solicitation Status](#)[Endorsement Policy](#)

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Colbun S.A.

EU Endorsed, UK Endorsed

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