

The Colbun logo, a stylized 'C' with three segments in blue, green, and orange.

Colbun
INVESTOR DAY
Virtual Conference **2020**

 Nov. 26  10:00 hrs.





Agenda

1. Welcome Remarks
Hernán Rodríguez

2. Strategy Update & 2020 Highlights
Thomas Keller

3. Commercial and Regulatory Update
Juan Eduardo Vásquez

4. Growth Opportunities
Eduardo Lauer and Olivia Heuts

01.

Welcome Remarks



HERNÁN RODRÍGUEZ
CHAIRMAN OF THE BOARD





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02.

Strategy Update & 2020 Highlights



THOMAS KELLER
CHIEF EXECUTIVE OFFICER



Strategic Agenda

OUR AMBITION



To be a leading energy company,
focused on **commercial and industrial costumers**,
providing customized power solutions through a
24/7 competitive, sustainable and reliable energy portfolio,
flexibly and selectively entering new growth paths,
creating **shared value** with our personnel and communities.

Strategic Agenda

VALUE PROPOSITION



2020 Strategy update

1

Focus on unregulated Clients

45 new clients and 630 GWh contracted

D. Almagro and Machicura → under construction
Inti Pacha → environmental approval secured
Horizonte → good progress on environmental approval

2

Growth in solar & wind generation

3

Cost efficiency plan

Consolidation of the savings program for US\$20 million annually

4

Transmission business

Potential divestiture process in progress

5

Digitalization & automatization

Key initiatives under way

2020 Strategy update

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2020 Highlights

1

A
“different
country”
context

2

Regulatory
challenges
and
opportunities

3

A still
challenging
Peruvian
market

4

ESG /
Environmental
Performance

5

Financial
Performance

2020 Highlights

A “different country” context**OUR
APPROACH****1.**
Flexibility**2.**
Dialogue**3.**
Inclusion**4.**
Improvement
in labor
standards**October-19 Social Unrest**

- ✓ Safety and flexibility measures for employees and contractors
- ✓ A forum for conversation and dialogue
- ✓ Permanent contractors' conditions improved
- ✓ Suppliers' payment terms reduced (15 days)

**COVID-19**

- ✓ Home-office model and special measures at our facilities
- ✓ Digitalization program acceleration
- ✓ Additional suppliers' payment terms reduced (7 days)
- ✓ Community support incentives



2020 Highlights

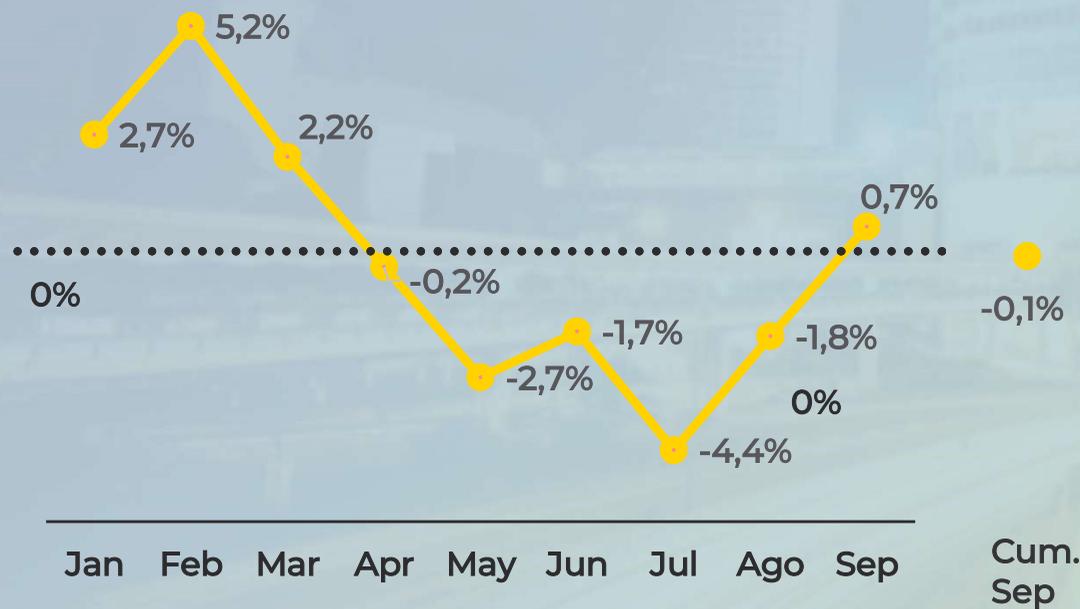
COVID-19: Power demand impact



Decrease experienced during the second and third quarter begins to reverse...

SEN Sales Growth

(GWh/year 2020 vs 2019)



Unregulated and Regulated¹ Clients Growth

(GWh/year 2020 vs 2019)



¹ Adjusted by dilution



2020 Highlights

Regulatory challenges and opportunities



**Power Supply
Portability Bill**



**Power Matrix
Decarbonization**

**System
Flexibility**



**Power Tariff
Stabilization**

**Complementary
Services**



**Basic Services
Payment Deferral**



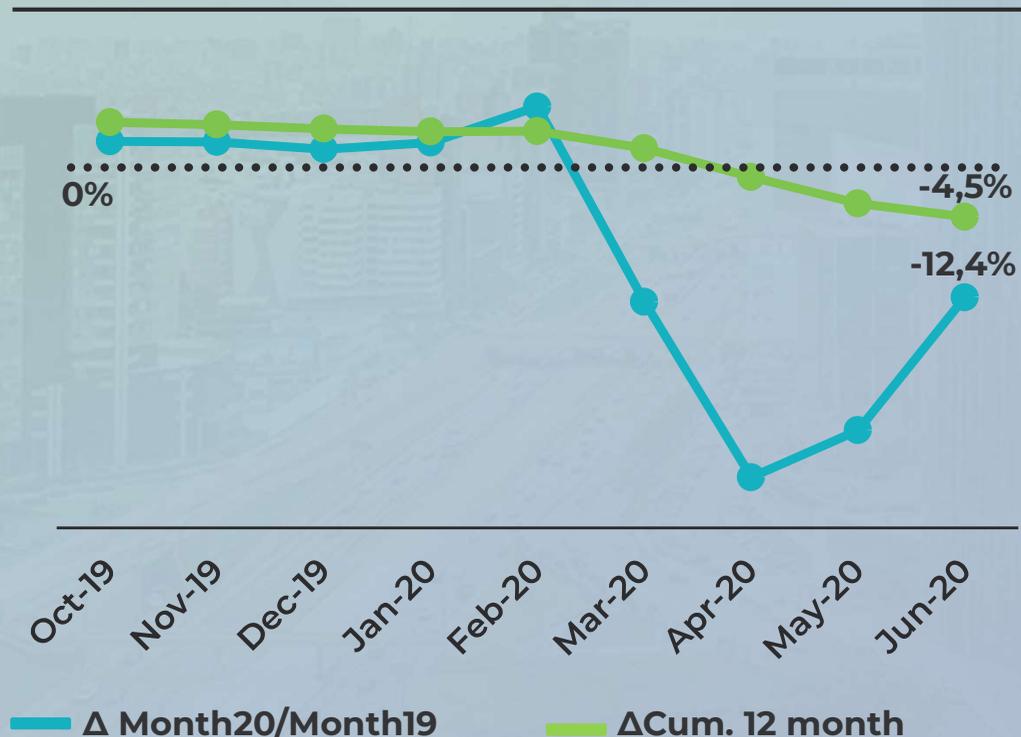
2020 Highlights

A still challenging Peruvian market



Power demand has been severely affected by the pandemic

SEIN Demand Evolution



Starting 2017, Peru has been impacted by corruption cases, negatively affecting economic performance and power demand

Low marginal cost environment persists:

Santa Rosa marginal cost

(US\$/MWh)



Regulatory changes are expected, including the modification of the current gas price declaration regime

2020 Highlights

ESG/Environmental Performance



Member of
Dow Jones
Sustainability Indices

Colbún's performance continues to improve

Percentile in
Electric Utilities ¹



Highlighted criteria:

- ✓ Risk and crisis management
- ✓ Climate change
- ✓ Labor Practice indicators (diversity)
- ✓ Stakeholders' engagement

¹ 101 companies evaluated worldwide



Special focus on Environmental Footprint reduction

Lower CO₂ emissions factor



Efficient water use

Waste management

2020 Highlights Financial Performance



▼ Low leverage Net Debt / EBITDA Debt / EBITDA
1.2 x 2.6 x

▲ Strong liquidity Cash
US\$966 mm

Stock Price YTD



EBITDA LTM (as of Sep20)



- Chile Gx
- Peru Gx
- Chile Tx



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JUAN EDUARDO VÁSQUEZ

CHIEF BUSINESS AND
ENERGY MANAGER

03.

Commercial and Regulatory Update

OUR COMMERCIAL STRATEGY



1. Secure cash flows with new PPAs

2. Backup contracts with secure technologies

3. Increase contracts with renewable energy

4. Certify contracts with new solar and wind generation

Risk Management: Key considerations

1. GAS-FIRED POWER PLANTS

Hedge for years of poor hydrology

Hedge for wind and solar intermittency

Complementary Services supply

2. HYDROELECTRIC POWER PLANTS

Balanced cost structure

Complementary Services supply

3. FUEL PRICES

Hedge for significant changes in fuel prices

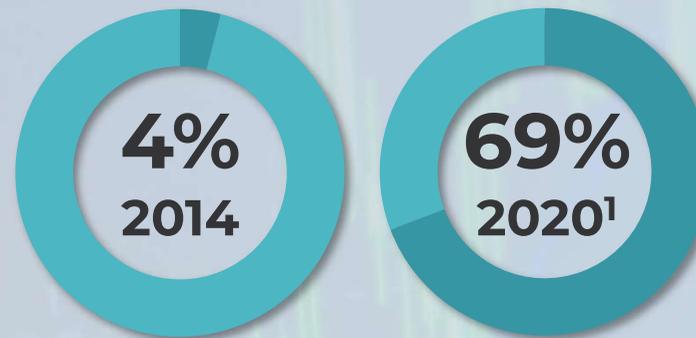
How are we progressing?

We have significantly increased sales to unregulated clients

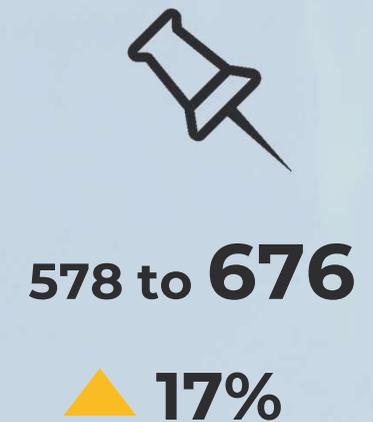
Unregulated clients number growth



Sales to unregulated clients (US\$ mm)



Supply points increase 2019 vs 2020



¹ Cumulative revenues in Chile as of Sep20

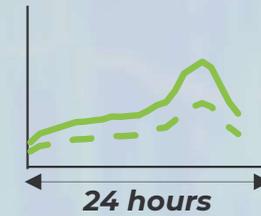
Focusing growth on the unregulated segment

Consumption profile



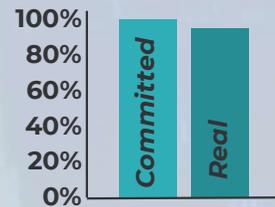
- Stable consumption and lower supply cost

Regulated clients

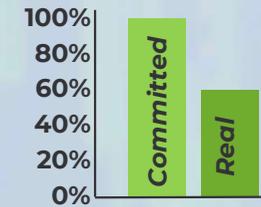


- Peak demand when marginal cost is higher

Dilution



- Limited to non-existent dilution. On the contrary, typically increase their consumption over time



- The current oversupply of tendered contracts results in a ~60% dilution, which is expected to grow

Regulatory risks

- Transferred largely to clients via pass-through mechanisms

Value-added services

- Highly valued. Advantage for these services' suppliers

Green supply

- Increasing requirements for supply backed by renewable energies

- Borne by the supplier

- Not-required

- Not required

Increasingly challenging Electricity Sector



High level of competition



Other industries are entering the power market



Expertise to manage and satisfy a growing number of clients



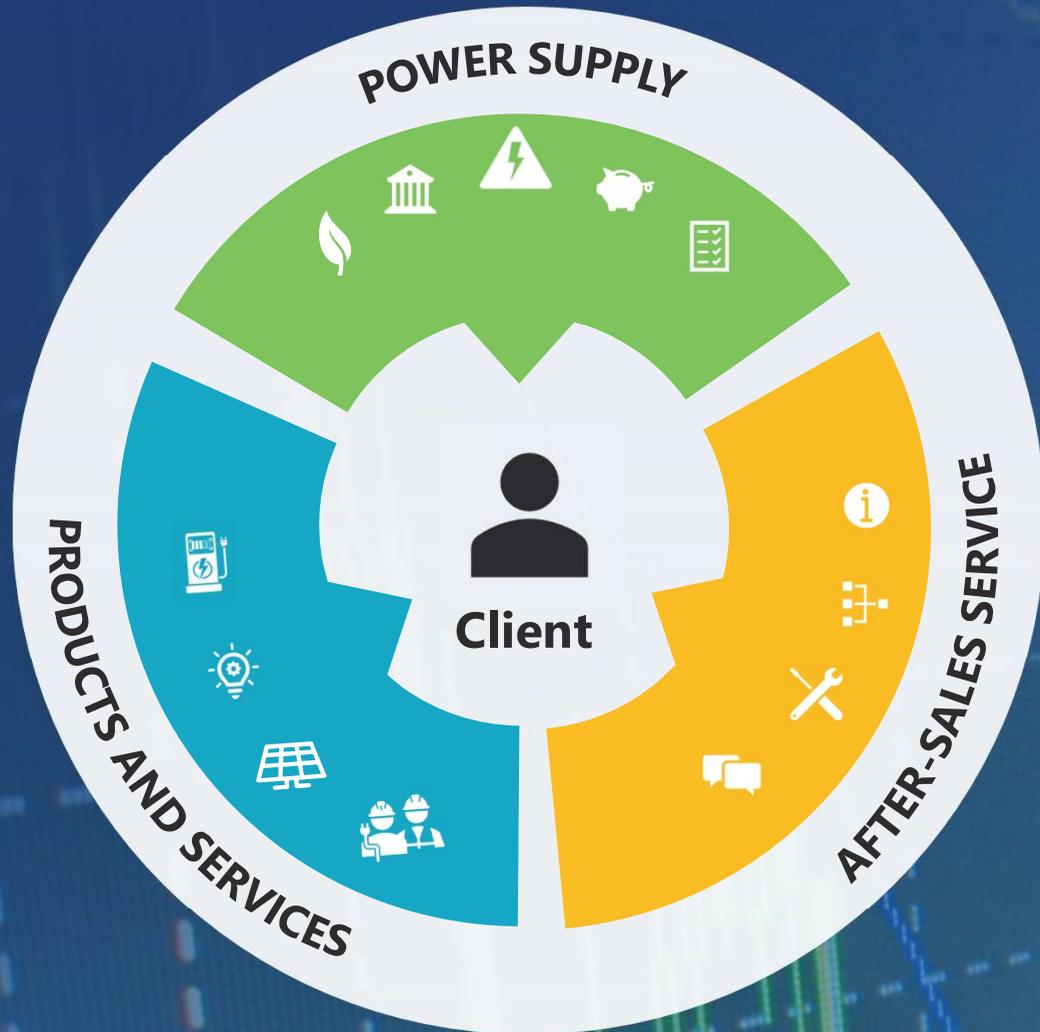
Participants in the power market already offer "energy solutions"



Customers are demanding more than just energy

Colbún addresses these challenges by continuously improving its value proposition

Colbún as an Energy Partner



1.

Offer competitive and renewable power supply

2.

Provide a range of products and services tailored to the needs of each client

3.

Multidisciplinary team available for our clients



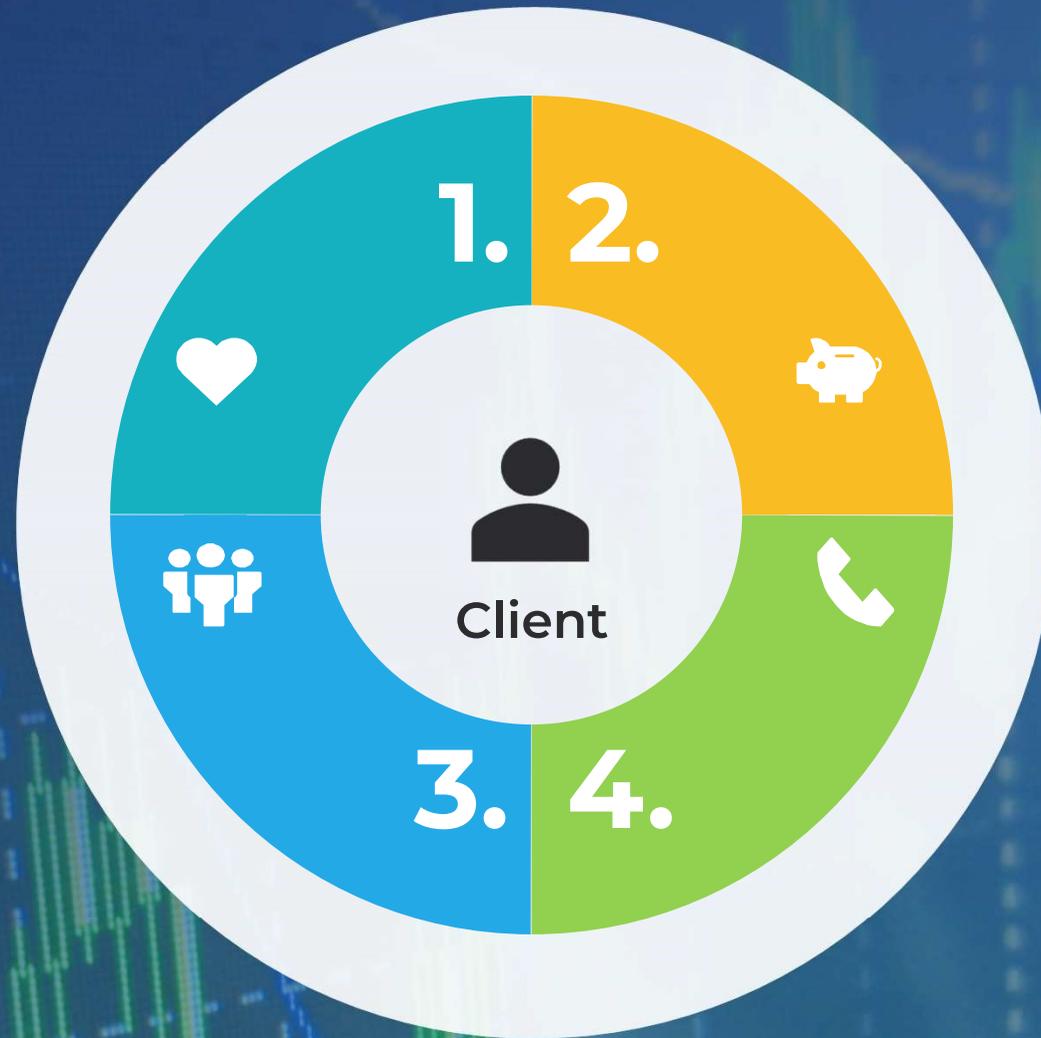
“Customer-Centric” Approach

Expand products and services

Increase loyalty

Incorporate new clients

Reduce after-sale costs to clients



Strengthening our Value Proposition



**Efizity
acquisition**

**New value-added
services**

**Customer
relationship platform
enhancement**

**Competitive
value proposition**

**These features will allow us to be successful
in a constantly changing power market**



Regulatory challenges and opportunities

**Power Supply
Portability Bill**



**System
Flexibility**

**Complementary
Services**



**Power Matrix
Decarbonization**



Power Supply Portability Bill

Aims to increase competition in the regulated clients segment

Summary

Every user will have the right to choose its preferred supplier

1. Energy Traders
2. Information manager
3. Supply auctions to be modernized for regulated clients

Relevant principles

- Ensure effective division of activities to be carried out by the distribution segment
- Guarantee free competition and equal information access
- Establish guarantees in order to avoid putting the system's payment chain at risk
- Gradual implementation of liberalization in order to account for current contracts



System Flexibility

Seeks to adapt our system to the operational challenges of the coming years

Summary

Define guidelines to face regulatory and operational challenges in the power system

1. Market design for the development of a flexible system
2. Regulatory framework for storage systems and new flexible technologies
3. System's operation improvement

Relevant principles

- Review the mechanism of capacity payment, applying the principles of:
 1. Cost-efficiency
 2. Technological neutrality
 3. No payments duplicity
 4. Recognize each technology's real contribution to sufficiency
- Rules that ensure a correct participation of storage systems to the market
- Progress must be made towards a more flexible operation in accordance with the power system of the future

Regulatory challenges and opportunities



Complementary Services

In Jan20, a new regulation for the Complementary Services Market entered into force

Summary

The regulations introduced modifications to implement mechanisms that provide security to the power system

1. Regime under development and improvement
2. Increasingly relevant considering the growth of REVS technologies

Relevant principles

- System stability as a key criteria for decision making
- Prioritize allocation mechanisms that promote greatest possible competition
- Develop (price) signals to incentivize necessary future investments





Power Matrix Decarbonization

An agreement was signed with the Government, but initiatives seek to further accelerate the process

Summary

The Chilean power sector is progressing towards decarbonization

1. Generators signed an agreement with the Government
2. Chile established a carbon neutrality goal by 2050
3. Initiatives seek to accelerate decommissioning

Relevant principles

- The agreed decommissioning timetable considers all relevant aspects for a transition to a carbon neutral matrix
- The decarbonization process must be carried out gradually, considering the development of renewable energy and transmission infrastructure
- An abrupt carbon phase-out could imply:
 1. Higher operational costs
 2. Higher prices for customers
 3. Higher vulnerability of the system

2025 Outlook

12-15 TWh/year

Sold under new contracts largely backed by

100% renewable energy

The commercial portfolio would be largely backed by renewable energy with an average supply cash cost close to

18 USD/MWh



RUN-OF-THE-RIVER POWER PLANTS



RESERVOIR POWER PLANTS



WIND FARMS



SOLAR PV POWER PLANTS



2025 Outlook

Colbún's strategy addresses the new challenges on the basis of a **competitive cost structure**



Average Monomic Price
 Average Supply Cost (cash)

Margin



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4.1

Growth Opportunities Project Pipeline



EDUARDO LAUER

CHIEF ENGINEERING AND
PROJECT MANAGER

Project Pipeline

OBJECTIVE: TO DEVELOP PROJECTS WITH LCOEs IN THE FIRST QUARTILE OF THE INDUSTRY

DEVELOPMENT PHASE



SEARCH CRITERIA

- > High Capacity Factor
- > Close to system connection points
- > Options geographically and strategically distributed



PERMITTING

- > Diligence in permitting
- > Flexibility to accommodate changes in technology
- > Low social and environmental impact

EXECUTION AND OPERATION



CONSTRUCTION

- > Colbún as EPC integrator
- > Simple and innovative designs
- > Good knowledge of, and experience with, local contractors
- > Structure assembled by robots (Solar PV)



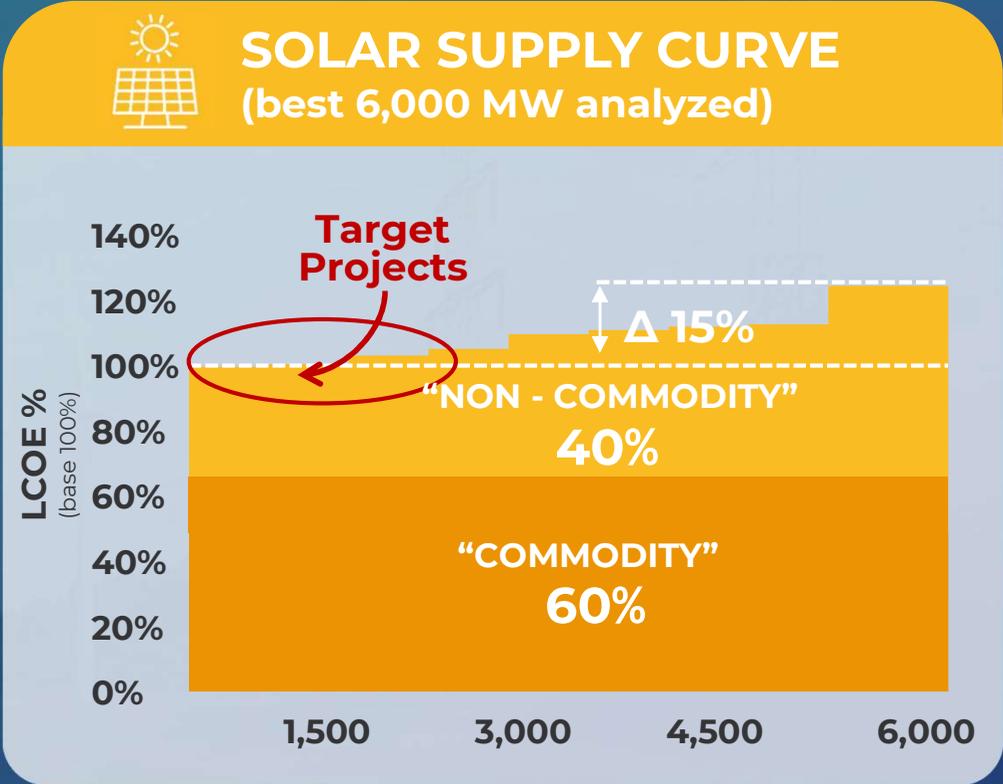
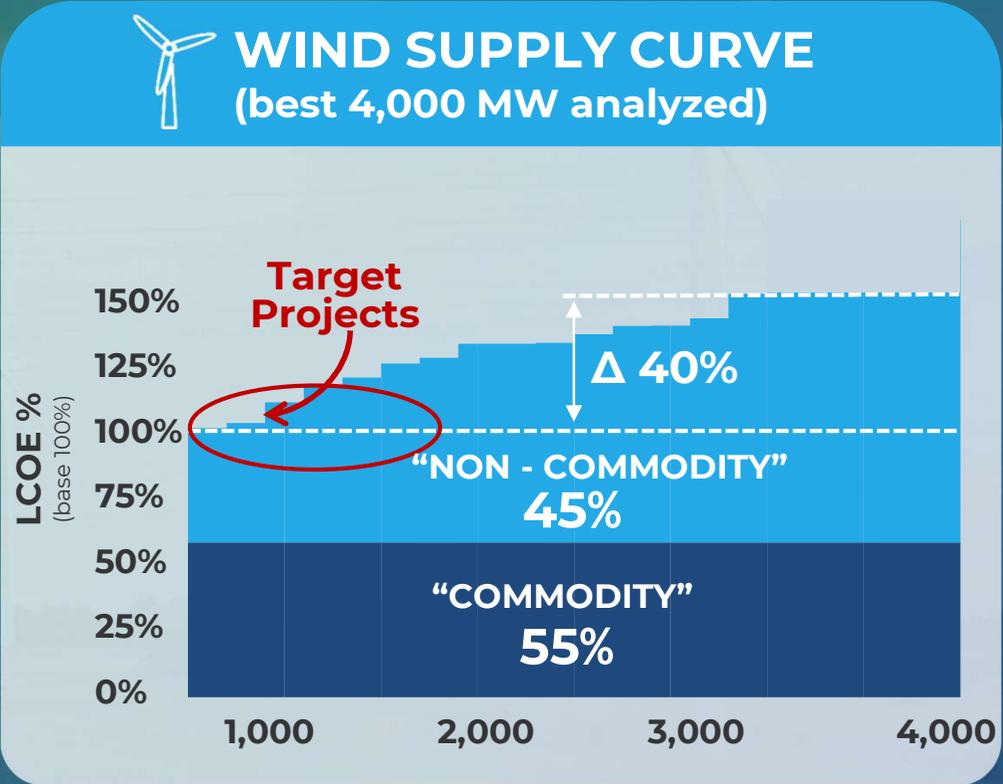
OPERATION

- > Automatization and remote operation
- > Best of class equipment and components
- > Logistic optimization

Project Pipeline

Special focus on managing the “non-commoditized” determinants of LCOE

GROWTH OPPORTUNITIES



“COMMODITY”: wind turbines, O&M for wind turbines, PV modules, trackers, inverters

“NON - COMMODITY”: connection, capacity factor, location (injection – consumption), environment

Project Pipeline update



1,700 MW
Wind farms



1,800 MW
PV plants



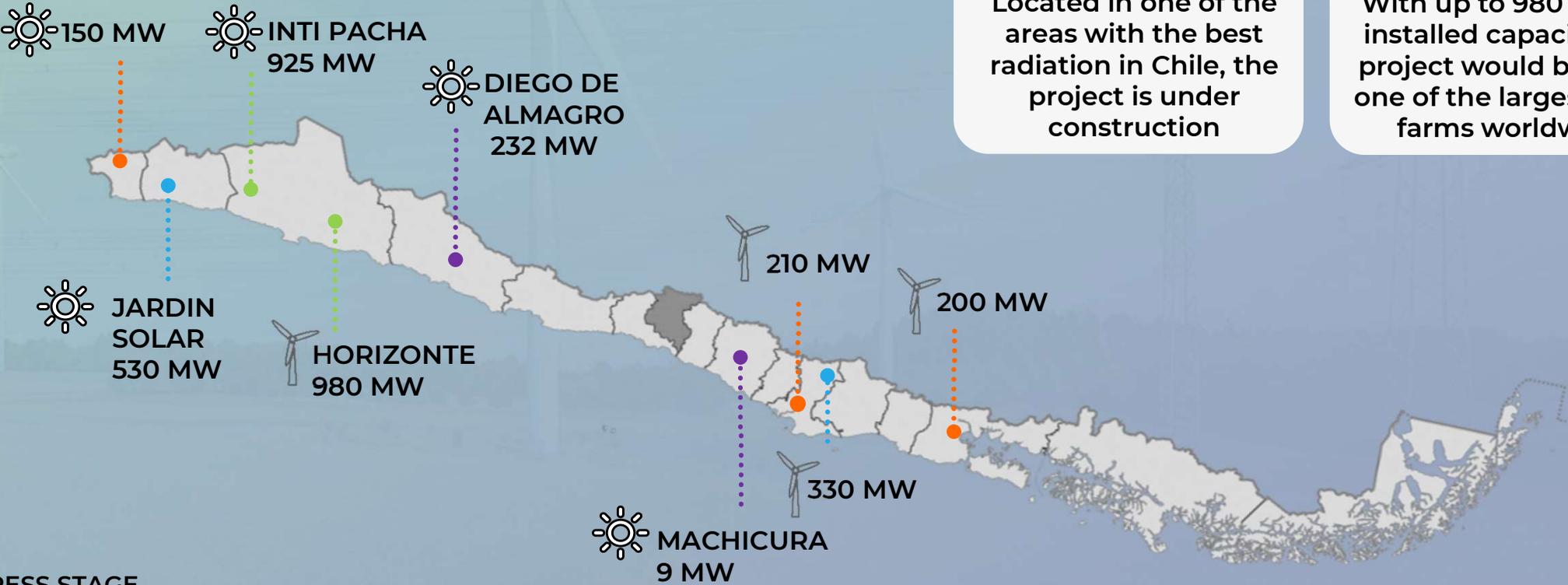
DIEGO DE ALMAGRO

Located in one of the areas with the best radiation in Chile, the project is under construction



HORIZONTE

With up to 980 MW of installed capacity this project would become one of the largest wind farms worldwide



PROGRESS STAGE

- Preliminary studies
- Prefeasibility
- Feasibility
- Construction

Project Pipeline



**PV Project
Diego de Almagro**



Location:
Atacama Region

KEY INDICATORS

Estimated capacity	232 MW
Net annual generation	648 GWh
Estimated capacity factor	35%
Land surface	330 ha
Connection point	S/S Illapa 220 kV (2.6 km)
Env. Impact Study	Approved
Estimated COD	March 2022

Project Pipeline



PV Project
Diego de Almagro

Field Work



LAND PREPARATION FOR PHOTOVOLTAIC FIELD



Project Pipeline



**PV Project
Machicura**



LOCATION:
Colbun, Maule Region

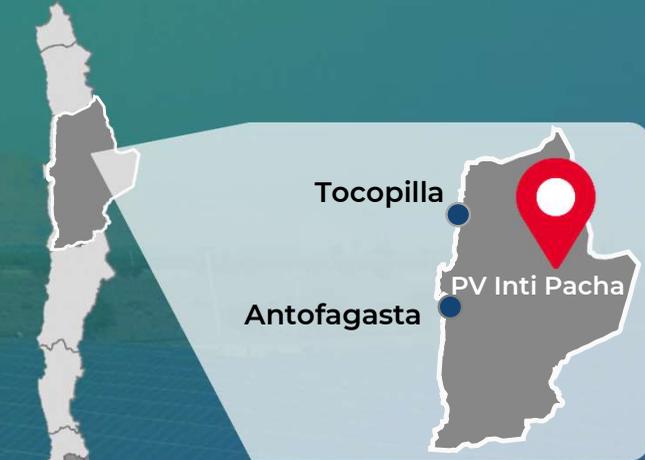
KEY INDICATORS

Estimated capacity	9 MW
Net annual generation	20.5 GWh
Estimated capacity factor	26%
Land surface	20 ha
Connection point	Connected to Colbún's line
Env. Impact Study	Approved
Estimated COD	July 2021

Project Pipeline update



PV Project Inti Pacha



LOCATION:
María Elena, Antofagasta
Region

KEY INDICATORS

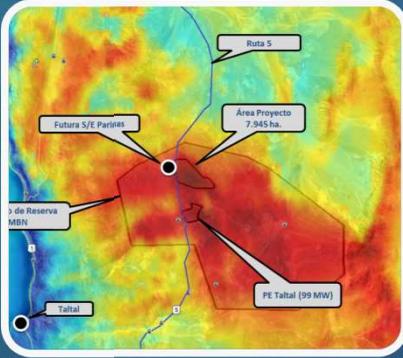
Estimated capacity	480 MW (first phase)
Net annual generation	1,335 GWh
Estimated capacity factor	35%
Land surface	736 ha
Connection point	Crucero S/S 220 kV (9 km)
Env. Impact Study	Approved for 925 MW
Estimated COD	August 2024



Project Pipeline update



Wind Farm Project Horizonte



LOCATION:
Taltal, Antofagasta Region

KEY INDICATORS

Estimated capacity	607 MW (first phase)
Net annual generation	2,029 GWh
Estimated capacity factor	38%
Land surface	8,000 ha
Connection point	Parinas S/S 500/220 kV
Env. Impact Study	In progress for 980 MW
Estimated COD	June 2024

Project Pipeline update



Wind Farm Project
Horizonte

Field Work



Changos-Cumbres
500 kV TEN Line

Render





4.2

Growth opportunities M&A



OLIVIA HEUTS
CHIEF DEVELOPMENT
MANAGER

International expansion



Acquisition must create value to our shareholders



Through internationalization we seek to grow and diversify risk and revenues



Focus on countries with:

- High per capita energy consumption potential
- Power infrastructure requirements
- Adequate regulatory framework

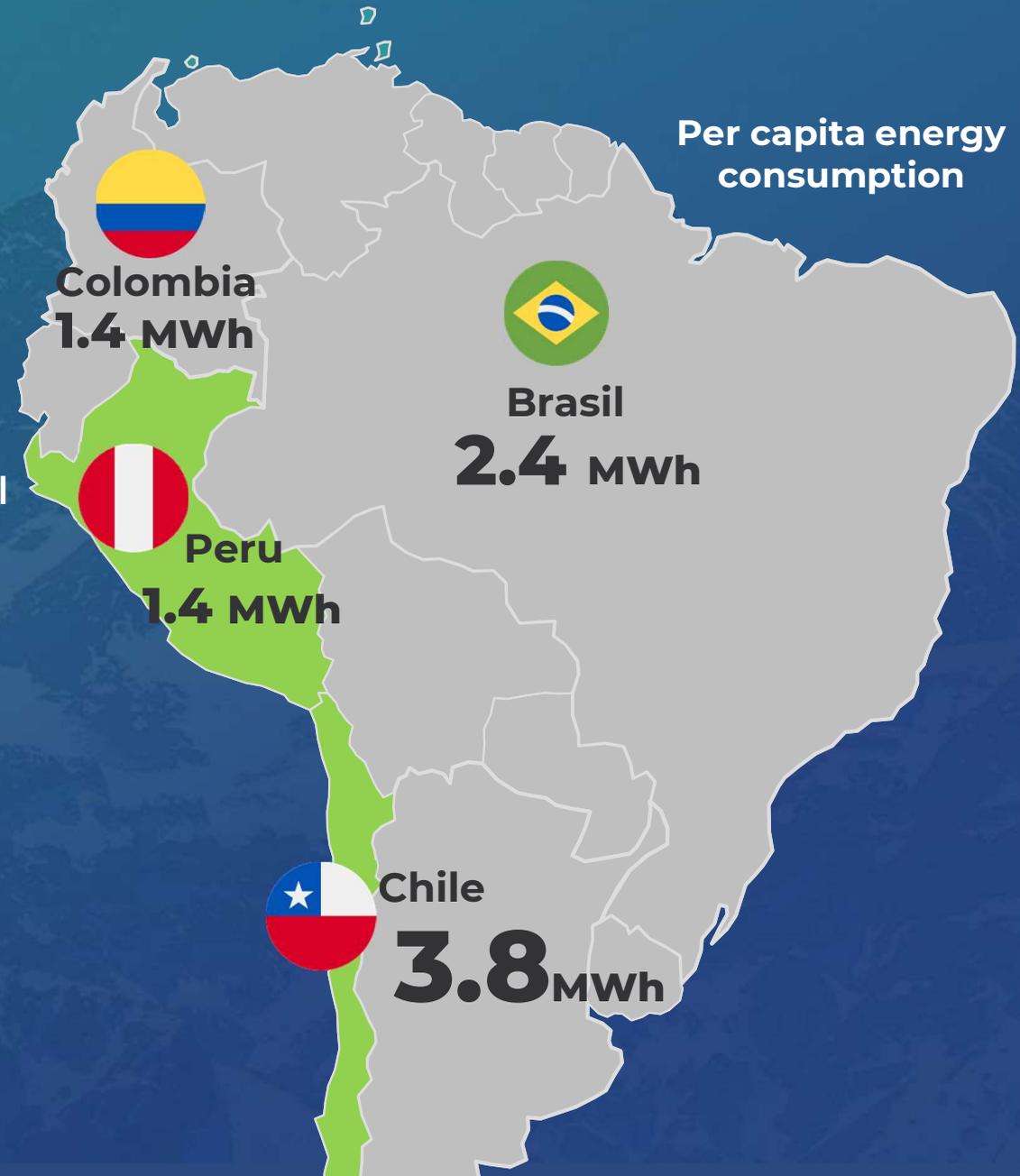


Flexibility in the search for opportunities:

- Competitive sale processes or bilateral negotiations
- Various investment schemes



Exploring businesses adjacent to energy sale



Local potential expansion

GROWTH OPPORTUNITIES

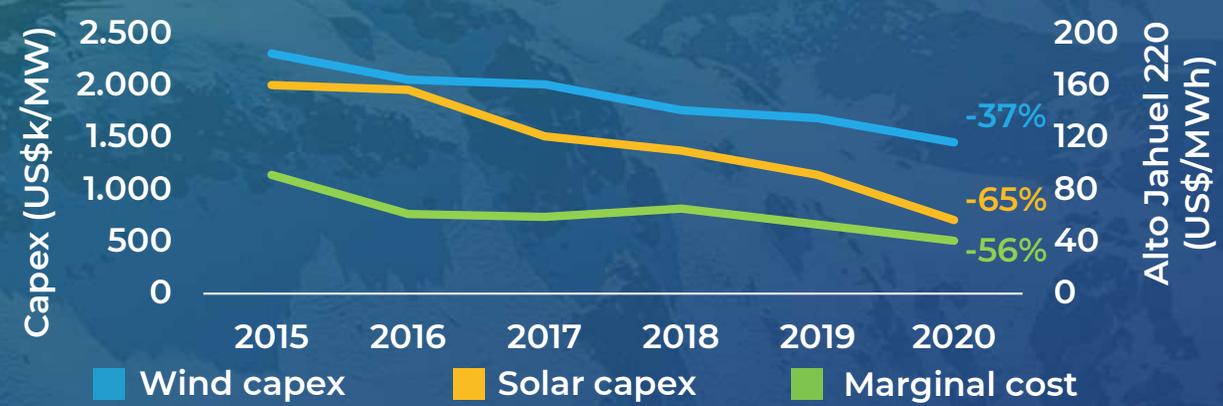
1. Atomized property of solar & wind assets Solar & wind capacity increases (MW)



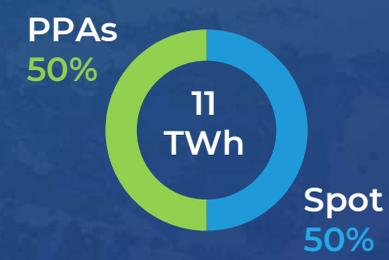
3,104 MW
+ 140 companies
~20% capacity owned by incumbents

2,019 MW
+ 20 companies
~44% capacity owned by incumbents

2. Assets built 5 years ago have been facing headwinds Investment costs & marginal costs



REVS¹ sales 2019



- Opportunities: Focus on the search of assets with **good locations** and **energy available for commercialization**
- High competition: market liquidity (UST10Y < 1%)

¹REVS: Renewable energy from variable sources

