Colbun
MEJOR ENERGÍA

QUARTERLY EARNINGS REPORT

As of September 30, 2022

3RD QUARTER 2022

CONTENTS

3Q22 Earnings Report

Conference Call
3Q22 Results

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1. HIGHLIGHTS

Main Figures at a Consolidated Level

- **Operating income** for the third quarter of 2022 (3Q22) amounted to **US$488.2 million**, increasing 37% compared to operating income recorded in the third quarter of 2021 (3Q21), mainly due to (1) higher income from sales to free customers in Chile, explained by the entry into force of the contract with BHP in Jan22 and higher sales price due to a positive variation of indexers included in energy contracts, and (2) higher income from the sale of energy and capacity in the spot market associated with a higher average sale price, despite lower physical sales in this segment. These effects were partially offset by lower income from sales to regulated customers in Chile, mainly due to the expiration of a contract with CGE in Dec21. **In cumulative terms**, operating income as of Sep22 amounted to **US$1,419.0 million**, increasing 33% compared to Sep21, mainly due to the same reasons that explain the variations in quarterly terms.

- Consolidated **EBITDA** for 3Q22 reached **US$205.1 million**, increasing 186% compared US$71.8 million EBITDA in 3Q21. This increase is mainly explained by (1) the higher income from ordinary activities mentioned above, (2) higher hydraulic and solar generation due to better hydrological conditions and the entry into operation of the Diego de Almagro photovoltaic plant at the beginning of this year and (3) lower cost of gas consumption due to a lower generation with this fuel, as a result of maintenance work at our Nehuenco I and II power plants . This effect was partially offset by an increase in the costs of raw materials and consumables used, mainly as a result of a higher average purchase price of coal and oil. **In cumulative terms**, EBITDA as of Sep22 totaled **US$503.6 million**, increasing 41% compared to Sep21, mainly due to the same reasons that explain the variations in quarterly terms, and considering the EBITDA contribution of Colbun Transmission as of Sep21 for US$36.2 million.

- **Non-Operating Result** in 3Q22 recorded losses of US$34.2 million, decreasing with respect to the gain registered in 3Q21, mainly due to the sale of the subsidiary Colbún Transmission S.A., recognized in that quarter. **In cumulative terms**, the non-operating result as of Sep22 reached losses for **US$105.5 million**, compared to a gain of US$700.2 million as of Sep21. The variation is explained by the same reason mentioned above.

- In 3Q22, a **tax expense** of **US$36.3 million** was recorded, compared to a tax expense of US$202.4 million in 3Q21. The decrease is mainly due to the higher pre- tax profit recorded during 3Q21 associated with the sale of the subsidiary Colbún Transmission S.A. **In cumulative terms**, as of Sep22 a tax expense of **US$61.7 million** was registered, compared to US$303.1 million as of Sep21, due to the same reason that explain the variation in quarterly terms.

- In 3Q22, the Company presented a **profit** of **US$80.7 million**, compared to US$600.9 million registered during 3Q21, mainly due to the same reason that explains the higher non-operating result in that quarter. **In cumulative terms**, Colbun presented a **profit** of **US$174.2 million** as of Sep22, which compares with the profit of US$592.6 million recorded as of Sep21.

Highlights of the quarter

- On August 11, Colbun entered the Environmental Impact Study of Celda Solar photovoltaic and storage project. This PV project would be located in the region of Arica and Parinacota and would be counting with a maximum installed capacity of 421.9 MW, along with a 240 MW battery system for 5 hours, making it one of the largest storage projects in the country.

- On September 21, the Company announced its intention to desist with the execution of the San Pedro Hydroelectric project, thus withdrawing it from the Environmental Impact Study, to focus on its portfolio of solar, wind and storage projects.

- On September 29, the Colbun Hydroelectric Power Plant building received the Sustainable Building Certification, obtaining enough points to be recognized as an Outstanding Certification, thanks to its environmental performance.

Subsequent highlights

- On October 5, the Company signed a green term loan with the Sumitomo Mitsui Banking Corporation, for a total of US$160,000,000, maturing on October 5, 2029. The proceeds from this facility will be used mainly for the financing of renewable energy generation projects.

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 3Q21 and 3Q22 and cumulative as of Sep21 and Sep22.

Table 1: **Physical sales and generation in Chile**

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
8,354	**9,948**	**Total Physical Sales (GWh)**	**2,756**	**3,225**	**19%**	**17%**
2,362	1,839	Regulated Clients	845	668	(22%)	(21%)
5,029	7,114	Unregulated Clients	1,657	2,321	41%	40%
963	996	Sales to the Spot Market	254	236	3%	(7%)
1,311	**1,610**	**Capacity Sales (MW)**	**1,286**	**1,678**	**23%**	**30%**

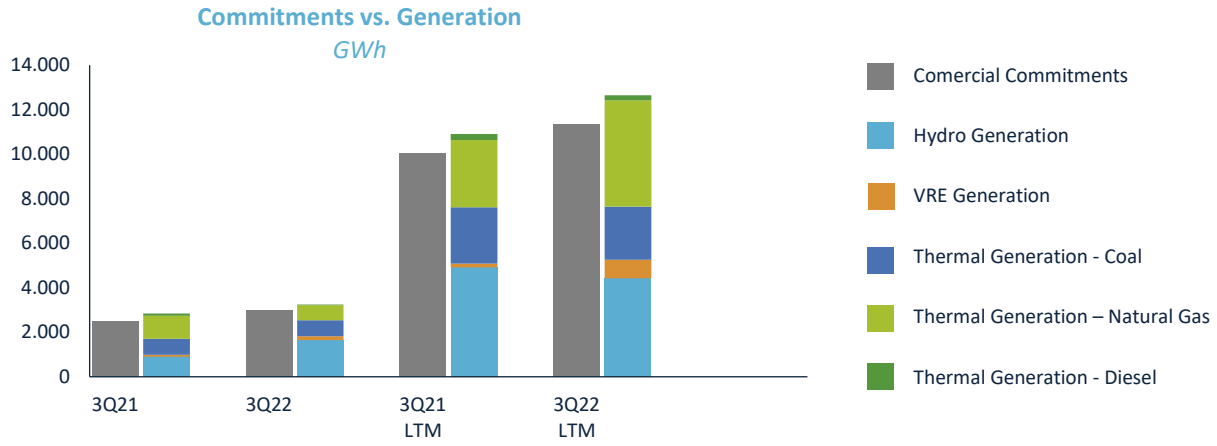
Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
8,454	**10,118**	**Total Generation (GWh)**	**2,849**	**3,245**	**20%**	**14%**
2,941	**3,460**	Hydraulic	899	1,654	**18%**	**84%**
5,371	**5,986**	Thermal	1,861	1,420	**11%**	**(24%)**
2,969	3,772	Gas	1,040	681	27%	(35%)
266	206	Diesel	102	23	(23%)	(78%)
2,136	2,008	Coal	719	717	(6%)	(0%)
142	**673**	VRE*	88	171	**375%**	**93%**
129	363	Wind Farm	85	69	182%	(18%)
13	310	Solar	4	102	-	-
180	**0**	**Spot Market Purchases (GWh)**	**0**	**0**	**-**	**-**
782	**996**	**Sales - Purchases to the Spot Market (GWh)**	**254**	**236**	**27%**	**(7%)**

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

Physical sales during 3Q22 reached **3,225 GWh**, increasing 17% compared to 3Q21, mainly due to higher physical sales to free customers mainly explained by the start of the contract with BHP in Jan22. This effect was partially offset by the expiration of a contract with CGE on Dec21. For its part, **generation** for the quarter reached **3,245 GWh**, increasing 14% compared to 3Q21, mainly due to (1) higher hydroelectric generation (+755 GWh) and (2) higher solar generation (+98 GWh) as a result of the entry into operation of Diego de Almagro PV project. These effects were partially offset by lower gas generation (-359 GWh), mainly associated with maintenance at the Nehuenco I and II plants.

In cumulative terms, physical sales as of Sep22 reached **9,948 GWh**, increasing 19% compared to Sep21, mainly due to the same reasons that explain the variations in quarterly terms. Moreover, **cumulative generation** as of Sep22 reached **10,118 GWh**, increasing 20% compared to Sep21 mainly due to (1) higher gas generation (+803 GWh) due to higher LNG imports and greater availability of Argentine gas with respect to the previous period; (2) an increase in hydroelectric generation (+518 GWh); and (3) the higher solar generation associated with the entry into operation of the Diego de Almagro PV plant, during 1Q22. These effects were partially offset by lower coal generation (-128 GWh) as a result of economic dispatch and service interruptions.

Spot market balance during the quarter registered net sales of **236 GWh**, while in 3Q21 net sales of 254 GWh were registered. This variation is mainly explained by a compensation between higher consumption and higher generation during the quarter. **In cumulative terms**, as of Sep22, the balance in the spot market registered net sales of **996 GWh**, while as of Sep21 net sales of 963 GWh were registered. This variation is mainly explained by a higher accumulated generation.



Generation mix in Chile: As of Sep22, the hydrological year Apr22 – Mar23 accumulates rainfalls similar to an average year in the main basins of the SEN (with the exception of Aconcagua). In this way, the surpluses/deficits were: Aconcagua: -48.9%; Maule: -5.8%; Laja: -2.8%; Biobío: +5.9%; Chapo: -8.9%. Average marginal cost, measured at Alto Jahuel, increased compared to 3Q21, averaging US$119.6/MWh in 3Q22, compared to US$106.7/MWh.

Accumulated Figures		SEN Generation	Quarterly Figures		Var %	Var %
sept-21	sept-22		3Q21	3Q22	Ac/Ac	Q/Q
60,823	**62,457**	**Total Generation (GWh)**	**20,726**	**20,837**	**3%**	**1%**
11,682	13,296	Hydraulic	3,610	5,833	14%	62%
11,288	12,533	Gas	3,976	3,854	11%	(3%)
1,609	1,295	Diesel	746	228	(19%)	(69%)
22,304	16,580	Coal	7,264	4,693	(26%)	(35%)
4,942	6,709	Wind Farm	2,008	2,376	36%	18%
6,976	9,996	Solar	2,444	3,170	43%	30%
2,023	2,047	Otros	678	684	1%	1%

2.2. Physical sales and generation balance in Peru

Table 2 shows a comparison between physical energy and capacity sales and generation in 3Q21 and 3Q22 and cumulative as of Sep21 y Sep22.

Table 2: Physical sales and generation in Peru

Accumulated Figures		Sales	Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
2,622	**3,104**	**Total Physical Sales (GWh)**	**1,184**	**1,150**	**18%**	**(3%)**
1,161	1,464	Regulated Clients	382	482	26%	26%
359	340	Unregulated Clients	125	116	(5%)	(8%)
1,102	1,300	Sales to the Spot Market	677	553	18%	(18%)
563	**568**	**Capacity Sales (MW)**	**565**	**570**	**1%**	**1%**

Accumulated Figures		Generation	Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
2,509	**3,132**	**Total Generation (GWh)**	**1,210**	**1,176**	**25%**	**(3%)**
2,509	3,132	Gas	1,210	1,176	25%	(3%)
178	**44**	**Spot Market Purchases (GWh)**	**-**	**-**	**(75%)**	-
925	**1,256**	**Sales - Purchases to the Spot Market (GWh)**	**677**	**553**	36%	(18%)

Physical sales during 3Q22 reached **1,150 GWh**, decreasing by 3% compared to 3Q21. The lower physical sales are mainly explained by the lower sales of energy to the spot market as a result of a lower generation, due to the lower availability of the Fenix thermal power plant due to maintenance.
In cumulative terms, physical sales as of Sep22 reached **3,104 GWh**, increasing 18% compared to Sep21, mainly due to (1) higher sales in the spot market as a result of higher generation and (2) higher sales to regulated customers.

Aditionally, **Fenix's generation** reached **1,176 GWh**, decreasing by 3% compared to 3Q21, mainly due to a lower availability of the plant due to maintenance.
In cumulative terms, Fenix's generation as of Sep22 increased by 25%, reaching **3,132 GWh**, mainly as a result of (1) higher plant availability and (2) higher system demand.

Spot market balance registered net sales of 553 GWh, compared to net sales of 677 GWh during 3Q21, due to the lower generation registered in the period. **In cumulative terms**, as of Sep22, net sales of 1,256 GWh were recorded, compared to net sales of 925 GWh recorded as of Sep21; the variations are mainly explained by the higher generation and demand of the system.

Generation mix in Peru: The Mantaro river basin, which supplies the main hydroelectric complex in Peru, CH Mantaro and CH Restitución (900 MW), presented a hydrological condition with a probability of exceedance of 36% as of September 2022 vs. 52% as of September 2021.

In cumulative terms, hydroelectric generation in the National Interconnected Electric System (SEIN) decreased by 1.3% compared to Sep21, mainly due to scheduled maintenance of hydroelectric plants. On the other hand, thermoelectric generation increased by 10% as of Sep22 compared to Sep21, due to lower hydraulic production and the recovery of system demand.

The growth rate of electricity demand at the end of 3Q22 was 4.2%, compared to 3Q21, showing greater dynamism in the industry.

3. INCOME STATEMENT ANALYSIS

Table 3 presents a summary of the Consolidated Income Statement (Chile and Peru) in 3Q21 and 3Q22 and cumulative as of Sep21 and Sep22.

Table 3: Income Statement (US$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
1.064,8	**1.419,0**	**OPERATING INCOME**	**357,1**	**488,2**	**33%**	**37%**
339,7	339,0	Regulated Customers Sales	117,1	123,2	(0%)	5%
488,8	729,8	Unregulated Customers Sales	153,7	249,2	49%	62%
157,9	316,0	Energy and Capacity Sales	64,4	104,6	100%	62%
41,9	0,0	Transmission Tolls	2,9	-	(100%)	-
36,6	34,2	Other Operating Income	19,0	11,3	(7%)	(41%)
(606,0)	**(812,8)**	**RAW MATERIALS AND CONSUMABLES USED**	**(253,3)**	**(248,6)**	**34%**	**(2%)**
(84,8)	(105,1)	Transmission Tolls	(23,9)	(31,6)	24%	32%
(47,8)	(106,1)	Energy and Capacity Purchases	(18,5)	(37,3)	122%	101%
(310,3)	(384,9)	Gas Consumption	(149,9)	(115,3)	24%	(23%)
(43,2)	(65,1)	Diesel Consumption	(18,8)	(7,2)	51%	(62%)
(72,9)	(104,6)	Coal Consumption	(26,6)	(41,6)	43%	56%
(47,1)	**(47,0)**	Other Operating Expenses	(15,5)	(15,6)	(0%)	1%
458,8	**606,2**	**GROSS PROFIT**	**103,8**	**239,6**	**32%**	**131%**
(62,1)	(62,2)	Personnel Expenses	(19,3)	(20,7)	0%	7%
(40,8)	(40,4)	Other Expenses, by Nature	(12,7)	(13,7)	(1%)	8%
(160,5)	(162,1)	Depreciation and Amortization Expenses	(53,0)	(54,0)	1%	2%
195,4	**341,5**	**OPERATING INCOME (LOSS) (*)**	**18,9**	**151,1**	**75%**	**700%**
355,9	**503,6**	**EBITDA**	**71,8**	**205,2**	**41%**	**186%**
3,4	14,1	Financial Income	0,9	7,4	321%	684%
(64,6)	(64,3)	Financial Expenses	(21,0)	(22,8)	(0%)	9%
(12,5)	(12,9)	Exchange rate Differences	(10,3)	(3,5)	4%	-
5,4	8,4	Profit (Loss) of Companies Accounted for Using the Equity Method	2,1	3,2	57%	56%
768,6	(50,8)	Other Profit (Loss)	812,8	(18,5)	-	-
700,2	**(105,5)**	**NON-OPERATING INCOME**	**784,4**	**(34,2)**	**-**	**-**
895,6	**236,0**	**PRE-TAX PROFIT (LOSS)**	**803,3**	**117,0**	**(74%)**	**(85%)**
(303,1)	**(61,7)**	Income Tax Expense	(202,4)	(36,3)	(80%)	(82%)
592,6	**174,3**	**AFTER TAX PROFIT (LOSS)**	**600,9**	**80,7**	(71%)	**(87%)**
600,4	**167,0**	**PROFIT (LOSS) OF CONTROLLER**	**604,2**	**80,6**	(72%)	**(87%)**
(7,8)	**7,2**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**(3,2)**	**0,1**	**-**	**-**

(*): The subtotal shown in "OPERATING INCOME" presented herein, differs from the "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF (Financial Market Commission), by means of which the concept of "Other Profit (loss)", which in the case of Colbún are only non-operating items, was incorporated as an operating item in the Financial Statements.

(**) Consolidated EBITDA as of 3Q21 and Sep21 includes the contribution to EBITDA of Colbún Transmission S.A. This value is not included in the individual analysis of the Chile Operating Income segment since it only considers the figures for the Generation business. Given the above, for the year 2021, the sum of the Operating Results of Chile and Peru reported at the individual level is lower than the Operating Results shown at the consolidated level.

Table 4: **Closing Exchange Rates**

Exchange Rates	Sep-21	Dec-21	Sep-22
Chile (CLP / US$)	811,90	844,69	960,24
Chile UF (CLP/UF)	30.088,37	30.991,74	34.258,23
Peru (PEN / US$)	4,14	4,00	3,98

3.1. Chile's Operating Income Analysis

Table 5 presents a summary of Operating Income and EBITDA in 3Q21 and 3Q22. Subsequently, the major accounts and/or variations will be analyzed.

Tabla 5: **EBITDA Chile (US$ million)**

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
907.0	**1,251.7**	**OPERATING INCOME**	**296.2**	**429.0**	**38%**	**45%**
261.7	230.9	Regulated Customers Sales	92.5	87.1	(12%)	(6%)
471.8	715.4	Unregulated Customers Sales	149.1	244.4	52%	64%
130.0	278.4	Energy and Capacity Sales	45.7	87.6	114%	91%
43.5	27.0	Other Operating Income	8.8	10.0	(38%)	13%
(563.4)	**(728.8)**	**RAW MATERIALS AND CONSUMABLES USED**	**(235.5)**	**(218.1)**	**29%**	**(7%)**
(106.7)	(100.7)	Transmission Tolls	(31.3)	(30.3)	(6%)	(3%)
(46.6)	(102.7)	Energy and Capacity Purchases	(18.4)	(36.1)	120%	96%
(256.2)	(315.3)	Gas Consumption	(128.2)	(89.8)	23%	(30%)
(42.9)	(65.0)	Diesel Consumption	(18.8)	(7.2)	52%	(62%)
(72.9)	(104.6)	Coal Consumption	(26.6)	(41.6)	43%	56%
(38.1)	(40.5)	Other Operating Expenses	(12.1)	(13.1)	6%	8%
343.6	**522.9**	**GROSS PROFIT**	**60.7**	**210.9**	**52%**	**247%**
(57.2)	(56.1)	Personnel Expenses	(17.7)	(18.9)	(2%)	7%
(35.0)	(34.8)	Other Expenses, by Nature	(10.8)	(11.6)	(1%)	8%
(131.2)	(135.5)	Depreciation and Amortization Expenses	(44.2)	(45.1)	3%	2%
120.1	**296.5**	**OPERATING INCOME (LOSS) (*)**	**(12.0)**	**135.2**	**147%**	**-**
251.4	**432.0**	**EBITDA**	**32.2**	**180.4**	**72%**	**460%**

(*): 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 3Q 2022 amounted to **US$429.0 million**, increasing 45% compared to the operating income of US$296.2 million recorded in 3Q21, mainly due to (1) higher sales to unregulated clients, driven by the entry into force of the contract with BHP in Jan22 and higher sales price due to a positive variation of indexers included in energy contracts, and (2) higher energy and capacity sales in the spot market driven by a higher average sale price, despite the lower physical sales in that segment. These effects were partially offset by lower sales to regulated clients, mainly driven by the expiration of a contract with CGE in Dec21. **In cumulative terms**, operating income as of Sep22 amounted to **US$1,251.7 million**, increasing 38% compared to Sep21, mainly driven by the same reasons that explain variations in quarterly terms.

● **Raw materials and consumables used costs** amounted to **US$218.1 million** in 3Q22, decreasing 7% compared to 3Q21, mainly due to lower gas and diesel consumption costs due to lower generation in the quarter with these fuels, as a result of maintenance work at our Nehuenco I and II power plants. This effect was partially offset due to a higher average purchase price in coal, gas and diesel. **In cumulative terms**, as of Sep22 raw materials and consumables used costs reached **US$728.8**

million, increasing 29% compared to Sep21, mainly due to (1) higher gas consumption costs due a greater generation with this fuel, (2) higher costs of coal and diesel consumption, due to a higher average purchase price and (3) higher purchases of energy and capacity as a result of the start of the contract with Total SunPower.

- **EBITDA** in 3Q22 reached **US$180.4 million**, increasing compared to the EBITDA of US$32.2 million in 3Q21, mainly due to (1) higher operating income mentioned above and (2) higher hydraulic and photovoltaic generation, to the detriment of thermal generation. These effects were partially offset by a higher average purchase price of the previously mentioned raw materials and consumables used.

In cumulative terms, EBITDA as of Sep22 recorded **US$432.0 million**, increasing 72% compared to Sep21, mainly driven by the same reasons that explain variations in quarterly terms.

3.2. Peru's Operating Income Analysis

Table 6 shows a summary of Fenix's Operating Income and EBITDA for the quarters 3Q21 and 3Q22 and cumulative as of Sep21 and Sep22. Subsequently, the main accounts and/or variations will be analyzed.

Table 6: EBITDA Peru (US$ million)

Accumulated Figures			Quarterly Figures		Var %	
Jun-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
126.8	**167.3**	**OPERATING INCOME**	**49.0**	**59.2**	**32%**	**21%**
78.1	108.1	Regulated Customers Sales	24.6	36.1	38%	47%
17.0	14.5	Unregulated Customers Sales	4.6	4.8	(15%)	6%
27.8	37.6	Energy and Capacity Sales	18.6	17.0	35%	(9%)
3.9	7.2	Other Operating Income	1.2	1.3	83%	9%
(65.3)	**(84.1)**	**RAW MATERIALS AND CONSUMABLES USED**	**(25.8)**	**(30.6)**	**29%**	**18%**
(3.2)	(4.5)	Transmission Tolls	(1.5)	(1.3)	39%	(10%)
(1.6)	(3.4)	Energy and Capacity Purchases	(0.5)	(1.3)	105%	174%
(54.1)	(69.5)	Gas Consumption	(21.7)	(25.5)	29%	17%
(0.3)	0.0	Diesel Consumption	-	-	-	-
(6.1)	(6.7)	Other Operating Expenses	(2.2)	(2.5)	10%	16%
61.5	**83.1**	**GROSS PROFIT**	**23.2**	**28.6**	**35%**	**23%**
(4.9)	(6.1)	Personnel Expenses	(1.6)	(1.8)	24%	15%
(5.3)	(5.7)	Other Expenses, by Nature	(1.7)	(2.0)	7%	17%
(26.5)	(26.6)	Depreciation and Amortization Expenses	(8.8)	(8.9)	0%	1%
24.7	**44.8**	**OPERATING INCOME (LOSS) (*)**	**11.1**	**15.9**	**81%**	**43%**
51.2	**71.4**	**EBITDA**	**19.9**	**24.7**	**39%**	**25%**

(*): 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 3Q22 amounted **US$59.2 million**, increasing 21% compared to the operating income of US$49.0 million recorded in 3Q21, mainly due to (1) higher sales to regulated clients and (2) and higher sales price, across all customer segments, due to positive variation of indexers included in energy contracts and higher marginal costs. This effect was partially offset by lower sales to the spot market, mainly driven by a lower generation due to lower plant availability. **In cumulative terms**, operating income as of Sep22 amounted to **US$167.3 million**, increasing 32% compared to as of Sep21, mainly as a result of higher physical sales, both to regulated clients and in the spot market, due to a higher demand from the system.

- **Raw materials and consumables used costs** in 3Q22 reached **US$30.6 million**, increasing 18% compared to 3Q21, mainly driven by a higher cost of gas due to higher fuel prices. **In cumulative terms**, raw materials and consumable used costs as of Sep22 reached **US$84.1 million,** increasing 29% compared to Sep21, mainly due to higher gas consumption in the year, due to higher generation.

- **Fenix's EBITDA totaled US$24.7 million** as of 3Q22, increasing 25% compared to the EBITDA of US$19.9 million registered in 3Q21, mainly due to the higher operating income explained above. This effect was partially offset by the higher raw materials and consumables used previously explained. **In cumulative terms**, EBITDA as of Sep22 totaled **US$71.4 million**, increasing 39% compared to Sep21, mainly due to the same reasons that explain the variations in quarterly terms.

3.3. Consolidated Non-Operating Results Analysis (Chile and Peru)

Table 7 shows a summary of the Consolidated Non-Operating Result (Chile and Peru) in 3Q21 and 3Q22 and cumulative as of Sep21 and Sep22. Subsequently, the main accounts and/or variations will be analyzed.

Table 7: Consolidated Non-Operating Result (US$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Jun-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
3.4	14.1	Financial Income	0.9	7.4	321%	684%
(64.6)	(64.3)	Financial Expenses	(21.0)	(22.8)	(0%)	9%
(12.5)	(12.9)	Exchange rate Differences	(10.3)	(3.5)	4%	(67%)
5.4	8.4	Profit (Loss) of Companies Accounted for Using the Equity Method	2.1	3.2	57%	56%
768.6	(50.8)	Other Profit (Loss)	812.8	(18.5)	(107%)	(102%)
700.2	**(105.5)**	**NON-OPERATING INCOME**	**784.4**	**(34.2)**	-	-
895.6	**236.0**	**PRE-TAX PROFIT (LOSS)**	**803.3**	**117.0**	**(74%)**	**(85%)**
(303.1)	(61.7)	Income Tax Expense	(202.4)	(36.3)	(80%)	(82%)
592.6	**174.3**	**AFTER TAX PROFIT (LOSS)**	**600.9**	**80.7**	(71%)	**(87%)**
600.4	**167.0**	**PROFIT (LOSS) OF CONTROLLER**	**604.2**	**80.6**	(72%)	**(87%)**
(7.8)	**7.2**	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST**	**(3.2)**	**0.1**	-	-

- **Non-Operating Result** in 3Q22 recorded losses of US$34.2 million, decreasing with respect to the gain registered in 3Q21, mainly due to the sale of the subsidiary Colbún Transmission S.A., recognized in that quarter. **In cumulative terms**, the non-operating result as of Sep22 reached losses for **US$105.5 million**, compared to a gain of US$700.2 million as of Sep21. The variation is explained by the same reasons mentioned above.

- In 3Q22, a **tax expense** of **US$36.3 million** was recorded, compared to a tax expense of US$202.4 million in 3Q21. The decrease is mainly due to (1) the higher pre-tax profit recorded during 3Q21 associated with the sale of the subsidiary Colbún Transmission S.A. **In cumulative terms**, as of Sep22 a tax expense of **US$61.7 million** was recorded, compared to US$303.1 million as of Sep21, due to the same reasons that explain the variation in quarterly terms.

- In 3Q22, the Company presented a **profit** of **US$80.7 million**, compared to US$600.9 million registered during 3Q21, mainly due to the same reason that explains the higher non-operating result in that quarter. **In cumulative terms**, Colbun presented a **profit** of **US$174.2 million** as of Sep22, which compares with the profit of US$592.6 million recorded as of Sep21.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 8 shows an analysis of the Balance Sheet's relevant accounts as of Dec21 and Sep22. Subsequently, the main variations will be analyzed.

Table 8: Consolidated Balance Sheet Main Accounts for Chile and Peru (US$ million)

	Dec-21	Sep-22	Var	Var %
Current assets	1,766.4	1,536.0	(230.4)	(13%)
Non-current assets	4,836.1	4,869.9	33.8	1%
TOTAL ASSETS	**6,602.5**	**6,405.9**	**(196.6)**	**(3%)**
Current liabilities	679.0	390.6	(288.4)	(42%)
Non-current liabilities	3,082.1	3,068.7	(13.3)	(0%)
Total net equity	2,841.4	2,946.6	105.2	4%
TOTAL LIABILITIES AND NET EQUITY	**6,602.5**	**6,405.9**	**(196.6)**	**(3%)**

- **Current Assets:** Recorded US$1,536.0 million as of Sep22, decreasing 13% compared to current assets recorded as of Dec21, mainly due to a decrease in Cash and Financial Investments as a result of prepayment of the Company's local bonds in Jan22, for US$181 million and dividend distribution in May22 for US$73 million.

- **Non-current Assets:** Recorded US$4,869.9 million as of Sep22, in line with the non-current assets recorded as of Dec21.

- **Current Liabilities:** Totaled US$390.6 million as of Sep22, decreasing 42% compared to the current liabilities recorded as of Dec21, mainly due to (1) the prepayment of the Company's local bonds in Jan22, for US$181 million and (2) Income tax payment for US$ 93.7 million.

- **Non-current liabilities:** Reached US$3,068.7 million as of Sep22, in line compared to the non-current liabilities recorded as of Dec21.

- **Total Net Equity:** The Company reached a net equity of US$2,946.6 million, increasing 4% compared to the net equity registered as of Dec21, mainly due to the profits recorded during the period. This effect was partially offset by dividends distribution during the period for US$73 million.

Tabl3 9: Main Debt Items (US$ million)

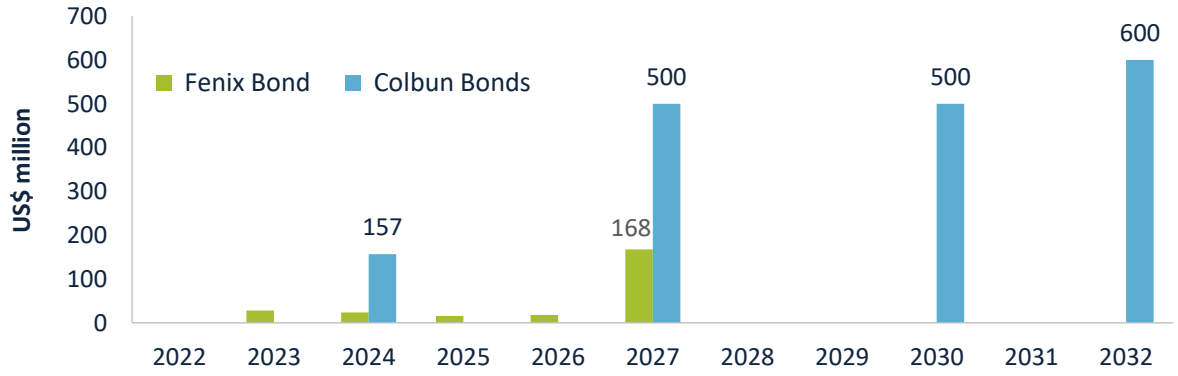
	Dec-21	Sep-22	Var	Var %
Gross Financial Debt*	2,310.5	2,111.9	(198.6)	(9%)
Financial Investments**	1,419.2	1,175.9	(243.3)	(17%)
Net Debt	891.2	936.0	44.8	5%
EBITDA LTM	520.2	667.9	147.7	28%
Net Debt/EBITDA LTM	1.7	1.4	(0.3)	(18%)

(*) The amount includes debt associated with Fenix without recourse to Colbún: (1) an international bond with an outstanding capital of US$254.0 million, (2) a financial lease for US$12.5 million associated with a transmission contract with Consorcio Transmantaro, (3) a US$104.1 million financial leasing associated with a gas distribution contract with Calidda; and (4) credit lines for US$25 million

(**) The account "Financial Investments" presented includes: (1) the amount associated to time deposits that, for having an investment term of more than 90 days, are recorded as "Other Current Financial Assets" in the Financial Statements; y (2) an investment in a fixed-income portfolio, which, for having an investment term of more than 1 year, is recorded as "Other Non-Current Financial Assets" in the Financial Statements.

Table 10: Long Term Financial Debt

Average Life	6.5 years
Average Interest Rate	3.6% (100% fixed rate)
Currency	100% USD



5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators as of Dec21 and Sep22 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 11: Financial Ratios

Ratio	Dec-21	Sep-22	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	2.60	3.93	51%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	2.55	3.74	47%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	1.32	1.17	-11%
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	18.05%	11.29%	-37%
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	81.95%	88.71%	8%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	10.56	2.92	-72%
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	16.81%	4.21%	-75%
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	8.24%	1.72%	-79%
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	6.54%	10.19%	56%

Income Statement ratios correspond to last 12 months values.

- Average Net Equity: Equity of the current quarter plus equity one year ago divided by two.
- Total Average Total Asset: Current total assets plus total assets one year ago divided by two.
- Average Operational Asset: Current total property, plants and equipment plus total property, plants and equipment one year ago divided by two.

- **Current Liquidity** and **Acid Test Ratio** reached **3.93x** y **3.74x** as of Sep22, increasing 51% y 47% respectively compared to Dec21, mainly due to the decrease in current liabilities driven by income tax payment in Apr22.

- The **Indebtedness Ratio** recorded **1.17x** as of Sep22, decreasing 11% compared to the value of 1.32x as of Dec21, primarily due to the prepayment of the local bonds (Series F and I) previously mentioned.

- The percentage of **Short-Term Debt** as of Sep22 was **11.29%,** decreasing compared to the value of 37% as of Dec21, mainly due to the prepayment of the local bonds (Series F and I) previously mentioned, which as of Dec21 had been reclassified from non-current liabilities to current, after the prepayment announcement was made.

- The percentage of **Long-Term Debt** as of Sep22 was **88.71%,** increasing 8% compared to the value of 81.95% as of Dec21, mainly due to the prepayment of the local bonds (Series F and I) previously mentioned, which as of Dec21 had been reclassified from non-current liabilities to current, after the prepayment announcement was made.

- The **Financial Expenses Coverage** as of Sep22 reached **2.92x,** decreasing 72% compared to the value as of Dec21. The variation is explained due the higher profits in the year 2021, mainly explained the sale of the subsidiary Colbún Transmisión S.A.

- The **Equity Profitability** as of Sep22 was **4.21%,** decreasing 75% compared to the value of 16.81% as of Dec21. The variation is explained due the higher profits in the year 2021, mainly explained the sale of the subsidiary Colbún Transmisión S.A.

- **Asset Profitability** as of Sep22 was **1.72%,** decreasing 79% compared to the value of 8.24% as of Dec21, essentially due to the sale of the subsidiary Colbún transmission S.A. in the year 2021.

- The **Performance of Operating Assets** as of Sep22 was **10.19%,** increasing 56% compared to the value of 6.54% as of Dec21, mainly due to the higher operating income registered during the last 12 months.

6. CONSOLIDATED CASH FLOW ANALYSIS

The Company's Cash Flow changes are shown in the following table:

Table 12: Cash Flow Summary for Chile and Peru (US$ million)

Accumulated Figures			Quarterly Figures		Var %	Var %
Sep-21	Sep-22		3Q21	3Q22	Ac/Ac	Q/Q
967.4	**1,419.2**	**Cash Equivalents, Beg. of Period***	**790.1**	**989.8**	**47%**	**25%**
316.6	313.5	Net cash flows provided by (used in) operating activities	94.3	322.2	(1%)	242%
(358.5)	(374.3)	Net cash flows provided by (used in) financing activities	(35.3)	(50.2)	4%	42%
970.8	(168.0)	Net cash flows provided by (used in) investing activities**	1047.2	(78.6)	-	-
928.8	**(228.8)**	**Net Cash Flows for the Period**	**1,106.2**	**193.4**	**-**	**(83%)**
(10.3)	**(14.6)**	**Effects of exchange rate changes on cash and cash equivalents**	**(10.3)**	**(7.5)**	**42%**	**(27%)**
1,886.0	**1,175.8**	**Cash Equivalents, End of Period**	**1,886.0**	**1,175.8**	**(38%)**	**(38%)**

(*) The account "Cash and Cash Equivalents" presented includes: (1) the amount associated to time deposits that, for having an investment term of more than 90 days, are recorded as "Other Current Financial Assets" in the Financial Statements.; and (2) an investment in a fixed-income portfolio, which, for having an investment term of more than 1 year, is recorded as "Other Non-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 and the investment in a fixed income portfolio.

During 3Q22, the Company presented a **positive net cash Flow of US$193.4 million**, compared to the positive net cash flow of US$1,106.2 million in 3Q21.

- **Operating Activities:** During 2Q22, a positive net Flow of **US$322.2 million** was generated, which compares with the positive net flow of US$94.3 million in 3Q21, mainly explained by (1) higher operating income recorded during the period; and (2) a non-recurring flow associated with the result of an arbitrage for CO2 emissions that the Company had in force with a client, where the result implied a payment in favor of the company for US$66.3 million, partially offset by higher operating expenses paid during the quarter. **In cumulative terms**, a positive net flow of US$313.5 million was recorded, which compares with the positive net flow of US$316.6 million as of Sep21, mainly explained by a higher income tax payment associated with the sale of Colbún Transmission S.A.

- **Financing Activities:** Generated a negative net flow of **US$50.2 million** during 3Q22, compared to a negative net flow of US$35.3 million as of 3Q21, mainly explained by the first interest payment in July of the bond issued in 2021. **In cumulative terms**, a negative net flow of US$374.3 million was recorded during 3Q22, which compares with the negative net flow of US$358.5 during 3Q21, mainly explained by the lower dividend distributed in the period (in 3Q21 they were distributed US$246 million, while, in 3Q22 was US$72 million), compensated by the prepayment of local bonds of the Company in Jan22 for US$181 million.

- **Investment Activities:** Generated a negative net flow of **US$78.6 million** during 3Q22, compared to a positive net flow of US$1,047.2 million in 3Q21, mainly explained by the funds received associated with the sale of the subsidiary Colbún Transmission S.A. **In cumulative terms**, a negative net flow of US$168.0 million was recorded, compared to a positive net flow of US$970.8 million as of Sep21, mainly explained by the same reasons that explain the variations in quarterly terms.

7. ENVIRONMENT AND RISK ANALYSIS

Colbun S.A. is a power generation company whose installed capacity reaches 3,798 MW composed by 2,153 MW of thermal units, 1,627 MW of hydraulic units and 239 MW of the solar photovoltaic power plants. The Company operates in the National Electric System (SEN) in Chile, representing 15% of the market. It also operates in the National Interconnected Electric System (SEIN) in Peru, where it has approximately 7% of market share. Both participations measured in terms of 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.

7.1 Medium-term outlook in Chile

As of Sep22, the hydrological year Apr22 – Mar23 accumulates rainfall similar to an average year in the main basins of the SEN (with the exception of Aconcagua). In this way, the surpluses/deficits were: Aconcagua: -48.9%; Maule: -5.8%; Laja: -2.8%; Biobío: +5.9%; Chapo: -8.9%. Compared to 2021, the Aconcagua basin presented slightly higher rainfall by +6.1%, as well as Canutillar by +6%, on the other hand, the Maule, Biobío and Laja basins presented higher rainfall than the previous hydrological year by +83.4%, +54.9% and +19.4% respectively. In terms of inflow energy, as of September 2022, the current hydrological year has an Probability of Exceedance of 84%.

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 contracts have been signed with Argentine producers (Pampa Energía, Pan American Energy, Pluspetrol and Total Austral), to complement the supply of LNG as of October 2022. Considering these new contracts, Colbún has agreements from Argentina that totalize 3.030.000 m3 of gas per day, for the period of Oct22 to Apr23. During the winter period of 2022, May to September, Argentine natural gas has continued to be nominated and an average of 897.000 m3/day has been received in May, 516.000 m3/day in June, 1.075.000 m3/day in July, 718.000 m3/day in August and 1.393.000 m3/day in September.

During 2022, Colbún has continued participating in various supply bidding processes, favoring the renewal of current unregulated client’s and the contracting of new clients for more than 5 years of supply.

This year contracts have been signed with 10 clients for 204 GWh/year. Among the sign contracts, the contracting of the CCU Group is the most relevant one, implying 192 GWh/year for 8 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 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 the third quarter of 2022, the SEIN registered a hydrological condition with a probability of exceedance of 35,94%, compared to 51,83% recorded during 2021.

As of Sep22, energy demand growth reached 4,2% compared to the same period of 2021, due to the electricity demand recovery. On the other hand, compared to the previous quarter, in 3Q22 the energy demand increased by 3,8%, due to the recovery of important mining companies.

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 3Q22 reached US$31,8/MWh.

7.3 Growth plan and long-term actions

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

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

In Chile, Colbun has several potential projects currently in different stages of development, including wind, solar and hydroelectric projects.

Generation projects under development

Project	Installed Capacity	Technology	Location	Status
Horizonte	812 MW	Wind	Antofagasta Region	Under Construction
Baterías Diego de Almagro	8 MW/ 32 MWh	Bateries	Atacama Region	Under Construction
Inti Pacha I,II&II	750 MW	Photovoltaic	Antofagasta Region	Environmentally Approved
Jardín Solar	537 MW	Photovoltaic	Tarapacá Regiion	Environmentally Approved
Los Junquillos	360 MW	Wind	Biobío Region	Preparing ES
Celda Solar	156 MW	Photovoltaic	Arica Region	Preparing ES

- **Horizonte Wind Farm (812 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 812 MW, increasing from the installed capacity previously reported, which is made up of 140 machines of 5,8 MW each and an average annual generation of approximately 2.490 GWh. It considers the connection to SEN in the future Parinas substation, located at 19kms 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 investment for this project will reach US$898 million. It is estimated that it will begin to inject energy into the system in 4Q23 and the entry into operation of the last wind turbines is projected towards 4Q24.

In the third quarter of 2022, 28% progress of the project was achieved, in line with what was planned. The construction of the camp was completed, the construction of platforms and foundations of the wind turbines by Strabag (BoP Civil) is still in progress with 20 of 140 concreted foundations and 8 in the process of being assembled. 73 anchoring systems for the tower arrived at the site, which will be installed in the foundations of the wind turbines.

- **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. Total investment of the project reaches US$11 million.

The project is in the construction and assembly phase. During the month of October, the last remaining supplies will arrive on the ground and the commissioning process will begin.

- **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 1.000 ha.

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, which will be injected into the Interconnected System through an electrical transmission line of approximately 3 km, connecting to the Crucero substation.

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 and includes the 3 CUOs.

The traffic easement contracts for the access roads were signed in 1Q22. It is estimated that the line easement contract will be authorized for its constitution before Nov22.

For the connection authorization to the S/S Crucero, the pre-operational studies were submitted to the Coordinator. The final authorization report is expected by the end of 2022.

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

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

During the third quarter of 2021, the environmental certification resolution (RCA) was obtained.

During the third quarter the project remains without news.

- **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 will include the installation of a maximum of 63 wind turbines (up to 7.5 MW each), which will translate into an installed capacity of up to 472.5 MW.

The generated energy will be injected into the Interconnected System through 12 km transmission line to Mulchén substation.

During the month of August, the project submitted its Environmental Impact Study (EIA) to the Environmental Assessment System (SEA), however, during the month of September Colbun decided to withdraw it to incorporate additional information into the EIA. The project is expected to re-enter the SEA during the last quarter of this year.

- **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, an extension of 3.5 km, connecting to the new Roncacho substation.

This project originates from the award of 3 onerous use concessions tendered by the Ministry of National Assets, which were signed in 3Q19.

The Environmental Impact Study for a 420 MW photovoltaic project and a 240 MW BESS with a duration of 5 hours, was processed on August 11 and is currently in the issuance stage of ICSARA and Citizen Participation.

- **Sol de Tarapacá Photovoltaic Project (180 MW):** The project considers the installation of a solar power plant with an installed capacity of approximately 180 MW. The project is located in the Tarapacá Region, municipality of Pozo Almonte, approximately five kilometers southwest of La Tirana, and has a total area of approximately 423 ha.

This project is in the portfolio; however, its development has been deferred to give priority to other projects.

- **Other renewable energy projects from variable sources:** At 3Q22 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.

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. Colbun owns 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 inflows to the hydraulic plants, Colbún must make use mainly of its thermal plants or purchase energy in the spot market at marginal cost. The foregoing generates a risk due to variations in international fuel prices. To mitigate the impact of very important and unforeseen variations in fuel prices, hedging programs are carried out with various derivative instruments, such as call options and put options, among others. Otherwise, in the face of abundant hydrology, the Company could find itself in a surplus position in the spot market, the price of which would be, in part, determined by the price of fuel.

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 Energía, Pan American Energy, Pluspetrol and Total Austral) have been signed to complement the supply of liquified natural gas. These contracts consider the import of 3,030,000 m3 of gas per day for the period of Oct22 to Abr23.

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 2022), 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 stoppage damage.

B.1.5. Project contruction risks

The development of new 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 originating from the commitment called "Agreement for Peace and the New Constitution" ("Acuerdo por la Paz y la Nueva Constitución"), and the subsequent approval of the drafting of a new Constitution through a plebiscite, the Constitutional Convention drafted a text proposal for a new Constitution that was officially presented to the public on July 4, 2022. This proposal was rejected by the public on September 4, 2022. Currently, Congress and the various political coalitions are deciding what will be the path and the mechanisms under which it will continue. this process, which could result in changes to the institutional framework applicable to business activity in the country.

On Tuesday, August 2, Law 21,472 was enacted, which created a temporary mechanism for stabilizing energy prices for customers subject to price fixing, which will be differentiated by consumption segment. This mechanism is complementary to the one enacted by Law 21,185 of 2019 and lasts until December 31, 2032.

The main characteristics of the mechanism are:

- **Tariff Stabilization Fund.** It creates a fund of US$500 million, to which all customers -regulated and free- will contribute through an additional public service charge that will depend on monthly consumption. This fund will be administered by the General Treasury of the Republic.
- **Client Protection Mechanism (MPC "Mecanismo de Protección al cliente").** It commits resources with a limit of US$1,800 million for the payment to generators of the differences that occur between the stabilized rate of the clients and the price that corresponds to pay by contract. Said differences may be collected by the suppliers through a transferable credit instrument, issued by the Ministry of Finance, which considers the financial costs and has a state guarantee.

For the implementation of the law, regulatory processes were established that are under the design of the Ministry of Finance, the National Electrical Coordinator and the National Energy Commission. Of the pending processes, only the exempt resolution of the Commission that establishes the technical provisions of the law has been submitted for public consultation. The industry made several observations to the document, the most relevant being to establish greater transparency in the calculation process of the distributors.

The Commission is in the process of reviewing the observations.

Within the framework of the health crisis that is affecting the country as a result of the COVID-19 pandemic, on January 5, 2021, Law No. 21,301 was enacted, which extended the effects of Law No. 21,249, which contemplates exceptional measures in favor of end users of sanitary services, power and gas network that establishes the prohibition of the cut for non-payment of basic services and allows apportioning delinquent debts. Then, through extensions, this initiative extended the term of benefits to end users (no cutoff of supply due to default and the accumulation of debts with distribution companies) until December 31, 2021. In view of the debt problem that has been accumulating among users of basic services, in January 2022 Congress approved a bill introduced by the Executive that regulates the apportionment and payment of debts for basic services, establishes subsidies for vulnerable clients, extends the deadline for avail themselves of the benefits of the Law and regulates the debt contracted.

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.

At the same time, within the framework of this discussion, a bill that prohibits injecting energy from fossil sources into the National Electric System from January 1, 2030 was submitted for processing via motion in the Senate. After being approved by the Commission of Mining and Energy of the Senate this initiative was approved in general (idea to legislate) in the Senate Chamber, setting a deadline to present indications on April 14, 2022.

In addition, a parliamentary motion was introduced in the Chamber of Deputies that regulates the construction, installation and operation, its environmental impact and the control of Wind Turbine Complexes. The Bill, which establishes requirements in the design of projects, defines compensation for the surrounding communities and includes a modification to the law on general environmental bases, is not urgent and the Chamber agreed that it be known by the Commission of Environment and then by the Mining and Energy Commission of the Chamber. So far there has been no major progress in this discussion.

On June 29, 2022, a motion was submitted to the Chamber of Deputies that modifies Law 19,300 and seeks to regulate the process of social, environmental, energy and economic transition within the framework of the commitments and needs to reduce GHG emissions, protection of sinks and ecosystems. The project defines the concept of fair socio-ecological transition in addition to establishing seven principles, which will guide said process. In addition, it establishes that the State may approach production and consumption cycles holistically, considering communities and nature, in order to move towards a declining, decarbonized, waste-free economy that promotes nature-based solutions. The project is currently without urgency and began to be reviewed by the Environment and Natural Resources Commission on October 12, 2022.

Additionally, since July of this year, the urgency of the project presented to the Senate on July 15, 2020, which requires an Environmental Qualification Resolution for projects evaluated or approved prior to the creation of the current Environmental Institutionality, has been permanently updated. The project expands the definition of Environmental Protection in Law No. 19,300 on General Bases of the Environment and adds a subsection that establishes that any project or activity likely to cause environmental impact will require, for its approval and/or execution, the resolution that qualifies it environmentally. This is complemented by the incorporation of a transitory article that establishes that projects or activities that do not currently have an Environmental Qualification Resolution will have a fatal term of 12 months to obtain it, from the publication of this modification. The processing of the project was resumed in December 2021 and currently has a simple urgency and must be reviewed in the Senate by the Environment and National Assets and Mining and Energy Commission.

On the other hand, on October 5, a motion was submitted to the Chamber of Deputies that modifies Law No. 19,300 and regulates the installation, and coexistence with neighboring communities, of aero generation complexes and photovoltaic plants. The project encompasses aspects of design and construction, such as minimum distance between towers, type of soil allowed, and restrictions on the location of adjoining projects. Regarding the environmental impact and its respective evaluation, the project establishes minimum characteristics to present the EIA, in addition to criteria that regulate the shadow effect of these. A fundamental aspect of the project is the creation of effective instances of citizen participation, considering the co-development of the project with the neighboring communities. Lastly, it is established that the Superintendence of the Environment and of Electricity and Fuels will oversee the norms emanating from this project, and that non-compliance with the minimum distances could trigger a revocation of the environmental qualification resolution. This project is not urgent and must be reviewed by the Environment and Natural Resources Commission.

During October, Energy Minister Diego Pardow presented the Executive's legislative agenda to Congress. In view of the process of energy transition and decarbonization of the matrix, the ministry outlined its two axes under which it will work

in the short term; increase the installed capacity of the system by 25 GW by 2030, and reinforce the electrical transmission system with new lines and substations. To this end, it established the following priorities on the legislative agenda:

- Promotion of the participation of Renewable Energies in the power matrix ("Ley de Cuotas"):

This project was presented by the previous administration and the executive will open an instance of indications with the objective of establishing more ambitious goals. The current project aims to accelerate the participation of renewable energies in the electrical matrix, for which it considers:

a) Increase the goals of large-scale renewable generation, forcing generating companies to market at least 40% of NCRE by 2030 and, in addition, to market at least 30% of NCRE by 2030 in each time block within the day, promoting the management of energy from variable sources through storage systems.
b) To establish a traceability system for the renewable nature of the energy that is traded, for which it obliges the National Electrical Coordinator to have information systems for monitoring and registering the traceability of the power market.
c) To recognize the benefit of distributed generation in transmission savings due to the reduction of network losses and lower infrastructure needs, so that users of these systems receive a discount on their transmission charges. In addition, it establishes that it is no longer the responsibility of the infrastructure owners to pay for the additional connection works, since said costs will be charged.

This initiative is still in its first constitutional process in the Chamber of Deputies and will be reviewed by the Mining and Energy Commission and by the Chamber's Finance Commission. The executive renewed in October the simple urgency of this project.

- Improvement of the General Law of Electrical Services (LGSE" Ley General de Servicios Eléctricos"):

This Bill would have two main objectives: the first, to generate an exception in the Law so that the public service concessionaires of the medium-sized systems can integrate vertically, given the special characteristics they have in these areas; and the second, to modify the mechanism of the transmission expansion works, which are currently tendered by the Coordinator and which have generated a significant delay in the development of new works. Therefore, the project intends to return to a process similar to the one that existed before Law No. 20,936.

- Promotion of Storage and Electromobility:

This project was presented by the previous government. Recently, the executive resumed this initiative as a priority for the short term. This bill seeks to enable a greater participation of renewable energies in the electrical matrix by promoting storage technologies, for which it allows "pure" or "isolated" storage systems, that is, those that are not part of a generation plant, they are remunerated for the energy and power injected into the system, allowing them to participate in the balance of economic transfers in the short-term wholesale market. In addition, the project enables the efficient connection of "generation - consumption" systems, which have their own generation capacity with renewable energies and seeks to encourage the sale of electric vehicles, equating the value of their circulation permits to that of internal combustion cars. equivalent and enable them to participate in the electricity market as storage systems.

This initiative was approved in general and in particular by the Chamber of Deputies and the Mining and Energy Commission of the Senate. Currently the project must be reviewed by the Treasury Commission and has urgency for immediate discussion.

- SEC improvement law:

Bill that aims to provide more robust tools to the Superintendency, so that it can monitor and sanction supply cuts. For this, the project intends to update the sphere of competence of the service to the new energy sources; reinforce the attributions in resolution of claims, incorporate the performance approach in the control; and improve the

power to interpret energy regulations and the power to sanction. The executive will wait for the previously mentioned projects to be completed in order to prioritize this one.

On the other hand, the ministry will address the issue of hydrogen through the budget law, incorporating Strategic Energy Plans in Regions (PEER) with a focus on said technology.

Additionally, 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 was submitted to Public Consultation in September 2021. Subsequently, in February 2022, the final version of the regulation that considered the observations of the Consultation process entered the Comptroller's Office for review. The 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.

After 11 years of processing, the bill that reforms the Water Code, initiated in March 2011 and approved by the National Congress in January 2022, was enacted in March 2022. In the text, it can be highlighted the establishment of the temporary nature for the granting of the new water rights and the prioritization of human consumption, subsistence, and sanitation over other uses, the total or partial extinction of the rights for various reasons, mainly due to non-use of the same, the setting of a flow retroactive ecological for some rights already granted, particularly those existing in areas declared under official protection of biodiversity, among others.

The new Water Code also contemplates that each of the 101 basins in the country must have a public Strategic Plan for Water Resources aimed at promoting water security in the context of the restrictions associated with climate change.

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 electricity rationing, which were originally in force until March 31, 2021. 2022, in order to "avoid, manage, reduce or overcome the generation deficits that may occur in the National Electric System, thereby preserving security." This Decree considered initiatives applicable to generation, transmission and distribution, in addition to other actions applicable to demand.

In this context, in February 2022 the Ministry of Energy, through the Decree N°1/2022, modified 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.

Subsequently, in March 2022, the Ministry of Energy issued Supreme Decree N°29, which again modifies the "Preventive" Rationing Decree, indicating that the Coordinator must coordinate the reservoir hydroelectric plants to guarantee a water reserve of 650 GWh, considering restrictions technical and operational. In addition, it enabled the National Electrical Coordinator to adjust the values of security diesel upwards and downwards.

On September 7, through decree 74, the Ministry of Energy extended the preventive rationing decree (DS No. 51/2021) until March 31, 2023 and reduced the water reserve to 66 GWh.

Perú

On February 26th, 2022, Law N°31429 was published in the Official Gazette El Peruano, which modifies Law N° 27510, Law that creates the Electricity Social Compensation Fund (hereinafter, “FOSE Law”). These modifications will be applicable as of the tariff specifications for the month of January 2023 and have a special impact on free users of the electricity sector, since these have been included as subjects that will be affected by the FOSE surcharge. Before the approved modifications, free users were already making monthly contributions to finance the Energy Social Inclusion Fund (FISE), a support program to expand the energy frontier in vulnerable segments of the population. Consequently, the inclusion of free users as subjects affected by the FOSE surcharge would mean that they make a double contribution to finance the same purpose, that is, offset the residential electricity rate.

Through Ministerial Resolution N° 227-2022-MINEM dated June 24, 2022, the Ministry of Energy and Mines ("MINEM") ordered the publication of the proposed legislative initiative "Law that modifies Law 28832, Law to ensure the efficient development of Electricity Generation” Along with its explanatory statement, in order to receive contributions and/or comments from interested parties and citizens, within a period of 30 calendar days. As indicated in the Bill, its purpose is to guarantee the safe, reliable and efficient supply of electricity, and to promote the diversification of the energy matrix.

On October 13, 2022, the plenary session of Congress approved the bill 1883/2021-PE, proposed by the Executive Power, which modifies the Electricity Social Compensation Fund Law (FOSE), through the incorporation of older beneficiaries, in order to achieve a discount of up to 16% on the electricity bills of Peruvian families. This initiative proposes that subsidies be provided, through the previously mentioned fund, to users who consume up to 140 KWh/month (currently it is only up to 100 KWh/month), and that free users (industries) also participate in it, which will benefit more than 21 million Peruvians with a reduction in their monthly electricity bills. The publication of the regulations in the Official Gazette "El Peruano" is pending.

B.1.7. Riesgo de variación de demanda/oferta y de precio de venta de la energía eléctrica

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 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.

Energy demand in Chile increased 0.5% during 3Q22 compared to 3Q21, while in Peru, there was an increase of 4.3% compared to 3Q21.

Additionally, the complex world economic outlook might lead to a contraction of the Chilean and Peruvian economies, which will probably affect 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 Riesgo de tipo de cambio

The exchange rate risk is mainly caused by currency fluctuations that come from two sources. The first source of exposure comes from cash flows corresponding to revenues, costs and disbursements of investments denominated in currencies other than the functional currency (U.S. dollar).

The second source of risk corresponds to the accounting mismatch between assets and liabilities of the Statement of Financial Position denominated in currencies other than the functional currency.

Exposure to cash flows in currencies other than USD is limited because virtually all sales of the Company are denominated directly in or indexed to USD.

Similarly, the main costs are related to natural gas and coal purchases, which incorporate pricing formulas based on international prices denominated in USD.

Regarding investment projects disbursements, the Company incorporates indexers in its contracts with suppliers and occasionally resorts to the use of derivatives to fix the expenses in currencies other than USD.

Exposure to the Balance Sheet accounts mismatch is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural items denominated in currencies other than USD. For purposes of the above, Colbun maintains a significant proportion of its cash surpluses in dollars and occasionally resorts to the use of derivatives, mainly using currency swaps and forwards.

B.2.2 Interest rate risk

Is related to changes in interest rates that affect the value of future cash flows tied to a floating interest rate, and changes in the fair value of assets and liabilities linked to fixed interest rate that are measured at fair value. In order to mitigate these risks, interest rate swaps are used.

As of September 2022, the Company's financial debt is 100% denominated in fixed rate.

B.2.3 Credit Risk

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

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

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

As of September 2022, cash surpluses are invested in interest-bearing current accounts, mutual funds (short-term mutual funds with maturities of less than 90 days, which are known as "money market") and in time deposits in local and international banks. Additionally, Colbun also holds investments in a fixed-income portfolio with a term of 2 to 3 years that is estimated to be held until maturity.

Information on contractual maturities of the main financial liabilities is disclosed in note 11 of the Financial Statements..

B.2.4 Liquidity Risk

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, among others. The funds needed to meet these cash flow outputs are obtained from Colbun's own resources generated by the Company's ordinary activities and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of September 30, 2022, Colbún has cash of approximately US$1,176 million, invested in remunerated current accounts, time Deposits and mutual funds with an average duration of 57 days (Deposits with a duration of less than and greater than 90 days are included, the latter are recorded as "Other Current Financial Assets" in the Consolidated Financial Statements) and fixed income investments with a term of 2 to 3 years that is estimated to be held until maturity.

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$65 million.

In the next 12 months, the Company must disburse approximately US$102 million in interests and principal amortization. These obligations are expected to be funded with the Company's own cash flow generation.

As of September 30, 2022, Colbún has a local credit rating of AA by Fitch Ratings and Feller Rate, both with stable outlook. At international level, the Company's rating is Baa2 by Moody's, BBB by Standard & Poor's (S&P Global), and BBB+ by Fitch Ratings, all with stable outlook.

As of September 30, 2022, Fenix has international credit ratings 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 23 of the Financial Statements.

B.2.5 Medición del riesgo

The Company periodically analyzes and measures its exposure to the different risk variables, in accordance with the previous paragraphs. Risk management is performed by a Risk Committee with the support of the Corporate Risk Management and in coordination with other divisions of the Company.

Regarding business risks, specifically those related to changes in commodity prices, Colbun has implemented mitigation measures consistent of indexers in energy sale contracts and of hedges with derivative instruments to cover any possible remaining exposure. It is for this reason that a sensitivity analysis is not presented.

To mitigate the risk of failures in equipment or in the project's construction, the Company has insurance coverage for damage to its physical property, business interruption damages and loss of profit for the delay in the commissioning of a project. This risk is considered fairly limited.

Regarding financial risks, for purposes of measuring exposure, Colbun prepares a sensitivity analysis and value at risk in order to monitor potential losses assumed by the Company in the event that the exposure exists.

The exchange rate risk is considered to be limited, since the Company's main flows (revenues, costs and projects disbursements) are denominated directly in or indexed to USD.

Exposure to the mismatching of accounts is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural balance items denominated in currencies other than USD. Given the above, as of September 30, 2022, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US$6.3 million, in quarterly terms, based on a sensitivity analysis with 95% confidence.

There is no interest rates variation risk, since 100% of the financial debt is contracted at 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 26%. 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.