GUACOLDA energía

EARNING REPORT

Guacolda Energía SpA and Subsidiary

As of September 30, 2024

1. SUMMARY

- **EBITDA** for the 3rd Quarter of 2024 (3Q24) reached **US$19.2 million,** below 44%, than the EBITDA of US$34.4 million obtained during the same quarter of the previous year (3Q23). This variation is explained by lower gross profit, as a result of: (i) lower contract margins results of US$37.0 obtained by lower average contract prices; (ii) revenues from the Spot market decrease of US$8.3 million mainly by lower average spot prices and decrease in generation of 167.8GWh; (iii) decrease in fuel consumption of US$17.2 million related to lower fuel prices and tons consumption and (iv) lower energy and capacity purchase of US$13.0. **In accumulated terms**, EBITDA as of September 2024 was **US$59.9 million**, which represents a decrease of 46% compared to the same period of previous year, mainly by lower marginal costs of the system and reduction of generation.

- Regarding the 3Q24 **accountable taxes**, no recognition has been made, according to the actual best estimation of the company's future flows that wouldn't allow the Company to totally use that loss against future tax processes in a defined time horizon. During 3Q23 the company recorded an income tax expense of US$5.8 million, related to the profit of the period. **In accumulated terms**, the company didn´t recognize accountable taxes for reasons mentioned above.

- Guacolda posted a **US$0.4** million loss for the third quarter of 2024, decreasing more than 100% compared to US$15.6 million net income recorded in same period of 2023 primarily as a result of an extraordinary financial income of approximately US$7,8 million generated by the repurchase of bonds in 2023. **Regarding to year to date results**, the company as of September 2024 was US$ 2.9 million decreasing more than 100% compared to the same period of the previous year.

2. GENERATION, PURCHASES AND SALES

YTD		% Var	ENERGY GWh	Q3		% Var
Sept.-24	Sept.-23	Accum.		Q3 2024	Q3 2023	Quarter
999	1.073	-7%	Unregulated	360	317	14%
1.190	626	90%	GenCos	282	539	-48%
40	663	-94%	Spot	-	-	-
2.229	**2.362**	**-6%**	**Total Sales**	**642**	**856**	**-25%**
334	157	>100%	Spot	106	146	-28%
252	265	-5%	Other generators	90	96	-6%
586	**422**	**39%**	**Purchases**	**196**	**243**	**-19%**
1.643	**1.940**	**-15%**	**Thermal Generation**	**446**	**613**	**-27%**

- Thermal generation during 3Q24 reached 446 GWh, decreasing 27% compared to 3Q23, mainly explained by lower dispatch levels due to renewable displacement.
- Contracts sales volume to unregulated customers reached 360 GWh during third quarter of 2024, 14% more than 3Q 2023, due to increased consumption by mining customers.
- During the third quarter of 2024, Guacolda recorded net sales on the spot market of 0 GWh, given the greater requirement of the PPAs.
- Energy purchases from the spot market and other generators during 3Q24 reached 196 GWh, decreasing 19% compared to 3Q23, mainly because of the purchase of back up volumes for PPAs during 2023.

3. STATEMENT OF COMPREHENSIVE INCOME

The following table represents the company's income statement compared year to date, and third quarter results, both compared to the equivalent periods of the previous year.

YTD		% Var	INCOME STATEMENTS ThUS$	Q3		% Var
Sept.-24	Sept.-23	Accum.		Q3 2024	Q3 2023	Quarter
289.367	**465.107**	**-38%**	**INCOME FROM ORDINARY ACTIVITIES**	**84.654**	**126.541**	**-33%**
234.090	280.770	-17%	Unregulated customer sales	62.559	99.561	-37%
37.595	165.251	-77%	Spot sales	14.193	22.523	-37%
15.445	17.353	-11%	Transmission revenue	7.221	3.784	91%
2.237	1.733	29%	Other operating revenues	681	673	1%
(263.762)	**(388.854)**	**-32%**	**COSTS OF SALES**	**(76.715)**	**(103.683)**	**-26%**
(24.413)	(52.324)	-53%	Energy and capacity purchases	(6.749)	(19.787)	-66%
(121.211)	(217.691)	-44%	Fuel consumption	(30.186)	(47.379)	-36%
(15.666)	(16.246)	-4%	Transmission tolls	(7.179)	(3.634)	98%
(57.923)	(58.181)	0%	Other cost of sales	(17.758)	(17.971)	-1%
(44.549)	(44.412)	0%	Depreciation	(14.843)	(14.912)	0%
25.605	**76.253**	**-66%**	**GROSS PROFIT**	**7.939**	**22.858**	**-65%**
59.936	**110.390**	**-46%**	**EBITDA**	**19.186**	**34.353**	**-44%**
(10.217)	(10.273)	-1%	Administrative expenses	(3.595)	(3.417)	5%
1.759	114.750	-98%	Financial Income	628	9.738	-94%
(19.212)	(21.440)	-10%	Financial expenses	(6.139)	(6.813)	-10%
(883)	(912)	-3%	Exchange differences	652	(1.204)	>100%
8	(188)	>100%	Other income (losses)	103	286	-64%
(28.544)	**81.937**	**>100%**	**NON-OPERATIONAL RESULTS**	**(8.351)**	**(1.410)**	**>100%**
(2.939)	**158.190**	**>100%**	**INCOME (LOSS), BEFORE TAX**	**(412)**	**21.448**	**>100%**
-	(42.648)	-	Income tax expenses	-	(5.815)	-
(2.939)	**115.542**	**>100%**	**NET INCOME (LOSS) FOR THE PERIOD**	**(412)**	**15.633**	**>100%**

3.1 OPERATIONAL RESULTS

- **Incomes** reached **US$84.7million**, in the 3Q24 compared to the 3Q23 income of US$126.5 million. The main drivers for this decrease were: (i) lower injection prices and generation related to lower dispatch to the system because of renewable sources generation, (ii) decreased income from clients with PPA contracts, explained by the reduction in average PPA prices indexed to fuel. **In accumulated terms**, the negative variation of 38% occurs by the same explanation mentioned previously.

- **Costs of Sales** for 3Q24 decreased 26% compared to 3Q23, mainly due to (i) lower fuel cost consumption because of the decrease in fossil fuel prices and lower generation, and (ii) lower Purchases of energy. **Year to date results** recorded a decrease of 32% for the same reasons mentioned above.

3.2 NON-OPERATING RESULTS

- The Company reported losses of **US$8.4** million in **Non-operating result** for 3Q24 compared to US$1.4 million for the same period of 2023. The main driver for this negative variance was related to the profit obtained from the repurchase of debt coupons in 2023.

4. STATEMENTS OF FINANCIAL POSITION

The following table represents the company's Consolidated Statements of Financial Position as of September 30, 2024, and December 31, 2023.

FINANCIAL STATEMENTS	Sept.-24	Dec.-23	Var.	% Var
Current assets	171.550	170.403	1.147	1%
Non-current assets	342.214	376.588	(34.374)	-9%
TOTAL ASSETS	**513.764**	**546.991**	**(33.227)**	**-6%**
Current liabilities	158.585	77.757	80.828	>100%
Non-current liabilities	300.152	405.368	(105.216)	-26%
Equity	55.026	63.866	(8.840)	-14%
TOTAL EQUITY AND LIABILITIES	**513.764**	**546.991**	**(33.227)**	**-6%**

- **Current Assets:** Reached **US$171.6** million at the end of September 2024, reflecting an increase of 1% compared to the current assets recorded at the end of December 2023, mainly due to: (i) increase in cash and equivalents (+US$7.1 million), (ii) increased in coal existence and others (+US$6.3 million), (iii) increased in non-financial assets (+US$3.5 million) offset by (iv) decreased of trade receivables (-US$15.6).

- **Non-current assets:** Recorded **US$342.2** million at the end of September 2024, decreasing 9% compared to the non-current assets at the end of December 2023. This difference is mainly explained by a decrease in property, plants and equipment due to the recognition of the depreciation of each period.

- **Current liabilities:** Recorded **US$158.6** million as of September 2024, growing more than 100% compared to the balance recognition as of December 2023. This variation is explained by the classification of short-term capital of senior bonds maturity due in 2025.

- **Non-current liabilities:** Totaled **US$300.2** million, at the end of September 2024 regarding the balance of US$405.4 million at the end of December 2023, primarily due to recognition in 2023 of long-term capital of senior bonds maturity due 2025.

- **Equity**: The company reached a Net Equity of **US$55.0** million, decreasing 14% compared to the Net Equity registered as of December 2023, mainly due to the capital decreases made during the period and the increase in accumulated losses.

4.1 DEBT OBLIGATIONS (PRINCIPAL)

Guacolda has been carrying out a liability management process to restructure debt and fulfill its financial obligations.

The company accomplish new bond repurchases totaling US$3.1 million at the end of September 2024 of the Notes due in 2025, reducing the debt capital to US$80.3 million.

In addition, in the same period the company prepaid US$19.2 million capital of new bond maturity 2030, resulting in a final debt of US$149.1 million.

The following table details the total debt amortization schedule for the outstanding debt as of September 2024:

Debt Amortization (US$ million)	Total Outstanding	Annual nominal rate	Final Deadline	Current principal	Non-current principal 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Senior Notes due 2025	80,3	4,56%	Dec 2025	-	80,3	-	-	-	-
Senior Notes due 2030	149,1	10,00%	Dec 2030	6,0	24,0	24,0	24,0	24,0	46,9
TOTAL (*)	**229,4**			**6,0**	**104,3**	**24,0**	**24,0**	**24,0**	**46,9**

* *Does not include interest or amortization of the debt placement expenses*

4.2 FINANCIAL RATIOS

The table below is comparative of the financial ratios between September 2024 and December 2023, considering that the balance sheet indicators are calculated as of the date indicated and the income statement indicators consider the accumulated results of the last 12 months.

RATIOS		Unit	Sept.-24	Dec.-23	% Var
Liquidity	Current liquidity	Times	1,08	2,19	-51%
	Acid reason	Times	0,72	1,53	-53%
Debt	Total liabilities / Equity	Times	8,34	7,56	10%
	Net financial debt / Equity	Times	7,21	6,70	8%
	Net financial debt / EBITDA	Times	4,51	3,09	46%
	Net financial expense coverage	Times	3,01	0,96	>100%
Liabiliies composition	Short term liabilities / Total liabilities	%	34,57	16,09	>100%
	Long term liabilities / Total liabilities	%	65,43	83,91	-22%
	Obligation to the public / Total liabilities	%	50,76	52,74	-4%
Profitability	Profits (losses) / Equity	%	(99,42)	166,63	>100%
	EBITDA / Total assets	%	17,11	25,32	-32%
	12 months EBITDA	MMUSD	87,88	138,52	-37%

- **Liquidity Ratios:** There was a decrease of 1.08 and 0.72, 51% and 53% respect the same values at the end of December 2023, mainly due to growth in financial liabilities by the recognition of short-term capital of senior bonds maturity due 2025 at the end of September 2024.

- **Debt Ratios:** The increase is mainly explained by lower net equity due to capital withdrawals. Regarding the net financial expense's coverage, it was 3.01, increasing more than 100% compared to December 2023, due to the increase in profits obtained by the repurchase of bonds made in 2023.

- **Liabilities Ratios** short-term liabilities increase more than 100% as well as the long-term liabilities decrease of 22% to total liabilities, related to the classification from long to short-term of bond maturity due on 2025 and the repurchase and prepaid of debt obligations noted above.

- **Profitability Ratios:** the 12 months profit (loss) on equity decrease mainly due to the lower EBITDA obtained as of September 2024 compared to December 2023.

5. STATEMENTS OF CASH FLOW

YTD		% Var	CASH FLOW MUSD	Q3		% Var
Sept.-24	Sept.-23	Accum.		Q3 2024	Q3 2023	Quarter
55.169	**91.868**	**-40%**	**BEGINNING CASH AND CASH EQUIVALENTS**	**20.485**	**151.410**	**-86%**
59.976	224.419	-73%	Cash flow from operating activities	57.861	71.560	-19%
(42.398)	(240.146)	-82%	Cash flow from financing activities	(12.244)	(158.753)	-92%
(9.842)	(12.657)	-22%	Cash flow from investments activities	(2.667)	(1.510)	77%
7.736	**(28.385)**	>100%	**NET INCREASED (DECREASED) IN CASH AND CASH EQUIVALENTS**	**42.950**	**(88.702)**	>100%
(658)	**330**	**>100%**	**Exchange differences in cash and cash equivalents**	**(1.188)**	**1.107**	**>100%**
62.247	**63.813**	**-2%**	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**62.247**	**63.813**	**-2%**

Net cash flow for the 3Q24 reached US$62.2, with a negative variation of -2% in relation to the flow generated in 3Q23. This was explained by:

- **Cash Flow from Operating activities:** During 3Q24, a positive net flow of US$57.9 million was generated, which is compared to the positive net flow of US$71.6 million as of September 2023, mainly explained by lower generation and average spot prices.

- **Cash Flow from Financing activities:** During 3Q24, a negative net flow of US$12.2 million was generated, which is compared to the negative net flow of US$158.8 million as of 3Q23. This decrease is mainly due to withdrawal capital payments, bonds repurchases payments carried out during 2023.

- **Cash Flow from Investments activities:** the negative net flow of US$2.7 million in 3Q24 were made by lower CAPEX disbursements, compared to US$1.5 million in 3Q23.

6. MARKET INFORMATION

Chile's National Electric System or SEN, supplies a wide range of customer types, including Chile's main population hubs in the center, and mining operations in the north, with a diverse generation matrix including thermal, hydro, and other renewables.

During the third quarter of 2024, hydro generation decreased by -11%, compared to the same period of 2023, while reservoir levels rose by 11%, mainly due to major rainfalls occurred during 2024. Average spot prices in the third quarter in Chile have shown a decrease of -44% compared to the same period of 2023, in line with the declining fossil fuel prices globally and large availability of hydric resource.

Total energy demand reached 2.66% compared to the same period of 2023, with an average monthly demand of 6,617 GWh per month in the third quarter of 2024. These factors led to a -40% decrease in the average marginal costs in the north and a -44% decrease in the central part of the system compared to the same period of 2023.

The table below shows the main SEN variables as of September 30,2024, and September 30, 2023:

YTD		% Var	CHILE´S NATIONAL ELECTRIC SYSTEM INFORMATION	Q3		% Var
Sept.-24	Sept.-23	Accum.		Q3 2024	Q3 2023	Quarter
2,66%	0,84%	>100%	Demand Growth	0,39%	1,35%	-71%
6.617	6.445	3%	Average monthly consumption	6.541	6.516	0%
52,3	87,6	-40%	Average spot price Northern Chile	45,1	55,5	-19%
52,8	94,0	-44%	Average spot price Central Chile	44,4	53,5	-17%

REGULATORY RISKS

Electric Power Generation industry in Chile is heavily regulated, and subject to the effects of changes in Chilean regulation, including changes aimed at countering the effects of climate change and promote the protection of the environment, modifications to existing legislation that could potentially have an adverse effect on the Company's financial results. The Company cannot guarantee that the laws or regulations in Chile will not be modified or interpreted in a manner that could adversely affect the Company or that governmental authorities will effectively grant any approval requested. Guacolda actively participates in the development of the regulatory framework, submitting comments and proposals to the proposed regulations presented by authorities.

In 2020 and 2021, two bills were promoted that sought to advance the closure of coal-fired plants. The first of these, initiated by a group of parliamentarians from the Chamber of Deputies (Bill 13196-12), sought to prohibit the installation and operation of coal-fired power plants nationwide, starting January 1, 2026. Subsequently, a second project was proposed by the Senate (Bill 14652-08), which promotes renewable energy generation. This second project, and the only one that has progressed to date, prohibits the injection of energy into the National Electric System from the combustion of fossil fuels as a primary energy source, effective from January 1, 2030. Amendments requiring review have been proposed to include evaluation mechanisms to identify emissions reductions and provide greater flexibility in removing units. It is important to highlight that, in 2023, neither of the bills made significant progress.

On June 13, 2022, the Chilean Congress enacted Law No. 21,455 (the "Framework Law on Climate Change"), with the primary objective of transitioning to a development model with low greenhouse gas emissions and other climate forcers, aiming to reach and maintain neutrality by 2050. The law establishes management tools for mitigation and contributes to water resource management through the development of strategic plans, in line with Chile's international commitments under the Paris Agreement to adopt adaptation and mitigation measures.

One of the key strategic pillars to combat climate change is the Coal Withdrawal Plan, led by the Ministry of Energy, along with a public-private commitment to the voluntary closure of coal-fired plants by 2040. The potential closure of the Huasco plant as a result of this withdrawal agreement may have a material adverse impact on the business and its operational results. Additionally, on July 11, 2023, the Government of Chile proposed the Energy Transition Law to the Chilean Congress. The proposed legislation includes a series of measures to incentivize the investments needed for the decarbonization process in Chile. Guacolda is actively participating in the working groups established by the Ministry of Energy to support this energy transition process.

On April 17, 2023, the National Energy Commission (CNE) issued Exempt Resolution No. 149, which revoked the temporary mechanism established by Resolution No. 52, dated January 31, 2018. This mechanism had supplemented and modified Resolution No. 659, dated November 17, 2017, and had set technical provisions for the implementation of Article 8 of Law No. 20,780 regarding the necessary technical provisions for the proper implementation of the compensation mechanism. Resolution No. 149 announced the elimination of the "Compensation B," which had ensured that all generating units were remunerated at least for their variable costs to prevent them from operating at a loss. Under this system, the difference between the valuation of the injections made by the generating units at marginal cost and their total unit cost was to be paid by all electricity companies withdrawing energy from the system, proportionally to their withdrawals. This mechanism was grounded in the marginalist system established by Article 149 of the General Law on Electric Services (LGSE), compensating units that inject energy into the system at a variable operating cost higher than the marginal cost. The removal of Compensation B eliminates the largest portion of current compensation, detrimentally affecting the interannual margins of generating companies that are subject to emissions taxes.

On April 28, 2023, the Company filed an Administrative Appeal against Exempt Resolution No. 149 of the National Energy Commission (CNE), requesting that the administrative act be annulled and the validity of Exempt Resolution No. 52 be restored. However, on August 9, 2023, through Exempt Resolution No. 360, the CNE rejected the appeal filed by Guacolda Energía SpA.

Then, on November 19, 2024, Guacolda requested the Comptroller's Office to reconsider the Opinion E516615/2024, this time asking for the matter to be reviewed by the legal division before issuing a ruling.