

Inversiones Latin America Power Ltda | ILAPCL

January, 2022

4Q2022 Operational Report

San Juan & Totoral Wind Farms

Figures are unaudited and may be subject to change during the auditors' review.

YTD KPI

EBITDA [MM]	Comm. Margin [MM]	OpEx [MM]	Generation [GWh]	MgC Inj [\$/MWh]	MgC W/D [\$/MWh]	Oversupply	Performance	Availability	Capacity Factor	Corrected Cap. Factor
18.4 Projected: 38,7 (-20,2 -52.32 %)	28.2 Projected: 47,6 (-19,4 -40.79 %)	-9.8 Projected: -9,0 (-0,8 -8.99 %)	529.5 Projected: 633,5 (-104,0 -16.4 %)	94.2 Projected: 37,0 (+57,2 +154.57 %)	114.5 Projected: 54,6 (+59,87 +109.69 %)	29.3 % Projected: 34,8 % (-5,47 %)	87.1 % Projected: 97,0 % (-9,88 %)	96.7 % Projected: 97,0 % (-0,32 %)	25.3 % Projected: 30,2 % (-5,0 %)	28.4 % Projected: 30,2 % (-1,80 %)

Quarter	YTD		
Actual	Projected	Desv Q	Actual YTD

P&L SubTotal	Actual	Projected	Desv Q	Actual YTD	Projected YTD	Desv YTD
Comercial Margin	11,8	12,70	-0,89	28,2	47,6	-19,42
+ Net Spot Energy Revenues	0,0	-0,21	0,19	-16,6	-3,7	-12,91
+ PPA Energy Revenues	15,0	13,55	1,48	52,9	53,8	-0,91
+ Net Capacity Revenue	-1,0	0,92	-1,89	0,4	3,7	-3,28
+ Net Tollways revenues	-1,2	-0,95	-0,28	-5,6	-3,8	-1,81
+ Land Lease	-0,6	-0,60	0,05	-1,6	-2,4	0,77
+ Other Income/Cost	-0,4	0,00	-0,43	-1,3	0,0	-1,28
OpEx	-2,7	-2,26	-0,43	-9,8	-9,0	-0,81
+ Maintenance	-1,6	-1,35	-0,30	-5,5	-5,3	-0,22
+ Software and equipement acquisition	0,0	0,00	0,00	-0,1	0,0	-0,04
+ Consultancies	0,0	-0,02	-0,02	-0,1	-0,1	-0,03
+ Social contributions	0,0	-0,03	0,02	-0,1	-0,1	0,04
+ Environmental	-0,1	-0,04	-0,03	-0,2	-0,2	-0,06
+ Communications	0,0	-0,04	0,02	-0,1	-0,1	0,04
+ General expenses	0,0	-0,05	0,01	-0,2	-0,2	0,01
+ Municipal permits	0,00	0,00	0,0	0,0	0,0	0,02
+ Regulatory	0,0	-0,04	0,00	-0,1	-0,1	0,04
+ Health seafety and security	-0,1	-0,07	0,00	-0,3	-0,3	-0,04
+ Land permits	0,0	-0,01	0,01	0,0	0,0	0,03
+ Insurance	-0,3	-0,26	-0,03	-1,2	-1,0	-0,14
+ General and Administrative	-0,5	-0,35	-0,10	-1,9	-1,4	-0,47
EBITDA (MM)	9,1	10,44	-1,32	18,4	38,7	-20,23

- After 2 consecutive quarters of poor results (2Q&3Q EBITDA of \$2.7M), mainly due to market issues, the company's results during 4Q22, despite low generation during the period, were more closely aligned with projections, due to a stabilization of the system after the hydrological reserve began to operate and the projects operating with their expected daily seasonality. Despite the good results, the company had to withdrawal an important part of the DS SBLC for \$13M to meet its financial obligations due to the fact that cash was strongly hit by WK regularizations and the delay in the implementation of PEC 2, under which ILAP has accumulated \$6.1M (between July and December) in addition to the \$4.1M accumulated between April and June. These funds (\$10.2M) will be monetized during the first half of 2023 and once the facility is in place funds will be received in a monthly basis.
- The fourth quarter of the year had lower generation than expected, closing 2022 with generation exceedance of ~P97 for San Juan and ~P63 for Totoral (-16% than expected). Even though the resource availability was P75 and P15 for San Juan and Totoral, respectively, curtailment restrictions had an impact on the net generation of the parks. However, it is important to note that most of the curtailment occurs during solar hours, when marginal injection costs reach \$0/MWh, which was included in the issuance model through the price study.
- During 4Q22 generation of the wind farms performed evenly throughout the days and with its expected daily seasonality, which implies high generation during nighttime block and lower generation during solar block, allowing ILAP to capture a better spot balance, thus improving Commercial Margin and EBITDA, so even though net generation was low, the wind farms got better injection prices with averages that were even higher than withdrawal prices during the months of October and December as can be seen in the "Marginal Cost (Spot Prices)" table in the next page. Additionally, the use of the hydro reserve has allowed prices in the night blocks to be more closely coupled to coal rather than diesel. This allowed the projects to achieve results more aligned with expectations.
- Finally, it is important to notice that DisCos Oversupply has been lower than expected (29.3% vs 34.8%), which improves our projections, especially in the mid-long term, as DisCo PPA report a high margin for the company and considering that prices in the spot market should tend to decrease as they coupled to incoming renewable technologies.

Financial & Operational Results

ILAP

LAP
LATIN AMERICA POWER

Quarter KPI

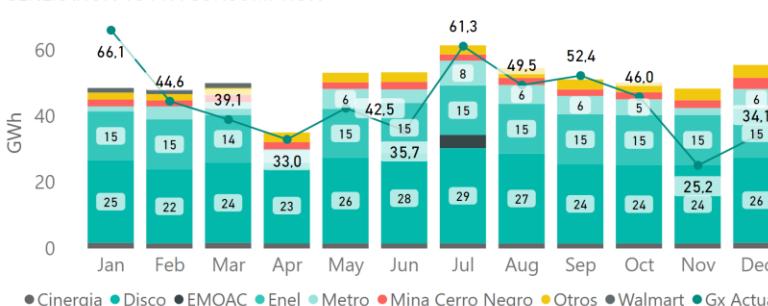
Dec

Q4.2022

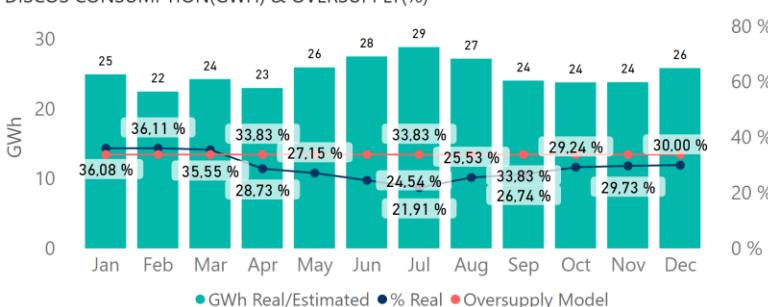
2022

EBITDA [MM]	Comm. Margin [MM]	OpEx [MM]	Generation [GWh]	MgC Inj [\$/MWh]	MgC W/D [\$/MWh]	Oversupply	Performance	Availability	Capacity Factor	Corrected Cap. Factor
9.1 Projected: 10,4 (-1,3 -12.62 %)	11.8 Projected: 12,7 (-0,9 -7.03 %)	-2.7 Projected: -2,3 (-0,4 -18.83 %)	105.3 Projected: 164,4 (-59,11 -35.96 %)	93.4 Projected: 33,8 (+59,6 +176.23 %)	89.6 Projected: 35,6 (+54,02 +151.94 %)	29.7 % Projected: 33,8 % (-4,13 %)	81.1 % Projected: 97,0 % (-15,89 %)	95.9 % Projected: 97,0 % (-1,05 %)	19.9 % Projected: 31,1 % (-11,2 %)	24.3 % Projected: 31,1 % (-6,85 %)

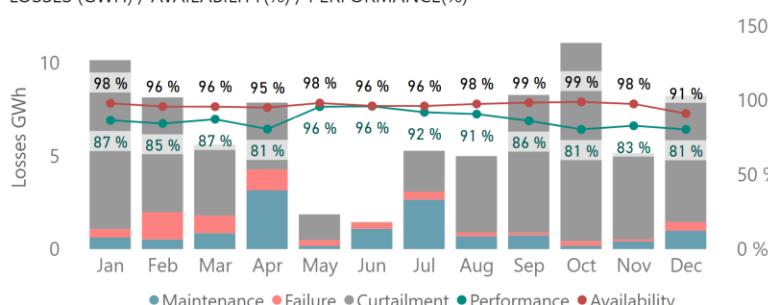
GENERATION VS PPA CONSUMPTION



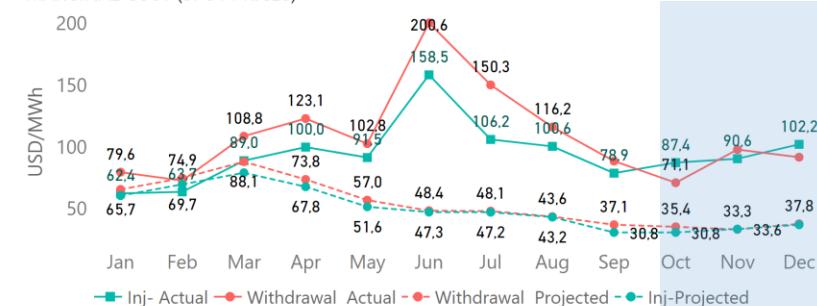
DISCOS CONSUMPTION(GWH) & OVERSUPPLY(%)



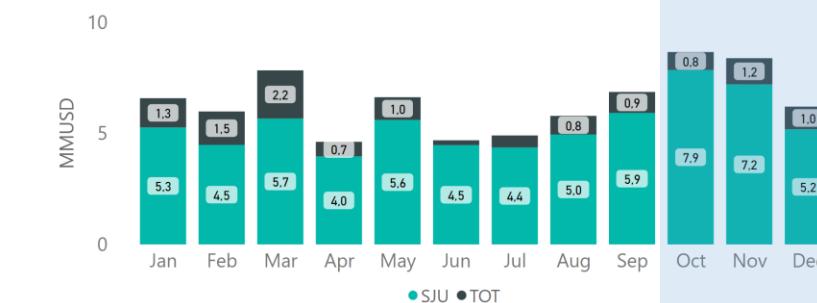
LOSSES (GWH) / AVAILABILITY(%) / PERFORMANCE(%)



MARGINAL COST (SPOT PRICES)



REVENUES BY SPV



ENERGY PURCHASE BY SPV

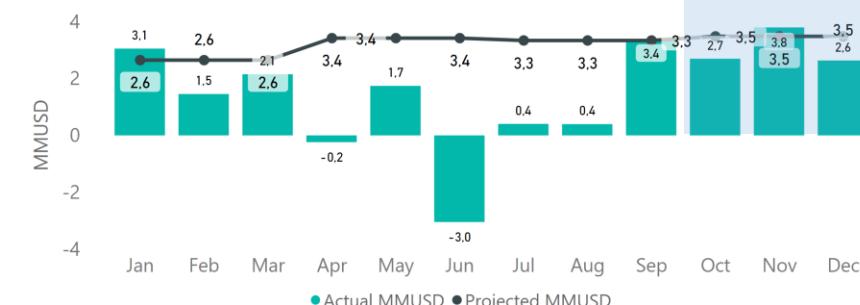


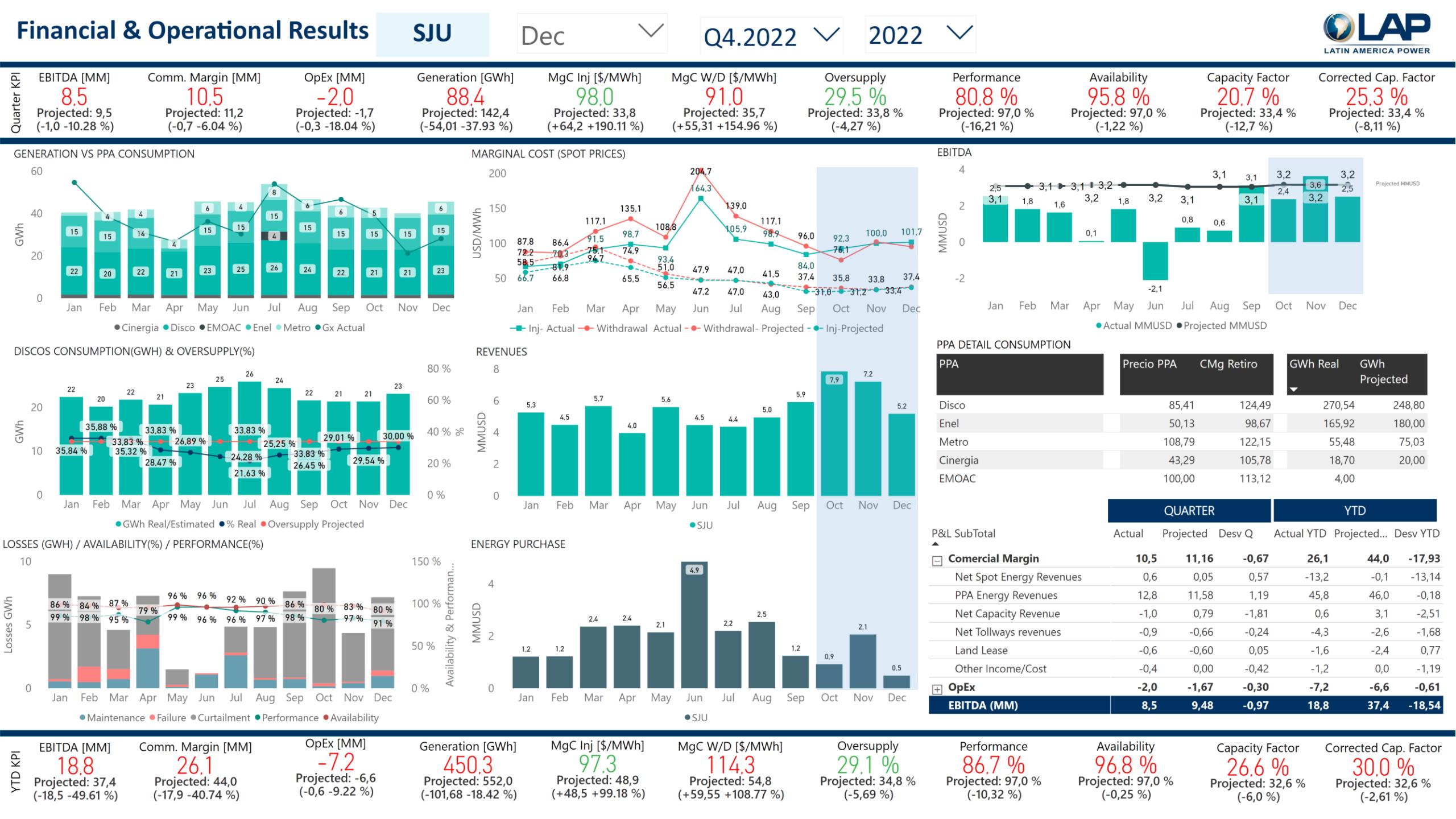
PPA DETAIL CONSUMPTION

PPA	Precio PPA	CMg Retiro	GWh Real	GWh Budget
Disco	91,21	122,91	301,81	278,47
Enel	50,13	98,67	165,92	180,00
Metro	108,79	122,15	55,48	75,03
Otros	50,11	106,08	34,17	41,54
Mina Cerro Negro	45,26	106,64	26,14	40,00
Cinergia	43,29	105,78	18,70	20,00
Walmart	57,20	77,46	4,22	4,46
EMOAC	100,00	113,12	4,00	

YTD

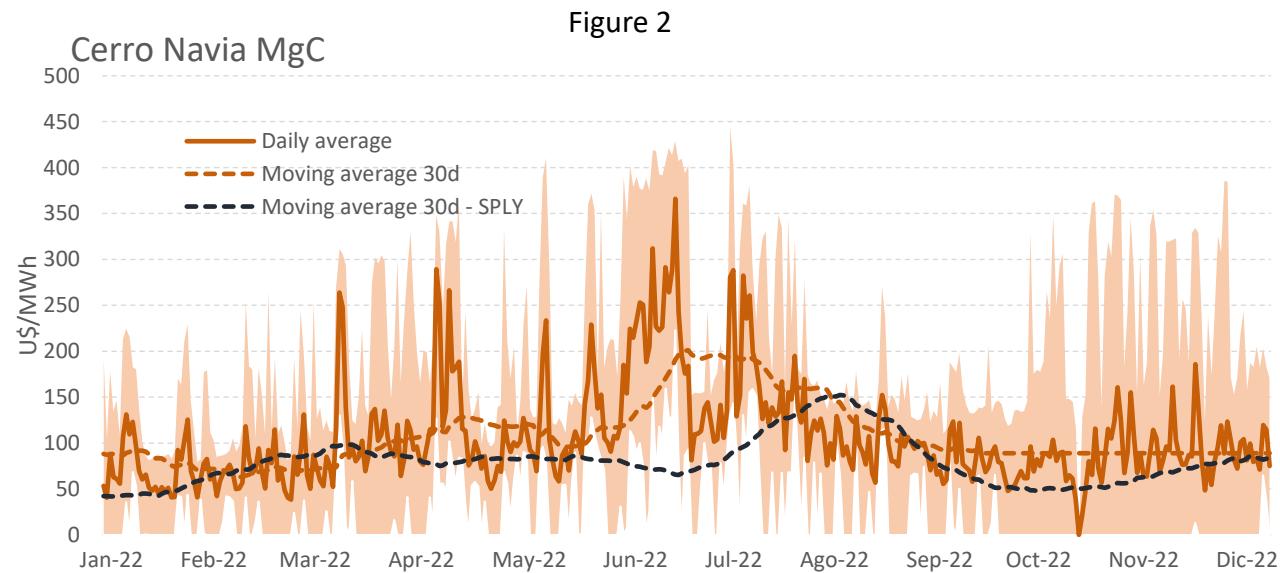
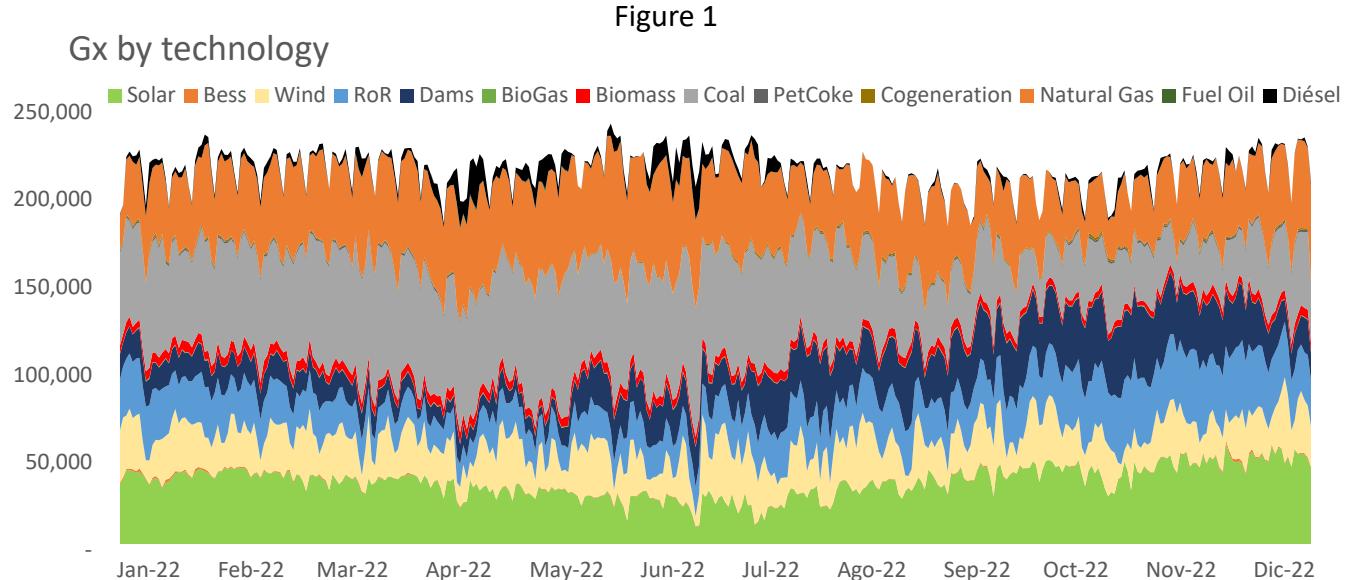
EBITDA







- From April to August the formation of the hydro reserve, together with the high cost of fossil fuels, meant that the national electricity system was very volatile in terms of prices, since diesel technology had to be used at various times at very high prices. During the month of August, the hydro reserve began to operate, which gave greater stability to the system, since generation by reservoirs made it unnecessary to use diesel technology, as shown in Figure 1.
- The stabilization of the system due to the use of the hydro reserve triggered a drop in spot prices and generated less volatility, with average prices bordering \$90/MWh in the central nodes, as shown in Figure 2 below. However, the increase in renewable energy generation in the system led prices to \$0/MWh during the solar block most of the days and prices above \$120/MWh during the night blocks. It is expected that this price behavior may be beneficial if the project's generation is stable across the month because both wind farms have a generation profile with a higher tendency towards night blocks, therefore average injection prices may be higher than withdrawal prices. However, if there is no stable generation, it may be detrimental to the projects because they would have to buy energy at high prices during the night.
- In addition, the southern zone was coupled with the rest of the electricity grid, due to the start of operations of new renewable energy plants, being the most important Puelche Sur, a 153 MW wind farm located 50 km north of Puerto Montt. It is expected that the southern region of the system will operate in a more coupled way with the central and northern regions.



Economic energy balance and hydro reserve

- ILAP's spot balance is the result of the net injection/withdrawal and marginal cost in the relevant nodes. For instance, if ILAP's power plants register low generation levels it must purchase the energy shortages in the spot market to comply with PPA energy commitments, producing high purchases levels when the spot prices present high values.
- Figure 3 shows ILAP's wind farms generation with regards the P50 scenario. Generation levels were below expectations and also below contractual obligations, therefore, had to purchase energy in the spot market in order to supply the shortage on PPA contracts, but despite the low generation, results were more aligned with projections because 4Q22 showed a more normalized scenario for the spot market with average marginal cost being lower than previous months and volatility being reduced, additionally the wind farms performed at its expected daily seasonality (more generation at night hours, reaching high prices), thus helping the projects to capture a positive decoupling, with injection average prices being higher than withdrawal average prices, aligning the period results with model projections.
- As can be seen, although low generation has had an impact on results, what has the greatest impact in EBITDA is the behavior of marginal costs and the volatility of the system.
- The formation of the hydro reserve, together with better hydrology than last hydrological period, have allowed the accumulation of a greater quantity of water in the dams, adding security to the system for the coming months. Figure 4 shows the level of water accumulation in the country's main reservoir, Lago Laja, compared to last year.
- In one of its latest studies, the National Electricity Coordinator determined that in 7 of 8 evaluated scenarios, it would not be necessary to use diesel technology until the next hydrological period, because the water reserve would be enough to cover the system's deficits. The scenario in which diesel power plants need to be started up, needs an hydrology close to P97 to happen. This considers a strong commissioning of wind power plants for ~2 GW during 2023.

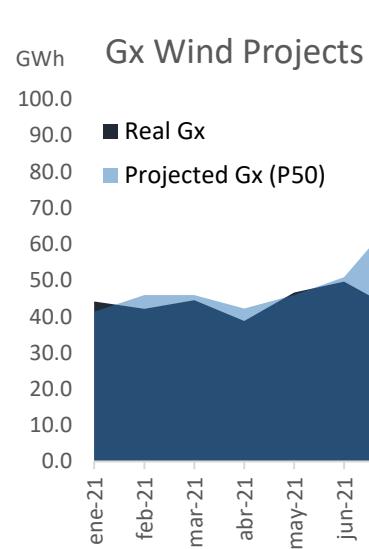


Figure 3

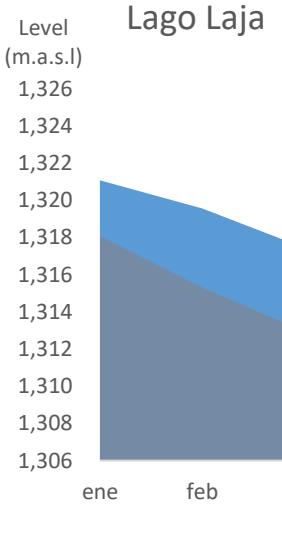
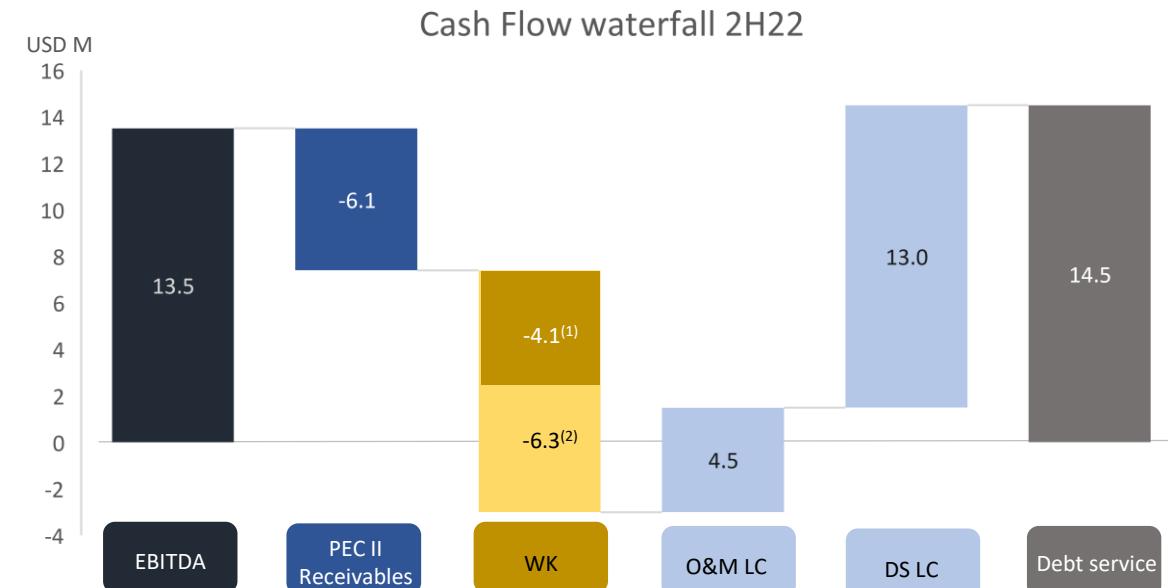


Figure 4

- The stabilized energy price for regulated consumer law ("PEC 1") reached its cap in March 2022, thus since April PPA DisCo prices could be fully invoiced once the new tariff decree is published and the new stabilized price law ("PEC 2") is fully issued, this is expected to happen during March-23.
- Although EBITDA generation during the second half of 2022 was \$13.5M, the company had to withdrawal the whole O&M LC (\$4.5M) and part of the DS LC (\$13M) in order to comply with its financial obligations, mainly due to the delay in the implementation of PEC 2, which has not allowed the projects to capture the full price of PPAs, because they have continued to charge a stabilized price during the whole year 2022, resulting in ILAP having accumulated \$10.2M in receivables that are expected to be collected during the first half of 2023.
- In addition to a lower cash flow due to the PEC law during the second half of 2022, ILAP had to face the catch-up of the WK earned during the first half of 2022, which meant significant cash outflows.
- Along with the balance monetizations expected in the first half of 2023 for \$10.2M and the more stabilized system in terms of volatility of marginal costs, which would allow the company to catch up an important portion of the reserve accounts by Jun-23, another way for the company to inject liquidity into its operations is related to PEC 1 receivables (\$18M). For this to happen it is necessary to find a buyer who is willing to monetize at a reasonable cost together with the approval of the bondholders. Even though the debt structure considers the receipt of these funds as part of the target amortization during 2025 to 2027, the increase in revenues due to higher-than-expected inflation than the initial model (PPAs indexed to US inflation) would be enough to cover this gap.



- (1) The accumulated balances of PEC 1 during the months of April through June (\$4.1M) that were not monetized during the second half of the year generated significant cash charges that were assumed during the second half of the year.
- (2) The June result, whose cash flows affected the following month, together with December's EBITDA, whose cash flows are not collected during the period, generated significant WK charges to the result.

- International Rating Agencies:

S&P Global
Ratings

B- Jan-23

Moody's

B2 Dec-22

Fitch Ratings

BB- Nov-22

- Rating agencies incorporated a higher risk due to volatility in the spot market and lower funds in the reserve accounts after LC withdrawal
- All agencies presented negative outlooks, with expectations of how market will evolve and when will the PEC funds be received
- Management maintains fluid communication with all agencies regarding project performance and market conditions

- National Rating Agencies:

ICR ICR Chile
AN AFFILIATE OF MOODY'S
INVESTORS SERVICE

→ SJU  Jun-22
→ NVD  Jul-22

- A BB+ local credit rating is required under the DisCos PPA
- In case the local rating is lower than BB+, the company has 6 months to improve the rating, otherwise DisCos have the right to early terminate the PPAs
- Local and international rating agencies present different measurement methodologies
- New rating review is underway and should deliver ratings during 1Q23.



Inversiones Latin America Power Ltda | ILAPCL

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