purchased either in the Formal or the Informal Exchange Market, but such payments and distributions must be remitted through the Formal Exchange Market.

The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. As of December 31, 2019, the U.S. dollar Observed Exchange Rate was Ch$ 748.74 per US$ 1.00. As of April 27, 2020, the U.S. dollar Observed Exchange Rate was Ch$ 856.76 per US$ 1.00.

Calculation of the appreciation or devaluation of the Chilean peso against the U.S. dollar in any given period is made by determining the percent change between the reciprocals of the Chilean peso equivalent of US$ 1.00 at the end of the preceding period and the end of the period for which the calculation is being made. For example, to calculate the devaluation of the year-end Chilean peso in 2019, one determines the percentage of change between the reciprocal of Ch$ 694.77, the value of one U.S. dollar as of December 31, 2018, or 0.0014393, and the reciprocal of Ch$ 748.74, the value of one U.S. dollar as of December 31, 2019, or 0.0013356. In this example, the percentage change between the two periods is -7.2%, which represents the 2019 year-end devaluation of the Chilean peso against the 2018 year-end U.S. dollar. A positive percentage change means that the Chilean peso appreciated against the U.S. dollar, while a negative percentage change means that the Chilean peso devaluated against the U.S. dollar.

The following table sets forth the period-end rates for U.S. dollars for the years ended December 31, 2015, through December 31, 2019, based on information published by the Central Bank of Chile.

| | Ch$ per US$[1] | |
|---|---|---|
| | **Period End** | **Appreciation (Devaluation)** |
| | **(in Ch$)** | **(in %)** |
| **Year ended December 31,** | | |
| 2019 | 748.74 | (7.2) |
| 2018 | 694.77 | (11.5) |
| 2017 | 614.75 | 8.9 |
| 2016 | 669.47 | 6.1 |
| 2015 | 710.16 | (14.6) |

*Source: Central Bank of Chile.*
(1) Calculated based on the variation of the reciprocals of the period-end exchange rates.

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

**D. Risk Factors.**

***Fluctuations in the Chilean economy, economic interventionist measures by governmental authorities, political and financial events, or other crises in Chile and worldwide may affect our results of operations, financial condition, liquidity, and the value of our securities.***

All our operations are in Chile. Accordingly, our revenues are affected by the performance of the Chilean economy. Chile is also vulnerable to external shocks, such as financial and political events, that could cause significant economic difficulties and affect economic growth. If Chile experiences lower than expected economic growth or a recession, it is likely that our customers will demand less electricity and that some of our customers may experience difficulties paying their electric bills, possibly increasing our uncollectible accounts. Any of these situations could adversely affect our results of operations and financial condition. Since 2018, the U.S. and China have been involved in a trade war involving protectionist measures that has increased the volatility of financial markets worldwide due to the uncertainty of political decisions. Instability in the Middle East or in any other major oil-producing region could also result in higher fuel prices worldwide, increasing the operating cost for our thermal generation plants and unfavorably affecting our results of operations and financial condition.

An international financial crisis and its disruptive effects on the financial industry could negatively affect our ability to obtain new financings under the same historical terms and conditions that we have benefited from to date. Political events or financial or other crises could also diminish our ability to access Chilean and international capital markets or increase the interest rates available to us. Reduced liquidity, in turn, could adversely affect our capital expenditures, long-term investments and acquisitions, growth prospects and dividend payout policy. Insufficient cash flows could result in the inability to meet our debt obligations and the need to seek waivers to comply with restrictive debt covenants, resulting in increased costs for subsequent financings.

Future negative developments in Chile, including political events, financial or other crises, changes to policies regarding foreign exchange controls, regulations, and taxation, may impair our ability to execute our business plan and could adversely affect our results of operations and financial condition. Inflation, devaluation, social instability, and other political, economic or diplomatic developments could also reduce our profitability. Chilean financial and securities markets are influenced by economic and market conditions in other countries and may be affected by international events, which could unfavorably affect the value of our securities.

We are exposed to economic and political volatility, including civil unrest in Chile due to the challenges arising from changes in economic conditions, regulatory policies, laws governing foreign trade, manufacturing, development and investments, as well as various crises and uncertainties. These factors, either individually or in the aggregate, could severely impact Chilean economic growth and our business, results of operations and financial condition. Starting in October 2019, Chile began to experience social turmoil throughout the country, starting initially because of a public transportation fare hike. Almost immediately, increasingly violent student and civil protests brought about widespread and severe tensions, indiscriminate violence and vandalism, significant public and private sector property damage and disruption to institutions, commerce, general safety, civilian welfare and peace. The government initially declared a 90-day state of emergency, extendable as necessary. At the same time, it launched various political, social, and economic reforms, including a guaranteed minimum wage, an increase in government-subsidized pensions, stabilization of electricity costs, a higher tax bracket for high-income earners, new health insurance programs, a pay cut for the members of the Chilean Congress and certain civil servants.

In this context, the Chilean government approved calling for a national referendum, now rescheduled for October 2020, to decide whether to create a new Chilean constitution, and if so, whether a popularly elected assembly or a combination of current legislators and a popularly elected assembly would draft the new constitution. The existing constitution has been in place since 1980 and any new constitution could alter the Chilean political situation, affect the Chilean economy and the country’s business outlook. A new constitution may also change existing rights, including rights to exploit natural resources, and water and property rights, any of which could adversely affect our business, results of operations, and financial condition.

***We are subject to the adverse effects of worldwide pandemics.***

An international public health crisis, such as the one attributable to the COVID-19 pandemic that has become an increasing worldwide source of distress since December 2019, could significantly affect Chile, as well as our trading partners.

In March 2020, due to the COVID-19 pandemic, Chilean President Sebastián Piñera decreed a state of emergency for 90 days, and such emergency measure may be subsequently extended beyond June 2020. Under such executive authority, President Piñera has instituted nighttime military curfews, selective mandatory quarantines in affected areas, control of entrance, exit and traffic within specified zones, the prohibition of mass gatherings, the closing of public schools, among other measures. The private sector has voluntarily taken further measures, such as adopting telecommuting wherever possible and the closing of commercial offices. Many businesses, such as restaurants and retail stores, have temporarily closed, either voluntarily or by executive decree, and companies associated with travel, transportation, and tourism have been severely affected and many may go bankrupt.

The cumulative effect of measures of this kind will likely lead to a recession, high unemployment levels, and perhaps a decline in electricity demand. If the COVID-19 pandemic is not adequately contained in 2020, the ability of our businesses to generate income and maintain liquidity levels to allow for normal operations may diminish. We may also experience increased difficulties in receiving payments from our distribution customers, especially those residential customers accustomed to making their monthly electricity bill payments in our commercial offices, some of which have closed. These customers may not have easy access to payment online or may have greater difficulties in settling their electricity bills. We are not presently able to quantify the expected negative effects of the COVID-19 pandemic on our 2020 results; however, we expect them to be adverse, especially in the distribution business.

***Our businesses depend heavily on hydrology and are affected by droughts, flooding, storms, ocean currents, and other inclement weather conditions.***

Approximately 49% of our installed generation capacity in 2019 was hydroelectric. Accordingly, arid hydrological conditions could negatively affect our business, results of operations, and financial condition. Our results have been adversely affected when hydrological conditions in Chile have been significantly below average.

Our subsidiary Enel Generation has entered into certain agreements with the Chilean government and local irrigators regarding the use of water for hydroelectric generation purposes during periods of low water levels. However, if droughts persist, we may face increased pressure from the Chilean government or other third parties to further restrict our water use.

Our operating expenses increase during these drought periods when thermal power plants, which have higher operating costs relative to hydroelectric power plants, are dispatched more frequently. We may need to buy electricity at higher spot prices in order to comply with our contractual supply obligations. The cost of these electricity purchases may exceed our contracted electricity sale prices; thus, potentially producing losses from those contracts. For further information with respect to the effect of hydrology on our business and financial results, please refer to “Item 5. Operating and Financial Review and Prospects — A. Operating Results —1. Discussion of Main Factors Affecting Operating Results and Financial Condition of the Company —a. Generation Business.”

Droughts also indirectly affect the operation of our thermal power plants, including our facilities that use natural gas, fuel oil, or coal, in the following manner:

- Our thermal power plants require water for cooling, and droughts in extreme situations may reduce the availability of water and increase the cost of transportation. As a result, we have had to purchase water for our San Isidro power plant from agricultural areas that are also experiencing water shortages. These water purchases may increase our operating costs and may require us to negotiate with the local communities.

- Thermal power plants generate emissions such as nitrogen oxide (NO), carbon dioxide ($CO_2$), carbon monoxide (CO), sulfur dioxide ($SO_2$), and particulate matter into the atmosphere. Therefore, greater use of thermal power plants during droughts generally increases the risk of producing higher levels of greenhouse gas emissions, which also decreases our operating income due to the payment of so-called “green taxes.”

A full recovery from the drought that has been affecting the regions where most of our hydroelectric power plants are located may last for an extended period, and new drought periods may recur in the future. Prolonged droughts may exacerbate the risks described above and have a further negative effect upon our business, results of operations, and financial condition.

Our distribution business is also affected by inclement weather. Extreme temperatures can increase demand significantly within a very short period, which may put a strain in our service and could result in service disruptions that would be potentially subject to fines. Depending on weather conditions, results obtained by our distribution business can vary significantly from year to year. For example, as a result of severe rainstorms in June 2017, with high wind gusts that brought down part of the electric network, 125,000 of our customers, or 7%, were left without electricity. In July 2017, a strong snowstorm over the Santiago Metropolitan Region caused massive damage to the electrical infrastructure, and a blackout affected 342,000 of our customers, or 18%, and 17% of our feeders. This was the most damaging snowstorm in Santiago since 1970 and left parts of the capital without electricity for more than a week. These events significantly increased our costs due to emergency responses, including payments related to damage compensation, fines, line maintenance, and tree trimming programs.

***We are subject to physical, operational, and financial risks related to climate change effects, and potential business risks resulting from climate change legislation and regulation to limit greenhouse gas (GHG) emissions.***

The electricity generated by our solar and wind generation facilities is highly dependent on suitable solar and wind conditions, which, even under normal operating circumstances, can be very variable. Climate change may also have long-term effects on wind patterns and the amount of solar energy received at a particular solar facility, reducing the output of electricity generated by the facilities. Although we base our business decisions for each renewable energy facility on solar and wind studies, actual conditions may not conform to the findings of these studies. They may be affected by changes in weather patterns, including the potential impact of climate change. Also, severe weather may damage critical components of our renewable power generation systems, including turbines, solar panels, and inverters.

If our renewable energy production falls below anticipated levels, we may have to dispatch our back-up thermal power plants to make up the shortfall in electricity generation. Our thermal power plants have higher operating costs and generate GHG emissions. Also, we may need to buy electricity in the spot market to fulfill the contractual supply obligations of our solar and wind generation facilities, which may be at prices higher than the contracted electricity sale prices. These impacts could increase our costs or result in losses and have a material adverse effect on our business, results of operations, and financial condition.

Future climate change legislation and regulation restricting or regulating GHG emissions could result in increased operating costs and have a material adverse effect on our business, results of operations, and financial condition. The adoption and implementation of any international treaty or any legislation or regulations imposing new or additional reporting obligations on, or limiting emissions of, GHGs from our operations could require us to incur additional costs to comply with such requirements and possibly require the reduction or limitation of GHG emissions associated with our operations. These higher compliance standards may involve additional costs to operate and maintain our equipment and facilities, install emission controls, or pay taxes and fees relating to GHG emissions, which could have a material adverse effect on our business, results of operations and financial condition.

***Governmental regulations may unfavorably affect our businesses, cause delays, impede the development of new projects, or increase the costs of operations and capital expenditures.***

Our businesses and the tariffs that we charge to our customers are subject to extensive regulation that may negatively affect our profitability. For example, governmental authorities might impose rationing policies during droughts or prolonged failures of power facilities, which may adversely affect our business, results of operations, and financial condition.

Some aspects of the Chilean electricity law have been subject to significant regulatory changes, and any such changes may unfavorably affect our future operations and profitability. For example, in the context of the social crisis that began in October 2019, the government established a transitional mechanism for stabilizing electricity prices for customers under the regulated price system. The mechanism eliminates the price increase of 9.2% that would have been applied to regulated customers as of July 2019 and defers the price increase for the sale of electricity under contracts between generation and distribution companies that start before 2021. A price stabilization funding program was implemented by the CNE and is effectively financed by companies in the generation industry, including our subsidiary Enel Generation, through accounts receivable that are generated by the differences between the contractual rates and the stabilized rates, which are expected to enable the generation companies to recover the lost revenues by December 31, 2027. We expect to suffer a financial loss as a result of this revenue deferral because generation companies are being asked to finance such deferral. For further information, please see Note 11 of the Notes to our consolidated financial statements. Other Chilean electricity sector regulations may also affect the ability of our generation companies to collect revenues sufficient to cover their operating costs and adversely affect our future profitability.

With respect to distribution companies, in December 2019, the Ministry of Energy's Law No. 21,194 lowers the profitability of distribution companies and modifies the electricity distribution tariff process. Among other things, the new law reduced the rate for calculating annual investment costs from 10% to a rate calculated by the CNE every four years (which will be an annual after-tax rate of between 6% and 8%) and established that the after-tax rate of return for each distribution company must be between three percentage points below and two percentage points above the rate calculated by the CNE. The Chilean Congress is currently discussing an electricity distribution tariff reform (*"ley larga"*), which, if approved, may reduce our future profitability. It is possible that social and political pressures prevailing recently may influence regulators in deferring favorable tariff adjustments for 2020 which would otherwise accrue.

Our operating subsidiaries are also subject to environmental regulations that, among other things, require us to perform environmental impact studies on future projects and obtain construction and operating permits from local and national regulators. Governmental authorities may withhold or delay the approval of these permits until the completion of environmental impact studies. Therefore, their processing time may be longer than expected. Environmental regulations for existing and future generation capacity have become stricter and require increased capital investments. Any delay in meeting the required emission standards may constitute a violation of the environmental regulations. Failure to certify the original implementation and ongoing emission standard requirements of such monitoring systems may result in significant penalties and sanctions or legal claims for damages. We expect that more restrictive emission limits will be established in the future. We are also subject to an annual "green tax," based on our greenhouse gas emissions in the previous year. Such taxes may increase in the future and discourage thermal electricity generation.

Changes in the regulatory framework are often submitted to legislators and administrative authorities, and some of these changes could have a material adverse effect on our business, results of operations, and financial condition.

***Our business faces risks from the promotion of decarbonization efforts both on a global and on a national scale.***

In June 2019, the Chilean government announced its plan to phase out coal entirely from its energy mix by 2040 and achieve carbon neutrality by 2050. Under this plan, Enel Generation and GasAtacama Chile S.A ("GasAtacama," now merged into Enel Generation) signed an agreement with the Chilean Ministry of Energy. The protocol defines the process for the progressive closure of our coal-fired power plants Tarapacá (158 MW), Bocamina I (128 MW), and Bocamina II (350 MW). Under this agreement, Enel Generation is irrevocably obligated to close Bocamina I and II, and Tarapacá's coal plant. The Tarapacá coal plant was closed in December 2019. The deadlines for closing Bocamina I and II are December 31, 2023, and December 31, 2040, respectively.

Even though the Chilean government's plan to achieve decarbonization may overlap with our companies' sustainability strategy, the actual implementation of the governmental targets may exert considerable pressure on us and on our ability to satisfy our contractual obligations with other cleaner sources. In turn, this may increase our expenses, decrease our profitability, and limit our ability to satisfy electricity demand fully.

***Regulatory authorities may impose fines on our subsidiaries due to operational failures or any breaches of regulations.***

Our electricity businesses are subject to regulatory fines for any breach of current regulations, including failures to supply energy. Our generation subsidiaries are supervised by local regulatory entities and may be subject to fines in cases where the regulator determines that the company is responsible for the operational failures that affect the regular energy supply to the system, including coordination issues. Regulations establish a compensation fee to end customers when energy is interrupted more than the standard allowed time due to events or failures affecting transmission facilities.

In 2017, Enel Distribution was fined by the SEF for a total amount of 90,000 UTM (Ch$ 4.5 billion) due to various claims of infractions related to extreme inclement weather in June and July 2017. During 2017, Enel Distribution was also fined for a total amount of 35,611 UTM (Ch$ 1.8 billion) associated with breaches of quality standards of supply. For further information on fines, please refer to Note 36.3 of the Notes to our consolidated financial statements.

***We depend on distributions from our subsidiaries to meet our payment obligations.***

In order to pay our obligations, we rely on cash from dividends, loans, interest payments, capital reductions, and other distributions from our subsidiaries. Such payments and distributions to us may be subject to legal constraints, such as dividend restrictions and fiduciary obligations.

*Contractual Constraints*: Distribution restrictions included in certain credit agreements of our subsidiaries may prevent dividends and other distributions to shareholders if they do not comply with specified financial ratios. Our credit agreements typically prohibit any type of distribution if there is an ongoing default.

*Operating Results of Our Subsidiaries*: The ability of our subsidiaries to pay dividends or make loan payments or other distributions to us is limited by their operating results. To the extent that the cash requirements of any of our subsidiaries exceed their available cash, the subsidiary will not be able to make cash available to us.

Any of the situations described above could adversely affect our business, results of operations, and financial condition.

***We are involved in litigation proceedings.***

We are involved in various litigation proceedings that could result in unfavorable decisions or financial penalties against us. We will continue to be subject to future litigation proceedings, which could cause material adverse consequences to our business. Our financial condition or results of operations could be unfavorably affected if we are unsuccessful in defending lawsuits and proceedings against us. For further information on litigation proceedings, please see “Note 36.3 of the Notes to our consolidated financial statements.

***Construction and operation of power plants may encounter significant delays, stoppages, cost overruns, and stakeholder opposition that may damage our reputation and result in impairment of our goodwill with stakeholders.***

Our power plant projects may be delayed in obtaining regulatory approvals or may face shortages and increases in the price of equipment, materials, or labor. They may be subject to construction delays, strikes, accidents, and human error. Any such event could negatively affect our business, results of operations, and financial condition.

Market conditions may change significantly between the approval and completion of a project, which, in some cases, may decrease a project’s profitability or render it impracticable. This has been the case with many of our past projects that were initially planned under very different market conditions when energy prices were higher, and there was less competition. Deviations in market conditions, such as estimates of timing and expenditures, may lead to cost overruns and delays in project completion that widely exceed our initial forecasts. In turn, this may have a material adverse effect on our business, results of operation, and financial condition.

We may develop new projects in locations that are sometimes challenging in terms of geographical topography, in some cases on mountain slopes with limited access. These factors may also lead to delays and cost overruns. For example, Cerro Pabellón, our 48 MW geothermal power plant, was built at 4,500 meters above sea level and is currently constructing a third unit that will increase its capacity by 33 MW. We may face challenges associated with high-altitude construction, such as health concerns, and these may affect the schedule and associated investments. Additionally, given the location of some projects, there may be archaeological risks. In 2018, the Superintendence of the Environment filed charges against our subsidiary Geotérmica del Norte S.A. for infractions related to the archaeological and operational components of the Cerro Pabellón project. These charges could result in high fines and the revocation of our environmental permit.

The operation of our thermal power plants, especially those that are coal fired, may affect our goodwill with stakeholders due to greenhouse gas emissions that could unfavorably affect the environment and nearby residents. Furthermore, outside stakeholders may influence the interests and perceptions communities have of our company. If we fail to address all relevant stakeholders appropriately, we may face opposition, which could negatively affect our reputation, stall operations, or lead to litigation threats or actions. Our reputation is the foundation of our relationship with key stakeholders and other constituencies. If we do not effectively manage these sensitive issues, our business, results of operations, and financial condition could be adversely affected.

Damage to our reputation may exert considerable pressure on regulators, creditors, and other stakeholders, possibly leading to the abandonment of projects and operations. This could cause our share prices to drop and hinder our ability to attract and retain valuable employees. Any of these outcomes could result in an impairment of our goodwill with stakeholders.

***Political events or financial or other crises in any region worldwide can have a significant impact on Chile, and consequently, may unfavorably affect our operations and liquidity.***

Chile is vulnerable to external shocks that could cause significant economic difficulties and affect growth. If Chile experiences lower than expected economic growth or a recession, it is likely that consumer demand for electricity will decrease and that some of our customers may have difficulties paying their electric bills, possibly increasing our uncollectible accounts. Any of these situations could adversely affect our results of operations and financial condition.

Financial and political events in other parts of the world could also negatively affect our business. For example, since 2018, the U.S. and China have been involved in a trade war involving protectionist measures that increased volatility in financial markets worldwide due to the uncertainty of political decisions. In addition, instability in the Middle East or any other major oil-producing region could result in higher fuel prices worldwide, which would increase the operating costs for our thermal generation power plants and unfavorably affect our results of operations and financial condition. An international financial crisis and its disruptive effects on the financial industry could adversely affect our ability to obtain new bank financings under the same historical terms and conditions that we have benefited from to date.

Political events or financial or other crises could also diminish our ability to access capital markets in Chile and international capital markets as sources of liquidity or increase interest rates available to us. Reduced liquidity could negatively affect our capital expenditures, long-term investments and acquisitions, growth prospects, and dividend payout policy.

The U.S. federal government has experienced shutdowns in recent years. The 2018-2019 U.S. government shutdown, the longest in U.S. history, lasted 35 days and affected many federal agencies, including the SEC. Even temporary or threatened U.S. government shutdowns could have a material adverse effect on the timing, execution, and increased expense associated with our international financing and M&A activities.

***We may be unable to enter into suitable acquisitions or successfully integrate businesses that we acquire.***

On an ongoing basis, we review acquisition prospects that may increase our market coverage or provide synergies with our existing businesses, though there can be no assurance that we will be able to identify and acquire suitable companies in the future. The acquisition and integration of independent companies that we do not control is generally a complex, costly, and time-consuming process that requires significant efforts and expenditures. If we do make further acquisitions, we could incur substantial debt, assume unknown liabilities, potentially lose critical employees, be forced to amortize expenses related to tangible assets, and divert management’s attention from other business concerns.

Integrating acquired businesses may be difficult, expensive, time-consuming, and a strain on our resources and relationships with our employees and customers. Ultimately, these acquisitions may not be successful or achieve the expected benefits. Any delays or difficulties encountered in connection with acquisitions and the integration of their operations could have a material adverse effect on our business, results of operations, or financial condition.

***Our business and profitability could be unfavorably affected if water rights are denied or if water concessions are granted with limited duration.***

We own water rights granted by the Chilean Water Authority (*Dirección General de Aguas*) for the supply of water from rivers and lakes near our production facilities. Currently, these water rights are (i) for unlimited duration, (ii) absolute and unconditional property rights, and (iii) not subject to further challenge. Chilean generation companies must pay an annual license fee for unused water rights. New hydroelectric facilities are required to obtain water rights and the conditions of such water rights may affect the design, timing, or profitability of a project.

The Chilean Congress has discussed proposed amendments to the Water Code since 2014 to prioritize the use of water by defining its access as a basic human need that must be guaranteed by the state. The amendments would give precedence to water use for human consumption, domestic subsistence, and sanitation in both the granting and limiting of the exercise of rights of exploitation. Restrictions enacted to preserve environmental flows would also reduce water availability for generation purposes. To date, no resolutions regarding these amendments have been approved by the Chilean Congress.

Any limitations on our water rights, the granting of additional water rights, or on the duration of our water concessions could have a material adverse effect on our hydroelectric development projects and profitability.

***Foreign exchange risks may unfavorably affect our results and the U.S. dollar value of dividends payable to ADS holders.***

The Chilean peso has been subject to devaluations and appreciations against the U.S. dollar and may be subject to significant fluctuations in the future. For example, the Chilean peso depreciated by 7.2% against the U.S. dollar in 2019. The Chilean peso continues to devalue against the U.S. dollar in 2020 and the U.S. dollar Observed Exchange Rate peaked at Ch$ 867.83 per US$ 1.00 on March 19, 2020. We pay our dividends in Chilean pesos. Historically, a significant portion of our consolidated indebtedness has been in U.S. dollars. Although a substantial portion of our operating cash flows is linked to the U.S. dollar, we are exposed to fluctuations in the Chilean peso against the U.S. dollar because of time lags and other limitations to pegging our tariff rates to the U.S. dollar. This exposure can substantially decrease the value of the cash we generate in U.S. dollars due to the devaluation of the peso. Future volatility in the exchange rate of the currency in which we receive revenues or incur expenditures may adversely affect our business, results of operations, and financial condition.

***Our long-term electricity sales contracts are subject to fluctuations in the market prices of certain commodities, energy, and other factors.***

In our generation business, we have exposure to fluctuations in the market prices of certain commodities that affect our long-term electricity sales contracts. These contracts commit us to material obligations as selling parties and contain prices that are indexed to different commodities, exchange rates, inflation, and the market price of electricity. Unfavorable changes to these indices would reduce the rates we charge under these contracts, which could adversely affect our business, results of operations, and financial condition.

***We are subject to incremental risks in distribution markets that are becoming more liberalized.***

In our distribution business, we are also exposed to fluctuations in electricity prices. Since 2016, some customers who had freely chosen regulated tariffs have been switching to the unregulated tariff regime due to lower prices. These customers are tendering their electricity needs, either directly or in association with other customers, because regulated tariffs are currently higher than unregulated tariffs due to the former being based on contracts tendered in the past at higher prices. Lower market prices may reduce the number of customers who choose regulated tariffs as customers may choose an alternative energy provider. This would reduce our number of customers and could adversely affect our business, results of operations, and financial condition.

***Our controlling shareholder may exert influence over us and may have a different strategic view for our development from that of our minority shareholders.***

Enel, our ultimate controlling shareholder, owns 61.9% of our voting shares as of the date of this Report and has announced its intention to acquire an additional 3% by the end of 2020, which includes an additional 0.45% expected to be acquired in May 2020. Under Chilean corporate law, Enel has the power to determine the outcome of substantially all material matters that require a simple majority of shareholders' votes, such as the election of the majority of the seats on our board, and, subject to contractual and legal restrictions, the adoption of our dividend policy. Enel also exercises significant influence over our business strategy and operations. However, in some cases, its interests may differ from those of our minority shareholders. Certain conflicts of interest affecting Enel in these matters may be resolved in a manner that is different from the interests of our company or our minority shareholders.

***Our electricity business is subject to risks arising from natural disasters, catastrophic accidents, and acts of terrorism, which could unfavorably affect our operations, earnings and cash flow.***

Our primary facilities include power plants, and distribution assets that are exposed to damage from catastrophic natural disasters, such as earthquakes and fires, human causes, as well as acts of vandalism, protests, riots, and terrorism. A catastrophic event could cause prolonged unavailability of our assets, disruptions in our business, significant decreases in revenues due to lower demand, or significant additional costs to us not covered by our business interruption insurance. There may be lags between a significant accident or catastrophic event and the final reimbursement from our insurance policies, which typically carry a deductible and are subject to per event policy maximum amounts.

In mid-October 2019, widespread street demonstrations and protests erupted in Santiago and quickly spread throughout the rest of Chile. These actions have since become commonplace, and, at times, have been accompanied by looting, arson, and severe vandalism. Violent confrontations between protesters and the police and armed forces have resulted in a significant loss of human lives and severe injuries. The accumulated damage to public and private property could amount to billions of dollars. Damage to Chile’s economy, prospects for growth, perception of risk, and immediate repercussions in terms of unemployment and loss of productivity are also significant. Our corporate headquarters in Santiago suffered a severe arson attack on October 18, 2019, resulting in the dislocation of our management and headquarters employees for an extended period. An electricity substation belonging to an unrelated company in the northern city of Copiapó was set on fire on November 28, 2019. Chilean public authorities have voiced their concern for the country’s strategic electricity infrastructure, including power stations, transmission lines and distribution substations. It is not possible to estimate when such violence will come to an end or the final effects on our business, but there may be material long-term negative effects resulting from this social crisis.

Any natural or human catastrophic disruption to our electricity assets in Chile could lead to significant adverse effects on our operations and financial condition.

***We are subject to financing risks, such as those associated with funding our new projects and capital expenditures or refinancing existing obligations.***

As of December 31, 2019, our consolidated debt totaled Ch$ 2,661 billion (including Ch$ 781 billion with Enel Finance International N.V., a related company). As of December 31, 2019, our most material debt obligation was the US$ 1.7 billion principal amount of SEC-registered bonds issued in the U.S. under the law of the State of New York.

Our debt agreements are subject to several of the following provisions including (1) financial covenants, (2) affirmative and negative covenants, (3) events of default, (4) mandatory prepayments for contractual breaches, (5) change of control clauses for material mergers and divestments, and (6) bankruptcy and insolvency proceeding covenants, among others.

A significant portion of our financial indebtedness is subject to cross default provisions, which have varying definitions, criteria, materiality thresholds, and applicability concerning subsidiaries that could result in cross default. Our debt may also become immediately due and payable in cases involving bankruptcy or insolvency proceedings of a significant or material subsidiary. Likewise, some of our debtholders may decide to accelerate our debt in events of cross default dealing with significant or material subsidiaries, among other potential covenant defaults.

We may be unable to refinance our debt or obtain such refinancing on terms acceptable to us. In the absence of such refinancing, we could be forced to liquidate assets at unfavorable prices in order to make payments due on our debt. Furthermore, we may be unable to sell our assets at opportune moments or sufficiently high prices to obtain proceeds that would enable us to make such payments.

We may also be unable to raise the necessary funds required to finish our projects under development or construction. Market conditions or unforeseen project costs prevailing when we need funds could compromise our ability to finance these projects and expenditures.

Our inability to finance new projects or capital expenditures, refinance our existing debt, or comply with our covenants could negatively affect our results of operation and financial condition.

***If third party electricity transmission facilities, gas pipeline infrastructure, or fuel supply contracts fail to provide us with adequate service, we may be unable to deliver the electricity we sell to our final customers.***

We depend on transmission facilities owned and operated by other companies to deliver the electricity we sell. This dependence exposes us to several risks. If the transmission is disrupted, or transmission capacity is inadequate, we may be unable to sell and deliver our electricity. If a region's power transmission infrastructure is inadequate, our recovery of sales costs and profits may be insufficient. If restrictive transmission price regulations are imposed, transmission companies we rely on may not have sufficient incentives to invest in expanding their infrastructure, which could unfavorably affect our results of operations and financial condition or affect our ability to deploy our portfolio of projects under development. The construction of new transmission lines may take longer than in the past, mainly because of sustainability, social, and environmental requirements that create uncertainties as to the timing of project completion. In addition, our thermal power plants connected to natural gas pipelines are subject to stoppages should material disruptions in the pipeline occur. Stoppages could force us to purchase electricity at spot market prices, which could be higher than the contracted fixed sale price to customers. This scenario could adversely affect our business, results of operations, and financial condition.

***We may be unable to reach satisfactory collective bargaining agreements with our unionized employees or retain key employees in cases of labor conflict.***

A large percentage of our employees are members of unions and have collective bargaining agreements that must be renewed regularly. Our business, results of operations, and financial condition could be unfavorably affected by a failure to reach a collective bargaining agreement with any labor union, or by an agreement with a labor union that contains terms we view as unfavorable. Chilean law provides legal mechanisms for judicial authorities to impose a collective bargaining agreement if the parties are unable to come to an agreement. This is particularly true for some of our subsidiaries, including Enel Distribution, Colina, and Panguipulli, and these agreements may materially increase our costs.

We employ many highly specialized employees, and specific actions such as strikes, walkouts, or work stoppages by these employees could negatively affect our business, results of operations, financial condition, and reputation.

The Chilean legislative branch is currently analyzing proposed bills that could increase our labor costs for the Company, such as a reduction in the workweek from 45 to 40 hours, and an increase of 6% in employer contributions to employee pension funds. If enacted, these measures could lead to reduced productivity and higher expenses.

***The relative illiquidity and volatility of the Chilean securities markets could unfavorably affect the price of our common stock and ADSs.***

Chilean securities markets are substantially smaller and have less liquidity than major securities markets in the United States and other developed countries. The low liquidity of the Chilean markets may impair the ability of shareholders to sell shares, or holders of ADSs to sell shares of our common stock withdrawn from the ADS program, on Chilean stock exchanges in the amount and at the desired price and time.

***Lawsuits against us brought outside of Chile, or complaints against us based on foreign legal concepts may be unsuccessful.***

All our operations are located outside of the United States. All our directors and officers reside outside of the United States, and substantially all their assets are located outside the United States. If any investor were to bring a lawsuit against our directors and officers in the United States, it may be difficult for them to effect service of legal process within the United States upon these persons or to enforce judgments obtained in the U.S. courts based on civil liability provisions of U.S. federal securities laws against them in U.S. or Chilean courts. There is also doubt as to whether an action could be brought successfully in Chile for liability based solely on the civil liability provisions of U.S. federal securities laws.

***Interruption in or failure of our information technology, control, and communications systems or cyberattacks to or cybersecurity breaches of these systems could have a material adverse effect on our business, results of operations, and financial condition.***

We operate in an industry that requires the continued operation of sophisticated information technology, control, and communications systems (“IT Systems”) and network infrastructure. We use our IT Systems and infrastructure to create, collect, use, disclose, store, dispose of, and otherwise process sensitive information, including company and customer data, and personal information regarding customers, employees and their dependents, contractors, shareholders, and other individuals. In our generation business, IT Systems are critical to controlling and monitoring our power plants’ operations, maintaining generation and network performance, generating invoices to bill customers, achieving operating efficiencies, and meeting our service targets and standards. Our distribution business increasingly relies on IT Systems to monitor smart grids, billing processes for millions of customers and customer service platforms. The operation of our generation, transmission, and distribution systems is dependent not only on the physical interconnection of our facilities with the electricity network infrastructure but also on communications among the various parties connected to the network. The reliance on IT Systems to manage information and communication among and between those parties has increased significantly since the deployment of smart meters and intelligent grids in Chile.

Our generation, and distribution facilities, IT Systems, and other infrastructure, as well as the information processed in our IT Systems, could be affected by cybersecurity incidents, including those caused by human error. Our industry has begun to see an increased volume and sophistication of cybersecurity incidents from international activist organizations, nation states, and individuals, and are among the emerging risks identified in our planning process. Cybersecurity incidents could harm our businesses by limiting our generation, and distribution capabilities, delaying our development and construction of new facilities or capital improvement projects to existing facilities, disrupting our customer operations, or exposing us to liability. Our generation and distribution business systems are part of an interconnected system. Therefore, a disruption caused by the impact of a cybersecurity incident in the electric transmission grid, network infrastructure, fuel sources, or our third party service providers’ operations could also unfavorably affect our business.

Our business requires the collection and retention of personally identifiable information of our customers, employees, and shareholders, who expect that we will adequately protect the privacy of such information. Cybersecurity breaches may expose us to a risk of loss or misuse of confidential and proprietary information. Significant theft, loss, or fraudulent use of personally identifiable information may lead to potentially large costs to notify and protect the impacted persons and could cause us to become subject to significant litigation, losses, liability, fines, or penalties, any of which could materially and adversely affect our results of operations and reputation with customers, shareholders, and regulators, among others. We may also be required to incur significant costs associated with governmental actions in response to such intrusions or to strengthen our information and electronic control systems.

The cybersecurity threat is dynamic and evolving and is increasing in sophistication, magnitude, and frequency. We may not be able to implement adequate preventive measures or accurately assess the likelihood of a cybersecurity incident. We are unable to quantify the potential impact of cybersecurity incidents on our business and reputation. These potential cybersecurity incidents and corresponding regulatory action could result in a material decrease in revenues and high additional costs, including penalties, third party claims, repair costs, increased insurance expense, litigation costs, notification and remediation costs, security costs, and compliance costs.