1st QUARTER 2019

Colbun
MEJOR ENERGÍA

EARNINGS REPORT

As of March 31, 2019

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1Q19

EARNINGS REPORT

Conference Call
1Q19

Date: Friday May 3th, 2019

Time: 12:00 PM Eastern Time
12:00 PM Chile Time

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1. HIGHLIGHTS

Consolidated **EBITDA** for the first quarter of 2019 (1Q19) reached **US$161.7 million**, in line with the EBITDA of US$163.6 million for the first quarter of 2018 (1Q18).

Non-Operating Income in 1Q19 presented **losses of US$15.2 million,** 10% lower than the losses of US$16.9 million in 1Q18. The lower losses are mainly explained by: (1) a positive effect of the variation of the PEN/US$ and CLP/US$ exchange rates on temporary items of the balance sheet in local currency during the quarter. On the other hand, in 1Q18, this effect was negative; and (2) higher financial income as a result of higher investment rates of cash surpluses during the quarter, partially offset by a decrease registered in the line "Profit (loss) of companies accounted for using the equity method", as a result of revaluations of lands owned by HydroAysén during 1Q18, due to its accounting at liquidation value.

1Q19 **tax expenses** amounted to **US$20.0 million**, 15% lower than the tax expenses of US$23.6 million in 1Q18. The lower expenses are mainly due to (1) a tax profit registered in 1Q19 in Peru, driven by the appreciation of the Peruvian sol during the period, given that the tax accounting of Fenix is carried in Peruvian soles; and (2) a lower profit before taxes recorded during 1Q19 compared to 1Q18.

The Company recorded a **net income of US$66.4 million** in 1Q19, 3% higher than the net income of US$64.4 million in 1Q18. The higher income is mainly due to the lower tax expenses explained above.

At 1Q19 closing, **financial investments** amounted to **US$815.7 million** and **net debt** was **US$796.3 million.**

Main highlights of 1Q19:

On March 27, the Board of Directors agreed to propose to the Ordinary Shareholders' Meeting to distribute: **(1) a final dividend of US$156.1 million**, which, added to the US$84.2 million paid in December 2018, would reach 100% of the distributable liquid income for the year 2018, and **(2) an additional dividend** of **US$100 million,** charged to the income of the previous years.

On April 25, the Ordinary Shareholders' Meeting ratified the distribution of dividends proposed by the Board, which will be paid on starting on May 7.

Regarding growth, on April 25 of 2019, Colbún made public **the acquisition of the projects Diego de Almagro Sur I and II**, from the company Alen Walung, in connection to the Company's strategy to increase the share of renewable energies from variable sources in the generation mix.
These projects are located in the Atacama Region, 27 kilometers south of Diego de Almagro, and consider an overall capacity of approximately 210 MW.

Regarding the commercial strategy, during 2019 **the Company has contracted** approximately 300 GWh/year of its generation with new free customers.

2. PHYSICAL SALES AND GENERATION BALANCE

2.1. Physical Sales and Generation Balance in Chile

Table 1 shows a comparison between physical energy sales and power generation in 1Q18 and 1Q19.

Tabla 1: Physical Sales and Generation Balance in Chile

Sales	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
Total Physical Sales (GWh)	**3,408**	**3,248**	**(5%)**
Regulated Clients	1,417	1,086	(23%)
Unregulated Clients	1,467	1,489	2%
Sales to the Spot Market	525	673	28%
Capacity Sales (MW)	**1,633**	**1,664**	**2%**

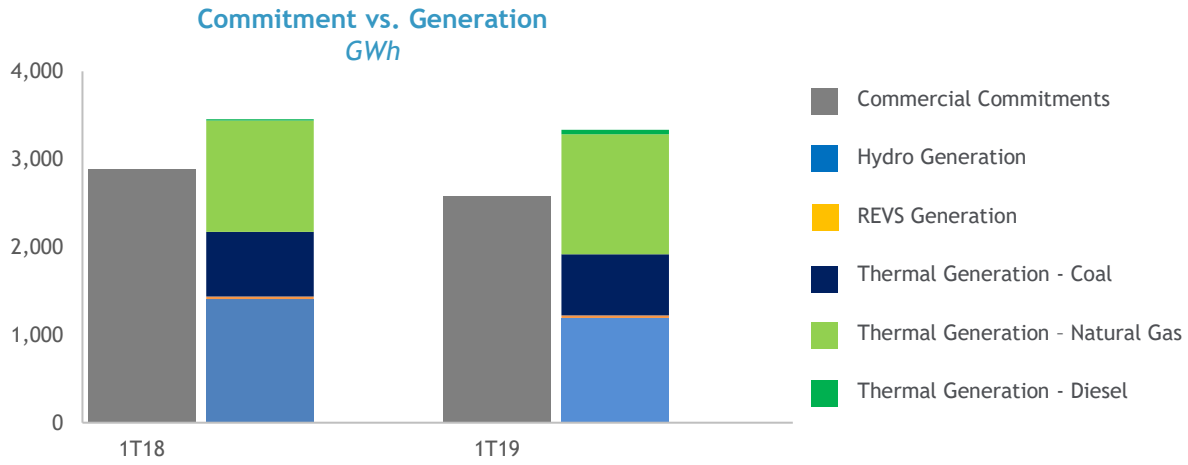
Generation	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
Total Generation (GWh)	**3,455**	**3,334**	**(3%)**
Hydraulic	**1,409**	**1,194**	(15%)
Thermal	**2,020**	**2,114**	5%
Gas	1,269	1,363	7%
Diesel	15	52	245%
Coal	736	699	(5%)
REVS	**26**	**27**	1%
Wind Farm*	26	20	(21%)
Solar	1	6	949%
Spot Market Purchases (GWh)	**0**	**0**	**-**
Sales - Purchases to the Spot Market (GWh)	**525**	**673**	**28%**

(*): Corresponds to the energy purchased from Punta Palmeras wind farm owned by Acciona.
REVS: renewable energy from variable sources

Physical withdrawals during 1Q19 reached 3,248 GWh, decreasing 5% compared to 1Q18. On the other hand, generation for the quarter decreased 3% compared to 1Q18, mainly due to lower hydro generation (-215 GWh Q/Q) and with coal (-37 GWh Q/Q), partially offset by an increase in gas (+94 GWh Q/Q) and diesel generation (+37 GWh Q/Q). The REVS generation remained in line compared to 1Q18.
Spot market balance during the quarter recorded net sales of 673 GWh, higher compared to the net sales of 525 GWh recorded in 1Q18. During the quarter, **100% of Colbún's commercial commitments were supplied with cost-efficient base generation** (hydro, REVS, coal and natural gas).

Generation mix in Chile: The hydrological year which recently ended (Apr18-Mar19), presented lower rainfall compared with an average year and compared with the previous hydrological year (Apr17-Mar18), except for the Laja basin that remained in line. As an example, the rainfall deficit with respect to an average year, by basins from north to south is: Aconcagua: 52% Maule: 34%; Angostura: 7%; Canutillar: 10%.

During 1Q19, SEN (for its Spanish acronym) generation remained in line with respect to the same period of 2018 (19,132 GWh in 1Q18 vs. 19,152 GWh in 1Q19). The quarter presented lower hydroelectric generation (5,588 GWh in 1Q18 vs. 5,266 GWh in 1Q19) due to a lower dispatch of reservoir power plants in the system. Additionally, coal generation also decreased (7,385 GWh in 1Q18 to 6,736 GWh in 1Q19). In contrast, the REVS generation presented an increase compared to 1Q18 (2,164 GWh in 1Q18 vs. 2,490 GWh in 1Q19), associated with an increase in the installed capacity of these technologies. The decrease in hydroelectric and coal generation was not fully offset by the increase in REVS generation, resulting in an increase in thermal generation from natural gas (3,019 GWh in 1Q18 vs. 3,891 GWh in 1Q19). On the other hand, diesel generation slightly decreased (204 GWh in 1Q18 to 199 GWh in 1Q19). The average marginal cost measured in Alto Jahuel increased compared to 1Q18, averaging US$63.5/MWh in 1Q19, compared to US$61.0/MWh in 1Q18.



2.2. Physical Sales and Generation Balance in Peru

Table 2 shows a comparison between physical energy sales and power generation in 1Q18 and 1Q19.

Table 2: Physical Sales and Generation Balance in Peru

Sales	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
Total Physical Sales (GWh)	**810**	**942**	**16%**
Costumers under Contract	754	753	(0%)
Sales to the Spot Market	56	189	239%
Capacity Sales (MW)	**551**	**555**	**1%**

Generation	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
Total Generation (GWh)	**605**	**932**	**54%**
Gas	605	932	54%
Spot Market Purchases (GWh)	**210**	**33**	**(84%)**
Sales - Purchases to the Spot Market (GWh)	**(154)**	**156**	**-**

Physical sales from costumer under contract reached 753 GWh during 1Q19, in line with physical sales recorded in 1Q18.

For its part, Fenix thermal gas generation reached 932 GWh, increasing 54% compared to 1Q18. This increase is mainly explained by the scheduled annual maintenance of the plant, which in 2018 was carried out during the months of January and February, while in 2019 the maintenance occurred between March 19 and April 19.

Spot market balance during the quarter recorded net sales of 156 GWh, compared to net purchases of 154 GWh during 1T18, due to the lag in the scheduled maintenance dates previously explained.

Generation Mix in Peru: Total generation in the National Interconnected Electricity System (SEIN for its Spanish acronym) increased by 6% during 1Q19 compared to 1Q18. Regarding its composition, the SEIN hydroelectric generation decreased by 1% compared to the same period in 2018. In turn, thermoelectric generation increased by 16% during 1Q19 compared to 1Q18.

3. INCOME STATEMENTS

Table 3 presents a summary of the Consolidated Income Statement in 1Q18 and 1Q19, for Chile and Peru.

Table 3: Income Statement (US$ million)

	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
OPERATING INCOME	**406.6**	**393.8**	**(3%)**
Regulated Customers Sales	186.9	148.0	(21%)
Unregulated Customers Sales	149.7	146.4	(2%)
Energy and Capacity Sales	33.5	52.6	57%
Transmission Tolls	29.3	38.7	32%
Other Operating Income	7.3	8.0	11%
RAW MATERIAL AND CONSUMABLES USED	**(214.6)**	**(208.4)**	**(3%)**
Transmission Tolls	(50.0)	(43.6)	(13%)
Energy and Capacity Purchases	(14.0)	(2.8)	(80%)
Gas Consumption	(100.8)	(107.3)	6%
Diesel Consumption	(3.0)	(9.1)	204%
Coal Consumption	(22.1)	(26.0)	17%
Other Operating Expenses	(24.7)	(19.6)	(21%)
GROSS PROFIT	**192.0**	**185.4**	**(3%)**
Personnel Expenses	(20.8)	(18.1)	**(13%)**
Other Expenses, by Nature	(7.6)	(5.6)	(27%)
Depreciation and Amortization Expenses	(58.6)	(60.0)	2%
OPERATING INCOME (LOSS) (*)	**105.0**	**101.6**	**(3%)**
EBITDA	**163.6**	**161.7**	**(1%)**
Financial Income	4.9	6.4	31%
Financial Expenses	(21.1)	(20.7)	(2%)
Exchange rate Differences	(1.1)	1.3	-
Profit (Loss) of Companies Accounted for Using the Equity Method	4.7	2.3	(50%)
Other Profit (Loss)	(4.2)	(4.5)	8%
NON-OPERATING INCOME	**(16.9)**	**(15.2)**	**(10%)**
PROFIT (LOSS) BEFORE TAXES	**88.0**	**86.4**	**(2%)**
Income Tax Expense	(23.6)	(20.0)	(15%)
PROFIT (LOSS) AFTER TAX	**64.4**	**66.4**	**3%**
PROFIT (LOSS) OF CONTROLLER	**65.2**	**64.4**	**(1%)**
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	**(0.8)**	**2.0**	**-**

(*): The subtotal for "OPERATING INCOME" presented herein, differs from "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF, 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.

Table 4: Exchange Rates at closing

Exchange Rates	Mar-18	Dec-18	Mar-19
Chile (CLP / US$)	603.39	694.77	678.53
Chile UF (CLP/UF)	26,966.89	27,565.79	27,565.76
Peru (PEN / US$)	3.23	3.38	3.32

3.1. Operating Income Analysis of the Generation Business in Chile

Table 5 presents a summary of Operating Income and EBITDA in 1Q18 and 1Q19. The main accounts and/or variations will be analysed below.

Table 5: Generation Chile EBITDA (US$ million)

	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
OPERATING INCOME	**337.1**	**328.8**	**(2%)**
Regulated Customers Sales	158.0	120.4	(24%)
Unregulated Customers Sales	141.8	155.7	10%
Energy and Capacity Sales	32.0	47.8	49%
Transmission Tolls	0.0	-	-
Other Operating Income	5.3	4.9	(8%)
RAW MATERIAL AND CONSUMABLES USED	**(175.7)**	**(177.7)**	**1%**
Transmission Tolls	(43.9)	(41.7)	(5%)
Energy and Capacity Purchases	(7.6)	(2.5)	(67%)
Gas Consumption	(81.8)	(84.0)	3%
Diesel Consumption	(3.0)	(9.1)	204%
Coal Consumption	(22.1)	(26.0)	17%
Other Operating Expenses	(17.2)	(14.5)	(16%)
GROSS PROFIT	**161.4**	**151.1**	**(6%)**
Personnel Expenses	(19.4)	(16.7)	(14%)
Other Expenses, by nature	(4.5)	(4.9)	10%
Depreciation and Amortization Expenses	(45.2)	(47.8)	6%
OPERATING INCOME (LOSS) (*)	**92.3**	**81.6**	**(12%)**
EBITDA	**137.5**	**129.4**	**(6%)**

In October 2018, a reorganization of the transmission assets of the Company was carried out, consolidating on Colbún Transmisión S.A. all national, zonal and dedicated assets. Previously, Colbún Transmisión S.A. only recorded the national transmission assets. Therefore, the figures presented for the Generation and Transmission businesses in Chile as of 1Q18 in this Earning Report are proforma. (*): The subtotal for "OPERATING INCOME" presented herein, differs from "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF, 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.

Revenues from ordinary activities in 1Q19 recorded **US$328.7 million**, decreasing by 2% compared to 1Q18, mainly due to lower sales to regulated customers, partially offset by higher energy and capacity sales in the spot market and to free customers. The lower sales to regulated customers reflect the migration of consumption from regulated customers to free customers as consequence of the price differential between both segments.

The costs of raw materials and consumables used recorded **US$177.7 million**, 1% higher compared to 1Q18, mainly due to higher diesel generation during the quarter, partially offset by lower energy and capacity purchases explained by a reversal in provisions for capacity sales registered during the quarter.

EBITDA for 1Q19 decreased by 6% compared to the same quarter of the previous year, **reaching US$129.4 million.** The lower EBITDA is mainly explained by the decrease in operating income from ordinary activities explained above.

3.2 Operating Income Analysis of the Transmission Business in Chile (Colbún Transmisión S.A)

Table 6 presents a summary of the Operating Income and EBITDA in 1Q18 and 1Q19. The main accounts and/or variations will be analyzed below.

Table 6: Transmission Chile EBITDA (US$ million)

	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
OPERATING INCOME	**19.1**	**22.0**	**15%**
Transmission Tolls	19.1	21.9	15%
Other Operating Income	0.0	0.1	137%
RAW MATERIAL AND CONSUMABLES USED	**(2.9)**	**(2.4)**	**(18%)**
Transmission Tolls	0.2	(0.4)	-
Other Operating Expenses	(3.1)	(2.0)	(37%)
GROSS PROFIT	**16.2**	**19.6**	**21%**
Other Expenses, by nature	(0.0)	(0.1)	246%
Depreciation and Amortization Expenses	(3.4)	(3.6)	6%
OPERATING INCOME (LOSS) (*)	**12.7**	**15.9**	**25%**
EBITDA	**16.2**	**19.5**	**21%**

In October 2018, a reorganization of the transmission assets of the Company was carried out, consolidating on Colbún Transmisión S.A. all national, zonal and dedicated assets. Previously, Colbún Transmisión S.A. only recorded the national transmission assets. Therefore, the figures presented for the Generation and Transmission businesses in Chile as of 1Q18 in this Earning Report are proforma. (*): The subtotal for "OPERATING INCOME" presented herein, differs from "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the CMF, 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.

Colbún Transmission's Operating income arises mainly from two sources: **(1) Annual Transmission Value per Tranche** (VATT for its Spanish acronym), which corresponds to the return on investment (AVI for its Spanish acronym) added to the operation and maintenance costs (COMA for its Spanish acronym); and **(2) Tariff Revenues** (IT for its Spanish acronym). On the other hand, the main component of the costs of Colbún Transmisión are IT. In this way, the margin received by the Company corresponds to VATT. Additionally, if they are received, reassessments in income and costs are incorporated if applicable.

Operating income from ordinary activities for 1Q19 amounted to US$22.0 million, of which 30% correspond to revenues from national assets, 17% from zonal assets and 53% correspond to the dedicated segment. The higher revenues compared to the same quarter of the previous year are mainly explained by an increase in the revenues from zonal transmission assets.

EBITDA for 1Q19 increased 21% compared to the same quarter of the previous year, reaching **US$19.5 million.** The higher EBITDA is mainly explained by the increase in operating income explained above.

3.3. Operating Income Analysis in Peru

Table 7 presents a summary of Fenix's Operating Result and EBITDA in 1Q18 and 1Q19. The main accounts and/or variations will be analyzed below.

Table 7: EBITDA Peru (US$ million)

	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
OPERATING INCOME	**52.7**	**52.6**	**(0%)**
Regulated Customers Sales	28.9	27.6	(5%)
Unregulated Customers Sales	7.9	8.3	5%
Sales to Other Generators	1.5	4.8	227%
Transmission Tolls	12.9	9.1	(30%)
Other Operating Income	1.4	2.7	95%
RAW MATERIAL AND CONSUMABLES USED	**(40.8)**	**(37.9)**	**(7%)**
Transmission Tolls	(10.8)	(11.1)	4%
Energy and Capacity Purchases	(6.4)	(0.3)	(96%)
Gas Consumption	(19.0)	(23.4)	23%
Diesel Consumption	0.0	0.0	-
Other Operating Expenses	(4.7)	(3.1)	(33%)
GROSS PROFIT	**11.9**	**14.7**	**24%**
Personnel Expenses	(1.4)	(1.5)	2%
Other Expenses, by Nature	(0.5)	(0.5)	(2%)
Depreciation and Amortization Expenses	(8.2)	(8.6)	5%
OPERATING INCOME (LOSS)	**1.8**	**4.1**	**134%**
EBITDA	**9.9**	**12.7**	**28%**

Operating income from ordinary activities in 1Q19 reached US$52.6 million, in line with the income received in 1Q18.

The **costs of raw materials and consumables used decreased by 7%** compared to the same quarter of the previous year. The decrease is mainly explained by higher Energy and Capacity Purchases registered in 1Q18 due to the maintenance of the CCGT Fenix carried out during the months of January and February (the annual maintenance of 2019 was carried out between March 19 and April 19). Additionally, the marginal cost of energy purchases during the maintenance of 2018 was US$29/MWh, higher than the cost of US$9/MWh of 2019's maintenance as a result of the failure in the TGP gas pipeline in February 2018.

Fenix's EBITDA totalized US$12.7 million in 1Q19, 28% higher than the EBITDA of US$9.9 million recorded in 1Q18, mainly due to lower costs in raw materials and consumables used given the reasons mentioned above.

3.4. Consolidated Non-Operating Income Analysis (Chile & Peru)

Table 8 shows a summary of the Consolidated Non-Operating Income (Chile and Peru) for 1Q18 and 1Q19. The main accounts and/or variations will be analyzed below.

Table 8: Consolidated Non-Operating Income (US$ million)

	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
Financial Income	4.9	6.4	31%
Financial Expenses	(21.1)	(20.7)	(2%)
Exchange rate Differences	(1.1)	1.3	-
Profit (Loss) of Companies Accounted for Using the Equity Method	4.7	2.3	(50%)
Other Profit (Loss)	(4.2)	(4.5)	8%
NON-OPERATING INCOME	**(16.9)**	**(15.2)**	**(10%)**
PROFIT (LOSS) BEFORE TAXES	**88.0**	**86.4**	**(2%)**
Income Tax Expense	(23.6)	(20.0)	(15%)
PROFIT (LOSS) AFTER TAX	**64.4**	**66.4**	**3%**
PROFIT (LOSS) OF CONTROLLER	**65.2**	**64.4**	**(1%)**
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	**(0.8)**	**2.0**	**-**

Non-Operating Income in 1Q19 presented **losses of US$15.2 million,** 10% lower than the losses of US$16.9 million in 1Q18. The lower losses are mainly explained by: (1) a positive effect of the variation of the PEN/US$ and CLP/US$ exchange rates on temporary items of the balance sheet in local currency during the quarter. On the other hand, in 1Q18, this effect was negative; and (2) higher financial income as a result of higher investment rates of cash surpluses during the quarter, partially offset by a decrease registered in the line "Profit (loss) of companies accounted for using the equity method", as a result of revaluations of lands owned by HydroAysén during 1Q18, due to its accounting at liquidation value.

1Q19 **tax expenses** amounted to **US$20.0 million**, 15% lower than the tax expenses of US$23.6 million in 1Q18. The lower expenses are mainly due to (1) a tax profit registered in 1Q19 in Peru, driven by the appreciation of the Peruvian sol during the period, given that the tax accounting of Fenix is carried in Peruvian soles; and (2) a lower profit before taxes recorded during 1Q19 compared to 1Q18.

The Company recorded a **net income of US$66.4 million** in 1Q19, 3% higher than the net income of US$64.4 million in 1Q18. The higher income is mainly due to the lower tax expenses explained above.

4. CONSOLIDATED BALANCE SHEET ANALYSIS

Table 9 presents an analysis of the Balance Sheet´s relevant accounts as of December 31, 2018 and March 31, 2019. Subsequently, the main variations will be analyzed.

Table 9: Consolidated Balance Sheet Main Accounts for Chile and Peru (US$ million)

	Dec-17	Mar-19	Var	Var %
Current assets	1,151.3	1,215.8	64.5	6%
Non-current assets	5,627.1	5,634.7	7.6	0%
TOTAL ASSETS	**6,778.3**	**6,850.5**	**72.1**	**1%**
Current liabilities	345.4	324.7	(20.6)	(6%)
Non-current liabilities	2,576.0	2,601.3	25.2	1%
Total net equity	3,856.9	3,924.5	67.5	2%
TOTAL LIABILITIES AND NET EQUITY	**6,778.3**	**6,850.5**	**72.1**	**1%**

Current Assets: reached US$1,215.8 million at Mar19 closing, increasing 6% compared to the end of Dec18, mainly due to the increase in cash and cash equivalents recorded during the period.

Non-current Assets: recorded US$5,634.7 million at Mar19 closing, in line with the non-current assets recorded at the end of Dec18.

Current Liabilities: totalized US$324.7 million at Mar19 closing, decreasing by 6% with respect to the end of Dec18, mainly due to a decrease in accounts payable to suppliers with respect to the end of 2018, mainly explained by the reversal in the provisions for income from capacity registered during the quarter.

Non-current Liabilities: reached US$2,601.3 million at the close of Mar19, in line with the figure recorded at Dec18.

Total Net Equity: The Company reached a Net Equity of US$3,924.5 million, increasing by 2% compared to Dec18. This increase is mainly due to the profits generated during the quarter.

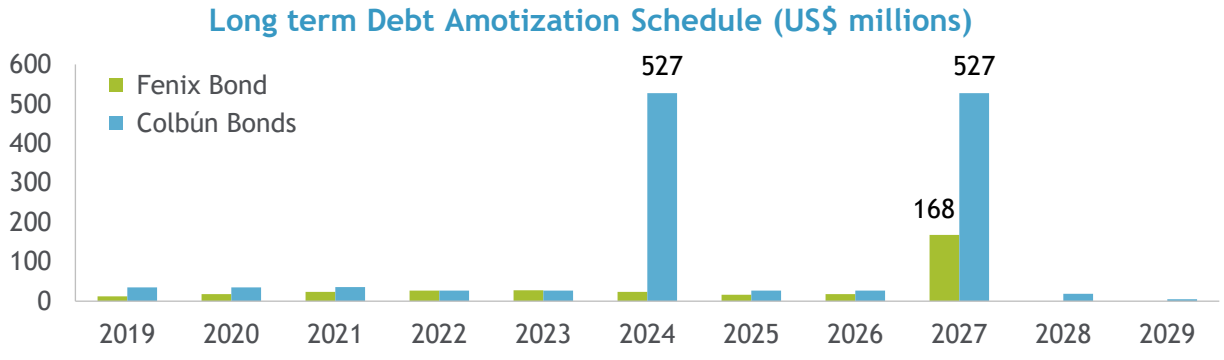


Table 10: Main Debt Items (US$ million)

	Dec-17	Mar-19	Var	Var %
Gross Financial Debt*	1,603.3	1,612.0	8.7	1%
Financial Investments**	788.1	815.7	27.6	4%
Net Debt	815.2	796.3	(18.9)	(2%)
EBITDA LTM	684.1	682.2	(1.9)	(0%)
Net Debt/EBITDA LTM	1.2	1.2	(0.0)	(2%)

(*) Includes an international bond for US$329 million and a financial leasing for US$15.0 million, both associated to Fenix without guarantee to Colbún.
(**) The account "Financial Investments" presented includes 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.

Table 11: Long Term Financial Debt

Average Life	6.5 years
Average Interest Rate	4.5% (100% fixed rate)
Currency*	94% USD / 6% UF

(*) Includes associated derivatives.

5. CONSOLIDATED FINANCIAL RATIOS

A comparative table of consolidated financial indicators is presented below. Balance Sheet financial indicators are calculated at the specified date and Income Statement ratios include the cumulative result over the last 12 months as of the date indicated.

Table 12: Financial Ratios

Ratio	Dec-17	Mar-19	Var %
Current Liquidity: Current Assets in operation / Current Liabilities in operation	3.33	3.74	12.3%
Acid Test: (Current Assets - Inventory - Advanced Payments) / Current Liabilities in operation	3.21	3.59	12.1%
Debt Ratio: (Current Liabilities in Operation + Non-current Liabilities) / Total Net Equity	0.76	0.75	(1.6%)
Short-term Debt (%): Current Liabilities in operation / (Current Liabilities in operation + Non-current Liabilities)	11.82%	11.10%	(6.1%)
Long-term Debt (%): Non-current Liabilities in operation / (Current Liabilities in Operation + Non-current Liabilities)	88.18%	88.90%	0.8%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses) / Financial Expenses	4.92	4.92	0.0%
Equity Profitability (%): Profit (Loss) After Taxes. Continuing Activities / Average Net Equity	5.90%	5.85%	(0.8%)
Profitability of Assets (%): Profit (Loss) Controller / Total Average Assets	3.51%	3.46%	(1.3%)
Performance of Operating Assets (%) Operating Income / Property, Plant and Equipment, Net (Average)	8.19%	8.15%	(0.5%)

Income Statement ratios correspond to last 12 months values.

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

Current Liquidity and **Acid Test** reached 3.74x and 3.59x as of Mar19, increasing when compared to Dec18 by 12.3% and 12.1% respectively, mainly due to an increase in cash and cash equivalents during the first quarter, added to a decrease in accounts payable as of Mar19.

The **Indebtedness Ratio** reached 0.75x as of Mar19, in line with the value of 0.76x as of Dec18.

The percentage of **Short-Term Debt** as of Mar19 was 11.07%, in line with the value of 11.82% as of Dec18.

The **Financial Expenses Coverage** as of Mar19 was 4.92x, in line with the value obtained on Dec18.

The **Equity Profitability** as of Mar19 was 5.85%, slightly decreasing with respect to the 5.90% registered as of Dec18. The variation is mainly explained by the higher average equity registered as of Mar19.

Profitability of Assets and **Performance of Operational Assets** as of Mar19 totalized 3.46% and 8.15% respectively. The profitability of the assets slightly decreased with respect to Dec18 due to the higher level of average assets registered during the period. On the other hand, the performance of operational assets remained in line with Dec18.

6. CONSOLIDATED CASH FLOW ANALYSIS

The Company's Cash Flow is presented in the table below:

Table 13: Cash Flow Summary for Chile and Peru (US$ million)

	Quarterly Figures		Var %
	1Q18	1Q19	Q/Q
Cash Equivalents, Beg. of Period*	**810.2**	**788.1**	**(3%)**
Net cash flows provided by (used in) operating activities	130.8	78.3	(40%)
Net cash flows provided by (used in) financing activities	(19.7)	(36.1)	83%
Net cash flows provided by (used in) investing activities**	(42.2)	(17.6)	(58%)
Net Cash Flows for the Period	**68.9**	**24.6**	**(64%)**
Effects of exchange rate changes on cash and cash equivalents	1.6	3.0	84%
Cash Equivalents, End of Period	**880.7**	**815.7**	**(7%)**

(*) The account "Cash and Cash Equivalents" presented includes 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.
(**) "Cash Flow from Investing Activities" differs from the Financial Statements because it does not incorporate the amount associated with deposits with maturity over 90 days.

During 1Q19, the Company presented a **positive net cash flow of US$24.6 million,** decreasing by 64% with respect to the positive net cash flow of US$68.9 million in 1Q18.

Operating Activities: During 1Q19, a positive net cash flow of US$78.3 million was recorded. The lower cashflow is mainly explained by: (1) an increase in the balance of accounts receivable from customers during the quarter, due to the indexation applied to energy sales contracts. During 1Q18, on the other hand, the balance of accounts receivable decreased due to this concept; and (2) lower income from ordinary activities received during the quarter.

Financing Activities: Recorded a negative net flow of US$36.1 million during 1Q19, versus a negative cashflow of US$19.7 million in 1Q18. The higher negative net flow of the quarter is mainly explained by: (1) the amortization of Fenix's 144A Bond for US$6 million, which began to amortize in September 2018 and (2) refunds of collateral associated with hedging derivatives during 1Q18.

Investing Activities: Recorded a negative net flow of US$17.6 million during 1Q19, decreasing by 58% with respect to the negative flow of US$42.2 million in 1Q18, mainly due to disbursements accounted in 1Q18 associated to the construction of La Mina power plant, Ovejería power plant and Puente Negro Substation.

7. ENVIRONMENT AND RISK ANALYSIS

Colbún S.A. is a generation Company with an installed capacity of 3,893 MW, comprised of 2,250 MW of thermal units, 1,634 MW of hydraulic units (incorporating 37 MW of La Mina Hydroelectric Power Plant) and 9 MW from the solar photovoltaic power plant Ovejería. The Company operates in the National Electric System (SEN) in Chile, where it represents 17% of the market (23% in the SIC, prior to the interconnection with the SING effective as of October 2017). It also operates in Peru's National Interconnected System (SEIN for its acronym in Spanish), where it has a market share of approximately 8%. Both figures measured in terms of generation.

Regarding the energy transmission infrastructure, Colbún owns 941 km of transmission lines: 330 km of its lines belong to the National segment, 80 km to the Zonal segment and these 530 km to the Dedicated segment. In addition, it has a total of 28 substations. In 2018, the Company reorganized assets, consolidating all transmission assets (National, Zonal and Dedicated) in Colbún Transmisión S.A. This reorganization aims for an enhanced focus on management, reporting and visibility to the transmission business. It should be noted that Colbún Transmisión reports independently to the Financial Market Commission (CMF for its Spanish acronym) its Financial Statements and main figures on an annual basis.

7.1 Medium-Term Outlook in Chile

The hydrological year ended on March 31 with a probability of exceedance of the SEN of 83.1%. Given this, the energy matrix has continued its operation with higher thermal sources. It is worth mentioning, regarding gas supply, that the Company has supply agreements Metrogas until 2019, and with Enap Refinerías S.A. ("ERSA"), through an agreement that includes reserved regasification capacity for 13 years whose entry into force was January 1, 2018. These contracts allow the supply of natural gas to operate two combined cycle units for the most part of 1H of each calendar year, period of the year in which generally there is less availability of water resources. There is 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.

Since the end of 2016, Colbún has subscribed medium-term supply contracts with unregulated customers for more than 3,300 GWh and is currently under negotiations to finalize new agreements.

The results of the Company for the coming months will be mainly determined by a balanced level between own efficient generation and contract level. Such efficient generation depends on the reliable operation that our plants may have and on hydrological conditions.

7.2 Medium-Term Outlook in Peru

The cumulative growth rate of power demand at the end of the first quarter was 5.9%, surpassing the growth experienced in 2018. The future trajectory of marginal costs is mainly subject to the trajectory of demand, hydrology and the regulatory changes that are related to the price declaration.

7.3 Growth Plan and Long-Term Actions

The Company is seeking for growth opportunities in Chile and in other countries in the region in order to maintain a leading position in the power generation industry and to diversify its sources of income in terms of geography, hydrologic conditions, generation technologies, fuel access and regulatory frameworks.

Colbún seeks to increase its installed capacity, while maintaining a relevant participation in the hydroelectric generation industry, with a thermoelectric and renewable component that allows counting on a safe, competitive and sustainable generation matrix.

In Chile, Colbún currently has several projects under different stages of progress, including wind, solar, hydro, and expansion and enhancement of its current transmission assets.

Generation projects under development

Horizonte Wind Farm (607 MW): "Horizonte" is a wind farm farm located approximately 70 kilometers northeast of Taltal and 170 kilometers southeast of Antofagasta. It considers 607 MW of installed capacity and an average annual generation of approximately 2,000 GWh.

This project begun with from the awarding of a tender conducted by the Ministry of National Assets for the development, construction and operation of a wind farm through a 30-year onerous use concession, in a government property of about 8 thousand hectares.

For its development, 4 years are estimated for the studies and permits stages and 3 additional years are estimated for its construction.

During the first quarter of 2019, progress was made in the feasibility stage, continuing with the measurement process of the resource by anemometric towers and Lidar equipment. Additionally, progress was made in basic engineering and environmental studies for the preparation of the EIA / DIA.

Sol de Tarapacá Photovoltaic Project (200 MW): the project considers the installation of a solar power plant with an installed capacity of approximately 200 MW.

The project is located in the Tarapacá Region, municipality of Pozo Almonte, approximately five kilometers southwest of La Tirana, and uses a total area of approximately 423 ha.

The energy generated will be injected to the national electricity system through a transmission line that starts at the substation associated to the project and has a length of approximately 8 km from south to north, connecting to the substation new Pozo Almonte, located 2.5 km northeast of the junction of the road to La Tirana with the Panamericana highway.

The project was acquired to the US company First Solar. The level of progress included some engineering studies, environmental studies and an exclusive contract with option to purchase the land.

Photovoltaic Solar Projects Diego de Almagro Sur I and II (210 MW): located in the district of Diego de Almagro, Atacama Region, approximately 27 kilometers south of Diego de Almagro, they consider an overall capacity of approximately 210 MW. Both projects are located on a total land of 330 hectares, being less than two kilometers from the new Illapa substation, which favors its connection to the national electricity system.

These projects were acquired to the developer company Alen Walung, and their Environmental Impact Studies are currently being evaluated in the SEIA.

Other Renewable Energy Projects from Variable Sources (~800 MW): At the end of 1Q19, Colbún has completed a portfolio of locations for another 4 wind and solar projects (in addition to the Horizonte, Diego de Almagro and Sol de Tarapacá projects previously indicated), which are in early stages of development. These total approximately 800 MW, spanned in different locations of the country (Coquimbo, BioBio, Los Rios and Los Lagos).

San Pedro Hydroelectric Project (170 MW): The project is located 25 km. northeast of Los Lagos, Los Ríos Region, and considers using the water of the homonymous river through a power plant located between the outlet of the Riñihue Lake and the Malihue Bridge. Considering the adjustments included in the project, it will have an estimated flow design of 460 m3/s (+10% with openness) and an approximate installed capacity between 160 MW – 170 MW for an annual generation of 950 GWh under normal hydrological conditions. The operation of the power plant will be such that the level of the reservoir remains virtually constant, which means that the flow downstream of the power plant is not going to be altered by its operation.

This project considers the San Pedro-Ciruelos transmission line project, which will allow evacuating the power of the San Pedro power plant to the SIC through a 220 kV line and 47 km. length, and will be connected to the Ciruelos substation, located about 40 km northeast of Valdivia.

In 2015, the Authority decided to early terminate the environmental process due to lack of essential information. During 2018, the Company prepared the required background and re-submitted the Environmental Impact Study (EIA) in December 2018, overcoming the first stage where the authority could decree an early termination. In February, and when the Environmental Assessment Service had to issue the first Icsara that consolidates the observations of the services, the process was frozen due to the declaration of a state of constitutional exception for Panguipulli location, caused by forest fires and which was lifted at the beginning of April. Therefore, the issuance of Icsara is expected at the end of April.

Guaiquivilo Melado Project (316 MW): The Guaiquivilo Melado hydroelectric project is a hydroelectric complex with regulatory capacity located in the Guaiquivilo and Melado river basins, in Colbún's municipality, Linares' province. The project considers a total installed capacity of 316 MW and an average annual generation of approximately 1,629 GWh. The project includes a transmission line of 220 kV to inject energy in the SEN, with a total extension of 90 kilometers from Guaiquivilo power plant to the connection point in HTL Los Cóndores.

Regarding this project, Colbún has decided to defer the development of this project while the market conditions for executing the initiative are not in place, which are monitored permanently.

Los Cuartos Project (93 MW): The hydroelectric project Los Cuartos is located in Biobío river, near San Carlos de Purén locality, about 5 km upstream the intersection with Panamericana Sur highway. This hydroelectric power plant has water rights that allow it to achieve a capacity of approximately 93 MW, with an average annual generation of approximately 511 GWh. The project also considers a 10 kilometers transmission line to connect the power plant with Mulchén substation.

Regarding this project, Colbún has decided to defer the development of this project while the market conditions for executing the initiative are not in place, which are monitored permanently.

Transmission projects under development

Candelaria substation enhancement: This project consists of a modification of the connection scheme of the double bar substation to "One and Half Circuit Breaker Substation". In addition, it incorporates 6 new switchyards in 220 KV with switches, disconnectors, TTCC and other equipment. The awarded investment value is US$14.4 million and as of March 2019 it presents an 87% progress.

New Bank of Condensers Series for Puente Negro substation: Assembly of 2 capacitor banks in series with capacity of 224 MVAr in the southern part of the substation. The awarded investment value is US$6.8 million and as of March 2019 it presents a 78% progress.

Maipo substation extension: Enhancement of existing 220 kV panels to a double bar configuration with transfer bar. The new installation will be with GIS technology, additionally the control systems and protections will be renewed. The awarded investment value is US$15.3 million and as of March 2019 it presents a 78% progress.

Maquis substation enhancement: Enhancement of the existing 220 kV substations, modifying the current configuration to GIS technology, the change considers at least 6 switchyards. The control systems and protections must also be adapted. The awarded investment value is US$8.0 million and as of March 2019 it presents a 70% progress.

Mulchen substation extension: Expansion of the substation platform for the construction of 5 new connection switchyards in 220 kV. The awarded investment value is US$3.6 million and as of March 2019 it presents a 51% progress.

Pirque substation: To regularize the connection of the Pirque substation through a sectioning of the line Maipo - Puente Alto 1x110 kV, with its respective switchyards to replace the current Tap OFF. The awarded investment value is US$1.8 million and by March 2019 it presents a 5% progress.

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.

Risk management assumes 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, and has the support of the Corporate Risk Management and supervision, monitoring and coordination of the Risk 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

To comply with its commitments in dry hydrologic conditions, Colbún 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. This situation raises Colbún's costs, increasing earnings 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 thermal coal generation, cost efficient natural gas generation, other renewables cost efficient generation, all 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. With the objective of minimizing the use of water and ensuring operational availability during periods of water scarcity, Colbún built 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. The plant completed its construction in May 2017 and came into operation during the third quarter of 2017.

In Peru, Colbún 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 Colbún's 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 water availability in its hydro power plants, Colbún relies on its thermal plants or purchase energy in the spot market at marginal cost. In these scenarios, there is a risk associated to potential variations in international fuel prices. Part of this risk is mitigated incorporating fuel price indexation on our selling energy contracts. Additionally, in order to reduce fuel price risks there is a hedge program in place with different derivative instruments such as call options and put options to hedge the remaining exposure, if necessary. Otherwise, in case of abundant hydrology, the Company may be in a selling position in the spot market, where the price would be partially determined by the fuel price.

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.

Like in Chile, the proportion exposed to variations in international prices is mitigated by indexed formulas in energy sales contracts.

Due to the above, exposure to the risk of changes in fuel prices is largely mitigated.

B.1.3. Fuel supply risks

Regarding liquid fuel supply in Chile, the Company has agreements with suppliers and own storage capacity to ensure adequate reliability in respect to the availability of this type of fuel.

Regarding natural gas supply, in Chile Colbún has medium-term contracts with ERSA and Metrogas. For the long term the new agreement with ERSA stand out, for the options of supply of liquefied natural gas and reserved regasification capacity effective from 2018 to 2030, which will allow Colbún to access natural gas for the Nehuenco Complex. Additionally, gas supply agreements have been signed with Argentine producers, which allows having the possibility of eventually accessing the surplus gas produced in the neighboring country.

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 unit I power plant, new tenders have been undertaken (the last in November 2018), inviting important international suppliers to bid, awarding the supply contract to well supported and competitive Companies. The above is in line with an early purchasing policy and a stock management policy in order to substantially mitigate any risk of not having this fuel available.

B.1.4. Equipment failure and maintenance risk

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 to conduct regular maintenances 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 for loss of profit.

B.1.5. Project construction risks

The development of new generation and transmission 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 the "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.

Colbún 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 fundamental for the generation and transmission sectors, due to the long-term nature of the development, execution and return on investment of its projects. Colbún believes that regulatory changes must be made taking into consideration the complexities of the electrical system and keeping adequate investment incentives. It is important to dispose of a regulation that gives clear and transparent rules that consolidates the trust of the agents in the sector.

In Chile, the announcements on energy issues that the new government has made contemplate various regulatory changes, which, depending on the way they are implemented, could represent an opportunity or risk for the Company.

Of particular relevance are the changes that are currently being discussed in Congress regarding (i) the amendment to the Water Code, (ii) the bill to modernize the Environmental Impact Assessment System, (iii) the bill that creates the Ministry of Indigenous Peoples, (iv) the bill that creates the National Council and the Councils of Indigenous Peoples, (v) the Law of Biodiversity and Protected Areas.

Additionally, the Ministry of Energy is carrying out discussions for the preparation of three bills that would directly impact the electricity sector. The "New Distribution Law", the "Improved Transmission Law" and the "Flexibility Law". The first will seek to update the regulation of the distribution sector to better address the technological and market advances that have been made and are foreseen for the future; the second will try to improve certain aspects that were addressed in the Transmission Law of 2016, such as Open Access and Facilities Qualification, among others; and the last one will try to address the systemic and market consequences that will arise due to the increasing incorporation of renewable sources of variable energy.

On the other hand, the National Energy Commission and the Ministry of Energy have continued with their normative tasks, highlighting the publication of the Complementary Services Regulation. This regulation dictates the definitions, methodologies, processes and other details related to the complementary services that will be applied from January 1, 2020 onwards. In addition, these institutions have continued the development of Working Tables and Public Consultations related to the Regulation of the Systems of Transmission and Planning of the Transmission and the Regulation of Qualification, Valorization, Tarification and Remuneration of the Transmission Installations, as well as working tables for the elaboration and update of diverse Norms and Technical Annexes.

During 2018 the process of elaboration of the 2017 Annual Transmission Expansion Plan was finalized. This process had observations by the electricity sector and by large energy consumers, due to the incorporation of a storage system and an HVDC line of approximately 3,000 km. The CNE decided to eliminate the storages from the final expansion plan and made minor modifications to the HVDC line. Both projects were taken to the Panel of Experts, due to a request to re-incorporate the storages and to eliminate the HVDC line. The Panel ended up discarding both projects, the first for lack of discussion and legislation regarding how they should operate in the system, and the second because there was no harm in delaying the project one year and incorporating it with some modifications in the Expansion Plan 2018 out a lower cost. During 2018, the National Electrical Coordinator (CEN for its Spanish acronym) made a proposal for the Annual Transmission Expansion Plan 2018, which was subsequently validated by the CNE. In mid-November, the Preliminary Technical Report was published and observed by interested parties at the end of that month. It should be noted that in this Expansion Plan there were no discrepancies in relation to the HVDC line and no storage system was incorporated. The Final Technical Report was published in January 2019.

In Peru, there are two bills in the Senate that seek to recover efficiency in its electricity market through changes in the gas price declaration. In addition, a law that seeks the recognition of Firm Power to Renewable Energies is being discussed. In parallel, the Ministry of Energy of Peru announced its agenda of regulatory changes, which include (i) Modifications to the Supply Tender Regulations, to promote competitiveness, (ii) Elaboration of a Distributed Generation regulation, (iii) Bill for the promotion of electric vehicles.

Of the quality of these new regulations and of the signals that the authority therefore gives, will depend - to a large extent - the necessary and balanced development of the electricity market in the coming years, both in Chile and in Peru.

B.1.7. Risk of change in demand supply and selling price of electricity

The projection of future electricity consumption is very relevant information 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 and October 2017 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. Although the factors that trigger these competitive dynamics and price trends can be expected to remain in the future, it is difficult to determine their precise impact in the long-term values of energy.

Additionally, given the difference generated between regulated and unregulated clients, a portion of regulated clients may choose 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 non-regulated customers. Colbún has one of the most efficient generation matrix 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 non-conventional renewable sources of generation 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 complementary services that adequately remunerate the services necessary to manage the variability of such generation sources.

B.2 Financial risks

Financial risks are those associated with the inability to perform transactions or the breach of obligations from the activities due to lack of funds, as well as variations in interest rates, exchanges rates, counterparty financial stress or other financial market variables that may materially affect Colbún.

B.2.1 Exchange rate risk

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 diesel, 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 resorts to the use of derivatives to fix the expenses in currencies other than USD.

Exposure to the mismatching of Balance Sheet accounts 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, Colbún 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 March 31, 2019, 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 Colbún's counterparties with which it has maintained energy supply contracts have made the corresponding payments correctly.

With respect to cash and derivatives statements, Colbún 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 March 31, 2019, cash surpluses are invested in mutual funds (of subsidiaries of banks) and in time deposits in local and international banks. The former corresponds to short-term mutual funds with maturities of less than 90 days, which are known as "money market".

Information on contractual maturities of the main financial liabilities is disclosed in note 10.b 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 our own resources generated by Colbún's ordinary activity and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of March 31, 2019, Colbún has cash in excess for approximately US$816 million, invested in time deposits with an average maturity of 80 days (includes time deposits with a duration of more than 90 days, which are recorded as "Other Current Financial Assets" in the Consolidated Financial Statements) and in short-term mutual funds with a maturity of less than 90 days. The Company also has as additional liquidity sources available to date: (i) two bonds lines registered in the local market for a total amount of UF 7 million, and (ii) uncommitted bank lines of approximately US$150 million.

In the next 12 months, the Company must disburse approximately US$121 million in interests and principal amortization. These obligations are expected to be funded with the Company's own cash flow generation.

As of March 31, 2019, Colbún has a local credit rating of AA- by Fitch Ratings and AA by Standard and Poor's Chile (S&P Chile), both with stable outlooks. At the international level, the Company's rating is Baa3 by Moody's, and BBB by Fitch Ratings and Standard & Poor's (S&P Global), all with stable outlooks.

On its part, as of March 31, 2019, Fenix had international risk rating Baa3 by Moody's and BBB- by Standard & Poor's (S&P), both with stable outlooks, and BB by Fitch Ratings, with negative outlook. As of April 22, Fitch Ratings reviewed the rating of the Company, granting it a BBB- rating with stable outlook. On April 26, Moody's reviewed the Company's rating, granting it a Ba1 rating 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 21.c.2 of the Financial Statements.

B.2.5 Risk measurement

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, Colbún 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 projects 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.

With regard to financial risks, for purposes of measuring exposure, Colbún 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 March 31, 2019, the Company's exposure to the impact of exchange differences on structural items translates into a potential effect of approximately US$4.3 million, in quarterly terms, based on a sensitivity analysis with 95% confidence.

There is no variation risk in interest rates, since 100% of the financial debt is contracted at a fixed rate.

Credit risk is limited because Colbún 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 international risk rating investment grade.

At the end of the period, the financial institution that has the largest share of cash surplus reached 20%. 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 39% 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.