# Transelec
## 2017 Performance

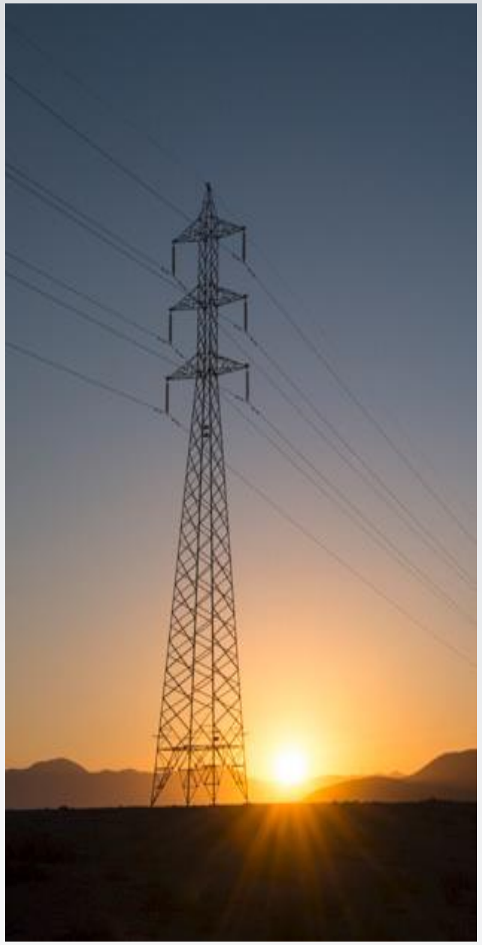
transelec ¡La energía que nos une!

- Overview
- Operational and Growth Accomplishment
- Regulatory Update
- Financial Update

# Overview

# Executive Summary

- Transelec continued to maintain its strong market position in Chile, operating nearly 9,600 kms of transmission lines, in a safe and reliable manner, which serve 98% of the population
- Financial results reflect the stability and strength of Transelec's revenue streams and rate base
  - Generated EBITDA of CLP 232 billion (~MUSD378) as of December 31st, 2017.
  - Maintains an EBITDA margin above 80% (in December 2017, 83%).
- The company generated funds from operations (FFO) of CLP176 billion, (~ MUSD 306) during 2017.
- Reaffirming the solid financial performance of the Company, during 2017, our current international ratings (Baa1, BBB, BBB) and local ratings (AA-) were reaffirmed by all the corresponding rating agencies.
- By the end of 2017, Transelec recorded a net income of CLP78 billion (~MUSD 127).



(USD figures have been translated with the FX of the end of December 2017 ($614,75), for referential purposes only)

# Business Update

- On March 31, 2017 Transelec acquired 100% of shares of the company Transmisión del Melado SpA, which is now a subsidiary of Transelec.

- On May 30, 2017 Transelec did its first Investor Day, where the company met with investors, banks and rating agencies. Within the same initiative Transelec held a number of meetings with international investors in June 2017.

- In 2017, Transelec paid the following dividends:
  - 2016's final dividend: MCLP19,757
  - Interim Dividends: MCLP59,537

- In August 2017, Transelec:
  - Renegotiated its Revolving Credit Facility for 3 more years. The available amount is MUSD250 divided in two tranches (USD and CLP).
  - Subscribed a Promissory Note with Banco BCI for an amount of MCLP20,000 maturing on August 03, 2018. Main use-of-proceeds was to prepay Transmisión del Melado debt.

- In December, Brookfield Asset Management reported that has signed a share purchase agreement with China Southern Power Grid International, which finally took place on March 15th, 2018.



transelec ¡La energía que nos une!

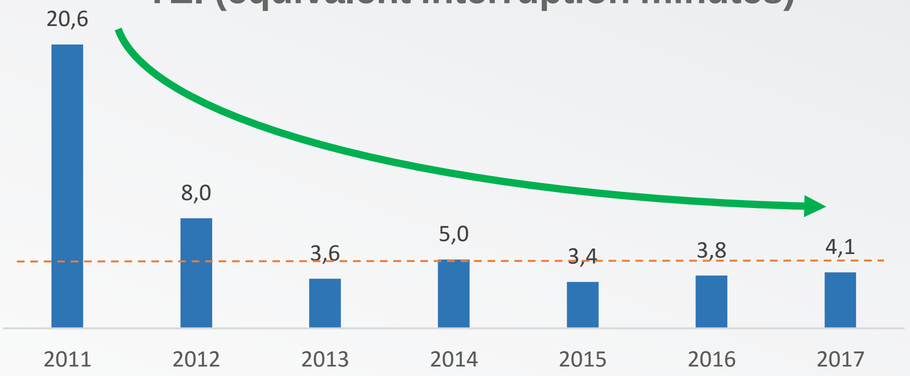
# Operational & Growth Accomplishment

¡La energía que nos une!

# Strategic Assets and Operating Performance

- Chile's Transmission System is Critical National Infrastructure.
  - Facilitates competition in generation
  - Critical to security of supply
  - National System accounts for a marginal part of the final customer average bill of energy (3%).
- Transelec has an ongoing permanent innovation strategy, continuous improvement and best practices implementation strategy for the operation and for network maintenance.
- Transelec has worked to improve its system performance by controlling risks, applying rigorous procedures, and enhancing operating management.
- Transelec looks continuously to deliver the best quality and availability of service.
- The Equivalent Interruption Time (TEI) indicator, which measures service security in terms of total energy not supplied to free and regulated customers during a twelve-month period, has been maintained in very low levels over the last five years.

**TEI (equivalent interruption minutes)**




transelec ¡La energía que nos une!

# Increased Cash Flows through successful execution and commissioning of projects

- In 2017, the company incorporated MUSD142 of new facilities, which include 2 acquisitions:
  - On March 31, 2017, Transelec acquired Transmisora del Melado Spa from Besalco. This new facility will generate revenues amounting to MUSD 2.6 annually.
  - On September 14, 2017 Transelec acquired Don Héctor Substation from Total SunPower for MUSD17.9.

- Transelec has a track record of delivering projects safely on time and on schedule.

- Transelec has successfully established a project evaluation process that incorporates a detailed analysis and risk management framework for every step of the project.

- Transelec has proved the efficiency of its pricing discipline and its prudent growth vision.

- Transelec is currently analyzing the projects to be bided during this year in the National (~MUSD300) and Zonal (~MUSD564) systems.

**Lo Aguirre – Cerro Navia 220 kV Line**

¡La energía que nos une!

# Regulatory Update

# Tariff Processes

**Zonal System 2018-19**

- Extension of Decree N° 14 for period 2016 – 2017 established that from 1/1/2016 to 31/12/2017, previous Zonal tariff would remain in force with some adjustments and indexation.

- In 2016 Transmission Law (TxL), this system went from a volume-based remuneration to an annuity over the capacity installed (take-or-pay), starting in January 2018 (period 2018-19).

- CNE issued the Final Technical Report containing:
  - Sum of the AVI and COMA, for each owner or operator,
  - Indexation formulas for the biannual period 2018-2019.

- On February 14th, 2018, CNE sent the Decree 6T to the Comptroller's Office, so that the 2018 - 2019 tariffs can be set for the zonal and dedicated transmission systems used by regulated customers.
  - Decree 6T must be approved by National Comptroller Office (expected for the 1st semester 2018).

**National & Zonal Tariff Processes for 2020-23 period**

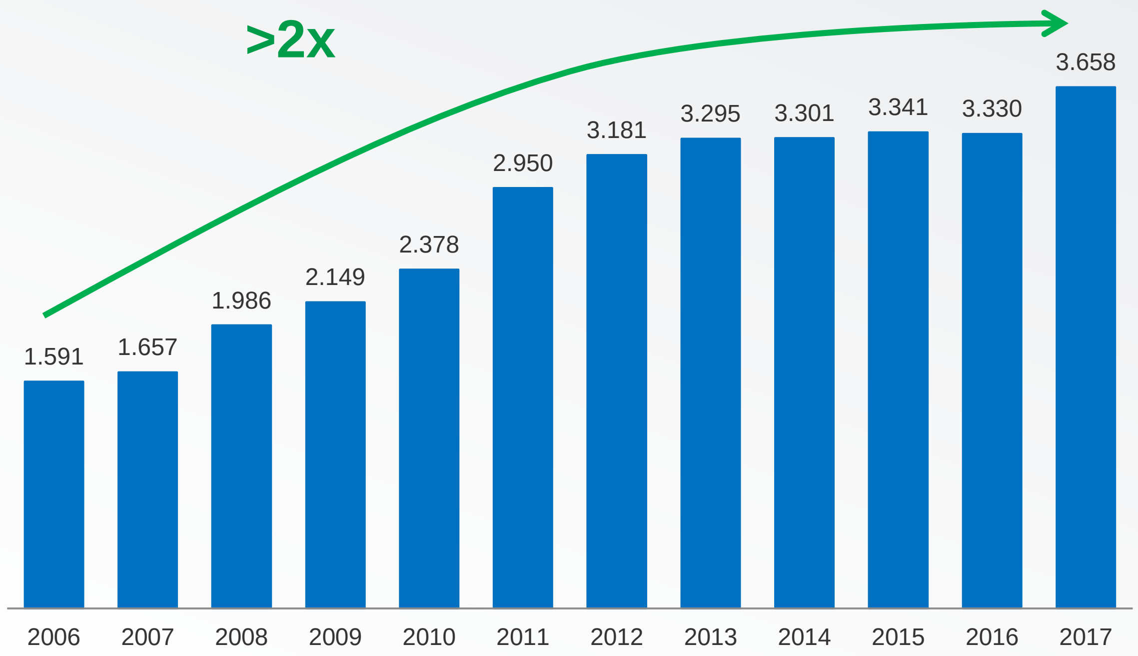
- In 2018, the required transmission studies for National and Zonal Systems have begun. These will be used to set tariffs for the period 2020-23.

  - For the first time and according to TxL, the rate of return will be set for the 4 years period (2020-23).

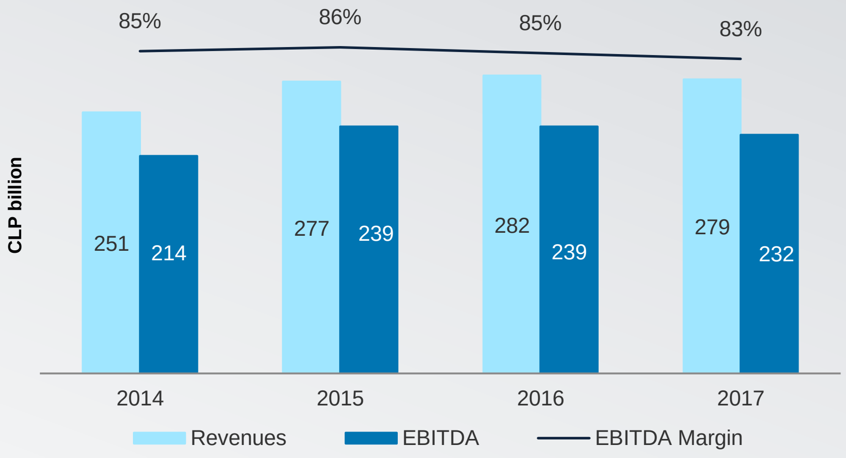
# Financial Update

# Financial Performance

## Total Value of Investment




## Revenues/EBITDA




## Risk Ratings

| International | |
|---|---|
| Fitch- Ratings International | BBB |
| Moody’s | Baa1 |
| S&P | BBB |

| Chile | |
|---|---|
| Humphrey’s | AA- |
| Feller-Rate | AA- |
| Fitch- Ratings Chile | AA- |

# Financial Results

| CLP billion | 2017 | 2016 | Var. |
|---|---|---|---|
| Revenues | 279 | 282 | -1% |
| Ebitda | 232 | 239 | -3% |
| Operating Income | 172 | 181 | -5% |
| Non-Operating Income | -69 | -73 | -6% |
| Tax | -25 | -27 | -7% |
| Net Income | 78 | 81 | -3% |
| | | | |
| Gross Debt | -1.404 | -1.415 | -1% |
| Net Debt | -1.342 | -1.361 | -1% |
| FFO (LTM) | 176 | 192 | -8% |

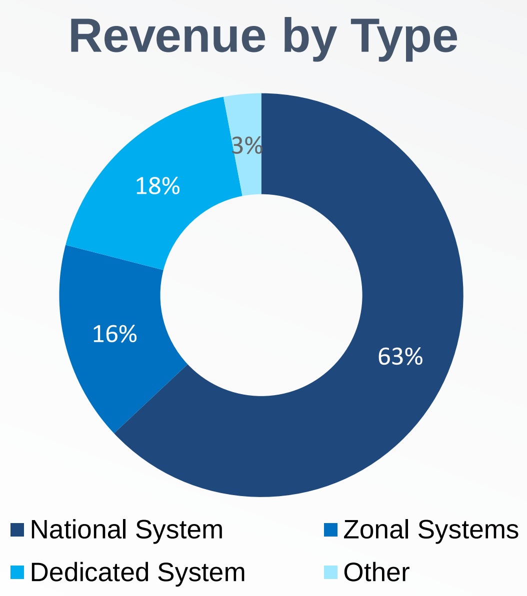
- For this period, Revenues decreased 1%, reaching CLP279 billion (~MUSD 453). EBITDA decreased 3% compared with the same period last year. The reduction was mainly due to an extraordinary income associated to long term contracts with Enel Group registered in 2016. Without considering this extraordinary item, Revenues in 2017 would have been 3% higher than in 2016, while Ebitda would have been 2% higher than in previous year. EBITDA margin stays very stable, above 80%.

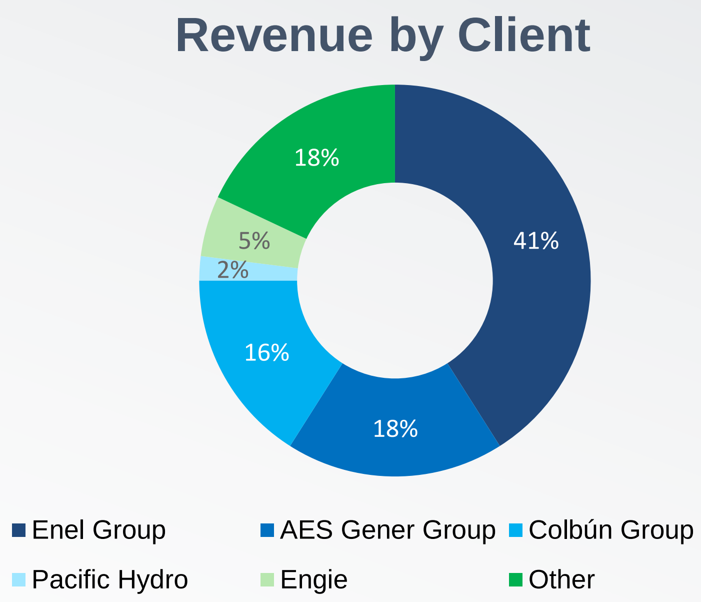
- If we do not consider the 2016 extraordinary income, total Revenues as of December 31, 2017 would have been higher than in 2016, mainly explained by new revenues in 2017 due to the commissioning of projects between 2016 and 2017.

- Non-Operating Income decreased 6%, reaching CLP-69 billion, mainly due to lower inflation effect and the lower amount of local inflation indexed debt due to the payment of Series C bonds in September 2016.

# Low business risk profile

- Stable sources of revenues
  - Regulated revenues: from National system and Zonal systems (former Trunk and Subtransmission systems)
  - Contractual revenues: from bilateral contracts which include, mainly, Dedicated Systems' assets (former Additional System)
- All of Transelec transmission revenues are 'take or pay'
- Stability of flows
  - Regulated revenues (near 80% of total revenues) are stipulated in law, providing a high level of certainty.
  - Currently Strong counterparties, with 80% of revenue from 4 of the largest energy generation companies in Chile.



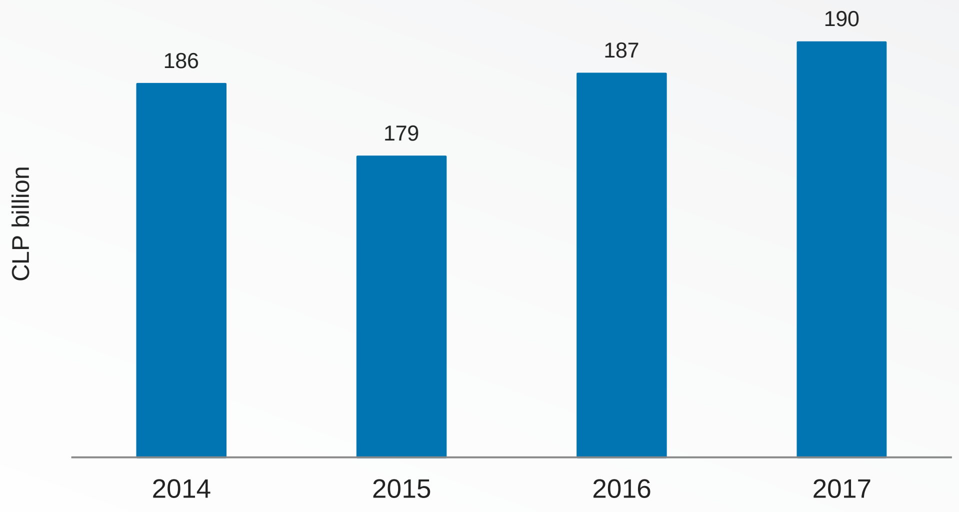

transelec ¡La energía que nos une!

# Financial Strength

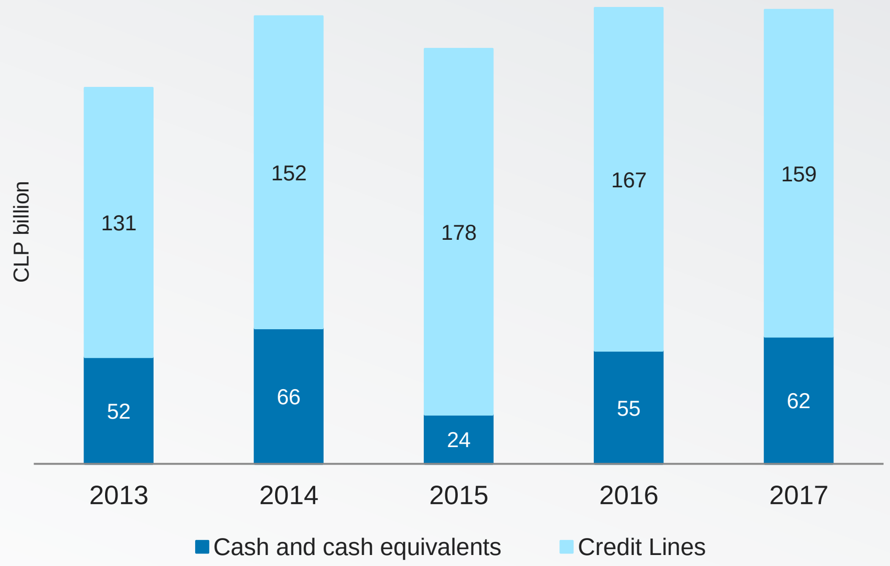
- Transelec's liquidity is supported by strong cash flow from operations reaching CLP 190 billion (USD310 million) in 2017
  - This includes USD250 million available on a 3-year committed revolving credit line (completely undrawn), recently renewed.
  - Furthermore, the Company's bonds have a 6-month DSRA.

- In the short and medium term, cash flows are expected to increase due to commissioning of new projects and exposure to inflation through indexation of our revenues.

## Cashflow From Operations




## Liquidity

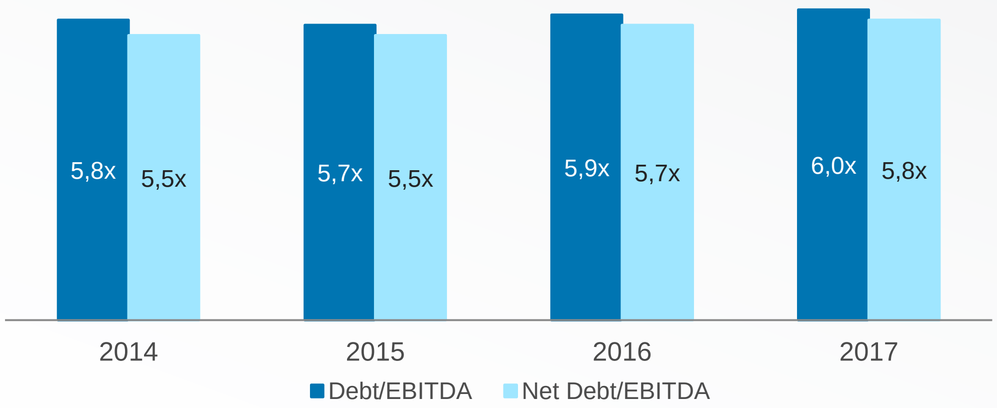



transelec ¡La energía que nos une!

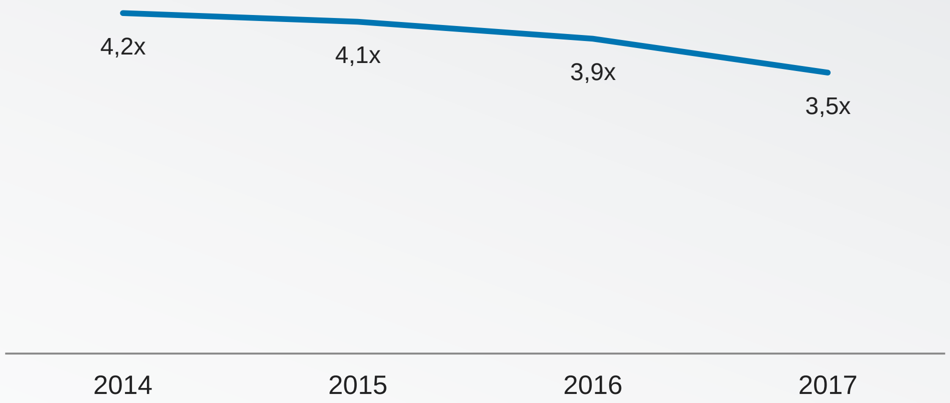
# Strong Coverage Ratios

- Transelec's strong coverage metrics are supported by low cost of debt and growing cash flows.
- Debt to EBITDA has been disciplined and maintained within the limits the Company has defined.
- Interest Expense coverage has had a slight decrease, nevertheless it is in very adequate levels.
- Transelec is committed to maintaining investment grade credit rating.

## Leverage



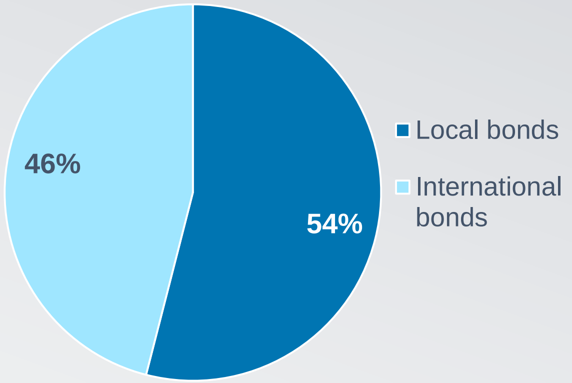

## Interest Expense Coverage



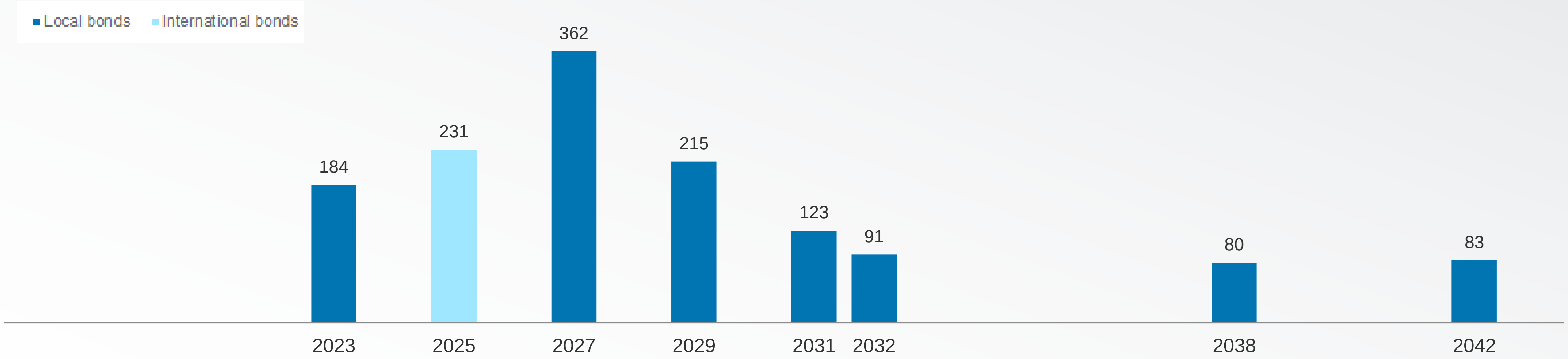
# Debt Profile

- Transelec maintains a very manageable public debt maturity profile with no refinancing in the next years.
- The Company has been able to obtain flexibility and a variety of sources for funding.
- All public debt has fixed rates.
- Transelec balance sheet is fully hedged.

**Public Debt breakdown by type**




**Public debt maturity profile** **(CLP billion)**

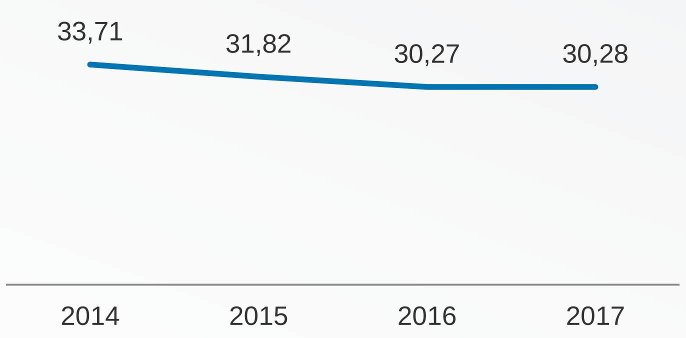



transelec ¡La energía que nos une!

# Covenants

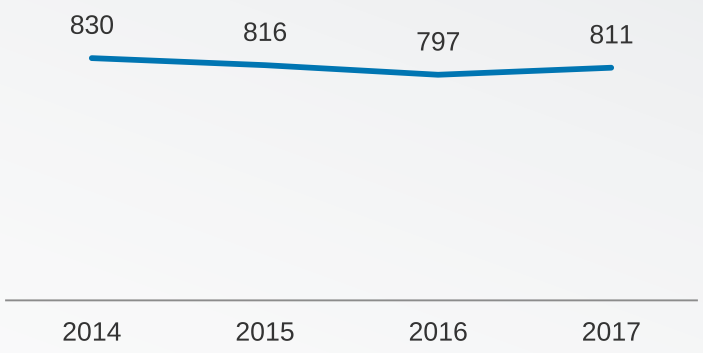
As of December 31st, 2017, the company is in full compliance with all debt covenants (included in the local bond indentures).

### Minimum Equity > UF15 million (1)




(1) Equity attributable to the owners + Accumulated amortization of goodwill

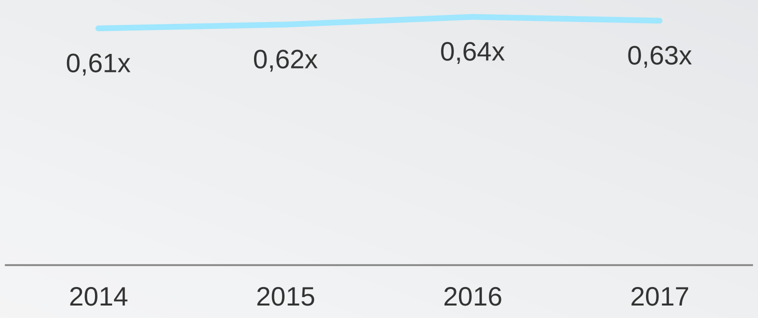
### Minimum Equity > CLP 350 billion (2)(3)




(2) Equity attributable to the owners + Accumulated amortization of goodwill

(3) This metric replaced 'UF' Minimum Equity in series Q bonds (last local issuance).

### Debt / Capital < 0.7x (4)




(4) Total Debt /(Total Debt + Minority Interest + Shareholder's Equity + Accumulated amortization of goodwill)

# Contact Information

For additional information, please contact:


Martha Peredo
Head of Investor Relations
mperedo@transelec.cl
+56 2 24677237

Javier Sauvageot
Finance Manager & Treasurer
jsauvageot@transelec.cl
+56 2 24677224


You can find additional information in our web page:
www.transelec.cl


transelec ¡La energía que nos une!

# Transelec, 2017 Performance