1H2016 Results

August 2017

Agenda

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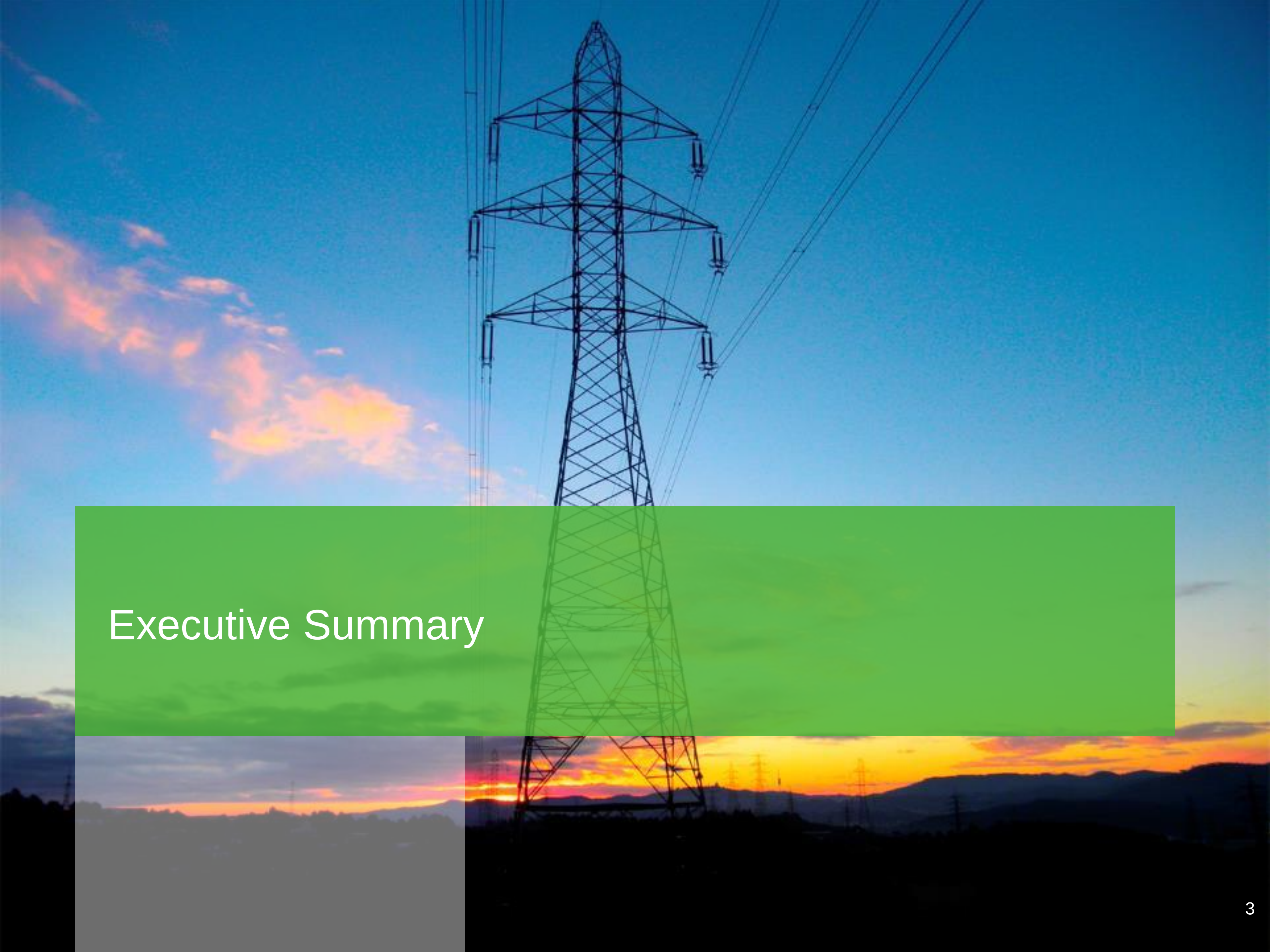
2. Operational & Growth Accomplishments
3. Financial Update
4. Regulatory Update
5. Conclusion



Executive Summary

Executive Summary

- Transelec continued to maintain its strong market position in Chile, operating nearly 10,000 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 ~ $361 million while maintaining an EBITDA margin of approximately 85% (as of LTM June 30th, 2017)

- Strong financial position with no near-term financing risk (next maturity in 2023) and over $320 million in liquidity
  - Prudently leveraged at 6.0x EBITDA with an interest coverage ratio of approximately 3.9x

- New Transmission Law passed in 2016 expected to strengthen Transelec's cash flow profile
  - Rate of return linked to market interest rates, providing protection against potential increases in interest rates
  - Eliminates sub-transmission volume risk in 2018 and strengthens compensation for new trunk upgrade projects

- Transelec is focused on maintaining its momentum going forward
  - Continue to provide safe and reliable service in a cost-effective manner
  - Maintain strong financial position with low-cost, prudent long-term leverage
  - Grow rate base prudently

(USD figures have been translated with the FX of the end of June 2017 ($664,29), for referential purposes only)

Key investment highlights

- ✓ **Key strategic assets for Chile**
- ✓ **Strong sovereign backdrop**
- ✓ **Stable and proven regulatory environment**
- ✓ **Strong and committed shareholders & Experienced professional management**
- ✓ **Stable, predictable and long-term cash flow generation**
- ✓ **Solid liquidity and financial position**

Operational and Growth Accomplishments

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 worked to improve its system performance by controlling risks, applying rigorous procedures, and enhancing operating management.
  - During 2016, Transelec's and its contractors' accident rate reached 0 and 0.32 (respectively), much lower than the average of the industry (1.5)

- Transelec looks continuously to deliver the best quality and availability of service.
  - Obtained 3.9 system-minutes of Equivalent Interruption Time (EIT) in 2016
  - Major improvement from 8.1 system-minutes in 2012
  - Significant lower operation risk and transmission interruption

Increase Cash Flows through successful execution and commissioning of projects

- In 1H 2017, Transelec commissioned over ~ USD84 million of projects
- During 1H2017, Transelec acquired Transmisión del Melado SpA . This subsidiary owns transmission assets with a VI of USD27 million, generating revenues immediately.
- 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.

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Financial Update

Financial Results

CLP billion	1H2017	1H2016	Var.
Revenues	139	137	1%
Ebitda	118	118	1%
Operating Income	90	88	3%
Non-Operating Income	-35	-36	-3%
Tax	-13	-12	4%
Net Income	43	39	9%
Gross Debt	-1.427	-1.340	6%
Net Debt	-1.379	-1.313	5%
FFO (LTM)	179	188	-5%

- EBITDA remained very similar to the same period last year. For this semester, revenues increased 1.4%, reaching CLP139 billion, mainly due to the commissioning of new projects. In the other hand, costs increased in 1.4% mainly due to costs of personnel.

- Non-Operating Income. The loss decreased 3%, reaching CLP-35 billion, mainly due to lower inflation effect in our local bonds (Series C payment at maturity during 3Q2016).

Overview of Financial Policies

- Distribute 100% of Net Income as dividends while considering the financial situation of the Company, and commitments acquired during any bond and/or debt issuance

- The Company's shareholders are committed to the investment grade profile of Transelec:
  - In 2006, after the acquisition of Transelec, the new owners decided to strengthen Transelec's creditworthiness by establishing a debt service reserve account for its existing and future debt equivalent to 6 months of interest service.
  - In 2008, during the international financial crisis, the shareholders deferred USD 88.1 million in dividends to support the Company's liquidity position.

- The Company maintains a committed revolver, has a 6-month DSRA and keeps the cash required to finance at least one month of operations.

- Transelec is committed to maintaining its current financing strategy:
  - Flexible sources of funds to provide efficient liquidity
  - Committed revolving facility with international banks.
  - Corporate public debt in local and international markets.
  - Align average debt maturity to asset life: protect economic value of equity invested against long-term interest rate changes.
  - Continue to maintain strong relationships with potential lenders in Chile and abroad.
  - Maintain Transelec S.A.'s investment grade rating and target a Debt to EBITDA ratio of up to 6.5x.

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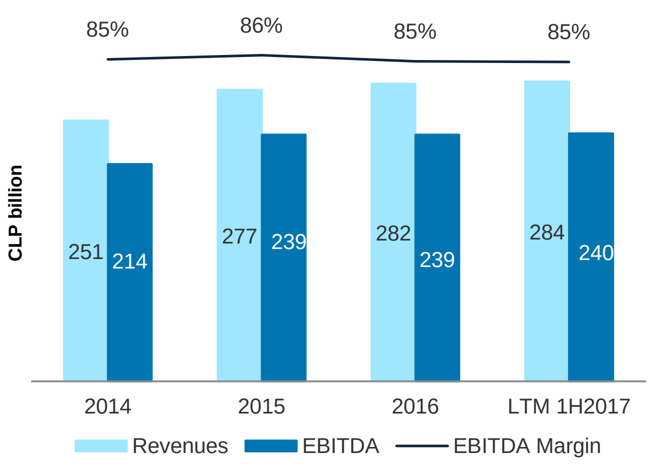
Revenues and Profitability

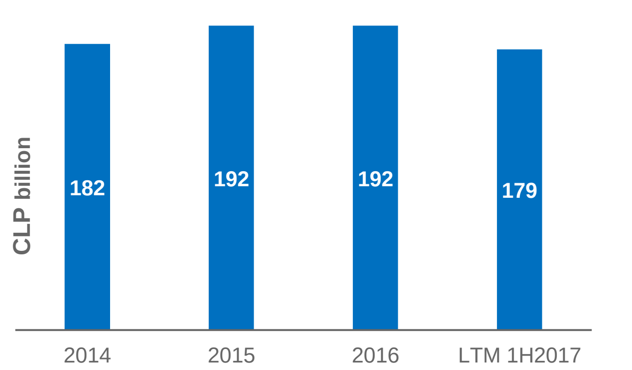
- Strong EBITDA* margin of approximately 85% over the past three years demonstrates the Company's financial strength and disciplined cost management

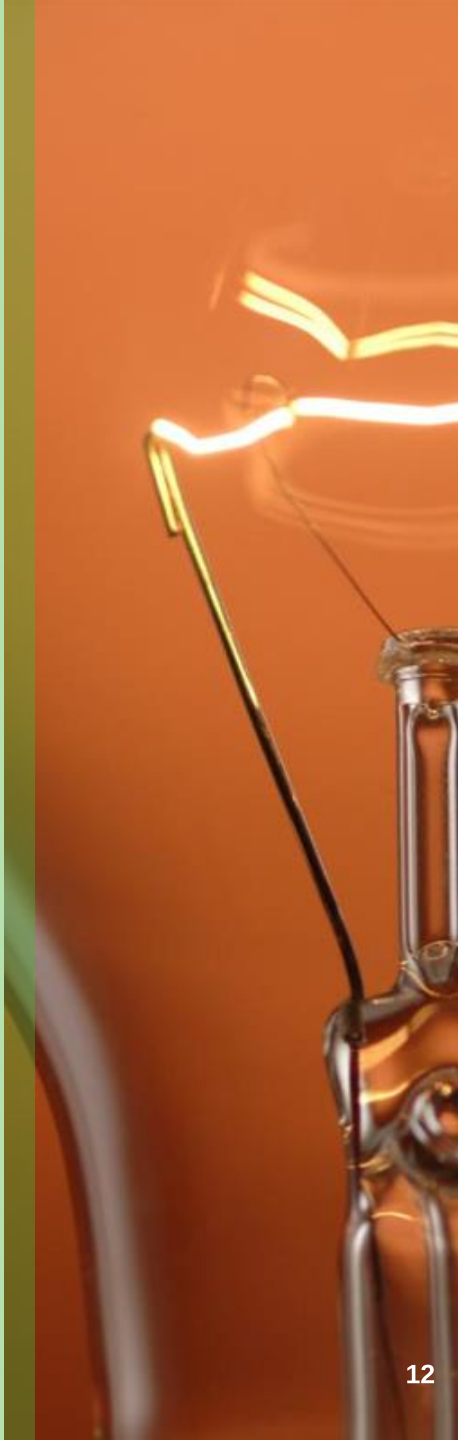
- In the short and medium term, cash flows are expected to increase due to commissioning of new projects and exposure to inflation through indexation of our revenues

EBITDA* and Revenues



FFO**





* EBITDA consists of operating revenues minus (i) Cost of Sales, minus (ii) Administration expenses, plus (iii) Depreciation and amortization, plus (iv) Other gain, plus (v) Amortization of financial leasing, net

** FFO is calculated as Cash Flows from Operations (CFO) excluding changes in working capital

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Low business risk profile

Stable sources of revenues

- Regulated revenues: from National system and Zonal (former Subtransmission) systems
- Contractual revenues: from bilateral contracts which include, mainly, Dedicated Systems' assets (former Additional System)

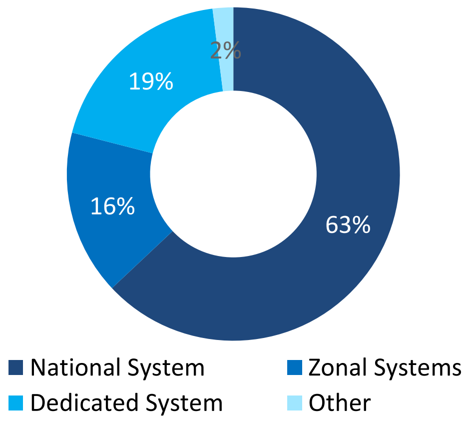
Most of Transelec Revenues are 'take or pay' (100% starting 2018)

- National System: take-or-pay
- Zonal Systems: volume-based until 2017, take-or-pay after that
- Bilateral contracts: take-or-pay

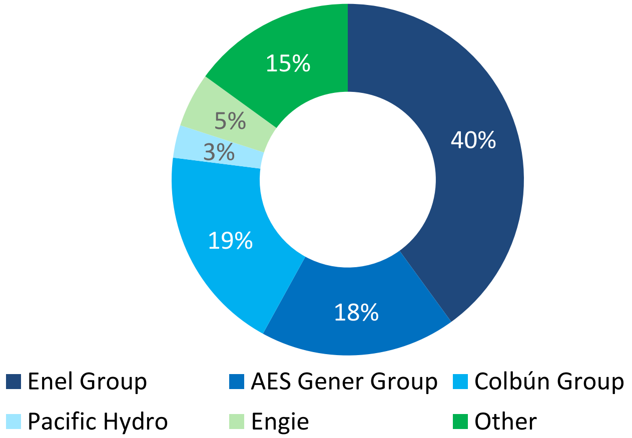
Stability of flows

- Regulated revenues (more than 80% of total revenues) are stipulated in law, providing a high level of certainty.
- Currently Strong counterparties, with 82% of revenue from 4 of the largest energy generation companies in Chile.

Revenue by Type



Revenue by Client

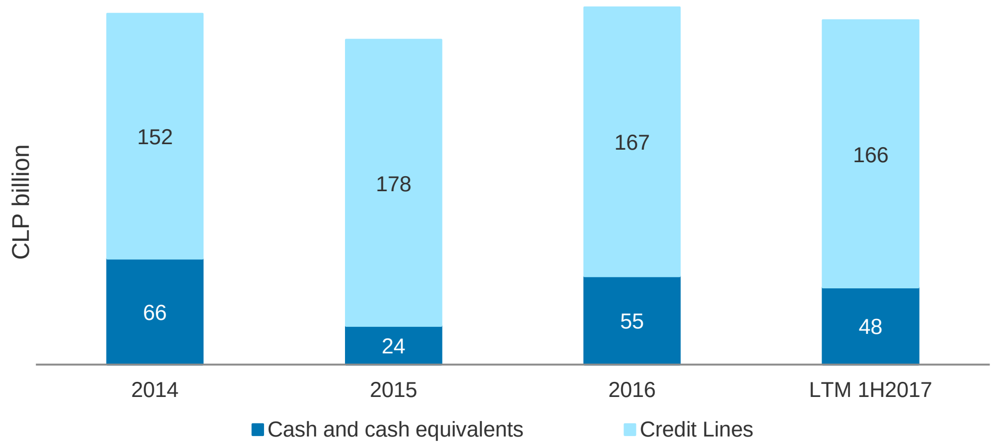


*Figures as of June 30, 2017

Financial Strength

- As of June 30, 2017, Transelec's liquidity amounted to CLP 214 billion (USD 322 million)
  - This includes USD 250 million available on a 3-year committed, undrawn revolving credit line (RCF) which matures in August 2020 and can be extended 2-years. This RCF considers a portion in USD and a portion in Chilean Pesos.
  - Transelec's liquidity is supported by strong cash flow from operations reaching CLP 181 billion (USD273 million) for LTM 1H2017

Liquidity



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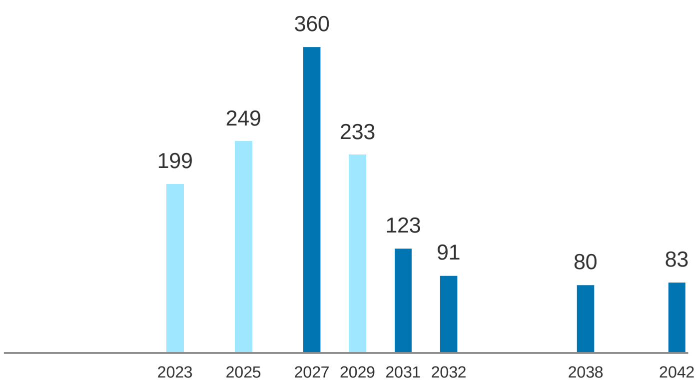
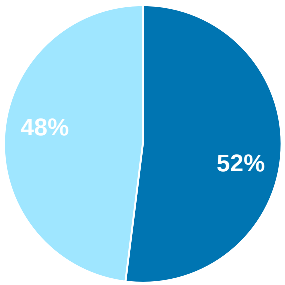
Debt Profile

- As of June 2017, Transelec maintains a very manageable debt maturity profile with no debt refinancing over the next six years.
- Transelec has a track record of accessing the local and international markets whenever needed at very favorable terms.
  - In July, 2016, Transelec issued a very successful USD350 million 144a/RegS bond @ 3.875% due in January 2029. This debt is fully hedged. Use of proceeds was to refinance existing debt and to fund Capex.
- Financial objectives of Transelec are to prudently manage its financial risk, maintain access to capital markets, maximize the long-term equity return for its shareholders, and maintain a conservative financing structure.

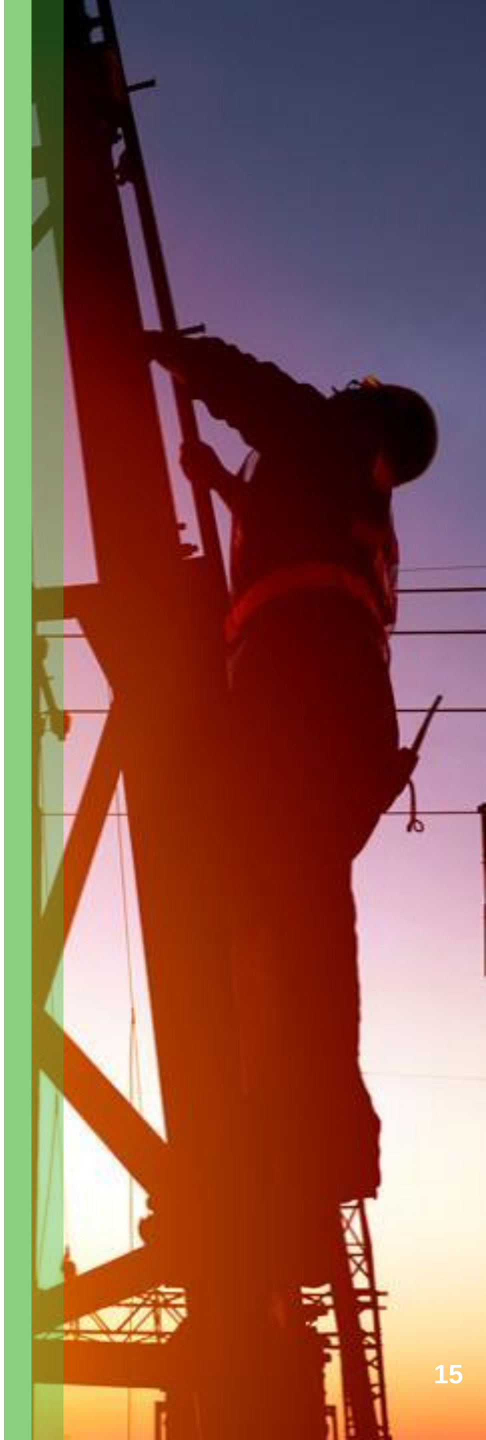
Public debt maturity profile (CLP Billion)



Debt breakdown by type



■ Local bonds ■ International bonds



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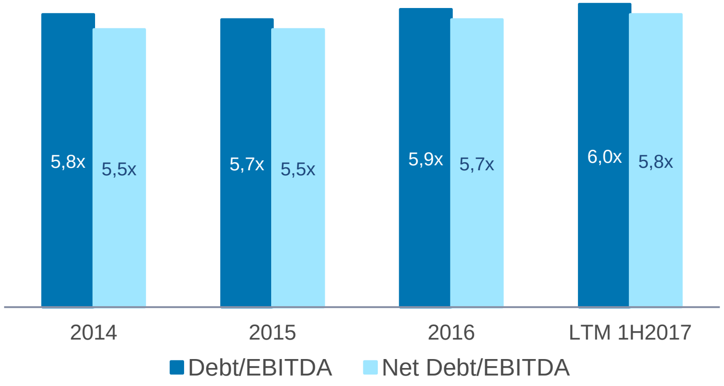
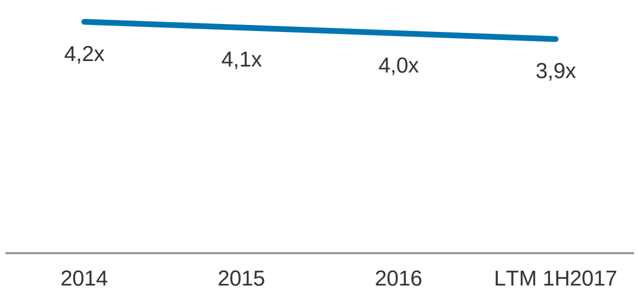
Strong Coverage Ratios

- Transelec's strong coverage metrics are supported by low cost of long-term debt and growing cash flows
- Coverage has improved constantly since acquisition.
- Debt to EBITDA has been disciplined and maintained within the limits the Company has defined

Leverage



Interest Expense Coverage



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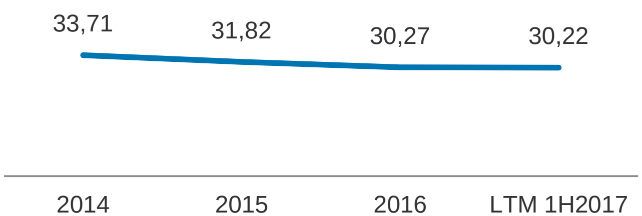
Covenants

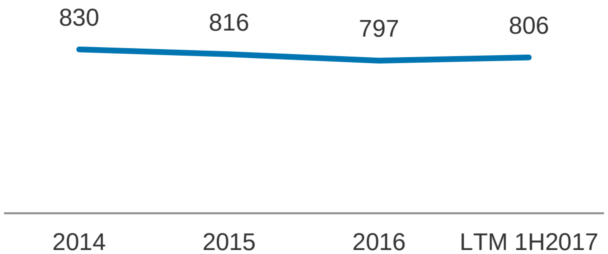
- As of June 30, 2017, the company is in full compliance with all debt covenants (included in the local bond indentures)

Minimum Equity > UF15 million(1)



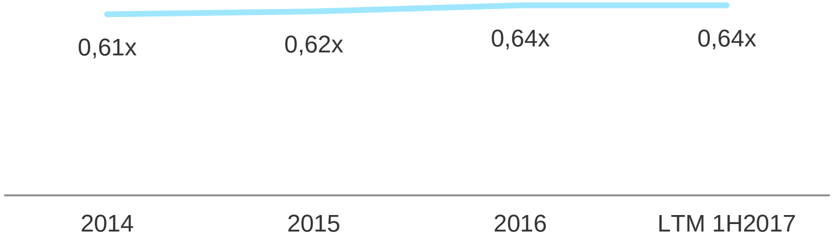
(1) Equity attributable to the owners + Accumulated amortization of goodwill

Minimum Equity > CLP 350 billion (3)(4)



(3) Equity attributable to the owners + Accumulated amortization of goodwill
(4) This metric replaced 'UF' Minimum Equity in series Q bonds (last local issuance).

Debt / Capital < 0.7x (2)



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

Regulatory Update

New Transmission Bill of Law ("TBL")

- TBL approved in 2016, updated a series of relevant topics in the transmission activity of power market regulation
- The TBL improves a number of deficiencies of the previous law and gives certainty and stability in key aspects for the future
- The main topics regulated by the TBL are the following:
  - Capital Asset Pricing Model (CAPM*) methodology, including a new valorization process of legacy assets of all transmission systems
  - Long-term Energy Planning and Transmission Planning
  - Remuneration system of transmission facilities (from Generators to Distributors, in an extended period transition)
  - Full Take-or-Pay remuneration scheme in all regulated systems.
  - Remuneration for Upgrade Projects
- Processes and by-laws of TBL are currently being prepared and discussed. There is no specific timing to have them all approved since TBL considers different timings for implementation (most important ones starting in 2020)
- This TBL strengthened the regulation, giving certainty for several years, eliminating volume risk and encouraging growth in Transmission.

*The Capital Asset Pricing Model (CAPM) considers the systemic risk of the inherent activities of the Company in relation to the market, the risk free rate and the market premium

Zonal System Tariff-setting process

(former Subtransmission System)

- Zonal system tariff is one of the important changes introduced by TBL. This system went from a volume-based kind of remuneration to an annuity over the capacity installed (consistent with the National System remuneration)

- Extension of Decree N° 14 for period 2016 – 2017: TBL establishes that from 1/1/2016 to 31/12/2017, previous Zonal tariff will remain in force with some adjustments

- CNE issued a Technical Report that contains:
  - Sum of the AVI and COMA, for each owner or operator of Zonal facilities
  - Indexation formulas for the biannual period

- Experts Panel opinion was delivered an published. Zonal system tariff Decree is still pending.

- Transelec's preliminary evaluation is that this process will be positive to cash flows starting 2018

2020-2023 Tariffs process

- This will be a combined National and Zonal systems process
- The facilities will be classified in the segments defined in the law (National, Zonal and Dedicated) starting Q4 2017
- The CAPM determination study will be tendered by the CNE (Q3 2017)
- The price level for the valuation study is expected to be complete in 31st December 2017

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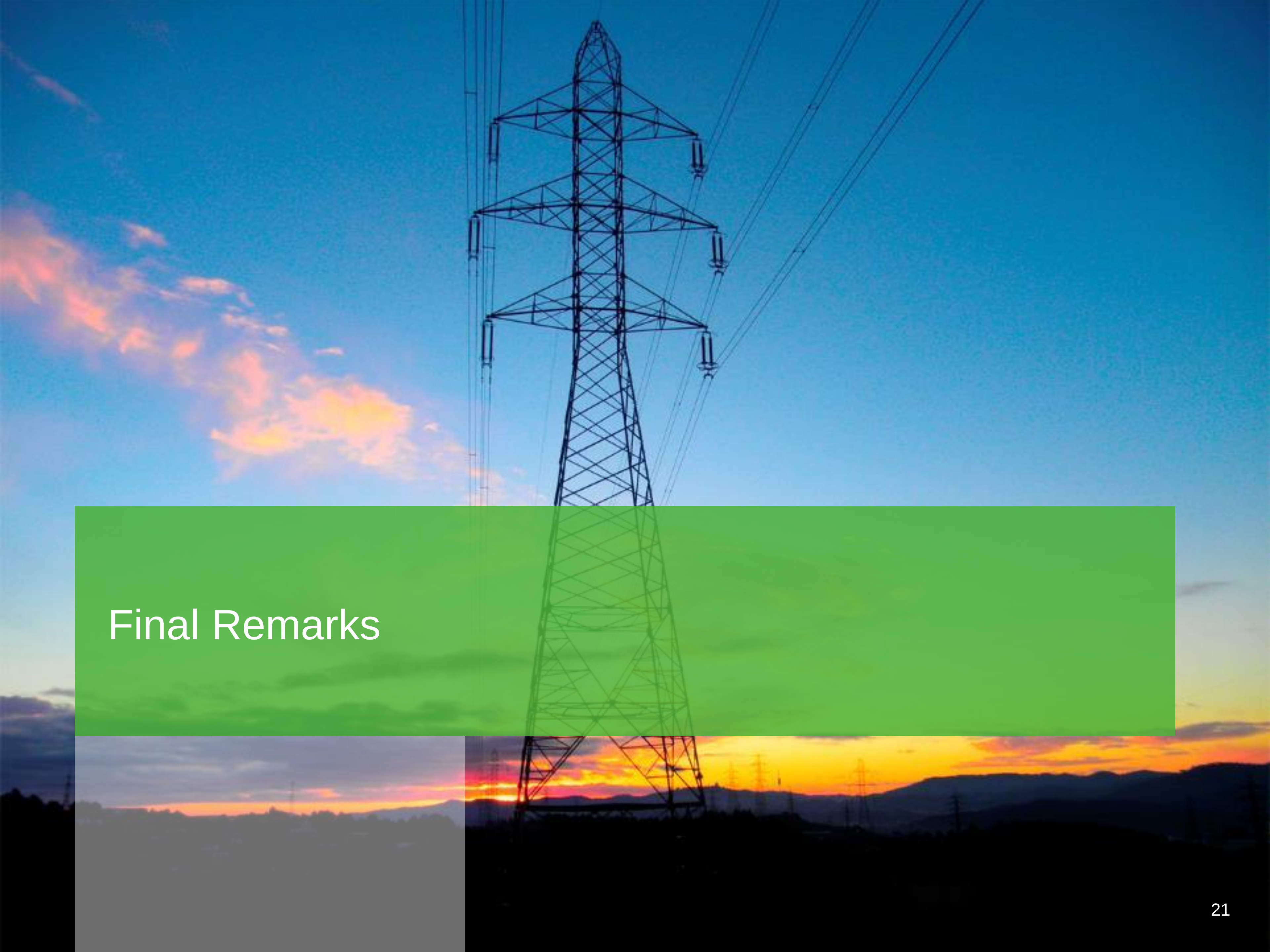

Final Remarks

Final Remarks

- High regulated framework in stable environment
  - Very high degree of transparency
  - Prescriptive methods and procedures for setting tariffs
  - Predictable and consistent approach by the regulator
  - Rates are set at a level that provides for a fair return on the replacement cost of rate base and recovery of operating costs

- Strong cash flows with stable growth profile
  - Highly predictable cash flows as stipulated in law with almost no volume risk
  - Revenues will continue to benefit from commissioning of new projects and inflation
  - Strong counterparties with minimal collection risk

- Strong financial position
  - Prudently financing company at approximately 6.0x EBITDA
  - No near term financing risk
  - Strong liquidity position

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www.transelec.cl

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