

# Transelec

## 2018 Performance





- Overview
- Operational and Growth Accomplishment
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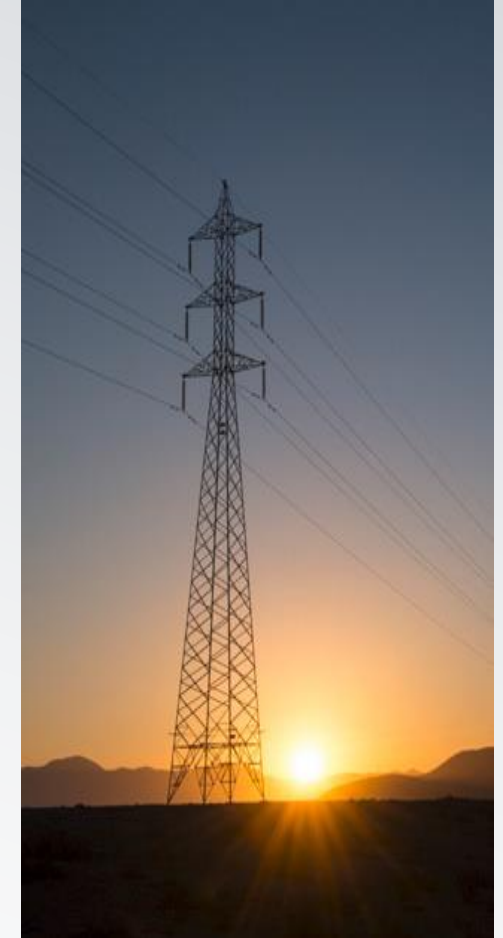
# Overview



# Executive Summary



- Transelec continued to maintain its strong market position in Chile, operating nearly 9,670 kms of transmission lines, in a safe and reliable manner, which serve 98% of the population
- Financial results reflect the strength of Transelec's revenue streams and rate base
  - Generated EBITDA of CLP 278 billion (~MUSD400) as of December 31<sup>st</sup>, 2018.
  - Maintains an EBITDA margin above 80% (in December 2018, 84.5%).
- The company generated funds from operations (FFO) of CLP239 billion, (~ MUSD 345) during 2018.
- Reaffirming the solid financial performance of the Company, during 2018,
  - Humphrey's upgraded our local rating from AA- to AA.
  - local ratings from Feller and Fitch (AA-) were reaffirmed
  - our current international ratings (Baa1, BBB, BBB) were reaffirmed
- By the end of 2018, Transelec recorded a net income of CLP105 billion (~MUSD 152).



(USD figures have been translated with the FX of the end of December 2018 (\$694.77), for referential purposes only)

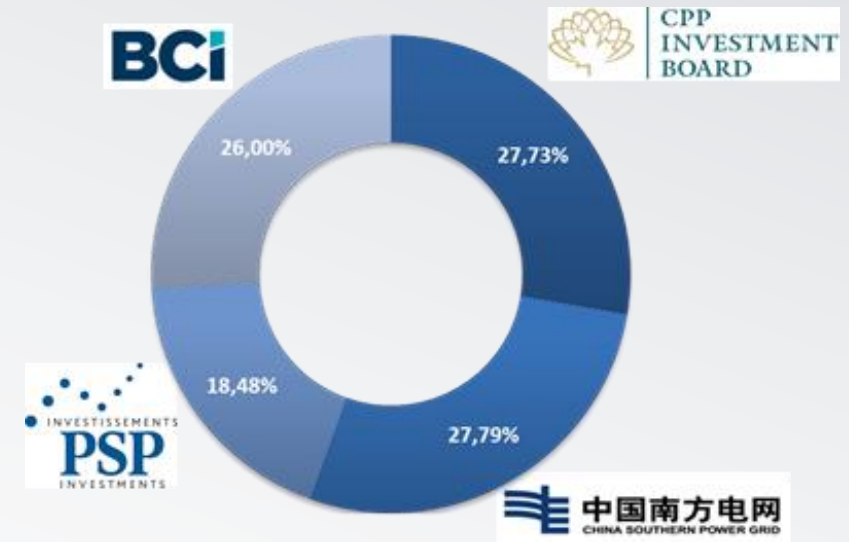


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# Business Update



- On March 15th, China Southern Power Grid (CSG) purchased the 27.8% of the company from Brookfield Asset Management. The other 3 shareholders remained in the ownership. Therefore, final shareholders are currently the following:
- On August 3rd, 2018, Transelec paid CLP20 billion Promissory Note held with Banco BCI.
- In 2018, the company incorporated US\$48.2 million of new facilities, which include the commissioning of one national system expansion project and two upgrade projects in the national and zonal system.
- During 2018, the Company was awarded with:
  - MUSD19.5 of new national transmission projects
  - MUSD38.7 of new zonal transmission projects
- During 2018, Transelec paid the following dividends to shareholders:
  - 2017 definitive dividend amounting CLP18.7 billion
  - 1st interim dividend amounting CLP19.4 billion
  - 2nd interim dividend amounting CLP20.5 billion

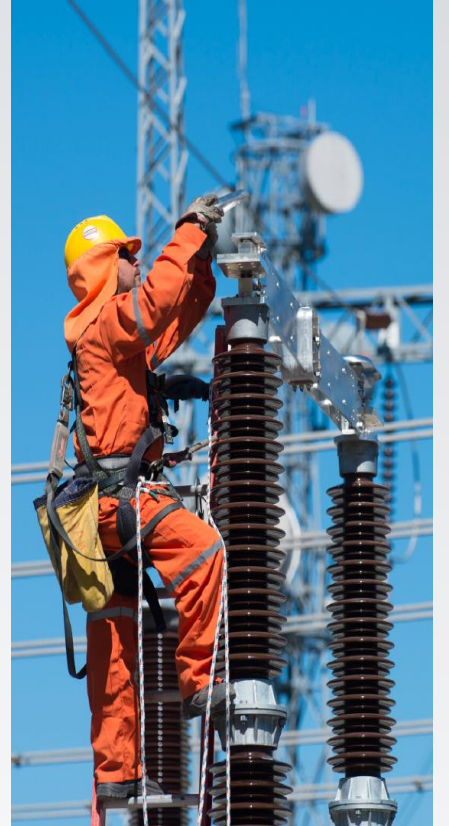


# Operational & Growth Accomplishment

# Strategic Assets and Operating Performance



- Chile's Transmission System is Critical National Infrastructure.
  - Yet, 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.
  - Digital transformation is an essential pillar for facilities' maintenance strategy.
- Transelec operates its grid in compliance with highly demanding service quality and safety standards.
  - National Transmission Operation Center (CNOT) was constructed meeting the highest safety standards and making it possible for Transelec to centralize the operation of its facilities in real time.
- Transelec is continuously improving its system performance by:
  - controlling risks,
  - applying rigorous procedures, and
  - enhancing operating management.





# Increased Cash Flows through successful execution and commissioning of projects

- In 2018, the company commissioned MUSD39 of upgrade projects and MUSD125 of two expansion projects detailed below:
  - In Q1, Tercer Banco de Autotransformadores S/E Alto Jahuel
  - In Q4, 2x220Kv Lo Aguirre – Cerro Navia transmission line (see slide 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 and Zonal systems.





# Lo Aguirre – Cerro Navia Transmission Line



- The project had an investment of US\$ 95 million, contemplates a new high voltage line of 2 X 220 kV, which will be extended by 16.5 kilometers between the Lo Aguirre substations, in Pudahuel, and Cerro Navia.
- Among its innovations it considers:
  - new urban poles instead of the traditional transmission towers, and
  - 1.5 km of underground transmission line.
- Urban poles occupy an area almost 90% lower than old structures (7.2 square meters vs. 60 square meters).
- First tunnel built to transmit electrical energy in high tension in the national system, and passes below a highly populated area in Cerro Navia.
  - It is 9 meters below the surface and has 3 meters diameter
- The project considered the remodeling of Javiera Carrera Park, where about 10 hectares were redesigned, and 1,800 square meters were improved with furniture, seats, games and rest areas.
- This project is an example of how energy projects can positively impact the community.



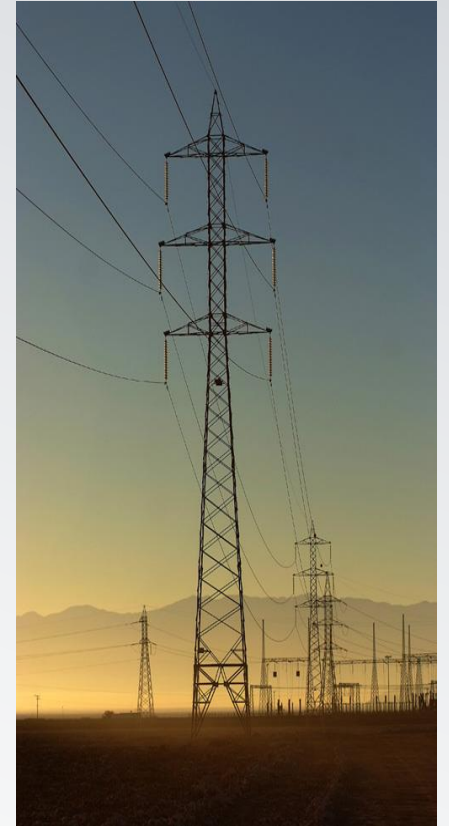
# Regulatory Update

# Tariff Processes



## Zonal System 2016-19

- 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.
- In October, Decree 6T was published, establishing revenues for Zonal and Dedicated system for 2018 and 2019.
- 2018 effect was retroactively recognized as revenues in last quarter:
  - In October, Transelec recognized in its P&L ~MUSD30 for additional revenues for the first 9 months of the year.
  - Additionally, in 4Q, an amount of ~MUSD3 have been recognized as additional revenues monthly according to decree 6T.

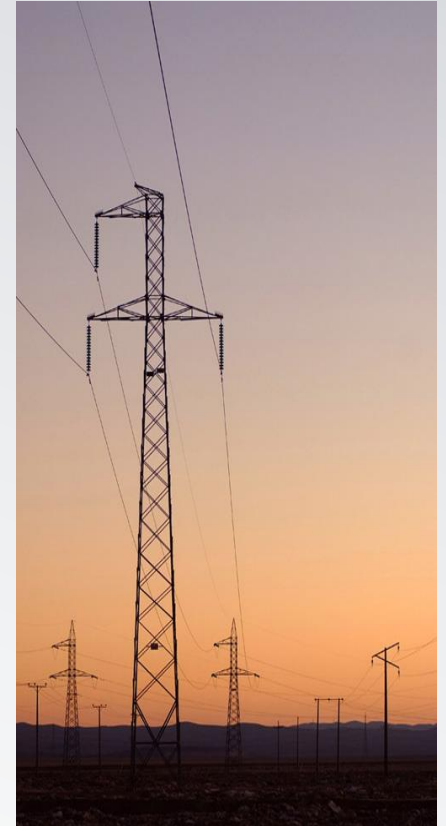


# Tariff Processes



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

- A new 2020-2023 tariff setting process for the National and Zonal Transmission Systems started in 2018.
  - For the first time and according to TxL, the rate of return will be set for the 4 years period (2020-23)
- The first power transmission facilities Qualification Process took place.
  - The CNE invalidated this Qualification Process in August 2018 following the detection of inconsistencies in methodology application.
  - The Qualification Process resumed in October 2018 with the publication of a new CNE Preliminary Facilities Qualification Technical Report.
  - This report was submitted to the Panel of Experts regarding discrepancies presented by the companies
  - The final CNE Facilities Qualification Technical Report was released in March 2019.
- In addition, the CNE established the final Technical and Administrative Bases for the tendering of Valuation Studies in October 2018.
  - These will be published soon.
- The next stages of this tariff setting process are:
  - tendering and formulation of Tariff Studies,
  - formulation and publication of the Final CNE Technical Report and
  - setting and publication of 2020-2023 tariffs by the Ministry of Energy.



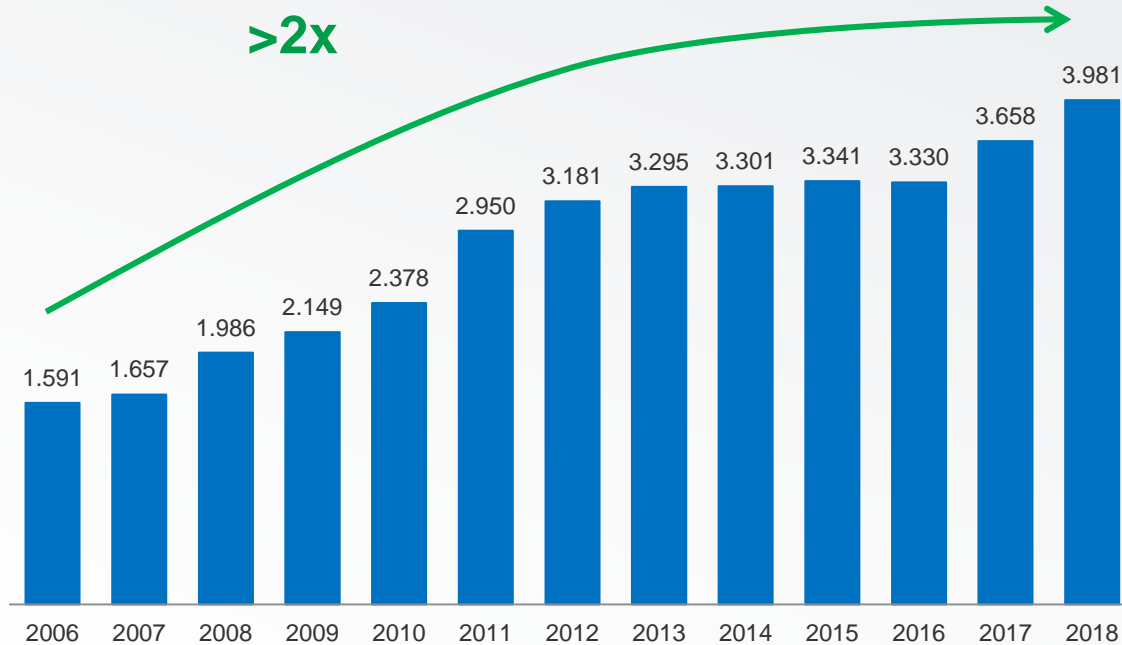


# Financial Update

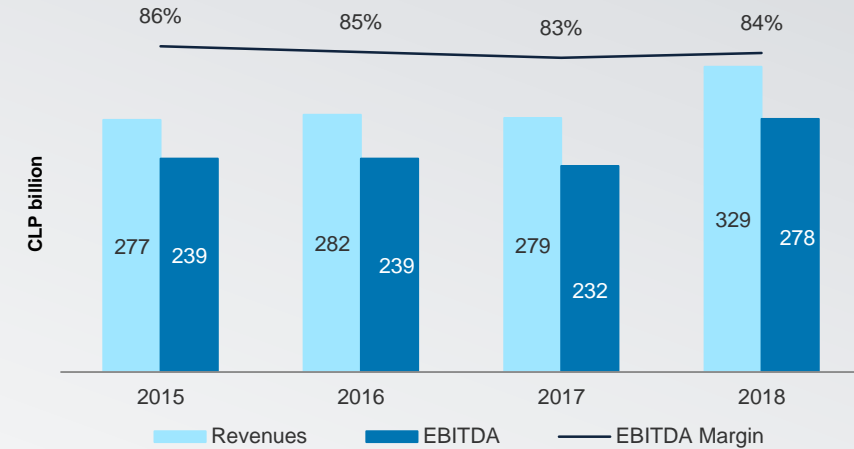
# Financial Performance



## Total Value of Investment



## Revenues/EBITDA



## Risk Ratings

International		Rating
Fitch- Ratings International		BBB
Moody's		Baa1
S&P		BBB

Chile		Rating
Humphrey's		AA
Feller-Rate		AA-
Fitch- Ratings Chile		AA-

# Financial Results

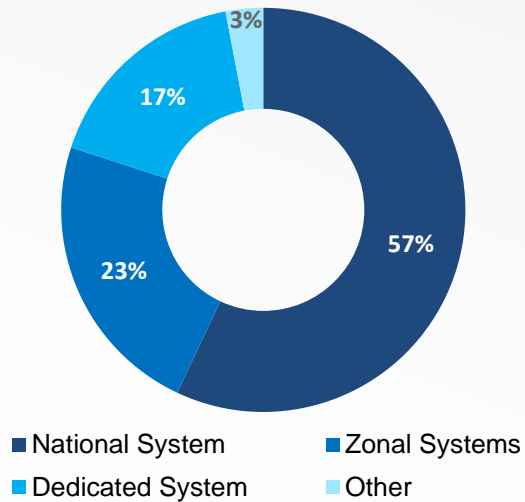
CLP billion	2018	2017	Var.
Revenues	329	279	18%
Ebitda	278	232	20%
Operating Income	221	172	28%
Non-Operating Income	-77	-69	12%
Tax	-38	-25	50%
Net Income	105	77	37%
Gross Debt	-1.475	-1.404	5%
Net Debt	-1.371	-1.342	2%
FFO (LTM)	239	173	39%

- For this period, Revenues increased 18%, reaching CLP329 billion (~MUSD 474). EBITDA increased 20% compared with the same period last year. The increase was mainly due to the Decree 6T publication which establishes zonal tariff for 2018 and 2019. EBITDA margin increases in this period, above 83%.
- Without considering this extraordinary item, Revenues in 2018 would have been 8% higher than in 2017, while Ebitda would have been 7% higher than in previous year. This is mainly explained by new revenues in 2018 due to the commissioning of projects between 2017 and 2018.
- Non-Operating Income increased 12%, reaching CLP-77 billion, mainly due to higher inflation effect.

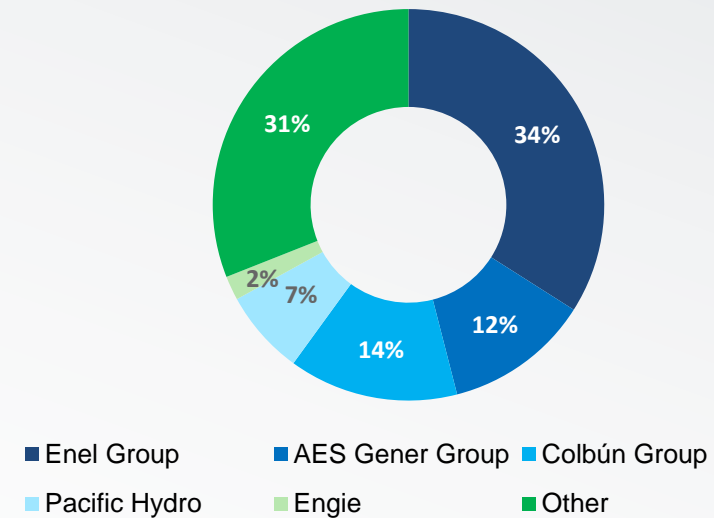
# Low business risk profile

- 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 (80% of total revenues) are established by law, providing a high level of certainty.
  - Currently Strong counterparties, with 67% of revenue from 4 of the largest energy generation companies in Chile.

## Revenue by Type



## Revenue by Client

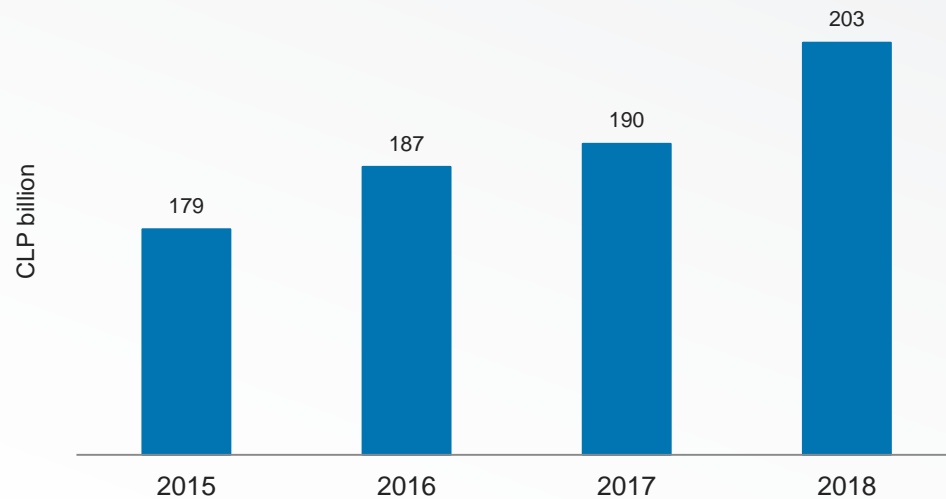




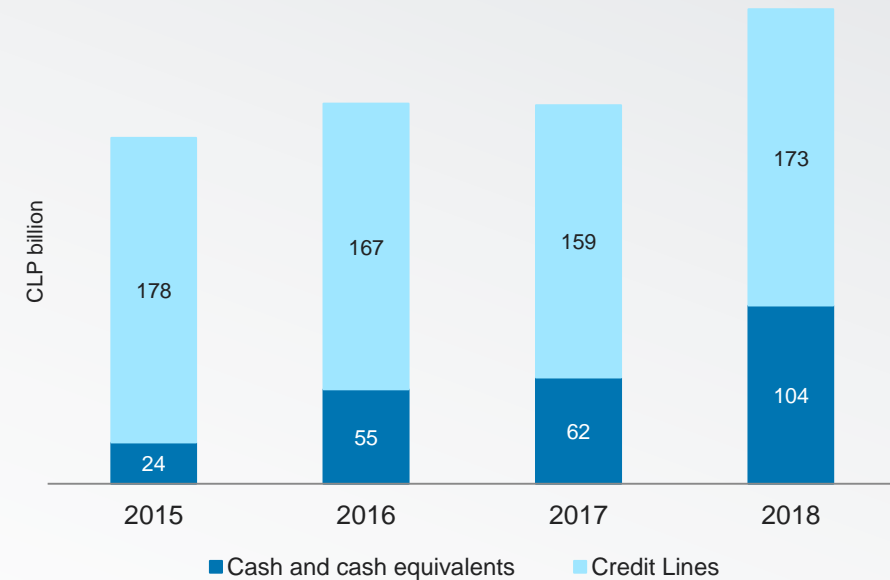
# Financial Strength

- Transelec's liquidity is supported by strong cash flow from operations reaching CLP 203 billion (USD292 million) in 2018
  - This includes ~ USD250 million available on a 3-year committed revolving credit lines completely undrawn (denominated in USD & UF).
  - Furthermore, the Company's bonds have a 6-month DSRA.
- In the short term, cash flows are expected to increase due to commissioning of new projects, exposure to inflation through indexation of our revenues and the increase of zonal revenues due to Decree 6T.

## Cashflow From Operations



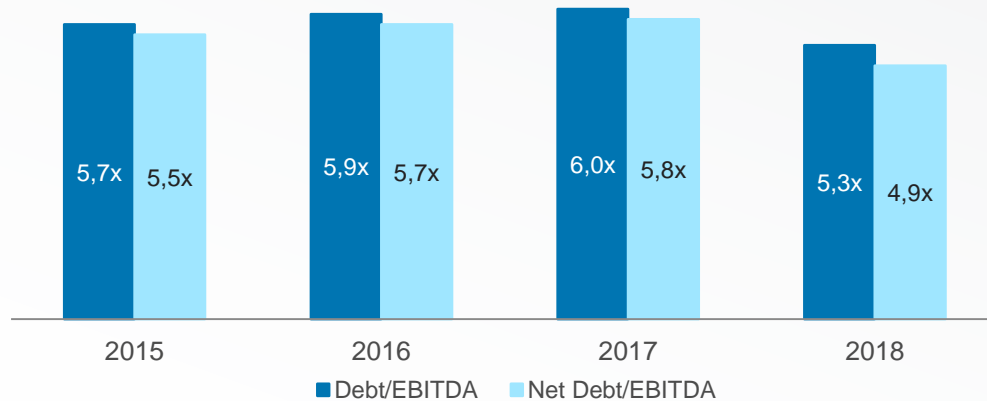
## Liquidity



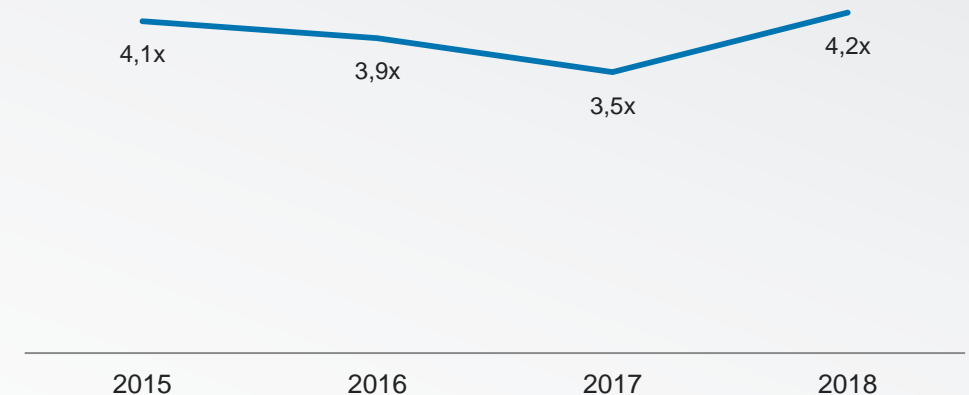
# Strong Coverage Ratios

- 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. Nevertheless, this ratio ended 2018 below expected due to zonal revenues increase (Decree 6T recognition).
- Interest Expense coverage had a slight increase. We expect to maintain it in adequate levels.
- Transelec is committed to maintaining investment grade credit rating.

## Leverage



## Interest Expense Coverage

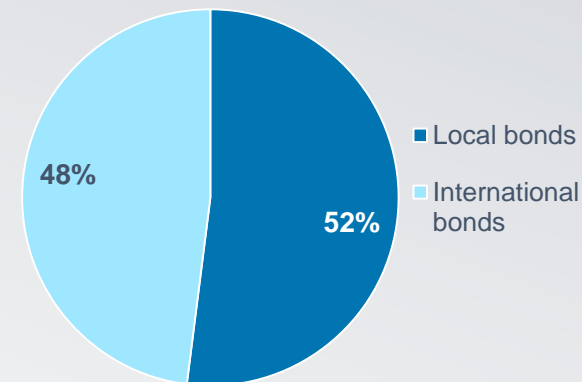


# Debt Profile

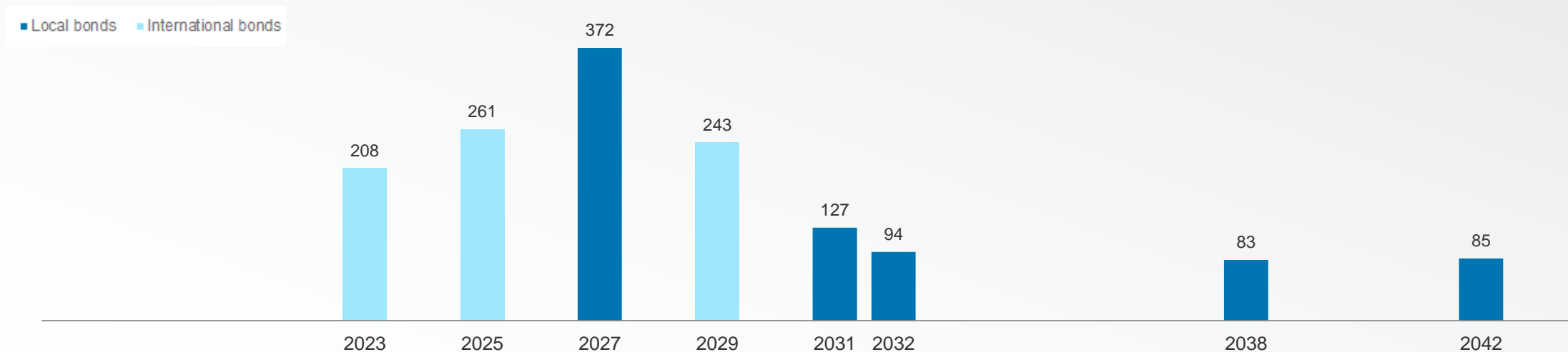


- Transelec maintains a very manageable public debt maturity profile with no refinancing in the next years.
- The Company has been able to obtain flexibility and a variety of sources for funding.
- All public debt has fixed rates.
- Transelec balance sheet is fully hedged.

Public Debt breakdown by type



Public debt maturity profile (CLP billion)



# Covenants



As of December 31<sup>st</sup>, 2018, the company is in full compliance with all debt covenants (included in the local bond indentures).

## Minimum Equity > UF15 million <sup>(1)</sup>

31,82 30,27 30,28 29,96

2015 2016 2017 2018

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

## Minimum Equity > CLP 350 billion <sup>(2)(3)</sup>

816 797 811 826

2015 2016 2017 2018

(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 <sup>(4)</sup>

0,62x 0,64x 0,63x 0,64x

2015 2016 2017 2018

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



# Contact Information

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You can find additional information in our web page:  
[www.transelec.cl](http://www.transelec.cl)



During 2018, Minister of Energy visited the facilities of Lo Aguirre-Cerro Navia project.



# Transelec, 2018 Performance

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# Ebitda Uses

	MUSD
Revenues	465
Ebitda	400
Financial Expenses	-110
Capex	-150
Upgrade Projects	-50
Expansion Projects /Acquisitions	-100
Dividends	-130
	10

# Backlog 31.12.2017

Business Line	Backlog MUSD	%
Trunk Upgrades	77,3	42%
Trunk Expansions	80,4	43%
Subtransmission	24,9	13%
Transmission Solutions	3,1	2%
Acquisitions	-	0%
<b>Total Backlog</b>	<b>185,7</b>	<b>100%</b>

# Expansion Plan for National and Zonal System

(Bidding process in 2018)

Type of Projects	Quantity Projects	CNE VI Proposal MUSD
<b>National System</b>	<b>9</b>	<b>304</b>
Upgrade Projects assigned to Transelec	1	4
Expansion Projects	8	300
Nueva Línea Nueva Pan de Azúcar – Punta Sierra - Nueva los Pelambres 2x220 kV, 2x580 MVA	1	125
<b>Zonal System</b>	<b>38</b>	<b>586</b>
Upgrade Projects assigned to Transelec	7	22
Expansion Projects (divided in 14 groups)	31	564
Nueva Línea 2x220 kV Mataquito – Nueva Nirivilo – Nueva Cauquenes – Dichato - Hualqui	1	198
<b>TOTAL</b>		<b>890</b>



# Expansion Plan for National System



Type	Projects	Referential VI MUSD	Construction Term [months]
Expansion Projects	Nueva Línea Nueva Pan de Azúcar – Punta Sierra - Nueva los Pelambres 2x220 kV, 2x580 MVA	125,0	60
	Línea Nueva Puerto Montt – Nueva Ancud 2x500 kV 2x1500 MVA, Nuevo cruce aéreo 2x500 kV 2x1500 MVA, ambos energizados en 220 kV y S/E Nueva Ancud 220 kV	107,7	60
	S/E Seccionadora Nueva Chuquicamata 220 kV y Nueva línea 2x220 kV entre S/E Nueva Chuquicamata – S/E Calama, tendido del primer circuito	18,0	24 y 48
	Nueva S/E Seccionadora Algarrobal 220 kV (Maitencillo-Cardones)	13,9	24
	Nueva Subestación Seccionadora El Rosal (Charrúa-Temuco)	7,3	24
	Nueva S/E Seccionadora Río Malleco 220 kV (Mulchen-Cautín)	8,3	20
	S/E Seccionadora Río Toltén 220 kV (Cautín-Ciruelos)	9,0	24
	Nueva S/E Seccionadora Frutillar Norte 220 kV (Rahue-Puerto Montt)	11,2	30
	<b>Total [MUSD]</b>	<b>300,4</b>	
	<b>N° Projects</b>	<b>8</b>	

**Bids must be presented in May 2018**

**Bids were presented in March 2018**

Upgrade Projects Transelec	Ampliación S/E Ciruelos 220 kV	3,7	24
	<b>Total [MUSD]</b>	<b>3,7</b>	
	<b>N° Projects</b>	<b>1</b>	

# Expansion Plan for Zonal System

Type	Proyectos	Referential VI MUSD	Construction Term [months]
Expansion Projects	Nueva Subestación Guardiamarina 110/23-13 kV	10,6	28
	Nueva Subestación Río Aconcagua 220/110 kV	24,0	36
	Subestación Nueva Casablanca 220/66 kV	11,1	60
	Nueva Subestación La Pólvara 220/110 kV	18,5	36
	Nueva Línea 2x220 kV Nueva Alto Melipilla – Nueva Casablanca – La Pólvara – Agua Santa	39,7	60
	Subestación Nueva Panquehue 110/13,8 kV	8,8	28
	Subestación Seccionadora Nueva San Rafael 110 kV	6,2	36
	Construcción Bypass 2x110 kV San Rafael	4,6	48
	Nueva Subestación Pueblo Seco 154 kV	6,3	24
	Nueva Línea 2x220 kV Mataquito – Nueva Nirivilo – Nueva Cauquenes – Dichato - Hualqui	198,1	60
	Nueva Línea 2x220 kV Itahue - Mataquito	32,8	48
	Nueva Subestación Seccionadora Hualqui 220/66 kV	14,8	60
	Subestación Nueva Nirivilo 220/66 kV	14,7	60
	Subestación Nueva Cauquenes 220/66 kV	15,2	60
	Subestación Dichato 220/66 kV	14,7	60
	Nueva Subestación Mataquito 220/66 kV	15,2	48
	Nueva Línea 2x66 kV Nueva Cauquenes - Parral	12,0	60
	Nueva Línea 2x66 kV Nueva Cauquenes - Cauquenes	0,8	60
	Nueva Línea 2x66 kV Dichato - Tomé	1,9	60
	Nueva Línea 2x66 kV Hualqui - Chiguayante	6,2	60
	Nueva Subestación Trébol 220/66 kV	11,3	60
	Nueva Línea 2x66 kV Trébol - Ejercito	2,7	28
	Nueva Subestación Guindo 220/66 kV	13,5	36
	Nueva Subestación Los Varones 220/66 kV	12,1	28
	Nueva Línea 2x66 kV Los Varones – El Avellano	2,6	28
	Nueva Subestación Lastarria 220/66 kV	14,7	36
	Subestación Nueva Metrenco 220/66 kV	18,2	28
	Nueva Subestación Enlace Imperial 66/23 kV	4,9	28
	Línea 2x66 kV Nueva Metrenco – Enlace Imperial	14,5	28
	Nueva línea 2x66 kV Nueva Valdivia - Picarte, tendido del primer circuito	6,2	48
	Nueva Línea 2x220 kV Gamboa – Chonchi energizada en 110 kV, tendido del primer circuito	7,2	36
	<b>Total [MUSD]</b>	<b>564,2</b>	<b>60</b>
	<b>N° Projects</b>	<b>31</b>	
	<b>N° Group of Projects</b>	<b>14</b>	

**Bids must be presented in  
July 2018**

# Expansion Plan for Zonal System



Type	Proyectos	Referential VI MUSD	Construction Term [months]
Upgrade Projects Transelec	Aumento de capacidad de línea 1x110 kV Maitencillo - Algarrobo	1,6	24,0
	Modificación de conexión de paños de Transformación TR5 y nuevo banco en nuevo patio GIS 110 kV S/E Cerro Navia 110 kV.	2,7	36,0
	Seccionamiento en línea 2x154 kV Alto Jahuel - Tinguiririca en S/E Punta de Cortés	4,5	24,0
	Ampliación en S/E Itahue	3,1	48,0
	Seccionamiento en S/E Panimávida	0,6	18,0
	Cambio circuitos 1x154 kV Charrua - Tap Chillan y 1x154 kV Charrúa - Monterrico	2,5	24,0
	Ampliación en S/E Nueva Valdivia	7,1	36,0
	<b>Total [MUSD]</b>	<b>22,1</b>	
	<b>N° Projects</b>	<b>7</b>	

# Expansion Plan for National and Zonal System

(Bidding process in 2019)

Type of Projects	Quantity Projects	CNE VI Proposal MUSD
<b>National System</b>	<b>13</b>	<b>3.004</b>
Upgrade Projects	4	17
Assigned to Transelec	3	16
Expansion Projects	9	2.987
Nueva Línea HVDC Huelquén - Kimal	1	1.837
<b>Zonal System</b>	<b>47</b>	<b>165</b>
Upgrade Projects	36	84
Assigned to Transelec	4	17
Expansion Projects	11	81
Nueva Línea 2x220 kV Candelaria - Nueva Tuniche y S/E Nueva Tuniche 220 kV	1	20
<b>TOTAL</b>		<b>3.170</b>