

# 2016 Performance



March, 2017



# Executive Summary

- Transelec is the largest transmission company in Chile with 9,609 kilometers of transmission lines (as of Dec./2016) through the ownership and operation of strategic assets for the country, and serving approximately 98% of the Chilean population.
- Transelec continues to generate stable cash flows and maintains an EBITDA margin above 80% (Dec. 2016, 85%).
- The company generated funds from operations (FFO) of CLP192 billion (~MUSD286), during 2016.
- Reaffirming the solid financial performance of the Company, Moody's and S&P in July 2016, and Fitch in January 2017 reaffirmed our current rating Baa1, BBB and BBB, respectively.
- As part of its prudent financial strategy and considering upcoming debt maturities, Transelec successfully issued a MUSD350 144A / Reg. S bond on July 12, 2016.
- As of December 31, 2016, Transelec recorded a net income of MCLP80,983 (~MUSD121) and an EBITDA of MCLP239,357 (~MUSD358).



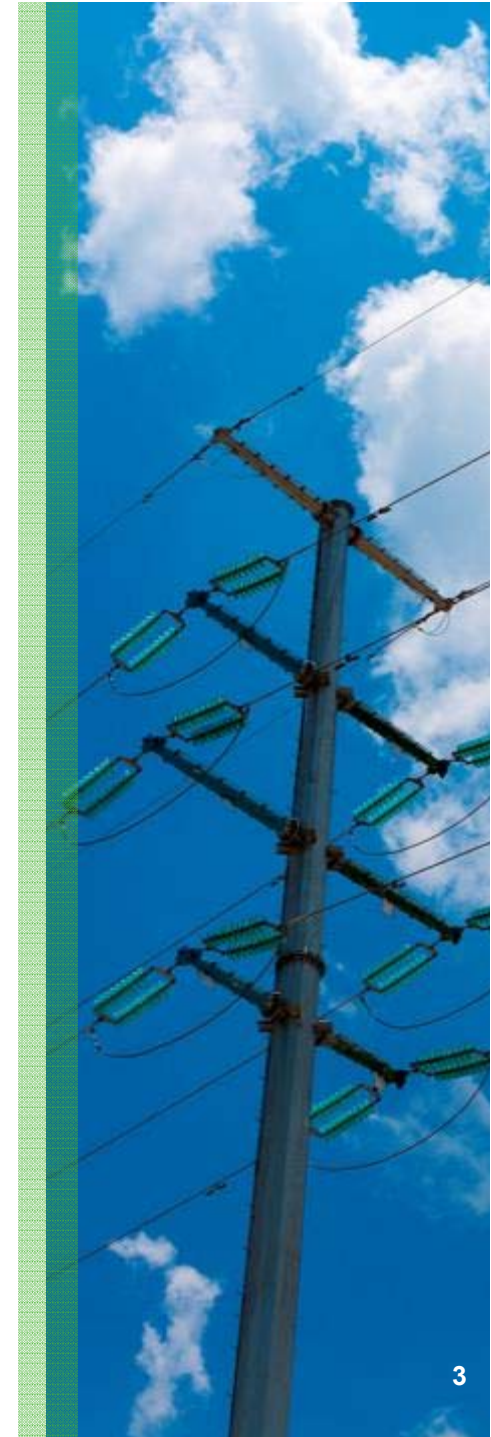
# Business Update

- Current ratings of the Company are the following:

Local Market	
Rating Agencies	Current Rating
Humphrey's	AA-
Feller-Rate	AA-
Fitch Ratings	AA-

International Market	
Rating Agencies	Current Rating
Moody's	Baa1
S&P	BBB
Fitch Ratings	BBB

- During 2017, the company incorporated MUS\$100 of new facilities, which include the commissioning of eleven National System upgrade projects and a transmission assets acquisition from Enel Green Power.
- Final trunk tariffs Decree was enacted as of February 3, 2016 in US dollars terms, as mandated by Electricity Law. In the other hand, Subtransmission decree, which sets tariffs in CLP term, is expected for 2018.
- The new Transmission law approved in 2016 is one step within the government program to try to lower prices of electricity to the end consumer and it strengthens the current transmission regulatory framework.
- In July, 2016, Transelec issued a very successful MUSD350 144a/RegS bond @ 3.875% due in January 2029. This debt is totally hedged. Use of proceeds was dedicated to existing debt refinancing and capex.
  - ✓ Principal of Series C bonds were totally paid at maturity on September 1, 2016.
  - ✓ A short-term bank loan debt with Banco Estado was totally paid.



## Financial Results (Cumulative)

CLP billion	2016	2015	Var.
Revenues	282	277	2%
Ebitda	239	239	0%
Operating Income	181	177	3%
Non-Operating Income	-73	-76	-3%
Tax	-27	-17	55%
Net Income	81	84	-3%
Gross Debt	-1.415	-1.359	4%
Net Debt	-1.361	-1.334	2%
FFO (LTM)	192	192	0%

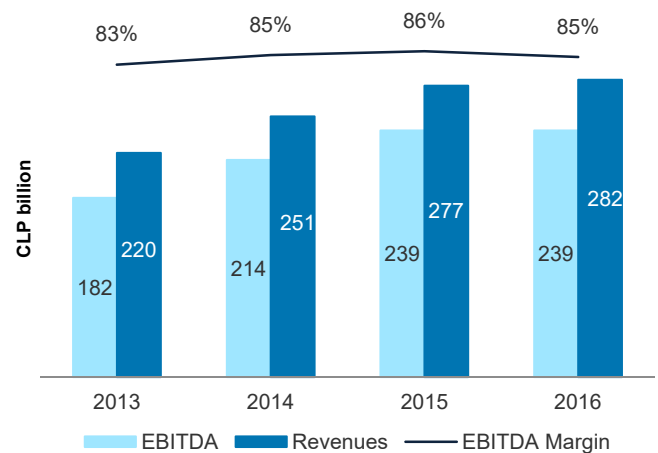
- EBITDA remained stable compared with last year in a year with new trunk tariffs and commissioning of new projects. For this period, revenues increased 2%, reaching CLP281 billion (~MUSD421), mainly due to higher toll revenues (positive indexation formula, new revenues from recently commissioned projects and a renegotiation of Enel –former Endesa- contracts). Costs and Administrative Expenses were appropriately managed achieving no increase compared to 2015.
- Non-Operating Income decreased 3%, reaching CLP-73 billion.
- Taxes have increased 55%, because in 2015 the absorption of Transam and its subsidiaries reduced the taxes for that year. Taxes registered in 2016 correspond to the expected figures.



# Revenue and Profitability

- Transelec's revenues and EBITDA have grown steadily and are in line with shareholders' expectations.
- As of December 31<sup>st</sup>, 2016, Transelec recorded a net income 3% lower than in 2015 mainly due to higher Taxes (55%)
- The company has historically maintained an EBITDA margin above 80%, driven by a low and stable cost structure mainly comprised of labor and maintenance expenses (in 2016, 85%).

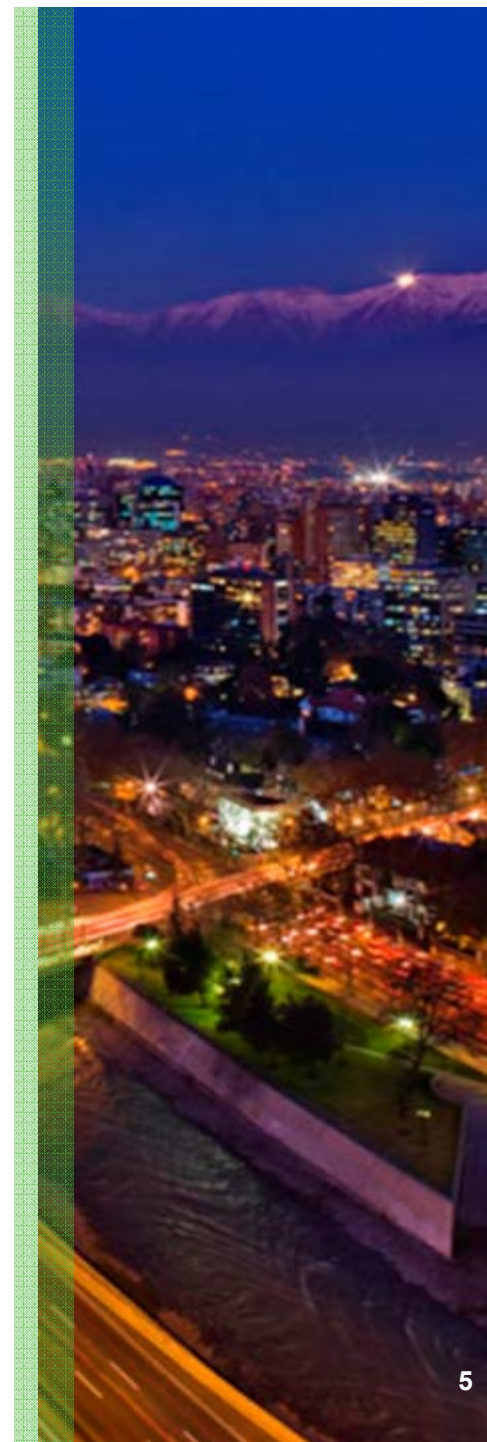
## EBITDA<sup>1</sup> and Revenues



## Net Income



<sup>1</sup> EBITDA: Earnings before taxes, interest, depreciation, amortization, price-level restatement, net and foreign currency translation, net, plus income from leasing



# Low business risk profile

## Stable sources of revenues

- Regulated revenues: from National system and Zonal systems
- Contractual revenues: from bilateral contracts which include, mainly, Dedicated Systems' assets

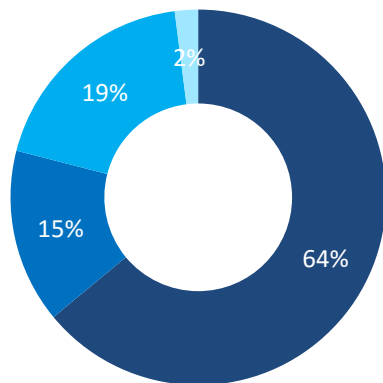
## Revenues structure vary based on transmission systems

- National System: take-or-pay
- Zonal Systems: volume-based
- Bilateral contractual revenues: take-or-pay

## Important clients

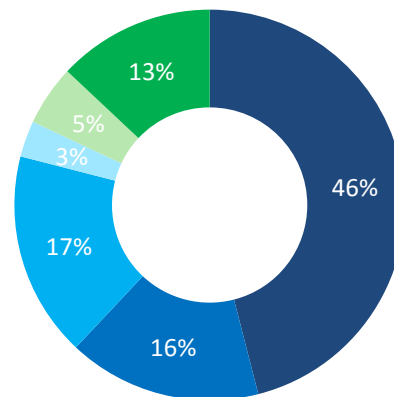
- 82% of revenues come from the most important energy generation companies in Chile.

### Revenue by Type



■ National System ■ Zonal Systems ■ Dedicated System ■ Other

### Revenue by Client

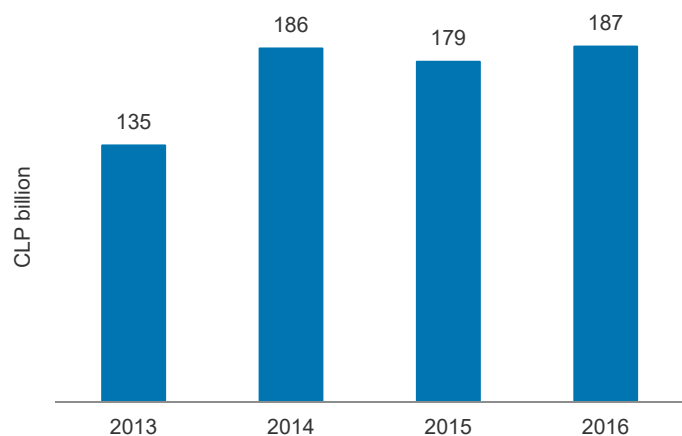


■ Enel Group ■ AES Gener Group ■ Colbún Group ■ Pacific Hydro ■ Engie ■ Other

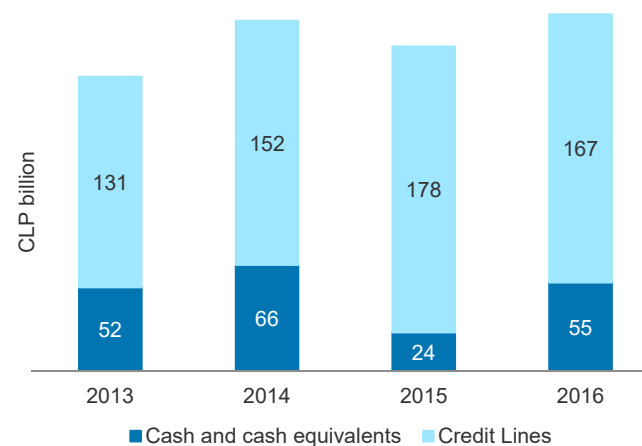
# Solid Liquidity Position

- In December 2016, Transelec's liquidity reached CLP222 billion (~MUSD332).
  - ✓ This includes MUSD250 available on a committed revolving credit line (completely undrawn).
- In addition, the company generated during 2016 CLP192 billion (~MUSD286) of funds from operations (FFO) and CLP187 billion (~MUSD280) of cash flow from operations (CFO).
- Transelec also has UF 36.9 million (~USD1,452 million) available under local shelf registration programs.
  - ✓ Furthermore, the Company's bonds have a 6-month DSRA.

## Cashflow From Operations



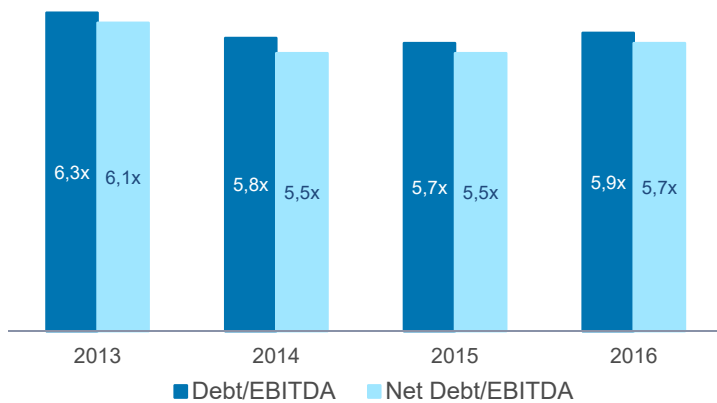
## Liquidity



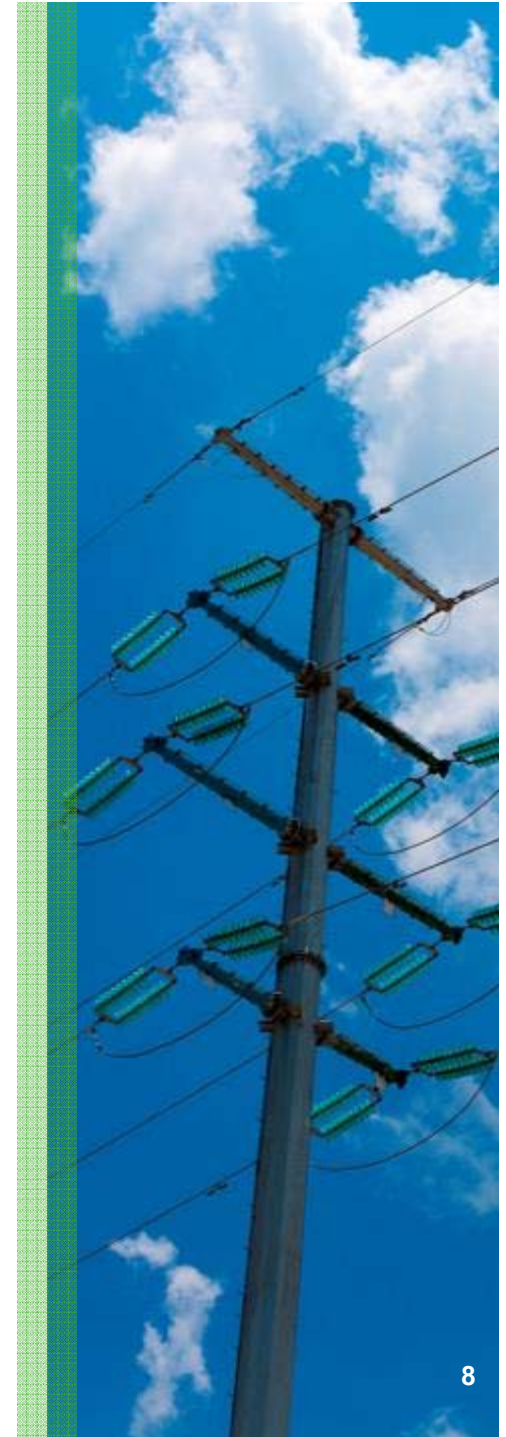
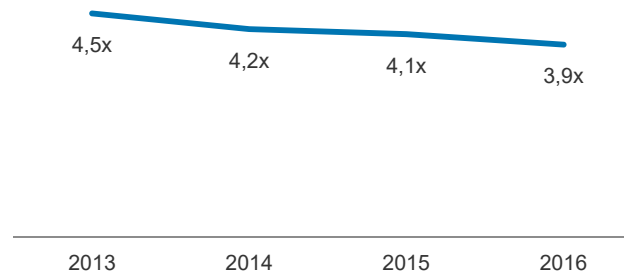
# Strong Coverage Ratios

- Transelec's strong coverage metrics are supported by low cost of debt and growing cash flows and have improved since acquisition.
- Debt to EBITDA has been disciplined maintained within the limits the Company has defined.
- Transelec is committed to maintaining its investment grade credit rating.

## Leverage



## Interest Expense Coverage

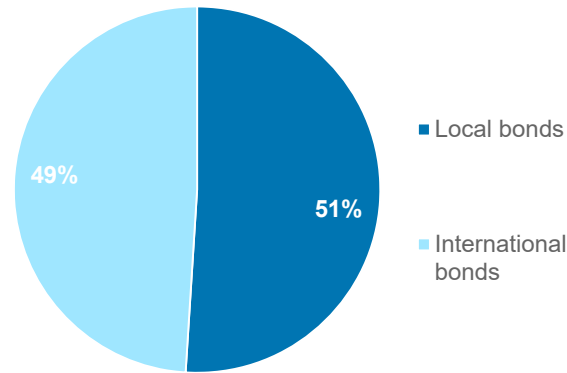




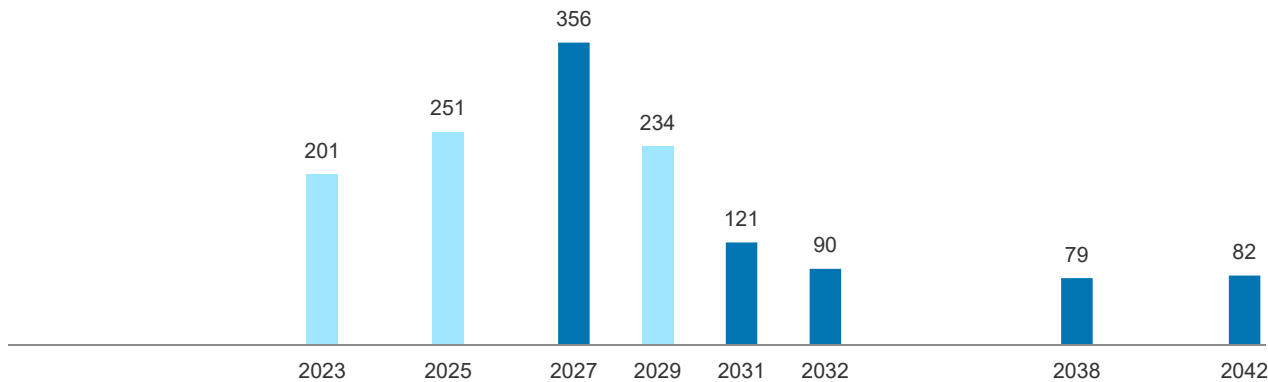
# Debt Profile

- Transelec maintains a very manageable debt maturity profile.
  - ✓ No maturities up to 2023.
- The Company has a track record of accessing local and international markets, providing flexibility and a variety of sources of funding.
  - ✓ 2016 maturity was refinanced in July 2016.
- All debt issued in USD is hedged to CLP (natural hedge and swap contracts).

## Debt breakdown by type



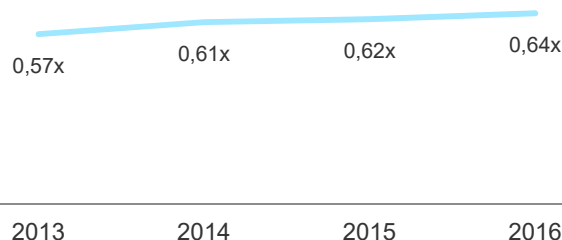
## Public debt maturity profile (CLP Billion)



# Covenants

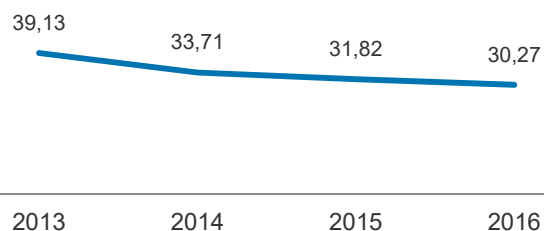
- Transelec's financial covenants (included in the local bond indentures) are balance sheet focused.
- As of December 30, 2016, the company is in full compliance with all debt covenants.

## Debt / Capital < 0.7x <sup>(1)</sup>



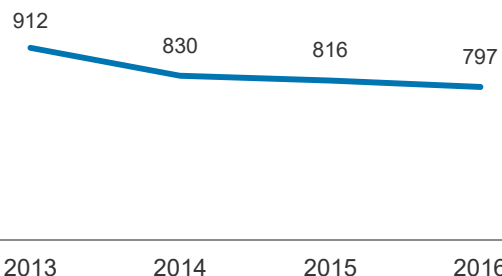
(1) Total Debt / (Total Debt + Interest + Shareholder's Equity + Accumulated amortization of goodwill)

## Minimum Equity > UF15 million<sup>(2)</sup>

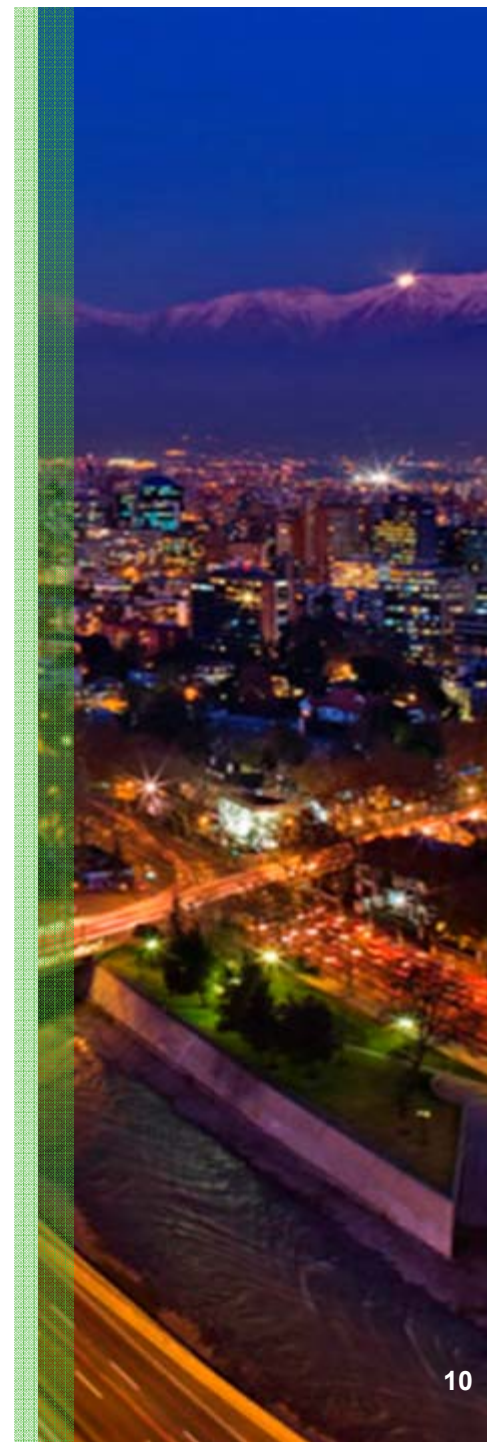


(2) Equity attributable to the owners + Accumulated amortization of goodwill

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



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



# Contact Information

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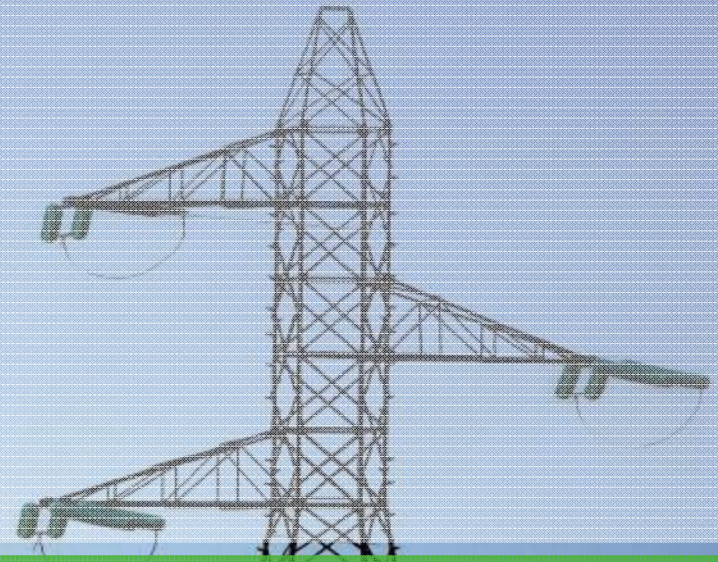
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You can find additional information in our web page:

[www.transelec.cl](http://www.transelec.cl)



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