

# Management Discussion and Analysis

December 31<sup>st</sup>, 2022

## EXECUTIVE SUMMARY

Transelec Concesiones is awarded three new works projects in the National Transmission System.

As of December 31, 2022, the following projects are operational:

- “New 2x500 kV 1500 MW Line between S/E Los Changos and S/E Nueva Crucero Encuentro, 2x750 MVA 500/220 kV Autotransformer Banks in S/E Nueva Crucero Encuentro, 750 MVA 500/220 kV Autotransformer Bank in S /E Los Changos (Phase I) and New Line 2x220 kV 1500 MW between S/E Los Changos and S/E Kapatur (Phase II)”, acknowledging the entry into operation of Phase I in the last quarter of 2017 and the Stage II in the last quarter of 2019.
- Nueva Charrúa Substation, acknowledging the entry into operation in the third quarter of 2018.
- On the other hand, in the period of analysis the project "Line 2x500 kV Pichirropulli - Nueva Puerto Montt" has been put into operation.

As of December 31, 2022, Transelec Concesiones has financing for its projects, through the Project Finance modality with the participation of banks MUFG, EDC, KfW and Bank of China. Disbursements have already been received for a total of MUS\$299.306, which corresponds to part of the complete financing of the project. During this year, disbursements were made for a total of MUS\$118. Soon disbursements pending for this period will be requested.

## INCOME STATEMENTS

ESTADO DE RESULTADO POR FUNCIÓN	31-12-2022	31-12-2021
	MUS\$	MUS\$
Ingresos de actividades ordinarias	31.373	23.276
Costo de ventas	-5.195	-4.567
<b>Ganancia bruta</b>	<b>26.178</b>	<b>18.709</b>
Gastos de administración	-2.062	-2.991
Otras ganancias	-49	55
Ingresos financieros	2.650	157
Costos financieros	-14.910	-11.106
Diferencias de cambio	993	-2.667

<b>Ganancias antes de impuestos</b>	<b>12.800</b>	<b>2.157</b>
Gasto por impuesto a las ganancias	-3.480	-629
<b>Ganancia procedente de operaciones continuas</b>	<b>9.320</b>	<b>1.528</b>
<b>Ganancia procedente de operaciones discontinuas</b>	<b>-</b>	<b>-</b>
<b>Ganancia</b>	<b>9.320</b>	<b>1.528</b>

As of December 31, 2022, Income from Ordinary Activities reached MUS\$31.373, presenting an increase of 34,78% in relation to the same period of 2021 (MUS\$23.273). Said increase is fully due to the indexation effect of regulated revenues and to the "2x500 kV Pichirropulli Line - Nueva Puerto Montt" project, which began operations in 2022.

As of December 31, 2022, Transelec Concesiones registered an EBITDA of MUS\$29.261, 43% higher than that obtained in 2021 (MUS\$20.464). The increase in EBITDA was essentially due to the increase in income from ordinary activities and a decrease in administrative expenses during the analysis period.

In the Non-operating Result as of December 2022, a significant increase in the gain from Exchange Difference stands out, which reached MUS\$993, contrasted with the loss of -MUS\$2.667 in 2021. This difference is due to a loan that Transelec maintains Concessions with its parent Transelec Holdings Rentas for the financing of VAT, which was in CLP local currency, which explains the impact on the exchange difference.

In addition to the above, there was a significant increase in financial income, mainly due to interest paid by banking entities, going from MUS\$157 to MUS\$2.650 due to the increase in rates and investments in financial instruments.

The Profit for the Period (Profits) obtained by the Company as of December 31, 2022 was MUS\$9.320, registering an increase of MUS\$7.792 in relation to the year 2021, in which a profit of MUS\$1.528 was recorded. Which is explained by the above.

## BALANCE SHEET

ASSETS	12-31-2022 MUS\$\$	12-31-2021 MUS\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	48.784	38.500
Other financial assets	8.202	-
Other non-financial assets	9.479	9.240
Comercial debts and other counts under charge	15.718	7.749
<b>Total current assets</b>	<b>82.183</b>	<b>55.489</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	30.022	-
Intangible assets other than goodwill	29.270	28.255
Property, plant and equipment	347.647	334.624
Deferred tax assets	-	8.010
<b>Total non-current assets</b>	<b>406.939</b>	<b>370.889</b>
<b>TOTAL ASSETS</b>	<b>489.122</b>	<b>426.378</b>

As of December 31, 2022, Assets reached MUS\$489.122, presenting an increase of 14,72% in relation to the same period of 2021 (MUS\$426.378). The increase in Assets is explained, on the one hand, by an increase in Non-Current Assets associated with Property, Plant and Equipment due to the progress of the projects under construction and the commissioning of the project "Pichirropulli 2x500 kV Line - Nueva Puerto Montt". On the other hand, the increase in assets is explained also by the increase in Other Financial Assets, both current and non-current, which increased this year due to the signing of new Swap contracts (for more information see note 15 of the financial statements), due to the increase in the Cash and cash equivalents account because of higher interest rates in Chile, and due to the increase in debts receivable from provisioned trade debtors.



A large part of the increase in the Equity account is essentially due to the increase in reserves and accumulated earnings during the period under analysis, and to the improvement in the mark-to-market position from derivatives contracted by the company that act under hedge accounting. to mitigate exposure to financial risks.

## STATEMENT OF CASH FLOWS

Cash flows from (Used in) operating activities	12-31-2022	12-31-2021
	MUS\$	MUS\$
Types of charges for operating activities:		
Receipts from the sale of goods and provision of services	30.011	28.269
Other charges for operating activities	-	2.390
Types of payments for operating activities:		
Payments to suppliers for the supply of goods and services	-1.950	-218
Other payments for operating activities	-600	-1.428
Interest paid	-7.788	-8.384
Interest paid to related companies	-5.705	-325
Administrative services paid to related parties	-1.873	-3.557
<b>Net cash flows from operating activities</b>	<b>12.095</b>	<b>16.747</b>

As of December 31, 2022, the flow used in operating activities reached a cash inflow of MUS\$12.095, which is 27,7% less than the same flow of the previous year, mainly explained by the increase in interest paid to related companies, which amounted to MUS\$5.705. This value is explained by the payment of interest from Transelec Concesiones S.A. to Transelec Holding Rentas Ltda. for the loan that the company maintained for MUS\$109.670 on account of the structured loans that the companies maintain.

Below are the loan balances that the company maintains with its associates:

Society	Current		not current	
	12-31-2022 MUS\$	12-31-2021 MUS\$	12-31-2022 MUS\$	12-31-2021 MUS\$
Transelec Holding Rentas Ltda.	14.758	45.464	93.662	159.892
Transelec Holding Rentas Ltda.	6.041	31	-	5.572
Transelec S.A.	162	331	-	-

Information corresponding to note No. 7 of the EEFF.

Cash flows from (used in) investing activities	12-31-2022	12-31-2021
	MUS\$	MUS\$
Purchases of property, plant and equipment and intangibles	-19.195	-38.733
<b>Net cash flows used in investing activities</b>	<b>-19.195</b>	<b>-38.733</b>

During the same year, the cash flow used in investment activities was a disbursement of MUS\$19.195, which represents a decrease compared to the previous period due to lower disbursements for the purchase of property, plants and equipment given the completion and Commissioning of the project “Pichirropulli 2x500 kV Line – Nueva Puerto Montt”.

Cash flows from (used in) financing activities	12-31-2022	12-31-2021
	MUS\$	MUS\$
Bank loans	118.056	-
Capital payments bank obligations	-3.183	-1.603
Payments for loans from related entities	-10.966	-5,572
Collections received (payments made to) related companies	6.000	46.500
<b>Net cash flows from financing activities</b>	<b>16.907</b>	<b>39.325</b>

As of December 2022, the cash flow from financing activities reached MUS\$16.907. The flow is mainly explained by the positive difference that occurred between the loans received from banking entities, and the payments made to related companies.