concesiones s.a.
transelec

Annual Report 2020

Index

IDENTIFICATION OF THE EQUITY

Name or Firm Name:	Transelec Concesiones S.A.
National Securities Registration:	406
Legal Domicile:	Santiago, while not restricting the establishment of agencies, branches or offices in other parts of the country or overseas.
Address:	Orinoco 90, 14th floor, Las Condes
Telephone:	(56-2) 2246 7000
Tax list number.	76.524.463-3
Entity type	Closed Stock Corporation
E-mail:	transelec@transelec.cl
Web page:	www.transelec.cl/empresas-relacionadas/

PROPERTY

The equity amounts $ 5,000,000. of United States dollars divided into 5,000,000 registered shares, of a single serial and without par value.

Transelec Holdings Rentas Limitada owns 4,995,000 shares while Rentas Eléctricas I Limitada owns 5,000 shares.

1.

The Company

Transelec Concesiones is part of Transelec Group, which provides its extensive experience and knowledge of power projects to a wide range of customers in the power, mining and industrial sectors throughout Chile. These customers trust in the support and excellence provided by the Company's integral power transmission solutions.

HISTORY OF THE COMPANY

Transelec Concesiones S.A. was constituted by Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada due to the awarding of exploiting rights and execution of the work "Nueva Charrúa Substation, 2x500 kV Charrúa - Ancoa lines 1 and 2 sectioning and new 2x220 line kV Nueva Charrúa - Charrúa" which is part of the bidding process for the new works indicated in the Exempt Decree No. 201 of 2014 of the Ministry of Energy.

Transelec Concesiones S.A.'s incorporation was established on November 6, 2015 and filed in the public deed document under registration N°1767 (constitution consists of a public deed dated November 6, 2015), granted by Public Notary of Santiago of Mr. Raúl Undurraga Laso, whose extract is registered in sheet 85,649, N°50,023, in the Metropolitan Trade Registry of the Santiago Real Estate Property Curator (Commercial Registry) in the city of Santiago, (2015,) and published in the Official Gazette dated November 14, 2015.

In addition, on March 9, 2016, the Securities and Insurance Superintendency certified that Transelec Concesiones S.A. had been registered in the Especial Registry of Informing Entities, under the number 406.

On February 17, 2017, Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada sold to Transelec Concesiones S.A. the amount of 2,497,500 and 2,500 subscribed and paid shares, respectively, of the company Pichirropulli Transmisora de Energía S.A., which, according to the Register of Shareholders of said company, represent the totality of its shares.

Because of the aforementioned purchase and sale of shares, as Transelec Concesiones S.A. gained control over all shares of Pichirropulli Transmisora de Energía S.A., the dissolution by absorption of the latest occurred, in accordance with the law.

318,8[1] Km

de líneas de transmisión, son parte del Sistema Eléctrico Nacional del país.

3.750 MVA

es la capacidad de transformación, distribuida en 1 subestación.

On the same day, through two shares sale agreements held through private instruments, Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada sold to Transelec Concesiones S.A. the amount of 4,995 and 5 subscribed and paid shares, respectively, of the company Interconexión Los Changos S.A., which, according to the Shareholders' Registry of said company, represent the totality of its shares.

[1] Los km de líneas de transmisión de la empresa disminuyeron respecto a la memoria del año pasado debido a que Transelec S.A es la actual dueña de las líneas de 2x500 kV Charrúa – Ancoa 1 y 2.

Because of the aforementioned purchase and sale of shares, as Transelec Concesiones S.A. gained control over all shares of Interconexión Los Changos S.A., the dissolution by absorption of the latest occurred, in accordance with the law.

Final Group's Shareholders are: China Southern Power Grid International (CSGI), Canada Pension Plan (CPP), British Columbia Investment Management Corporation (BCI) y Public Sector Pension Investment (PSP). The Group benefits from an important and vast operational knowledge, both by Transelec S.A., the most important electricity transmission company in the country, and by the experience of CSGI, China's second largest operator.

BUSINESS ACTIVITY

Transelec Concesiones S.A. has the exclusive purpose of exploiting and developing electrical systems of its own, intended for the transportation or transmission of electrical energy, being able to obtain, acquire and enjoy the respective concessions and permits, and exercise all the rights and powers that the legislation confer to the electric companies.

The corporate purpose includes the commercialization of the transmission lines transport and substations transformation capacity, and any equipment associated to them, so that generation plants, both national and foreign, can transmit the electrical energy they produce and reach their consumption centers. Additionally, it looks to allow the development of other commercial and industrial activities related to the use of electrical transmission infrastructure.

In the fulfillment of its corporate purpose, the company may act directly or through subsidiaries or affiliated companies, both inside the country and abroad.

2.

Corporate Governance

BOARD OF DIRECTORS

According to the Sixth Article of its Bylaws, the Board of Directors is comprised of three members elected by the shareholders at the respective shareholders meeting. Board members serve for a period of two years and are eligible for re-election. To be a director, it is not necessary to be a shareholder of the company.

The current Board of Directors of the company was elected at the Ordinary Meeting of Shareholders on April 24, 2020, and is composed as follows:

1. Francisco Castro Crichton (Chairman, Chilean, T.I.N: 9.963.957-1).
2. Arturo Le Blanc Cerda (Chilean, T.I.N: 10.601.441-8).
3. Rodrigo López Vergara (Chilean, T.I.N: 7.518.088-8).

BOARD OF DIRECTORS SALARIES

According with the provisions of the Seventh Article of the social Bylaws, the directors are not remunerated.

BOARD OF DIRECTORS EXPENSES

During the year, no payments made associated with directors' expenses.

PRINCIPAL EXECUTIVES

General Manager	:	Kuhlmann Jahn, Andrés
T.I.N..	:	6.554.568-3
Principal Executives	:	Castro Crichton, Francisco Javier (T.I.N: 9.963.957-1). López Vergara, Rodrigo Anselmo (T.I.N: 7.518.088-8). Le Blanc Cerda, Arturo Cristián (T.I.N: 10.601.441-8). Canales Fuenzalida, Bernardo Samuel (T.I.N: 11.565.097-1). Aravena Vallejo, Claudio (T.I.N: 9.580.875-1). Noé Scheinwald, David (T.I.N: 10.502.232-8). Fernández Cox, Sebastián (T.I.N: 10.673.365-1).
Administrative Structure	:	Board of Directors and General Manager

DIVERSIDAD

a) Board of Directors Diversity:

1. Number of persons by gender:	3 men.
2. Number of persons by nationality:	3 chilean.
3. Number of persons by age range:	1 between 40 and 50 years. 1 between 51 and 60 years. 1 between 61 and 70 years.
4. Number of persons by seniority:	3 directors have been in the company for more than 3 years.

b) Diversity of the General Management and other managements that report to this management or the the Board of Directors

- Number of persons by gender: 8 men.
- Number of persons by nationality: 8 Chileans.
- Number of persons by age range: 4 persons between 40 and 50 years.

  3 persons between 51 and 60 years.

  1 persons between 61 and 70 years.
- Number of persons by seniority: 6 that has been in the company for more than 3 years and

  2 that has been in the company for less than 3 years.

c) Organization Diversity

Transelec Concesiones does not have any employees, apart from the executive level, so this section does not apply.

d) Wage gap by gender

It does not apply given that there are no women within the organization.

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3.

The Business

REGULATORY SCENARIO

The legal framework that regulates how the power transmission industry operates in Chile is based on Ministry of Economy, Development and Reconstruction Statutory Decree N°4 dated 2006. This decree determines the consolidated, coordinated and systematized text of the General Electricity Services Law, hereinafter and indistinctively the “General Electricity Services Law” or “LGSE”. The LGSE and its complementary regulations determine standards applicable to any power generation, transmission or distribution facility with regard to technical, safety, coordination, quality, information and economic aspects of appropriate power sector operation. The last important reform made to the LGSE is the recently passed Law Nº 20,936/2016 (Transmision Law), which incorporated the following important amendments:

1. An exclusive National Electricity System Coordinator, independent from the actors of the market stakeholders, which replace the Economic Load Dispatch Centers.
2. Redefinition of power transmission systems, classifying these as the National Power Transmission System (formerly the trunk system), the Zonal Transmission Systems (formerly subtransmission systems), and the Dedicated Systems (formerly additional systems), and incorporating two new segments: Power Transmission Systems for Development Poles and International Interconnection Systems.
3. The incorporation of energy and power transmission planning with a long-term horizon, considering system float and attempting to achieve a safer and more robust system.
4. Preliminary definition of paths for new power transmission projects of public interest, by means of an Easement Strip Study [2]procedure to be executed by the Ministry.
5. Open Access to universal Power Transmission System.
6. This regulates tariff setting for National Power Transmission Systems, Zonal Transmission Systems, for Development Poles and payment for the use of Dedicated Power Transmission System facilities by users subject to price regulation, among other issues.
7. The payment of the National, Zonal and Dedicated Transmission Systems used by users subject to price regulation will be charged to free and regulated final users, as opposed to the above law, in which the payment corresponded to the generating companies.

[2] Strip Study: "It is a specific, participatory and transparent instrument to decide the location of new transmission lines, established in Art. 92 and following of the LGSE (introduced by Law 20.936), which aims to submit certain new construction projects (defined by the Ministry of Energy) to an evaluation process that attempts to obtain greater degrees of certainty for the execution of the projects, by assigning the State a leading role in the definition of the route, reducing risks and socially and environmentally legitimizing the project prior to its bidding and a".

The current legal framework that regulates the power transmission business in Chile classifies their facilities into four categories:

- **The National Transmission System:** : comprised of power transmission lines and electrical substations that enable development of this market, interconnecting all other power transmission segments and enabling power to be supplied for meeting total power system demand in different availability scenarios within power generation facilities, including contingency and fault situations.
- **Zonal Transmission System:** comprised of power transmission lines and electrical substations essentially arranged to supply current or future regulated customers that can be identified on a territorial basis, without compromising use by free customers or power generation companies connected directly to or by means of power transmission systems used for the aforementioned power transmission systems.
- **Transmission Systems for Development Poles:** comprised of power transmission lines and electrical substations used to transmit electrical energy generated by a single development pole into a power transmission system, thus making efficient use of national territory.
- **Dedicated Transmission System:** comprised of power transmission lines and electrical substations that are interconnected to the electricity system and essentially arranged to supply electrical energy to users that are not subject to price regulation or to inject power produced by power plants into the power grid.

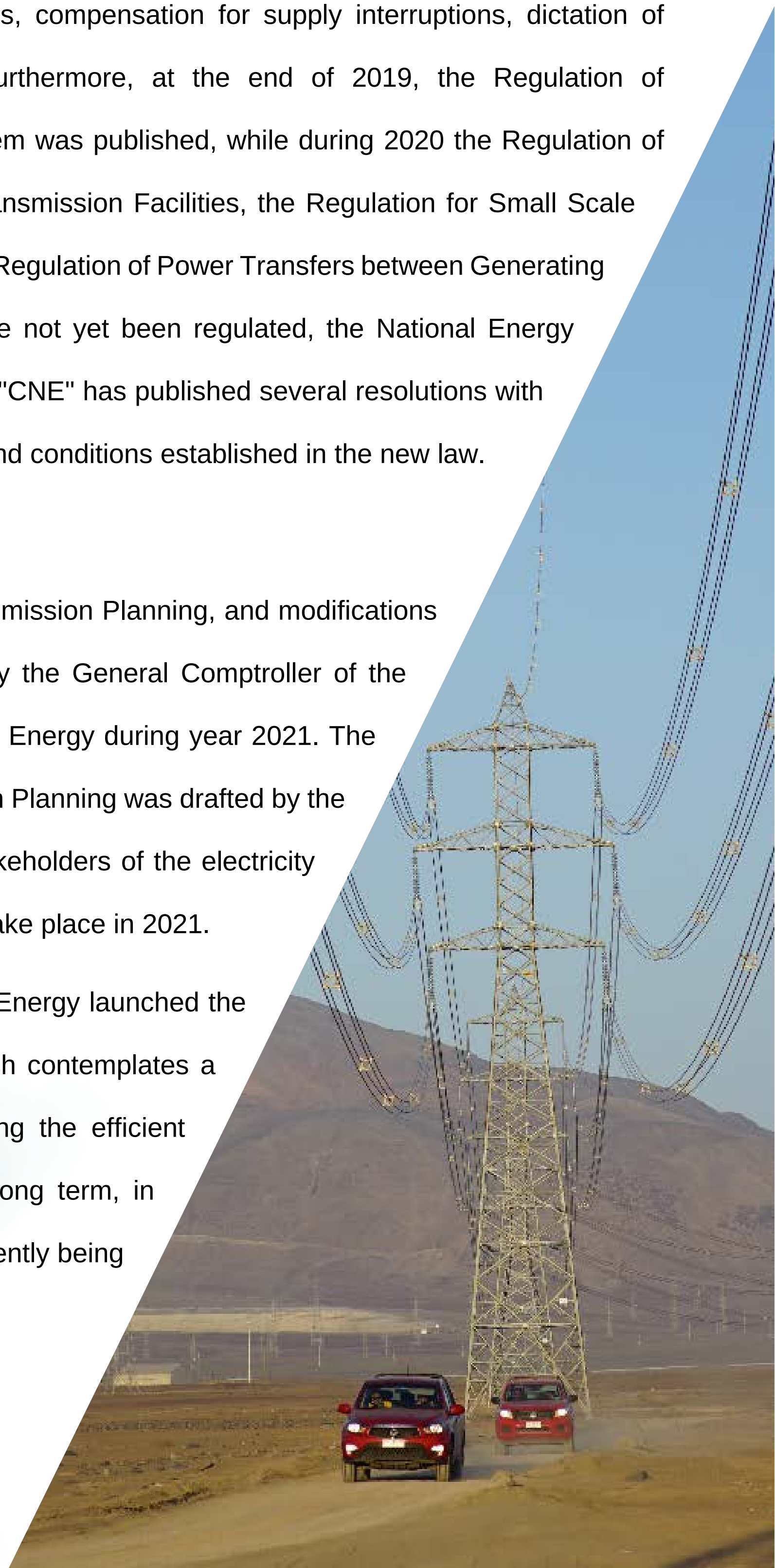
The first three systems are public services for which the Ministry of Energy sets tariffs. These systems are subject to universal open access under non-discriminatory conditions. Access shall be provided to Exclusive System power transmission facilities as long as there is available technical transmission capacity, which is determined by the

Coordinator, without prejudice of the hired capacity or the company's own projects that have been reliably considered upon the interested third party requesting use of these facilities.

Several regulations associated with Law No. 20,936 have been published to date, which establish the necessary provisions for the execution of issues related to the National Electric Coordinator, Panel of Experts, energy planning, preliminary strips, international interconnections, compensation for supply interruptions, dictation of Technical Standards and Complementary Services. Furthermore, at the end of 2019, the Regulation of Coordination and Operation of the National Electric System was published, while during 2020 the Regulation of Qualification, Valuation, Pricing and Remuneration of Transmission Facilities, the Regulation for Small Scale Generation Means and Decree No. 42, which modifies the Regulation of Power Transfers between Generating Companies, were published. For those matters that have not yet been regulated, the National Energy Commission, hereinafter and indistinctly "Commission" or "CNE" has published several resolutions with transitory resolutions regarding deadlines, requirements and conditions established in the new law.

Currently, Regulation of Transmission Systems and Transmission Planning, and modifications to Regulation of the LGSE (DS327) are under review by the General Comptroller of the Republic, for its subsequent publication by the Ministry of Energy during year 2021. The Regulation of the Transmission Systems and Transmission Planning was drafted by the Ministry based on a participatory process with all the stakeholders of the electricity market. The publication of this Regulation is expected to take place in 2021.

Along with the above, on September 8, 2020, Ministry of Energy launched the Flexibility Strategy for the National Electric System, which contemplates a program of several regulatory reforms aimed at ensuring the efficient operation and expansion of the electric system in the long term, in consideration of the new operational paradigm that is currently being



faced due to the high adoption of Variable Renewable Energies, which has implied important technological, environmental and social changes.

In addition, on September 9, 2020, the Electric Portability Law began to be processed in the Chamber of Deputies, which aims to grant the right to the users of the Electric System to choose their energy supplier, make the supply bidding mechanism more flexible, ensure the entry of new participants and competitors to the market, and ensure respect for the supply contracts submitted to bidding, through a gradual transition, with technical and objective criteria. It is expected that this Bill will continue to be processed during 2021, while the Quality of Service and Distributed Generation projects are expected to enter Congress during that year.

Additionally, during 2020, the Ministry of Energy announced to be working along with the SEC on a Bill of Law that will modify the Organic Law of the SEC (Law No. 18,410) with the intention of processing it during the year 2021 in the Congress. This project will aim to update the functions together with the SEC's control and penalty mechanisms.

Meanwhile, due to the sanitary contingency caused during the year 2020 as a result of Covid-19, Law No. 21,249 was published in August, which provides, exceptionally, measures in favor of the final users of water, electricity and gas network services, such as, for example, prohibits the cut-off of electricity and gas supply due to late payment. Subsequently, due to the extension of the economic effects caused by the pandemic, in October 2020, the Senate initiated the processing of a Bill of Law that extends the effects of the benefits granted by Law No. 21,249. Currently this bill is approved by the Congress and was published in the Official Gazette at the beginning of year 2021.

BUSINESS DESCRIPTION

The National Transmission System, through the interconnection of all the transmission segments (transmission lines and substations), allows the conformation of a common electric market capable of supplying all of the electricity demand, even facing failures and contingencies, maintaining the quality and safety requirements of service established by current regulations.

Transelec Concesiones is part of this regulated revenue System, having the rights for the exploitation and execution of New projects tendered by the National Electricity Coordinator.

NATIONAL TRANSMISSION SYSTEM REMUNERATION

The projects awarded to Transelec Concesiones S.A. correspond to international tenders, done by the National Electricity Coordinator, for large expansion projects classified as new works. The awarded company is responsible for managing the corresponding permits and carrying out the construction and operation of the projects through a BOOT contract. Annual Transmission Value per Tranche (VATT) and its indexation contained in the tender offer constitute the new project revenues for the next 5 tariff periods (20 years) from the start of operation of the project.

This remuneration is applied for 20 years without any alteration except for the corresponding indexation. Only after this period, the assets and their valuation are considered as “existent facilities”, therefore, reviewed and updated every 4 years through the tariff studies of the Transmission Systems.

The first 20 years’ income for the service is guaranteed, that is, the awarded company has the right by law to receive 100% of the agreed income.

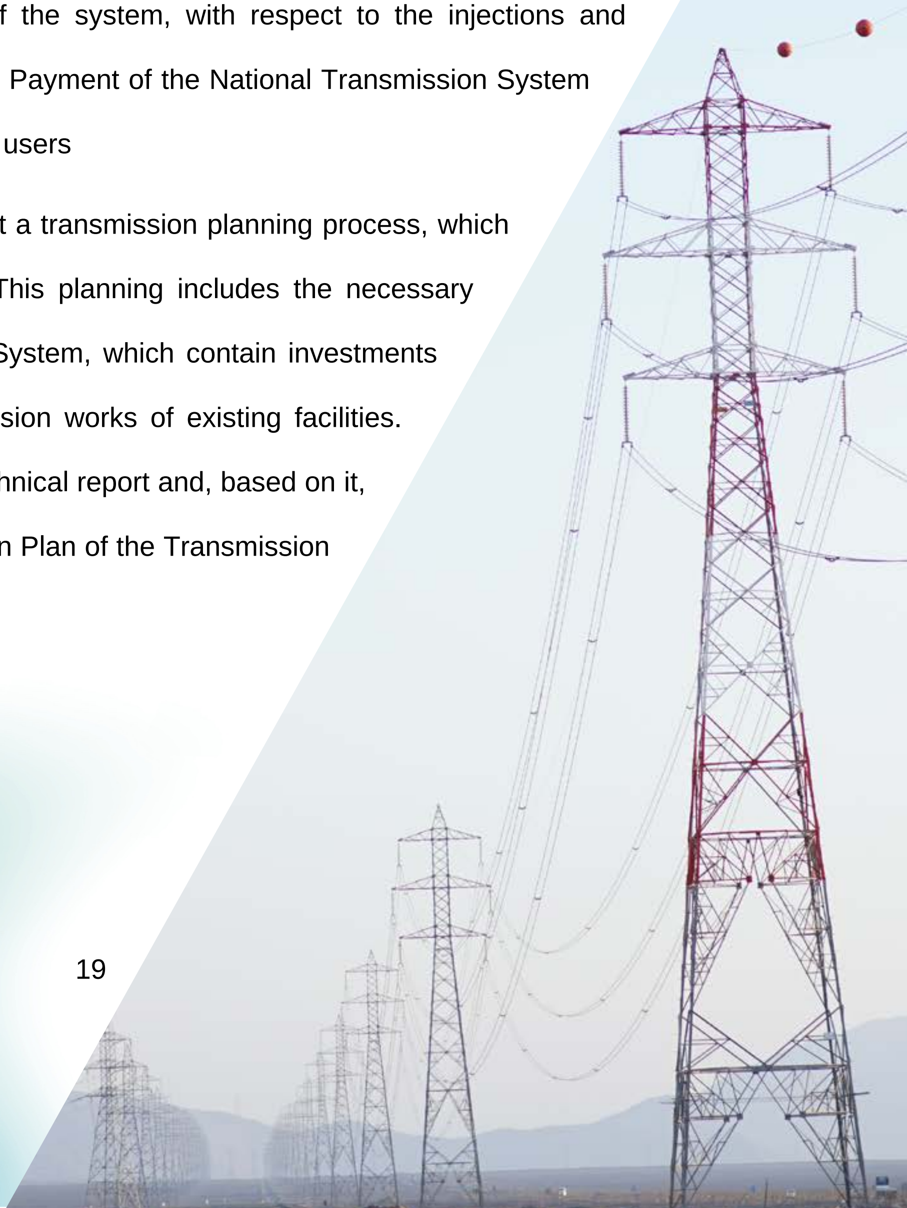
Once the period of 20 years has ended, the revenues from existing installations of the National Transmission System are constituted by the Annual Transmission Value per Tranche (VATT), which is calculated on the basis of the Annuity of the Investment Value (AVI).), plus the Costs of Operation, Maintenance and Administration (COMA) for each section of this system.

The VATT for all sections that build this system are determined every four years by the National Energy Commission (CNE) based on the Study of Valorization of the National Transmission System by a consultant chosen through an international public tender. Because of this process, the CNE prepares a technical report and, based on it, the Ministry of Energy will set the rates for the next four-year period of the National Transmission System.

During the four-year period between two consecutive tariff processes, both the AVI and the COMA of each tranche will be indexed by formulas that aim to maintain their real value during said period. Indexation formulas and the periodicity of their application are determined in the corresponding tariff process.

For the purposes of income collection, a single charge for use will be established, determined by the CNE, so that its collection constitutes the complement to the actual tariff revenues to collect the VATT from each section. "Real tariff income per tranche" shall be understood as the difference resulting from the application of the marginal operational costs of the system, with respect to the injections and withdrawals of power and energy in said section. Payment of the National Transmission System will be charged to regulated and unregulated end users

Additionally, every year the CNE must implement a transmission planning process, which must consider at least a twenty-year horizon. This planning includes the necessary expansion works of the National Transmission System, which contain investments that must be classified as new works or expansion works of existing facilities. Because of this process, the CNE prepares a technical report and, based on it, the Ministry of Energy will establish the Expansion Plan of the Transmission System for the next 12 months.



The Coordinator has the responsibility to carry out the international public tenders of the expansion projects, whether defined as new or upgrade projects. The tender for the construction and execution of the upgrade projects of existing facilities will be resolved according to the VI offered, and will be remunerated by the owner of the installation to the respective awardee, unlike what happens in the case of new projects, where the exploitation and execution rights will be awarded to the bidder who submits the lowest VATT for the project.

EQUIVALENT TRANSMISSION CHARGE

On July 20, 2016, Law No. 20,936 was published in the Official Gazette, which "Establishes a New Electric Transmission System and creates an Independent Coordinating Agency of the National Electric System". According to said legal body, end users will pay a single charge for the use of transmission grids to their suppliers, who must deliver it to the transmitters, which will be the complement of the tariff income produced in the balances of injections and withdrawals of energy and power from the short-term market, to complete the VATT to which they are entitled.

However, Law No. 20,936 established two transitional periods of application. The first one extends from its publication date until December 31, 2018, in which the transmission companies must receive their remuneration according to the rule prior to the legal change, i.e., through the charging of transmission tolls to the generating companies and the tariff income mentioned above. The second period extends from January 1, 2019 to December 31, 2034, in which the National Transmission System will be remunerated in a mixed manner, partly under the old standard and partly under the new standard. This transition period performs a gradual migration of both charging methodologies for said transmission system.

During the transition period, Law No. 20,936 established a mechanism under which generating companies could exempt themselves from the payment of injection tolls for the use of the National Transmission System through the modification of their supply contracts signed prior to the publication of said Law. According to the law, the generating companies had until July 2018 to agree with their customers a permanent reduction in the price of energy and power supply, for an amount equivalent to the injection toll. Such amount is called Equivalent Transmission Charge, hereinafter "CET", and had to be determined by the National Energy Commission for each individual energy and power supply contract of each generating company. According to the above, the fixing of single transmission charges for the first half of 2019 should contain the exemption of the injection tolls of the generating companies that had agreed with their customers the reduction of their supply contracts.

The CET pricing process culminated at the end of 2019, more than a year late. This meant that, during 2019, generating companies continued to pay their injection tolls to transmission companies. During the first half of 2020, the National Electric Coordinator re-settled the toll for the use of the National Transmission System, considering the agreements signed between the generating companies and their customers, by application of the CET mechanism.

This re-settlement implied for Concesiones to pay the generating companies an amount of Ps. 2.5 billion in June 2020, which corresponds to a relevant part of the remuneration for the use of the National Transmission System for 2019. Starting in the second half of 2020, the National Energy Commission incorporated an adjustment to the single transmission charge to collect such remuneration for 2019. It is estimated that the total recovery of the amount will be achieved by the end of 2022.

PROJECT ADJUDICATION

The exploitation rights and execution of the project "Nueva Charrúa Substation, sectioning of the 2x500 kV Charrúa - Ancoa lines 1 and 2 and the new 2x220 kV Nueva Charrúa - Charrúa line" was awarded to the Company by Exempt Decree No. 55 dated January 22, 2016, of the Ministry of Energy and published in the Official Gazette on January 29 of the same year. This project was part of the bidding process of the new projects indicated in Exempt Decree No. 201 of the 2014 year of the Ministry of Energy (the "Project").

By virtue of this decree, since these projects are operating, the Company participates in the National Transmission System of the SEN defined by law and will have regulated revenues, in accordance with the Annual Transmission Value per Tranche offered in the bidding process of the project.

On the other hand, after the absorption of Pichirropulli Transmisora de Energía S.A. and Interconexión Los Changos, Transelec Concesiones S.A. obtains:

- Exploitation rights and execution of the work "Line 2x220 kV Pichirropulli-Nueva Puerto Montt, energized in 220 kV" (the "Project") that is part of the bidding process of new projects indicated in Exempt Decree N ° 201 of 2014 of the Ministry of Energy.

  The Project consists of the construction of a new transmission line 2x500 kV Pichirropulli - Nueva Puerto Montt, energized in 220 kV, including the necessary works in 220 kV in the substations Nueva Puerto Montt and Pichirropulli. The construction of Nueva Puerto Montt sectioning substation and the sectioning of the 2x220 kV Rahue - Puerto Montt lines in the new substation are included.

  - The rights of exploitation and execution of the project "New Line 2x500 kV 1500 MW between S/E Los Changos and S/E Nueva Crucero Encuentro, Autotransformers Banks 2x750 MVA 500/220 kV in S/E Nueva Crucero Encuentro, Autotransformers Banks 750 MVA 500/220 kV in S/E Los Changos and New Line 2x220 kV 1500 MW between S/E Los Changos and S/E Kapatur" which is part of the new projects' bidding process indicated in Exempt Decree N ° 158, 2015, of the Ministry of Energy.

The Project consists of the construction of a new 2x500 kV line between Los Changos substation and Nueva Crucero Encuentro substation, with an approximate length of 140 km in double circuit structures, with a capacity of 1,500 MW. In addition, the work includes the installation of two banks of 500/220 kV autotransformers of 750 MVA each, plus a reserve unit for each bank, in the future Nueva Crucero Encuentro substation, together with the respective 500 kV yard. Additionally, the project contains the installation of a 500/220 kV 750 MVA autotransformer bank, plus a reserve unit, in Los Changos substation, which is under construction. It also includes the construction of a new 2x220 kV line between the substations under construction Los Changos and Kapatur, of an approximate length of 3 km, in double circuit structures, and a nominal capacity of 1,500 MW.

In the first stage and for the purposes of the SING-SIC interconnection, the new 2x220 kV Los Changos - Kapatur line went into operation in November 2017. In a second stage in December 2019, the rest of the facilities of this project started operating.

As indicated previously, Transelec Concesiones S.A. was established after the award of the projects and by express provision of the Decrees, for the purposes of developing the aforementioned projects. Thus, in 2017, all assets conforming these projects were transferred to the Company, as a single legal universality, which initially, and for reasons of operational and administrative experience, begun to be built by Transelec S.A., a related society with Transelec Concesiones S.A.

NATIONAL SYSTEM PROJECTS

During 2020 the development of the project was strongly affected by the Covid-19 pandemic. The principal deviations are mainly explained by the implementation of the sanitary measures required by the Health Authority, which led to the following:

- Impacts on performance
- Impacts on the process of obtaining the Electricity Concession and Material Possession of the land.
- Delays in obtaining critical approvals to allow continuity of construction work
- Disruptions in logistics chains
- Restrictions on staff travel
- Capacity limitations in food and lodging establishments, among others.

In this context, Transelec Concesiones has focused on containing project costs. Additionally, it is preparing a request to the Authority for a preliminary 6-month extension of the project's commissioning date, which is expected to be submitted during the first quarter of 2021. However, as the effects of the pandemic are still present, the quantification and presentation of new impacts to the Authority will be evaluated opportunely.

NEW WORKS

1. Studies

No Studies developed during this period.

2. Adjudication

No Studies awarded during this period.

3. Project Development

During this period, the development of the project “Nueva Línea 2x500 kV Pichirropulli – Tineo” with a referential investment value (VI) of USD $81.51 million:

Decree	Project	VI Ref. (USD Million)	Entry into operation
0201/2014	New Line 2x500 kV Pichirropulli – Tineo	81.51	3Q. 2021

4. Entry into operation

No Project commissioned during this period.

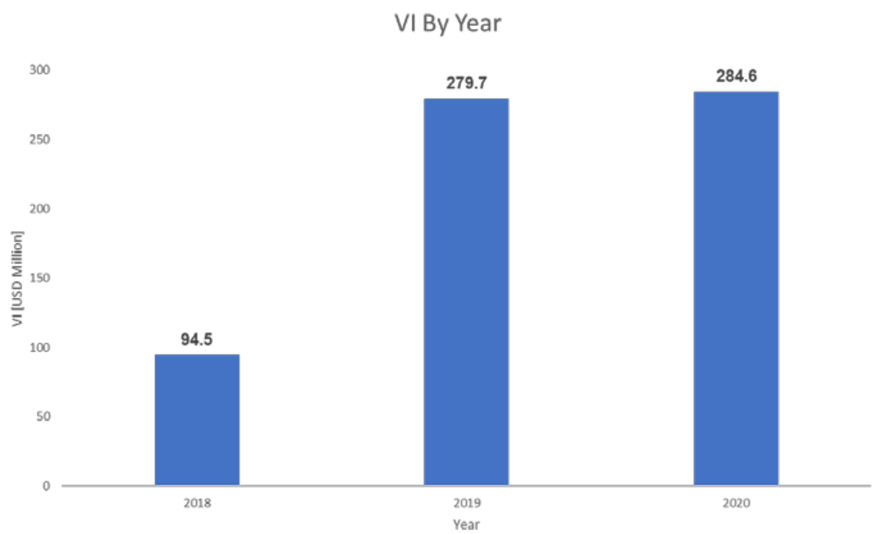
INVESTMENT DURING 2020

Project Type	Real Investment (USD Million)
New Works	49.07
Pull (*)	8,39
Total National System Projects	**57.46**

(*) Corresponds to payments made in 2020 for projects put in service in 2019 or earlier.

INVESTMENT VALUE (VI)

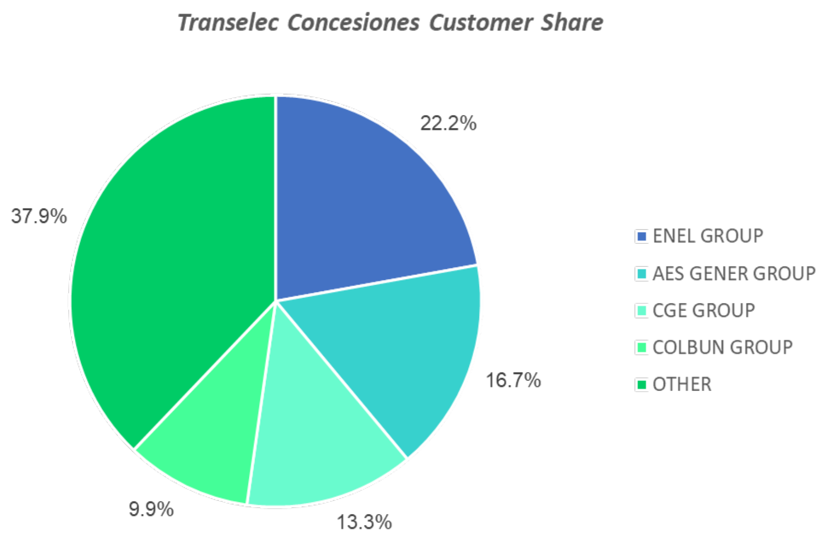
The current regulatory framework establishes mechanisms for calculating and publishing the investments valuation of transmission companies at market prices. This information is used for service charging.



Transelec Concesiones transmission facilities valuation, as of December 31, 2020, amounts to USD $284.6 million.

REVENUES

Transelec Concesiones' revenues amount USD $22.73 million and correspond in their entirety to regulated revenues from the National System. The Company's main clients are shown in the chart below, based on their participation.



4.

The Operation

Transelec Concesiones is strongly committed to delivering an energy transport service with high quality and safety standards, focused on maximizing service availability for customers through optimal asset management. To fulfill it, Transelec Concesiones has entered into a service provision agreement with Transelec S.A. (operator), which has its own staff and highly qualified contractors, as well as technological resources and processes based on risk models.

ASSETS MANAGEMENT

In 2020, Transelec S.A. worked on updating its operations and asset management strategy, continuing with its focus on the customer and facility risk management. As part of the key activities, progress was made with the digital transformation initiatives associated with the optimal replacement and maintenance plan, in addition to updating the facilities' maintenance plans.

These activities allow us to define, prioritize and implement specific and dedicated measures and action plans to ensure the quality of service of each of the facilities, through the renovation, modernization and maintenance of assets; activities leveraged by prioritized investments in OPEX and Sustainable CAPEX.

ASSETS PERFORMANCE

During 2020, no deviations from regulatory compliance were recorded in Transelec Concesiones' facilities. There were no forced disconnections due to failures in Transelec Concesiones facilities, for internal causes, demonstrating the commitment with the quality and availability of the service.

OPERATION

The Operational Continuity Plan applied by the operator integrates into a single procedure the guidelines to prevent, mitigate and respond effectively and efficiently to emergency situations to recover and maintain the operational continuity of the facilities. During 2020, the results of the study carried out by an international consultant to learn about and apply the latest advances in good practices in operational continuity plans were incorporated. In addition, the conclusions of the climate change study conducted in 2019 were incorporated.

Transelec's National Transmission Operation Center (CNOT) plays a fundamental role in ensuring service continuity. In 2014, its construction was completed with the highest safety standards, and allowed Transelec to centralize the real-time operation of its facilities and, subsequently, the facilities of Transelec Concesiones. In 2016, a competency management process was established for CNOT operators, a process that considered a gathering of model skills. During 2020, thanks to the previous implementation of the Operator Training System (OTS), it has been possible to further improve the technical and behavioral performance of the operators in a controlled environment, through the simulation of extreme events and conditions, replicating the real characteristics of the system and its workplace.

In 2020, the Covid-19 pandemic forced Transelec to incorporate the necessary health measures to protect its employees, making operational continuity a major challenge. The National Transmission Operation Center (CNOT) was a relevant part of the action plans, which were addressed very early and successfully. Three separate control centers were established, allowing adequate sanitary conditions and not degrading the quality of the operation. In addition, a large number of engineers and analysts were trained to allow flexibility in the event of Covid-19 spreading in the teams.

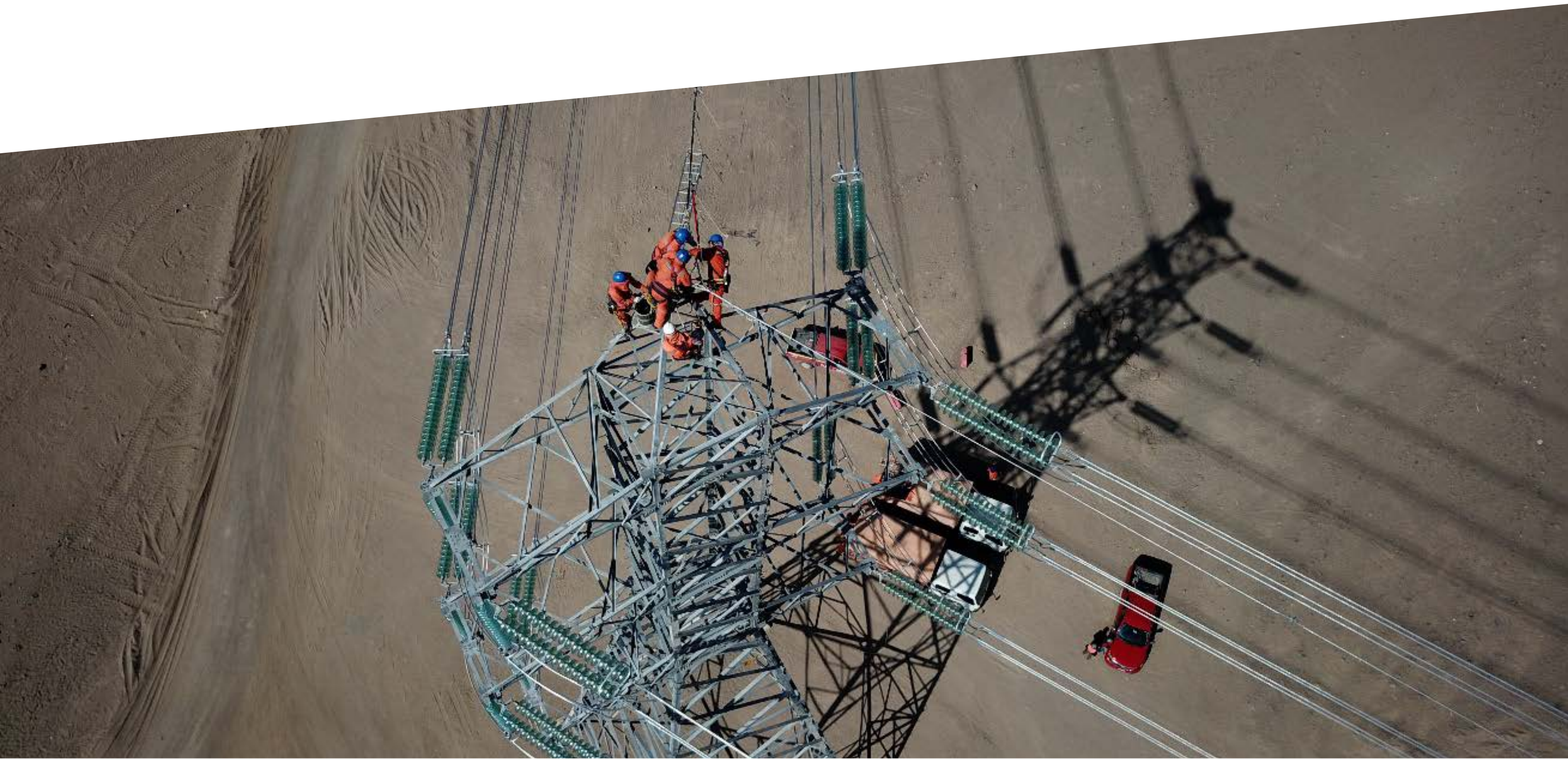
SERVICE QUALITY INDICATORS

Quality of service is one of the strategic pillars of Transelec Concesiones, and it is reached thanks to the management carried out in the network operation, maintenance environment and responsiveness to network incidents.

The evolution of the network topology, as well as the changes in quality standards, added to the increasingly demanding requirements of society, make Transelec Concesiones continuously challenge itself to improve its performance.

As a result of the strategic change proposed for 2019, this year we have improved the way in which we measure Quality of Service, allowing us to measure more effectively the effect on the final customer, changing the TEI for 3 strategic indicators:

- **SAIDI**: It is an indicator that measures the time that a locality was without electricity supply and, through it, the impact of Transelec Concesiones on the final customer is measured in the 13 most critical points of the system, either by its historical performance or its most vulnerable topology.→ RESULT: 0 hours.
- **EAI**: High-impact events consider all those supply interruptions to the final customer that exceed 1 hour in duration, regardless of the number of customers. → RESULT: 0 events.
- **Compensation Exposure**: The purpose of this indicator is to quantify the impact that failures have on the final customer for Transelec Concesiones, through compensations, which are ruled by regulation. → RESULT: 0 MMUSD.



ENVIRONMENT

Transelec Concesiones' operations are subject to Law No. 19,300/1994 on General Bases of the Environment ("Environmental Law") and its subsequent amendments. The Environmental Law requires the owners of new projects or modifications of high voltage transmission lines and electrical substations to submit to the Environmental Impact Assessment System (SEIA) and submit Environmental Impact Studies (EIA) or Environmental Impact Statements (DIA), as appropriate, so that such projects are evaluated and environmentally qualified by the respective Environmental Assessment Commissions, and have as a final result the approval by means of an environmental qualification resolution. In addition, the regulations establish that the owner of the project may request the Environmental Evaluation Service to issue an opinion on whether a project or its modification must be subject to the SEIA. These submissions are called letters of relevance for submission to the SEIA.

In particular, the main reform made to the Environmental Law was materialized through the enactment of Law 20.417/2010, which introduced important changes to the current institutional framework, created new environmental management instruments and modified the existing ones.

On December 24, 2013, entered into force the update of the Regulations of the Environmental Assessment System (D.S. N°40/2012) which establishes, among other issues, the requirements for the environmental impact assessment procedure for Environmental Impact Studies and Environmental Impact Statements and community participation, as well as consulting with indigenous peoples alongside this process.

It should be pointed that with the creation and entry into operation of the Environmental Courts on December 28, 2012, the supervisory and sanctioning capacity of the Superintendency of the Environment also came into full effect.

Our business, energy transmission, plays a key role in society and at the same time has the potential to generate impacts on the environment, given that our high-voltage lines cross diverse territories and ecosystems. A culture of prevention is key to minimizing our social and environmental impacts.

COMUNITIES

Charrúa – Entre Ríos Substation

Since 2019, we have been working with the communities surrounding S/E Charrúa, which are Charrúa, El Progreso and Colicheu, and with the community of S/E Entre Ríos, called Culenco. In these 4 localities we have worked on lines of work ranging from financing social investment projects in priority areas such as green areas, health infrastructure, schools and sports, as well as support to improve the conditions of social centers to facilitate meetings and have common spaces for recreation. Also, in the year 2020, under pandemic conditions, we prioritized work in the areas of health and hygiene, and in installing internet in common spaces in the localities to improve access to internet connection to continue working with our neighbors remotely, and so that young people could use it to continue their studies.

Pichirropulli – Tineo Transmission Line

Throughout the development of the "S/E Pichirropulli - S/E Tineo Transmission System" project, we have worked with communities surrounding the future facilities such as Paillaco, La unión, Río Bueno, San Pablo, Osorno, Río Negro, Purranque, Frutillar and Llanquihue. The voluntary environmental commitments incorporated into the Environmental Impact Assessment (EIA) have been framed in 3 topics:

- Promotion of Tourism Activities
- Promotion of the Mapuche – Huilliche Identity
- Promotion of the Local economy and Employment

Within 2020, there were decreases in community interaction due to the Covid-19 pandemic, however, work with communities continued and the program progressed while minimizing the risk of contagion.

As of December 2020, 8 of the 9 community programs are over 90% complete.

5.

Finance

DEBT

On December 21, 2018, a Project Finance Agreement was signed with the following banks:

- Bank of Tokyo-Mitsubishi UFJ (MUFG)
- KfW IPEX-Bank (KfW)
- Export Development Canada (EDC).

In January 2020, Bank of China purchased part of MUFG's share, and since then the four banks have been part of the financing.

The financing is for a total amount of approximately USD$358 million. As of December 31, 2020, a total of USD$199 million has been disbursed. No disbursements were made during 2020, as some changes are in the process of being negotiated.

The contract seeks to finance the Company's new works projects: Nueva Charrúa substation and Pichirropulli - Puerto Montt, Los Changos - Nuevo Crucero Encuentro and Los Changos Kapatur transmission lines.

INVESTMENT AND FINANCING POLICY

Transelec Concesiones S.A. no cuenta con políticas de inversión y financiamiento.

DIVIDEND POLICY

In the Ordinary Shareholders' Meeting held on April 29, 2016, the distribution of at least 30% of the net profits of each year was approved, according to the provisions of article 79 of the Public Limited Companies Act.

This policy will remain in place as long as no new dividend policy is proposed by the Board of Directors of the Company and approved in a new Ordinary Shareholders' Meeting.

RISK FACTORS

Both the characteristics of the Chilean electricity market and the regulations of this sector, the company is not exposed to significant risks arising from the development of its core business. However, it is appropriate to mention and consider the following risk factors:

REGULATORY FRAMEWORK

The electricity transmission rates are set by law and include readjustments in order to guarantee a real annual return to the operator. The nature of the industry allows the income of the transmitters to be stable over time. These are complemented with the income obtained thanks to the existence of private contracts with large customers.

However, the fact that these rates are reviewed every four years in the National and Zonal Transmission Studies could make the Company to face new rates that are detrimental or less attractive in terms of investments.

TRANSMISSION SERVICE INTERRUPTION FINES

Transelec Concesiones could face proceedings before the Superintendency of Electricity and Fuels (SEC), due to charges made by the Authority for forced disconnections of the electricity transmission service.

OPERATIONAL RISKS

Notwithstanding that management believes that Transelec Concesiones maintains adequate risk coverage in accordance with industry practices, there can be no assurance that the preventive actions and mitigations implemented (asset management, buffer strip management, insurance policies, etc.) will be sufficient to cover certain operating risks, including forces of nature, damage to transmission facilities, cybersecurity incidents, labor accidents and equipment failures. Any of these events could affect the Company's Financial Statements.

ENVIRONMENTAL INSTITUTIONALITY AND THE APPLICATION OF NORMATIVES AND / OR ENVIRONMENTAL POLICIES

Transelec Concesiones' projects are subject to Law No. 19,300/1994 on General Bases of the Environment ("Environmental Law") and its subsequent amendments. Transelec Concesiones could face the risk that the processing of its projects and environmental permits could take longer than expected, which would delay the construction of projects and increase the possibility of being subject to fines.

DELAYS IN THE CONSTRUCTION OF THE NEW TRANSMISSION FACILITIES

The success of the construction of the projects awarded during the tenders of the National Transmission System will depend on numerous factors, including cost and availability of financing. The construction of new facilities could be negatively affected by factors commonly associated with the projects, including delays in obtaining regulatory authorizations such as electrical concessions; shortage of equipment, materials or labor, or changes in their prices; adverse weather conditions; natural catastrophes and circumstances and unforeseen difficulties in obtaining financing under reasonable conditions and rates. Any of the above-mentioned factors could cause delays in the partial or total conclusion of the capital investment program, as well as increase the costs for the contemplated projects.

FINANCIAL RISKS

Interest Rate Risk

Significant changes in the fair values and future cash flows of financial instruments, which may be directly attributable to interest rate risks, include changes in the net income of financial instruments whose cash flows are determined by reference to floating interest rates and changes in the value of financial instruments whose cash flows are of a fixed nature may affect the Company. This risk is mitigated by hiring derivatives that hedge the effects of interest rate increases.

Exchange Rate Risk

The majority of the Company's operating cash flows are denominated in U.S. dollars and since this is the Company's functional currency, there is no significant foreign exchange exposure.

There is no significant exposure to exchange rate fluctuations. Those cash flows resulting from investments during the construction of projects in which the company may have significant costs in a currency other than the functional currency, the risk is hedged through hedging operations with derivatives.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet a demand for cash or to pay a debt when due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

Credit Risk

Regarding the credit risk corresponding to accounts receivable from the electricity transmission activity, this risk is historically very limited in the industry given the nature of the business of the Company's customers and the short term of collection from customers, which means that no significant amounts are accrued.

However, revenues are highly concentrated in a few customers that will make up a large part of Transelec Concesiones' future cash flow. A material change in the assets, financial condition and/or operating results of these particular companies could negatively affect the Company.

RELEVANT FACTS

1. On April 7, 2020, and in compliance with the provisions of Article 9 and the second paragraph of Article 10 of Law No. 18,045, on the Securities Market, the following essential fact was reported:

That the board of Transelec Concesiones SA, in a meeting held on March 20, 2020, agreed to report as essential fact the summons to the ordinary shareholders' meeting for April 24, 2020, with the purpose of submitting to the knowledge and approval of the shareholders, the following matters:

- Annual Reports, Balanced Sheets, Financial Statements and a Report of the External Auditors, for the period ended on December 31, 2019.
- Final Dividend Distributions.
- Appointment of External Auditors.
- Diary to call Shareholders' Meetings
- Agreements adopted by the Board of Directors on matters contained in articles 146 et seq. of the Law on Corporations.
- Other matters of interest to the company and within the competence of the Meeting.

2. On April 24, 2020, and in compliance with the provisions of article 9 and the second paragraph of article 10 of Law No. 18,045, on hte Securities Market, the following essential fact was reporte:

That on April 26, 2020, the ordinary meeting of Shareholders of the company was held, at which the following was agreed:

- Approve the Annual Report, the Balance Sheet, the Financial Statements and the Report of the External Auditors, for the period ended on December 31, 2019.
- In relation to the final dividend, it was reported that there are no profits to be distributed for the period ended December 31, 2019.
- Approve the appointment of Deloitte as External Auditor of the company for 2020.
- Approve the appointment of Financial Gazette to publish the Shareholders' Meeting summons.
- The agreements adopted by the Board on matters contained in articles 146 et seq. of the Law on Corporations were informed.

6.

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Shareholders of
Transelec Concesiones S.A.

We have audited the accompanying financial statements of Transelec Concesiones S.A. (the "Company"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We performed our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making, those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the entity's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such opinion. An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by the Company's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transelec Concesiones S.A., as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”).

Other-matter – Translation into English

The accompanying financial statements have been translated into English solely for the convenience of Shareholder’s readers outside of Chile.

Deloitte

March 29, 2021
Santiago, Chile

Financial Statements Audited

TRANSELEC CONCESIONES S.A.

Santiago, Chile

As of December 31, 2020 and 2019

(Translation of the Financial Statements originally issued in Spanish)

US$	: US Dollars
ThUS$	: Thousands of US Dollars
$	: Chilean Pesos
UF	: Unidad de Fomento or UF, is an inflation- indexed, Chilean-peso denominated monetary unit. The UF is set daily in advance based on the changes in the Chilean Consumer Price Index (CPI) of the previous months.

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FINANCIAL STATEMENTS

Financial Statements

TRANSELEC CONCESIONES S.A.

As of December 31, 2020 and 2019

TRANSELEC CONCESIONES S.A.

Statements of Financial Position
As of December 31, 2020 and 2019
(In thousands of US dollars (ThUS$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	12.31.2020 ThUS$	12.31.2019 ThUS$
CURRENT ASSETS			
Cash and cash equivalents	(5)	25,058	16,810
Other non-financial assets	(8)	20,574	56,187
Trade and other receivables	(6)	8,104	4,118
Total current assets		**53,736**	**77,115**
NON-CURRENT ASSETS			
Intangible assets other than goodwill	(9)	25,542	17,386
Deferred tax assets	(11)	14,602	7,305
Property, plant and equipment, net	(10)	295,399	274,159
Total non-current assets		**335,543**	**298,850**
Total assets		**389,279**	**375,965**

The accompanying notes 1 to 22 are an integral part of these financial statements

TRANSELEC CONCESIONES S.A.

Statements of Financial Position
As of December 31, 2020 and 2019
(In thousands of US dollars (ThUS$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

NET EQUITY AND LIABILITIES	Note	12.31.2020 ThUS$	12.31.2019 ThUS$
CURRENT LIABILITIES			
Other financial liabilities	(13-14)	7,839	2,149
Trade and other payables	(12)	2,594	16,430
Accounts payable to related companies	(7)	17,207	10,211
Other non-financial liabilities		454	98
Total current liabilities		**28,094**	**28,888**
NON-CURRENT LIABILITIES			
Other financial liabilities	(13-14)	236,713	211,644
Accounts payable to related companies	(7)	154,843	146,501
Total non-current liabilities		**391,556**	**358,145**
Total liabilities		**419,650**	**387,033**
EQUITY			
Issued capital	(16)	5,000	5,000
Accumulated gains (losses)		7,807	2,924
Other reserves	(16)	(43,178)	(18,992)
Total equity attributable to owners of the Parent		**(30,371)**	**(11,068)**
Non- controlling interest			
Total equity		**(30,371)**	**(11,068)**
Total equity and liabilities		**389,279**	**375,965**

The accompanying notes 1 to 22 are an integral part of these financial statements

TRANSELEC CONCESIONES S.A.

Statements of Comprehensive Income By Function
For the years ended December 31, 2020 and 2019
(In thousands of US dollars (ThUS$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Statements of Comprehensive Income by Function	**Note**	**01.01.2020 12.31.2020 ThUS$**	**01.01.2019 12.31.2019 ThUS$**
Operating revenue	(17)	22,723	9,562
Cost of sales	(18.1)	(5,048)	(2,489)
Gross profit		**17,675**	**7,073**
Administrative expenses	(18.1)	(559)	(188)
Other income (losses)		160	103
Financial income		-	-
Financial expenses	(18.2)	(11,519)	(6,484)
Foreign exchange differences	(18.2)	775	1,292
Profit Before Income Taxes		**6,532**	**1,796**
Income tax expense	(19)	(1,649)	(664)
Profit from continuing operations		**4,883**	**1,132**
Profit (loss) from discontinued operations		-	-
Profit (Loss)		**4,883**	**1,132**
Profit (loss) attributable to:			
Profit attributable to the owners of the parent company		4,883	1,132
Profit (Loss)		**4,883**	**1,132**

The accompanying notes 1 to 22 are an integral part of these financial statements

TRANSELEC CONCESIONES S.A.

Statements of Comprehensive Income By Function
For the years ended December 31, 2020 and 2019
(In thousands of US dollars (ThUS$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	01.01.2020 12.31.2020 ThUS$	01.01.2019 12.31.2019 ThUS$
PROFIT	4,883	1,132
Components of other comprehensive income, before taxes		
Conversion difference		
Conversion gains (losses), before tax	-	-
Cash flow hedges		
Gains (losses) on cash flow hedges	(33,132)	(37,355)
Income taxes related to components of other comprehensive income		
Income tax related to translation differences		
Income taxes related to cash flow hedges	8,946	10,086
Other comprehensive income	(24,186)	(27,269)
Total comprehensive income	**(19,303)**	**(26,137)**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the Parent	(19,303)	(26,137)
Total comprehensive income	**(19,303)**	**(26,137)**

The accompanying notes 1 to 22 are an integral part of these financial statements

TRANSELEC CONCESIONES S.A.

Statements of Changes in Net Equity
For the years ended December 31, 2020 and 2019
(In thousands of US dollars (ThUS$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Nota	Issued capital ThUS$	Reserve for foreign translation adjustment ThUS$	Reserve for cash flow hedges ThUS$	Total Other reserves ThUS$	Gain (loss) Accumulated ThUS$	Equity attributable to owners of parent ThUS$	Total equity ThUS$
Opening balance as of January 1, 2020	16	5,000	-	(18,992)	(18,992)	2,924	(11,068)	(11,068)
Changes in equity								
Comprehensive income		-	-					
Profit (loss)		-	-	-	-	4,883	4,883	4,883
Other comprehensive income		-	-	(24,186)	(24,186)	-	(24,186)	(24,186)
Total comprehensive income		-	-	(24,186)	(24,186)	4,883	(19,303)	(19,303)
Total changes in equity		-	-	(24,186)	(24,186)	4,883	(19,303)	(19,303)
Closing balance as of December 31, 2020		5,000	-	**(43,178)**	**(43,178)**	**7,807**	**(30,371)**	**(30,371)**

		Issued capital ThUS$	Reserve for foreign translation adjustment ThUS$	Reserve for cash flow hedges ThUS$	Total Other reserves ThUS$	Gain (loss) Accumulated ThUS$	Equity attributable to owners of parent ThUS$	Total equity ThUS$
Opening balance as of January 1, 2019	16	5,000	-	8,277	8,277	1,792	15,069	15,069
Changes in equity								
Comprehensive income		-	-					
Profit (loss)		-	-	-	-	1,132	1,132	1,132
Other comprehensive income		-	-	(27,269)	(27,269)	-	(27,269)	(27,269)
Total comprehensive income		-	-	(27,269)	(27,269)	1,132	(26,137)	(26,137)
Total changes in equity		-	-	(27,269)	(27,269)	1,132	(26,137)	(26,137)
Closing balance as of December 31, 2019		5,000	-	**(18,992)**	**(18,992)**	**2,924**	**(11,068)**	**(11,068)**

TRANSELEC CONCESIONES S.A.

Statement of Cash Flows
For the years ended December 31, 2020 and 2019
(In thousands of US dollars (ThUS$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Statement of Cash Flows – Direct method	**Note**	**12.31.2020 ThUS$**	**12.31.2019 ThUS$**
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		25,820	7,162
Other proceeds from operating activities		35,836	424
Classes of payments			
Payments to suppliers for goods and services		(4,085)	(268)
Other payments for operating activities		(2,164)	(16,475)
Interest paid		(8,731)	(5,317)
Administrative services paid to related		(562)	(593)
Net cash flows used in operating activities		46,114	(15,067)
Cash flows provided by (used in) investing activities			
Additions of property, plant and equipment		(41,050)	(68,994)
Amounts from sales of intangible assets.		(6,710)	(2,215)
Net cash flows used in investing activities		(47,760)	(71,209)
Cash flows provided by (used in) financing activities			
Amounts from long-term loans		-	134,434
Payments of bank obligations (equity)		(1,406)	(573)
Loans from related entities		42,000	101,100
Payments for loans to related entities		(32,041)	(134,434)
Accounts payable to related entities (trade)		532	108
Payments made to related entities (trade)		(418)	(2,117)
Net cash flows provided by financing		8,667	98,518
Net increase in Cash and Cash Equivalents, before exchange effect		7,021	12,242
Effect of the variation of the exchange rate		1,227	1,407
Net increase (decrease) in Cash and Cash Equivalents		8,248	13,649
Cash and Cash Equivalents, at the beginning of the year	(5)	16,810	3,161
Cash and Cash Equivalents, at the end of the year	(5)	25,058	16,810

The accompanying notes 1 to 22 are an integral part of these financial statements

NOTE 1 – GENERAL INFORMATION

Transelec Concesiones S.A. was incorporated by means of public deed on November 6, 2015. The corporate capital amounts to US$ 1,000 divided into 10,000 nominative, single series, no par value shares, which were subscribed and paid in as follows: a) Transelec Holdings Rentas Limitada subscribes and pays in 9,990 shares, for a total of US$ 999; and b) Rentas Eléctricas I Limitada, subscribes and pays in 10 shares, for a total of US$1.

As per a public deed dated June 13, 2018, Transelec Concesiones S.A. increased its capital from US$1,000 divided into 10,000 shares, to US$5,000,000 divided into 5,000,000 nominative, single series, no par value shares. This capital increase was subscribed and paid in such a way that Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada maintained their ownership percentages as established in the Company's by-laws.

On February 17, 2017, the Company purchased 99.9% of the shares of Pichirropulli Transmisora de Energía S.A. and Interconexión Los Changos S.A. As a result, the Company became owner of 100% of the shares in the aforementioned companies.

Its registered office is located at Orinoco N°90, Floor 14, district of Las Condes, Santiago, Chile.

The Company has the exclusive objective of operating and developing electricity systems owned by the Company or by third parties designed to transport or transmit electricity and may, for these purposes, obtain, acquire and use the respective concessions and permits and exercise all of the rights and powers that current legislation confers on electric companies. Its line of business includes: commercializing the transport capacity of lines and transformation capacity of substations and equipment associated with them so that generating plants, both Chilean and foreign, may transmit the electricity they produce to their consumption centers; providing engineering or management consulting services related to the company's line of business; and developing other business and industrial activities to use electricity transmissionfacilities. The Company may act directly or through subsidiaries or affiliates, both in Chile and abroad.

The Company is controlled directly by Transelec Holdings Rentas Limitada and indirectly by Rentas Eléctricas I Limitada.

The Company's financial statements for the period ended as of December 31, 2020 were approved by the Company's Board of Directors in the Session n°32 as of march 29, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the financial statements are detailed below. These policies have been based on IFRS in effect as of December 31, 2020 and have been applied uniformly for the period presented.

2.1 Basis of preparation of the financial statements

These financial statements as of December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the presentation rules of the CMF, which are not in conflict with IFRS.

These financial statements have been prepared from the accounting records maintained by the Company and the figures in these Financial Statements and their notes are expressed in thousands of United States dollars.

In preparing these financial statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. In conformity with IFRS, Management was also required to exercise judgment in applying the Company's accounting policies. Areas involving a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for these financial statements are described in Note 4.

The information contained in these financial statements is the responsibility of the Company's management.

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2019, except for the adoption of new standards and interpretations in effect as of January 1, 2020, which did not materially affect the financial statements.

The Company made reclassifications to its financial statements regarding balances as of December 31, 2019. However, these reclassifications do not have a significant effect due to they were made only for comparative purposes.

For the convenience of the reader, the financial statements and their accompanying notes have been translated from Spanish to English.

(In thousands of US dollars (ThUS$))

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 International Financial Reporting Standards

2.2.1 New accounting pronouncements

The following new standards, amendments to IFRS and interpretations has been adopted in these financial statements:

	New standards, amendments and interpretations	Date of obligatory application
IAS 1 - IAS 8	Definition of Material	January 01, 2020
IFRS 3	Definition of a Business	January 01, 2020
Conceptual Framework	Updating references to the conceptual framework	January 01, 2020
IFRS 9 - IAS 39 - IFRS 7	Interest Rate Benchmark Reform	January 01, 2020
IFRS 16	COVID 19-related Rent Concessions	January 01, 2020

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet effective at the date of these financial statements, are detailed below. The Company has not adopted these standards in advance:

	New Standards	Date of obligatory application
IFRS 17	Insurance Contracts	January 1, 2023

IFRS 17 Insurance Policies

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them.

IFRS 17 is effective for reporting periods starting on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15.

The Company evaluated the impacts that this new standard could generate and concluded that they are not significant.

(In thousands of US dollars (ThUS$))

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 International Financial Reporting Standards (continued)

2.2.2 Enhancements and Modifications

The enhancements and modifications, which have been issued but are not yet effective at the date of these consolidated financial statements, are detailed below:

	Enhancements and Modifications	Date of obligatory application
IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2023
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment – Proceeds before Intended Used	January 1, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
IFRS 1- IFRS 9- IFRS 16 -IAS 41	Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 4- IFRS 7 - IFRS 9 - IFRS 16- IAS39	Interest Rate Benchmark Reform – Phase 2	January 1, 2021

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendments:

i. clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

ii. clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

iii. make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

The Company is currently evaluating the impact that this new standard could generate.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 International Financial Reporting Standards (continued)

2.2.2 Enhancements and Modifications (continued)

Reference to the Conceptual Framework (Amendments to IFRS 3)

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. In addition, they add to IFRS 3 a requirement that for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Finally, they add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

To date, the Company is evaluating the impacts that the modification could generate.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 International Financial Reporting Standards (continued)

2.2.2 Enhancements and Modifications (continued)

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) (continued)

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

To date, the Company is evaluating the impacts that the modification could generate.

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

To date, the Company is evaluating the impacts that the modification could generate.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The annual improvements include amendments to four Standards:

IFRS 1 First-time Adoption of IFRS

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 International Financial Reporting Standards (continued)

2.2.2 Enhancements and Modifications (continued)

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (continued)

IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

To date, the Company is evaluating the impacts that the modification could generate.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

To date, the Company is evaluating the impacts that the modification could generate.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

To date, the Company is evaluating the impacts that the modification could generate.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 International Financial Reporting Standards (continued)

2.2.2 Enhancements and Modifications (continued)

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR ("Interbank Offered Rates") reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required; however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

To date, the Company is evaluating the impacts that the modification could generate.

(In thousands of US dollars (ThUS$))

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 Foreign currency transactions

2.3.1 Functional and presentation currency

The Company has determined that its functional currency is the United States dollar (US$). These Financial Statements are presented in United States dollars.

2.3.2 Transactions and balances

Transactions carried out by each company in a currency other than its functional currency are recorded using the exchange rates in effect as of the date of each transaction. During the period, any differences that arise between the exchange rate recorded in accounting and the rate prevailing as of the date of collection or payment are recorded as exchange differences in the income statement. Likewise, as of each period end, balances receivable or payable in a currency other than each company's functional currency are converted using the period-end exchange rate. Losses and gains in foreign currency arising from settling these transactions and from converting monetary assets and liabilities denominated in foreign currency using period-end exchange rates are recorded in the income statement, except when they should be deferred in equity, such as the case of cash flow hedge strategies.

2.3.3 Exchange rates

As of each year end, assets and liabilities in foreign currency and unidad de fomento have been converted to United States dollars, using the following exchange rates:

Currency or indexation unit	US dollars per unit	
	12.31.2020	12.31.2019
Unidad de Fomento	40.8894	37.8101
Chilean Peso	0.00141	0.00134
Euro	1.1451	1.1911

2.4 Financial reporting by operating segments

The Company manages its operations and presents information in the financial statements based on a single operating segment, Electricity transmission.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost, net of its corresponding accumulated depreciation and any impairment losses it may have experienced. In addition to the price paid to acquire each item, the cost also includes, where appropriate, the following items:

(a) All costs directly related to placing the asset in the location and condition that enables it to be used in the manner intended by management.

(b) Borrowing costs incurred during the construction period that are directly attributable to the acquisition, construction or production of qualified assets, which require a substantial period of time before being ready for use are capitalized. The interest rate used is that of the specific financing or, if none exists, the average financing rate of the company carrying out the investment.

(c) Future disbursements that Transelec Concesiones S.A. must make to close its facilities are incorporated into the value of the asset at present value, recording the corresponding provision in the accounting. On an annual basis both existences of such obligations, as well as, estimate of future disbursements are reviewed, increasing or decreasing the value of the asset based on the results of this estimate.

The works in progress are transferred to working assets once the test period when they become available for use has been completed, which is the starting point for their depreciation. Expansion, modernization and improvement costs that represent an increase in productivity, capacity or efficiency or an extension of useful life are capitalized as a greater cost of the corresponding assets. Replacement or overhauls of whole components that increase the asset's useful life, or its economic capacity, are recorded as an increase in value for the respective assets, derecognizing the replaced or overhauled components. Expenditures for periodic maintenance (preventive or required) and repair are recognized directly as an expense for the period in which they are incurred.

Property, plant and equipment, net of its residual value, is depreciated by distributing the cost of its different components on a straight-line basis over its estimated useful life, which is the period during which the companies expect to use them. The useful lives and residual values of fixed assets are reviewed on a yearly basis. The land has an indefinite useful life and is not depreciated. The following table details the ranges of useful lives periods applied to principal classes of assets and used to determine depreciation expense:

Items	**Range of estimated useful life**	
	Minimun	**Maximun**
Constructions and infrastructure	20	50
Machinery and Equipment	15	40
Other assets	3	15

The depreciation of these assets is recorded in the Statement of Income under the categories of Cost of Sales and Administrative Expenses.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.6 Intangible assets

2.6.1 Goodwill

Goodwill represents the excess of acquisition cost on the fair value of net assets acquired in a business combination. Goodwill is not amortized; it is annually tested for impairment regardless of whether there is any indication of impairment. For impairment testing, goodwill acquired in a Business combination is assigned as of the acquisition date to the cash generation units that are expected to benefit from said combination.

During the periods covered by this Financial Statements, there were no impairment losses of goodwill.

2.6.2 Rights of way

The rights of way are stated at historical cost. These rights have no defined useful life and, therefore, are not amortized. However, these indefinite useful lives are reviewed during each reporting year to determine if they remain indefinite. These assets are tested for impairment at each year end or at any moment if there are indicators of impairment.

2.6.3 Computer software

Purchased software licenses are capitalized based on the costs incurred to purchase them and prepare them for use. These costs are amortized on a straight-line basis over their estimated useful lives that range from three to five years.

Expenses for developing or maintaining computer software are expensed when incurred. Costs directly related to creating unique, identifiable computer software controlled by the Company that is likely to generate economic benefits in excess of its costs during more than one year are recognized as intangible assets, and its amortization is included in the Statement of Income under Costs of sales and Administrative expenses.

2.7 Impairment of non-financial assets

Assets with an indefinite useful life, such as rights of way, are not depreciated or amortized and are tested annually for impairment. Assets subject to depreciation or amortization can sometimes be evidence of changes whenever a change or event occurs in circumstances that indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the difference between the asset’s carrying amount and its recoverable amount.

Recoverable amount is the higher of fair value less costs of disposal and value in use, which is defined as the present value of the estimated future cash flows.

Impairment losses from continuing operations are recognized in the statement of income in the expenses categories in accordance with the function of the impaired assets.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.7 Impairment of non-financial assets (continued)

Non-financial assets other than goodwill that could have suffered an impairment loss are reviewed at each reporting date for possible reversal of the impairment, in which case the reversal may not exceed the amount originally impaired less accumulated depreciation. Reversals are included in the income statement.

Impairment of goodwill is not reversed.

Impairment testing of goodwill and intangible assets with indefinite useful lives is performed at November 30 of each year.

2.8 Financial Instruments

A financial instrument is any contract that generates, at the same time, a financial asset in an entity and a financial liability or an equity instrument in other entity.

1) Non-derivatives financial assets

The Company classifies its non-derivatives financial assets into the following categories:

a) <u>Amortized cost:</u>

In this category are classified the financial assets within the business model of the Company whose objective is to hold financial assets in order to collect contractual cash flows, which are generated on specified dates and are made up of principal and interest (SPPI criterion).

Financial assets that meet the conditions established in IFRS 9, to be valued at amortized cost are: accounts receivable, loans and cash equivalents. These assets are recorded at amortized cost, which is the initial fair value, less repayments of principal, plus uncollected accrued interest, calculated using the effective interest rate method. The effective interest rate is the discount rate that exactly matches the estimated cash flows to be received or paid over the expected useful life of the financial instrument (or when appropriate in a shorter period of time), with the net carrying amount of the financial asset or financial liability.

2 - RESUMEN DE LAS PRINCIPALES POLITICAS CONTABLES (continuación)

2.8 Financial Instruments (continued)

1) Non-derivatives financial assets (continued)

b) Fair value through other comprehensive income (Equity):
For financial assets within the Company's business model whose objective is both to collect contractual cash flows which are generated at specific times and consist of principal and interest (SPPI criterion) and to sell the asset.

These financial assets are recognized into the financial statement at their fair value when it can be feasible determined. Changes in its fair value, net of tax effect, are recorded in the statement of comprehensive income in the item other comprehensive income, until the disposal of such entries is generated, moment when the accumulated amount in this item is charged fully into profit or loss of the period. If the fair value is lower than the acquisition cost, and if there is objective evidence that the financial assets has an impairment that is not considered temporary, the difference has to be recorded as a loss of the period.

c) Fair value through profit or loss
For financial assets that were defined as such at the moment of their initial recognition and those that are not measured at amortized cost or fair value through other comprehensive income.

These are measured in the statement of financial position at their fair value and the changes on its fair value are recorded directly in profit or loss when occurred. Purchases or sales of financial assets are recorded at the date of the transaction.

2) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks, time deposits and other short-term investments with maturities in less than 90 days as of the investment date, and which are highly liquid readily convertible to cash and which are subject to an insignificant risk of changes in value.

3) Impairment of financial assets

According to IFRS 9, the Company applies the impairment model based of expected credit losses. This model is used on the financial assets measured at amortized cost or fair value through other comprehensive income, except for the investments in equity instruments. The Company uses a simplify scope for account receivables, contractual assets and account receivables for leasing in order to ensure that any impairment recorded is made in reference to the expected losses for all the life of the asset.

2 - RESUMEN DE LAS PRINCIPALES POLITICAS CONTABLES (continuación)

2.8 Financial Instruments (continued)

4) Non-derivatives financial liabilities

Financial liabilities are initially recognized at their fair value, net of direct transactions costs. For its subsequent measurement, these liabilities are measured at amortized cost using the effective interest rate method. For the fair value of debt calculation, it has been performed using the discounted cash flows method according to the interest rate curves available in the market depending on the payment currency.

5) Derivatives and Hedge activities

The Company selectively uses derivative and non-derivative instruments, to manage its exposure to exchange rate risk (See Note 14).

Derivatives instrument used by the Company are mainly related to hedge the interest rate/exchange rate risks. Derivatives instruments are recorded at its fair value at the date of statement of financial position. If the fair value of the derivative instrument is positive, it is recorded into the "Other financial assets" item and in case that the fair value of the derivative instrument is negative it is recorded into the "Other financial liabilities" item. Changes in the fair value of the derivative instruments are recorded into profit or loss unless the derivative had been designated as a hedge instrument and comply with all the requirement stated in IFRS in order to use hedge accounting. Regarding to hedge accounting, the Company is still under the IAS 39 scope. The different types of hedge accounting are:

5.1) Fair value hedge: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk. The Company has not used fair value hedges during the periods presented.

5.2) Cash Flow Hedge: Changes in the fair value of the effective portion of derivatives are recorded in equity account "Reserve for cash flow hedges". The cumulative loss or gain in this account is transferred to the income statement to the extent that the underlying item impacts the income statement because of the hedged risk, netting the effect in the same income statement account. Gains or losses from the ineffective portion of the hedge are recorded directly in the income statement. A hedge is considered highly effective when changes in the fair value or the cash flows of the underlying item directly attributable to the hedged risk are offset by changes in the fair value or the cash flows of the hedging instrument, with effectiveness ranging from 80% to 125%.

2 - RESUMEN DE LAS PRINCIPALES POLITICAS CONTABLES (continuación)

2.8 Financial Instruments (continued)

5) Derivatives and Hedge activities (continuación)

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedged item expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity is retained and is recognized when the forecasted transaction is ultimately recognized in the income statement.

5.3) Net Investment Hedge: Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. The net investment hedges in foreign operations are those recorded similarly to the cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve under the item “Other reserves” until the investment's disposal. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”.

At the inception of the transaction, the Company documents the relationship existing between the hedge instruments and the hedged items, as well as its risk management objectives and its strategy for handling various hedge transactions. The Company also documents its assessment, both at inception and subsequently on an ongoing basis, of the effectiveness of the hedge instruments in offsetting movements in the fair values or cash flows of the hedged items. A derivative is presented as a non-current asset or liability if its maturity is greater than 12 months and it is not expected to be realized within 12 months. The other derivatives are presented as current assets or current liabilities.

6) Embedded derivatives

Derivatives embedded in other financial instruments contracts or other contracts are treated as derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are not measured at fair value through profit and loss. In the case that they are not closely related, they are recorded separately, and any changes in value are recognized in the income statement. In the periods presented in these Financial Statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.8 Financial Instruments (continued)

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when:

a) The contractual rights to receive cash flows from the financial asset expire or have been transferred or, if the contractual rights are retained, the Company has assumed a contractual obligation to pay these cash flows to one or more recipients.
b) The entity transfers substantially all the risks and rewards of ownership or, if the entity neither transfers nor retains substantially all these, when the entity does not retain the control of the asset.

8) Offsetting of financial assets and liabilities

The Company offsets financial assets and liabilities, and the net amount is presented in the statement of financial position only when:

a) There is a legally binding right to offset recognized amounts; and
b) The company intends to settle them on a net basis, or to simultaneously realize the asset and settle the liability.

The right of offset may only be legally enforceable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy, of one or all of the counterparties.

2.9 Inventories

Inventories are valued at acquisition cost using the weighted average price or net realizable value if this is lower.

2.10 Paid-in capital

Paid-in capital is represented by one class of ordinary shares with one vote per share. Incremental costs directly attributable to new share issuances are presented in equity as a deduction, net of taxes, from issuance proceeds.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.11 Income tax and deferred taxes

The result for income tax for the year is determined as the sum of the current tax arising from the application of the tax rate on taxable income, after allowed deductions, plus the change in assets and liabilities for deferred tax and tax credits, both for tax losses and other deductions.

Differences between the carrying value and tax base of assets and liabilities generate deferred tax asset and liability balances, which are calculated using tax rates expected to be in effect when the assets are realized and the liabilities are settled.

Current taxes and changes in deferred tax assets and liabilities not from business combinations are recorded in income or in equity accounts in the statement of financial position, depending on where the gains or losses originating them were recorded.

Deferred tax assets and tax credits are recognized only when it is likely that there will be sufficient future taxable profits to recover the deductible temporary differences and to make the tax credits effective.

The carrying amount of deferred income tax assets is reviewed at each reporting date of the financial statement and written off to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The unrecognized deferred tax assets are also reviewed at each closing date and are recognized to the extent that it is probable that future taxable profits allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of goodwill and those that arose from valuing investments in subsidiaries, associates and jointly-controlled companies in which Transelec Concesiones S.A. can control their reversal and where it is likely that they are not reversed in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.12 Provisions

Provisions for environmental restoration, asset retirement, restructuring costs, onerous contracts, lawsuits and other contingencies are recognized when:

- The Company has a present obligation, whether legal or constructive, as a result of past events;
- It is probable that a disbursement will be necessary to settle the obligation;
- The amount can be estimated reliably.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligation. The discount rate used to determine the present value reflects current market assessments, at the balance sheet date, of the time value of money and the specific risk associated with the particular liability, if applicable. Increases in provisions due to the passage of time are recognized in interest expense.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.12 Provisions (continued)

As of the date of issuance of these financial statements, Transelec Concesiones S.A. has no obligation to establish provision for environmental restoration.

2.13 Classification of current and non-current balances

In the statement of financial position, balances are classified based on maturity, i.e. current balances mature in no more than twelve months and non-current balances in more than twelve months.

Should the Company have any obligations that mature in less than twelve months but can be refinanced over the long term at the Company's discretion, through unconditionally available credit agreements with long-term maturities, such obligations may be classified as non-current liabilities.

2.14 Distribution of dividends

The dividends payable to the Company's shareholders is recognized as a liability in the financial statements in the period in which they are approved by the shareholders.

Company records a provision at the end of each year for the 30% of the profit of the year, in accordance with Law N° 18.046.

2.15 Revenue recognition in Contracts with Customers

The regulatory framework that governs electrical transmission activity in Chile comes from the By-Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19,940 (called also the "Short Law") enacted on March 13, 2004, Law 20,018 ("Short Law II"), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are supplemented by the By-Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto. On July 11, 2016, the new Transmission Law was enacted, which creates an Independent Coordinating entity of the National Electrical System (NES), called National Electrical Coordinator (CEN, according to the Spanish acronym), which groups the previous DEC SIC and CDEC SING; in addition, it establishes a new Electrical Transmission System in which the trunk transmission system, the sub transmission system and additional systems now form part of National, Zone and Committed Transmission System, respectively. To the remuneration received from the transmitter, a variable discount rate will be applied with a minimum of 7% and a maximum of 10% after taxes. The law enters into effect immediately and gradually until its full application as of 2020.

Company's revenues are generated mainly from the marketing of the capacity of the electrical transmission of the transmission facilities. The Company has basically one type of contract with customers, the regulated, which is subject to regulated tariffs.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.15 Revenue recognition in Contracts with Customers (continued)

The total revenues for the use of the Company's facilities includes in general two components: i) the AVI, which is the annuity of the Investment Value (VI), calculated in such a way that the present value of these annuities, using an annual real discount rate and the economic useful life of each of the facilities equals the cost of replacing the existing transmission facilities with new facilities with similar characteristics at current market prices, plus, ii) the COMA, which corresponds to the cost required to operate, maintain and administrate the corresponding facilities.

The Company has the right to collect from its customers a “toll” which is composed by an “AVI+COMA” related to the use of its facilities. The Electrical Law establishes these “AVI+COMA” as integral components in rendering the transmission service. Therefore, as these services are substantially the same and they have the same transference pattern to customers, in other words, both services are satisfied throughout time with a similar progress measurement, the company has defined that there is a single performance obligation and that this is satisfied during a period of time, therefore revenues are recognized in the same temporal base.

Revenues are recognized and invoiced on a monthly basis, using fixed monthly amounts resulting from values stipulated in the contracts or resulting from the regulated tariffs and indexed as applicable. The transmission service is invoiced usually at the beginning of the month following the month when the service was rendered and thus the revenue recognized each month includes transmission service provided but not invoiced up to the month end.

(In thousands of US dollars (ThUS$))

NOTE 3 - RISK MANAGEMENT POLICY

3.1 Financial Risk

Transelec Concesiones S.A. is exposed to the following risks: market risks such as interest rate risk and exchange rate. The following paragraphs describe these risks and how they are managed.

3.1.1. Market risk

Market risk is defined for these purposes as the risk of changes in the fair value or future cash flows of a financial instrument as a result of changes in market prices. Market risk includes the risk of changes in interest and exchange rates, inflation rates and variations in market prices due to factors other than interest or exchange rates such as commodity prices or credit spread differentials, among others.

The Company's policy regulates investments and indebtedness, in an attempt to limit the impact of changes in the value of currencies and interest rates on the Company's net results by:

a) Investing cash surpluses in instruments maturing within no more than 90 days.
b) Entering into swap contracts and other instruments to maintain a balanced foreign exchange position.
c) Entering into long-term fixed rate indebtedness thus limiting risk from variable interest rates

3.1.1.1 Interest Risk (continued)

Significant changes in fair values and future cash flows of financial instruments that can be directly attributable to interest rate risks include changes in the net proceeds from financial instruments whose cash flows are determined in reference to floating interest rates and changes in the value of financial instruments with fixed cash flows.

Currently, Transelec Concesiones has a direct exposure to this type of risk because on December 21, 2018 a variable rate financing agreement was signed; for this reason Transelec Concesiones has entered into several 3-Month Libor Interest Rate Swaps, which cover 75% of the expected debt balance. The following table shows the main terms, at the aggregate level, of the contracts:

Closing date	Start date	Maturity date	Currency	Notional (asset leg)	Floating rate (asset leg)	Frequency	Currency	Notional (liability leg)	Fixed rate (liability leg)	Frequency
1-7-2019	12-28-2018	6-15-2045	US$	330,663,778	Libor 3M	Quarterly	US$	198,224,551	2,4297%	Quarterly

Note that the notional amount of this derivative increases and decreases according to the estimate of the debt structure that the financing would have.

(In thousands of US dollars (ThUS$))

Note 3 - RISK MANAGEMENT POLICY (continued)

3.1.1.2 Exchange Rate Risk

Currently, Transelec Concesiones S.A.'s only exposure to foreign exchange risk arises from the capital expenditure commitments it will have to incur for the core projects under construction.

As a result, there is currently a CapEx hedging policy to help hedge the exchange rate risk of any capital expenditure in a currency other than the US dollar.

Any other type of exposure to exchange rate risk will be managed through an approved policy that contemplates fully covering the net balance sheet exposure, which is made through various instruments such as: positions in US dollars / Chilean pesos, forward contracts and swaps.

3.1.2 Sensitivity analysis

The following chart shows the sensitivity analysis of various items to a 10% increase or decrease in exchange rates (US Dollar) and their effect on income or equity. This exchange rate sensitivity (10%) is used to internally report the Company's foreign exchange risk to key management personnel and represents management's valuation of the possible change in foreign currencies. The sensitivity analysis includes asset and liability balances in currencies other than the Company's functional currency. A positive number indicates an increase in income and/or other comprehensive income. A positive percentage implies a strengthening of the Chilean peso with respect to the foreign currency; a negative percentage implies a weakening of the Chilean peso with respect to the foreign currency.

	Position	Net income		Position	OCI	
Entry (Currency)	**Long/ (short)**	**Change (-10%)**	**Change (+10%)**	**Long/ (short)**	**Change (-10%)**	**Change (+10%)**
Cash (US$)	18,730	(1,703)	2,081	-	-	-
VAT credit S/T (US$)	432	(39)	48	-	-	-
Inter-Co Loan (US$)	(17,253)	1,568	(1,917)	-	-	-
Payables to Suppliers (US$)	2,492	(227)	277	-	-	-
Total	4,401	(401)	489	-	-	-

(In thousands of US dollars (ThUS$))

Note 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1.3 Credit Risk

With respect to credit risk related to accounts receivable from the electricity transmission activity, this risk is historically very low in the industry given the nature of business of the Company's customers and the short-term period of collection of receivables from clients, which leads to a situation in which clients do not accumulate very significant amounts.

However, revenues are highly concentrated in major customers as shown in the following table:

Revenues	For the period ended as of December 31, 2020 ThUS$	For the period ended as of December 31, 2019 ThUS$
Enel Group	5,042	3,472
Colbún Group	2,247	1,902
CGE Group	3,025	836
AES Gener Group	3,805	729
Engie (E-CL) Group	-	350
Other	8,604	2,273
Total	**22,723**	**9,562**
% Concentration of the main clients	**62.14%**	**76.29%**

NOTE 4 - ESTIMATES AND JUDGMENTS OR CRITICAL CRITERIA USED BY MANAGEMENT

The estimates and criteria used by the Company are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable based on the circumstances.

The Company performs estimates and assumptions about the future. The resulting accounting estimates, per definition, will rarely be equal to the actual outcomes. Estimates and assumptions with a significant risk to the Company are detailed below:

- The estimates of recoverable values of assets to determine potential existence of impairment losses;
- The useful lives and residual values of the properties, plants and equipment and intangible assets;
- The hypothesis used to calculate the fair value of the financial instruments.
- The future fiscal results for purposes of determining the recoverability of deferred tax assets;
- Deferred tax assets
- Contingent assets and liabilities.
- Determination of existence and classification of financial or operating leases based on the transfer of risks and rewards of the leased assets (IFRS16), considerate the following:
    - Identification of whether a contract (or part of a contract) includes a lease.
    - Estimate the lease term.
    - Determine if it is reasonably true that it is an extension or termination option will be exercised.
    - Determination of the appropriate rate to discount lease payments.

Although the estimates mentioned above were made according to the best information available at the date of issuance of these Financial Statements, it is possible that future events oblige to modify them (upside or downside) in further periods, those modifications to each estimate will be recorded prospectively and recognized on those respective Financial Statements.

(In thousands of US dollars (ThUS$))

NOTE 5 - CASH AND CASH EQUIVALENTS

(a) The detail of this item as of December 31, 2020 and 2019 is as follows:

	Balances as at	
Cash and cash equivalents	**12.31.2020 ThUS$**	**12.31.2019 ThUS$**
Cash and banks	25,058	16,810
Total	**25,058**	**16,810**

(b) El detalle por tipo de moneda del saldo anterior es el siguiente:

		Balances as at	
Detail of cash and cash equivalents	**Currency**	**12.31.2020 ThUS$**	**12.31.2019 ThUS$**
Cash and cash equivalents	United States dollars	4,196	11,728
Cash and cash equivalents	Chilean pesos	20,862	5,082
Total		**25,058**	**16,810**

Fair values do not differ significantly from book values due to the short term maturity of these instruments and there are no restrictions.

NOTE 6 - TRADE AND OTHER RECEIVABLES

The detail of this item as of December 31, 2020 and 2019 is as follows:

	Balances as at	
	12.31.2020 ThUS$	**12.31.2019 ThUS$**
Trade receivables	8,104	4,118
Total Accounts receivable and other receivables	**8,104**	**4,118**

As of December 31, 2020 and 2019, the analysis of non-impaired debtors is as follows:

	Balances as at	
	12.31.2020 ThUS$	**12.31.2019 ThUS$**
Maturing in less than 30 days	907	3,702
Maturing in more than 30 days up to 1 year	7,197	416
Total	**8,104**	**4,118**

Fair values do not differ significantly from book values due to the short term maturity of these instruments. In addition, the Company does not record any bad debt provisions.

(In thousands of US dollars (ThUS$))

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related companies

7.1.1 Accounts receivable from related companies

There are no accounts receivable as of December 31, 2020 and 2019.

7.1.2 Accounts payable to related companies

The composition as of December 31, 2020 and 2019 is as follows:

							Current balances at		Non-current balances at	
Tax ID Number	Company	Country	Item	Term	Relationship	Currency	12.31.2020 ThUS$	12.31.2019 ThUS	12.31.2020 ThUS$	12.31.2019 ThUS
76.560.200-9	Transelec Holding Rentas Ltda.	Chile	Loans	20 years	Parent Company	USD/CLP	15,576	8,602	154,843	146,501
76.560.200-9	Transelec Holding Rentas Ltda.	Chile	Mercantile account	undefined	Parent Company	USD/CLP	-	1,137	-	-
76.555.400-4	Transelec S.A.	Chile	Mercantile account	undefined	Indirect	CLP	1,631	472	-	-
							17,207	**10,211**	**154,843**	**146,501**

(In thousands of US dollars (ThUS$))

a) Most significant transactions and their effects in income (loss)

Transactions with unsoncolidated related parties had the following effects on the income statement:

Tax ID Number	Company	Country	Relationship	Description of the transaction	12.31.2020		12.31.2019	
					Amount ThUS$	Efect on profits or loss ThUS$	Amount ThUS$	Efect on profits or loss ThUS$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Loans received	42,000	-	101,100	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Accounts payable (trade)	393		108	
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Loans Paid	(32,041)	-	(134,434)	-
76.555.400-4	Transelec S.A.	Chile	Indirect	Accounts payable (trade)	139	-	-	-
76.555.400-4	Transelec S.A.	Chile	Indirect	Payments made (trade)	418	-	(2,117)	-
76.555.400-4	Transelec S.A.	Chile	Indirect	Administrative services	(562)	(562)	(593)	(593)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Accrued interest	(6,426)	(6,426)	(7,367)	(7,367)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Exchange difference	2,295	2,295	2,797	2,797

There operations are in accordance with the provisions of Articles N° 44 and 49 of Law N°. 18.046 on Corporations.

(In thousands of US dollars (ThUS$))

NOTE 8 – OTHER NON FINANCIAL ASSETS

The detail of this item as of December 31, 2020 and 2019 is as follows:

Other non-financial assets	Balances as at	
	12.31.2020 ThUS$	12.31.2019 ThUS$
Expenses to be reported for easements	9,989	10,407
Advance payments to contractors	7,702	7,702
VAT credit	2,057	37,387
Other non-financial assets	826	691
Total	**20,574**	**56,187**

NOTE 9 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The detail of this item as of December 31, 2020 and 2019 is as follows:

Intangible assets	Balances as at	
	12.31.2020 ThUS$	12.31.2019 ThUS$
Easements	25,292	17,136
Other assets	250	250
Total intangible assets identified	**25,542**	**17,386**

On January 22, 2016, through an assignment agreement, Abengoa Chile S.A. assigned to Pichirropulli Energy Transmitter S.A. the Right of Exploitation and Execution of the "Line 2x500 KV Pichirropulli Nueva Puerto Montt, energized in 220 KV",. This Right was awarded by Supreme Decree No. 20T of 2015. As it is unlikely that this Right to be revoked, the Company considers that this Right has an indefinite useful life.

(In thousands of US dollars (ThUS$))

NOTE 9 - INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

The following table shows the detail of changes in intangible assets other than goodwill for the period ended as of December 31, 2020 and 2019

Movements in intangible assets	Right-of-way ThUS$	Other assets ThUS$	Intangible assets, net ThUS$
Opening balance as of 01.01.2020	**17,136**	**250**	**17,386**
Movements in intangible assets			
Additions	8,156	-	8,156
Closing balance of intangible assets as of December 31, 2020	**25,292**	**250**	**25,542**

Movements in intangible assets	Right-of-way ThUS$	Other assets ThUS$	Intangible assets, net ThUS$
Opening balance as of 01.01.2019	**6,380**	**250**	**6,630**
Additions	10,756	-	10,756
Closing balance of intangible assets as of December 31, 2019	**17,136**	**250**	**17,386**

(In thousands of US dollars (ThUS$))

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

10.1 Detail of items

Property, plant and equipment, net	12.31.2020 ThUS$	12.31.2019 ThUS$
Land	889	889
Infrastructure constructions and works	71,239	72,698
Work in progress	99,816	73,885
Machinery and equipment	123,455	126,687
Total Property, plant and equipment	**295,399**	**274,159**

Property, plant and equipment, gross	12.31.2020 ThUS$	12.31.2019 ThUS$
Land	889	889
Infrastructure constructions and works	72,954	72,954
Work in progress	99,816	73,885
Machinery and equipment	129,283	129,283
Total Property, plant and equipment	**302,942**	**277,011**

Total accumulated depreciation and impairment Property, plant and equipment,	12.31.2020 ThUS$	12.31.2019 ThUS$
Infrastructure constructions and works	(1,715)	(256)
Machinery and equipment	(5,828)	(2,596)
Total accumulated depreciation and impairment of PPE	**(7,543)**	**(2,852)**

(In thousands of US dollars (ThUS$))

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (continued)

10.2 Reconciliation of changes in plant and equipment properties

The following table shows the detail of changes in property, plant and equipment per type of assets for the periods ended as of December 31, 2020 and 2019.

Movement year 2020	Land ThUS$	Buildings and infrastructure ThUS$	Machinery and equipment ThUS$	Work in progress ThUS$	Property, plant and equipment, net ThUS$
Opening balance 01.01.2020	**889**	**72,698**	**126,687**	**73,885**	**274,159**
Movement:					
Additions	-	-	-	25,931	25,931
Depreciation expense	-	(1,459)	(3,232)	-	(4,691)
Closing balance as of December 31, 2020	**889**	**71,239**	**123,455**	**99,816**	**295,399**

Movement year 2019	Land MUS$	Buildings and infrastructure MUS$	Machinery and equipment MUS$	Work in progress MUS$	Property, plant and equipment, net MUS$
Opening balance 01.01.2019	**889**	**8,970**	**66,244**	**132,662**	**208,765**
Movement:					
Additions	-	-	-	67,254	67,254
Transfer	-	63,909	62,122	(126,031)	-
Depreciation expense	-	(181)	(1,679)	-	(1,860)
Closing balance as of December 31, 2019	**889**	**72,698**	**126,687**	**73,885**	**274,159**

Work in progress balances amount to ThUS $99,816 as of December 31, 2020 and TUS$73,885 as of December 31, 2019.

10.3 Additional information on property, plant and equipment

As of December 31, 2020 and 2019, the Company had commitments to acquire property, plant and equipment items derived from EPC (Engineering-Procurement-Construction) construction contracts in the amount of ThUS $27,319 and ThUS$53,182 at the close of each year, respectively.

	12.31.2020	**12.31.2019**
Capitalization rate (annual basis) (%)	3.98%	4.37%
Capitalized interest costs (ThUS$)	3,752	7,367

(In thousands of US dollars (ThUS$))

NOTE 11 – DEFERRED TAXES

11.1 Deferred taxes

11.1 Detail of deferred tax assets and liabilities

The origin of deferred taxes recorded as of December 31, 2020 and 2019 is as follows:

Temporary difference	**Net deferred taxes**	
	12.31.2020	**12.31.2019**
	ThUS$	**ThUS$**
Depreciable fixed assets	(22,408)	(9,901)
Non-Depreciable Fixed Assets	(2,026)	(1,128)
Tax loss	39,036	18,334
Net deferred taxes assets/(liabilities)	**14,602**	**7,305**
Presentation in Statement of financial position		
Deferred tax assets	14,602	7,305
Deferred tax liabilities	-	-
Net deferred taxes assets/(liabilities)	**14,602**	**7,305**

11.2 Deferred tax movements of the statement of financial position

The movements of the "Deferred Taxes" items of the Balance Sheet in the periods as of December 31, 2020 and 2019 are as follows:

Deferred tax movements	**Assets**	**Liabilities**
	ThUS$	**ThUS$**
Balances as of January 01, 2019	**-**	**2,117**
Increase (decrease)	7,305	(2,117)
Balance as of December 31, 2019	**7,305**	**-**
Increase (decrease)	7,297	-
Balance as of December 31, 2020	**14,602**	**-**

The recovery of deferred tax asset depends on whether sufficient tax profits are obtained in the future. The Company considers that future profits projections will allow to recover these assets.

(In thousands of US dollars (ThUS$))

NOTE 12 - TRADE AND OTHER PAYABLES

The detail of this item as of December 31, 2020 and 2019, respectively, is as follows:

Notes and accounts payable	Current 12.31.2020 ThUS$	12.31.2019 ThUS$
Trade account payable	79	4,688
Other accounts payable	2,515	11,742
Total	**2,594**	**16,430**

NOTE 13 – OTHER FINANCIAL LIABILITIES

The current and non-current portion of this account as of December 31, 2020 and 2019 is as follows:

Interest bearing loans	12.31.2020		12.31.2019	
	Current ThUS$	Non-current ThUS$	Current ThUS$	Non-current ThUS$
Bank loan	161	184,776	-	187,570
Total Bank loan	**161**	**184,776**	**-**	**187,570**
Swap contract (note 14)	7,678	51,937	2,149	24,074
Total Banks borrowings	**7,678**	**51,937**	**2,149**	**24,074**
Total Other Financial Liabilities	**7,839**	**236,713**	**2,149**	**211,644**

The other financial liabilities correspond to a bank loan held by the Company as of December 31, 2020 and 2019, respectively, and are detailed below:

Creditor	Country	Currency	Effective interest rate	Maturity	Periodicity	12.31.2020 ThUS$	12.31.2019 ThUS$
Export Development Canada KfW IPEX-Bank Gmbh MUFG Bank Ltd.	Canadá Alemania Estados Unidos	Dólares	2,82%	Dic 15, 2036	Half-yearly	184,937	187,570
Total						**184,937**	**187,570**

(In thousands of US dollars (ThUS$))

NOTE 14 – DERIVATE INSTRUMENTS

Transelec Concesiones S.A., as per its risk management policy, enters primarily into exchange rate derivatives (see Note 3). The Company classifies its hedges as:

- Cash flow hedging: Those that hedge the cash flows of the hedged underlying item.

In addition, the Company uses certain non-hedging derivatives: the instruments that do not meet the requirements of IFRS and thus do not qualify for hedge accounting.

14.1 Hedge assets and liabilities

	December 31, 2020				December 31, 2019			
	Assets		Liabilities		Assets		Liabilities	
	Current ThUS$	Non-current ThUS$	Current ThUS$	Non-current ThUS$	Current ThUS$	Non-current ThUS$	Current ThUS$	Non-current ThUS$
Currency hedging swap	-	-	7,678	51,937	-	-	2,149	24,074
Total	-	-	**7,678**	**51,937**	**-**	**-**	**2,149**	**24,074**

14.2 Other information

Below is a detail of the derivatives contracted by Transelec Concesiones S.A. as of December 31, 2020 and 2019, their fair value and the breakdown by maturity:

		Maturity						12.31.2020
Financial derivatives	**Fair value**	**Prior to year 1**	**2021**	**2022**	**2023**	**2024**	**After**	**Total**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Currency hedging swap	59,615	7,678	8,065	7,293	6,160	5,010	25,409	59,615

		Maturity						12.31.2019
Financial derivatives	**Fair value**	**Prior to year 1**	**2020**	**2021**	**2022**	**2023**	**After**	**Total**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Currency hedging swap	26,223	2,149	3,097	2,999	2,598	2,175	13,205	26,223

The contractual notional amount of these contracts does not represent the risk assumed by Transelec Concesiones S.A., as it is only in response to the basis with which derivative settlements are calculated. As of December 31, 2020 and 2019, Transelec Concesiones S.A. had not recognized any gains or losses for ineffectiveness of cash flow hedges.

Derivatives are valued considering valuation techniques which include observable data. The most commonly used valuation techniques include swap valuation models using present value calculations. The models include several inputs including, foreign exchange spot rates, forward rates and interest rate curves in Chilean peso and US dollar.

(In thousands of US dollars (ThUS$))

NOTE 14 – DERIVATE INSTRUMENTS (CONTINUED)

14.3 Fair value hierarchies

Financial instruments recognized at fair value in the statement of financial position are classified based on the following hierarchies: (a) Level 1: Quoted (unadjusted) price in an active market for identical assets and liabilities, (b) Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i,e, as a price) or indirectly (i.e., as a derivative of a price); and (c) Level 3: Inputs for assets or liabilities that are not based on observable market information (non-observable inputs).

The following table details financial assets and liabilities measured at fair value as of December 31, 2020 and 2019:

Financial instruments at fair value		Fair value at the end of the reporting period using		
	12.31.2020 ThUS$	Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$
Financial assets (liability)				
Currency hedging swap	(59,615)	-	(59,615)	-
Total net	**(59,615)**	**-**	**(59,615)**	**-**

Financial instruments at fair value		Fair value at the end of the reporting period using		
	12.31.2019 ThUS$	Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$
Financial assets (liability)				
Currency hedging swap	(26,223)	-	(26,223)	-
Total net	**(26,223)**	**-**	**(26,223)**	**-**

(In thousands of US dollars (ThUS$))

NOTE 15 – FINANCIAL INSTRUMENTS

15.1 Financial Assets

The classification of financial assets in the categories described in Note 2.8 is detailed below:

	Financial assets at amortized cost	Financial assets at fair value	
December 31, 2020	ThUS$	By result ThUS$	ThUS$
Cash and cash equivalent	-	25,058	25,058
Trade and other recievables	8,104	-	8,104
Total	**8,104**	**25,058**	**33,162**

	Financial assets at amortized cost	Financial assets at fair value	
December 31, 2019	ThUS$	By result ThUS$	ThUS$
Cash and cash equivalent	-	16,810	16,810
Trade and other recievables	4,118	-	4,118
Total	**4,118**	**16,810**	**20,928**

(In thousands of US dollars (ThUS$))

NOTE 15 - FINANCIAL INSTRUMENTS (CONTINUED)

15.2 Financial liabilities

The classification of financial liabilities in the categories described in Note 2.8 is detailed below:

	Financial liabilities at amortized cost	Derivative instruments	
December 31, 2020	**ThUS$**	**Hedge ThUS$**	**ThUS$**
Other financial liabilities, current	161	7,678	7,839
Trade and other payables	2,594	-	2,594
Payables to related parties, current	17,207	-	17,207
Other financial liabilities, non-current	184,776	51,937	236,713
Payables to related parties, non-current	154,843	-	154,843
Total	**359,581**	**59,615**	**419,196**

	Financial liabilities at amortized cost	Derivative instruments	
December 31, 2019	**ThUS$**	**Hedge ThUS$**	**ThUS$**
Other financial liabilities, current	-	2,149	2,149
Trade and other payables	16,430	-	16,430
Payables to related parties, current	10,211	-	10,211
Other financial liabilities, non-current	187,570	24,074	211,644
Payables to related parties, non-current	146,501	-	146,501
Total	**360,712**	**26,223**	**386,935**

(In thousands of US dollars (ThUS$))

NOTE 16 – NET EQUITY

16.1 Subscribed and paid-in capital

As of December 31, 2020 and 2019, the authorized, subscribed and paid-in capital is to ThUS$5,000.

16.2 Number of subscribed and paid-in shares

	No. subscribed shares	No. paid-in shares	Number of shares with voting right
Unique series, with no par value	5,000,000	5,000,000	5,000,000

In July 2018, the Company's shareholders (Transelec Holdings Rentas Ltda. and Rentas Eléctricas I Ltda.) carried out a capital increase in the amount of ThUS$4,999, thus giving rise to a total capital of ThUS$5,000 as of December 31, 2019.

The contributions were made in proportion to the participation of each of the shareholders before the capital increase, both maintaining the same percentage of participation once the contribution was made.

16.3 Other reserves

The detail of other reserves as of December 31, 2020 and 2019 is as follows:

Item	12.31.2020 ThUS$	12.31.2019 ThUS$
Cash flow hedging	(43,178)	(18,992)
Total	**(43,178)**	**(18,992)**

(In thousands of US dollars (ThUS$))

NOTE 16 - PATRIMONIO NETO (continuación)

16.4 Capital management

Capital management refers to the Company's administration of its equity.

The capital management policy of Transelec Concesiones S.A. is aimed for maintain adequate balance that allows to keep a sufficient capitalization levels to sustain its operations and provide a sensible leverage, thus optimizing shareholder returns and maintaining a solid financial position.

Capital requirements are determined based on the Company's financing needs, taking care to maintain an adequate level of liquidity and complying with financial covenants established in current debt contracts. The Company manages its capital structure and makes adjustments based on prevailing economic conditions in order to mitigate risks from adverse market conditions and take advantage of any opportunities that may arise to improve its liquidity position.

NOTE 17 – REVENUE

17.1 Operating revenue

The detail of net income for the years ended December 31, 2020 and 2019 is as follows:

	01.01.2020 12.31.2020 ThUS$	01.01.2019 12.31.2019 ThUS$
Revenues from regulated transmission services	22,723	9,562
Total revenue	**22,723**	**9,562**

	01.01.2020 12.31.2020 ThUS$	01.01.2019 12.31.2019 ThUS$
Customers from regulated transmission services	22,723	9,562
Total	**22,723**	**9,562**
National System Income	22,723	9,562
Total	**22,723**	**9,562**
Transferred services over time	22,723	9,562
Total revenue	**22,723**	**9,562**

(In thousands of US dollars (ThUS$))

NOTE 18– RELEVANT INCOME STATEMENT ACCOUNTS

18.1 Expenses by nature

The composition of expenses by nature, included in cost of sales and administrative expenses for the years ended December 31, 2020 and 2019, is as follows:

Detail	**01.01.2020 12.31.2020 ThUS$**	**01.01.2019 12.31.2019 ThUS$**
Operating expenses	(916)	(817)
Depreciation, amortization and write-offs	(4,691)	(1,860)
Total	**(5,607)**	**(2,677)**

18.2 Financial results

The detail of the financial result for the years ended December 31, 2020 and 2019 is as follows:

	01.01.2020 12.31.2020 ThUS$	**01.01.2019 12.31.2019 ThUS$**
Finance income:	**-**	**-**
Bank interests earned	-	-
Financial expenses:	**(11,519)**	**(6,484)**
Bank interest	(4,269)	(4,874)
Swap Interest	(3,681)	(524)
Interests related companies	(2,675)	-
Other expenses	(894)	(1,086)
Net exchange differences:	**775**	**1,292**
Intercompany Loans	2,295	2,797
Others	(1,520)	(1,505)
Total financial income/(loss)	**(10,744)**	**(5,192)**

(In thousands of US dollars (ThUS$))

NOTE 19 – INCOME TAX RESULT

The income tax expense for the years ended December 31, 2020 and 2019, is the following:

	01.01.2020 12.31.2020 ThUS$	01.01.2019 12.31.2019 ThUS$
Current tax expense	-	-
Deferred tax expense	1,649	664
Income tax expense (income), total	**1,649**	**664**

	01.01.2020 12.31.2020 ThUS$	01.01.2019 12.31.2019 ThUS$
Reconciliation of Tax Expense Using the Legal Rate with Tax Expense		
Tax expense using the legal rate	1,764	485
PPE Movement Settings	(115)	179
Opening Balances Adjustment	-	-
Total adjustments to tax expense using the legal rate	(115)	179
Tax Expense Using the Effective Rate	1,649	664

	01.01.2020 12.31.2020 ThUS$	01.01.2019 12.31.2019 ThUS$
Legal Tax Rate	27.00%	27.00%
PPE movement	(1.76%)	9,97%
Others		
Adjustments to tax expense using statutory rate	**(1.76%)**	**9.97%**
Effective Tax Rate	**25.24%**	**36.97%**

NOTE 20 –ENVIROMENT

Transelec Concesiones S.A., in compliance with current environmental regulations and in accordance with its sustainability policy, has submitted its projects or their modifications to the environmental authority through the Environmental Evaluation System (SEIA). To this end, several studies have been carried out that have made it possible to substantiate the presentations of environmental documents. These documents, be they an Environmental Impact Declaration (EID) or an Environmental Impact Study (EIS), are submitted to the respective Evaluation Service, complying with the requirements established by Law No. 19,300 on General Environmental Bases, modified by Law No. 20,417, and its corresponding SEIA regulations. For those projects that have begun their execution, the conditions and measures imposed by the environmental authority in the respective environmental qualification Resolutions have been followed up, including the processing of sectorial environmental permits.

During the years ended december 31, 2020 and 2019, the Company has not made any disbursements related to this matter.

NOTE 21 -LAWSUITS AND CONTINGENCIES

As of December 31, 2020 and 2019, the Company has no lawsuits or arbitrations.

NOTE 22 – SUBSEQUENT EVENTS

Between December 31, 2020 and the closing date of the Financial Statements, and their issuance date, no significant financial-accounting events have occurred that could affect the Company's equity or the interpretation of these Financial Statements.

7.

Reasoned Analysis

EXECUTIVE SUMARY

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

As of December 31, 2020, the following projects are operational:

- "New Line 2x500 kV 1500 MW between E/S Los Changos and E/S Nueva Crucero Encuentro, 2x750 MVA 500/220 kV Autotransformer Banks in E/S Nueva Crucero Encuentro, 750 MVA 500/220 kV Autotransformer Banks in E/S Los Changos (Stage I) and New Line 2x220 kV 1500 MW between E/S Los Changos and E/S Kapatur (Stage II)", recognizing the commissioning of Stage I in the last quarter of 2017 and Stage II in the last quarter of 2019.

- Nueva Charrúa Substation, recognizing the entry into operation in the third quarter of 2018.

On the other hand, the construction of the remaining Project "Line 2x500 kV Pichirropulli – Nueva Puerto Montt" has continued.

As of December 31, 2020 Transelec Concesiones has financing for its projects, through the modality of Project Finance with the participation of the following Banks: MUFG, EDC, KfW and Bank of China. Total, disbursements of US$199 million have already been received, which corresponds to part of the full financing of the Project, however, no disbursement has been made during 2020.

The CET, (Transmission Equivalent Charge) is a transactional process that occurred due to the change of the transmission's paying agent, according to the Transmission Law of 2016. In June, Transelec Concesiones made the payment of the CET (CLP 2.5 Billion) to the generating companies. This amount does not affect the Statement of Income and the company started to recover payment from free clients in the third quarter of the year. Full recovery of the amount is expected to be achieved by the end of 2022.

INCOME STATEMENT ANALYSIS

As of December 31, 2020, Revenues reached MUS$22,723, increasing a 138% compared to the same period of 2019 (MUS$9,562). The increase is mainly due to the commissioning of the Project Nueva línea Los Changos – Crucero Encuentro at the end of 2019, receiving revenues from that project throughout the year 2020, while, in 2019, these incomes were immaterial. Revenues come mainly from four clients: Enel Group, Aes Gener Group, CGE Group and Colbún Group, concentrating 62.1% of the income.

As of December 31, 2020, Transelec Concesiones obtained an EBITDA of MUS$21,967, an 148% higher than the one obtained in the same period of 2019 (MUS$8,848). The EBITDA increase is mainly due to the rise in revenues explained above.

In the Non-Operating Income as of December 2020, a significant increase in Financial Costs stands out, reaching MUS$11,519, a 78% higher than that registered in 2019 (MUS$6,484). The increase is mainly due to higher Interest associated with the swaps and higher Interest to Related Companies.

Net Income recorded by the Company as of December 31, 2020, was MUSD$4,883, which is 331% higher compared to the same period of 2019, in which a Net Income of MUS$1,132 was registered.

BALANCE SHEET ANALYSIS

As of December 31, 2020, Total Assets reached MUS$389,279, presenting an increase of 3.5% compared to the same period of 2019 (MUS$375,965). The increase in Total Assets is mainly explained by an increase in Non-Current Assets associated with Property, Plant and Equipment, due to the progress of projects under construction. On the other hand, Current Assets have a decrease associated with Other Non-Financial Assets due to a VAT art 27 bis refund. However, accounts receivable from customers increased by 97% compared to the previous year, due to the CET that is yet to recover.

As of December 31, 2020, Total Liabilities and Equity reached MUS$389,279, higher than the same period in 2019 (MUS$375,965). The increase in total Liabilities and Equity is mainly due to an increase in Non-Current Liabilities. The rise in Non-Current Liabilities is mainly due to an increase in Other Financial Liabilities and Accounts Payable to Related Entities due to the financing of the projects. The decrease in Equity is due to lower Other Reserves, which were affected by the mark to market of the derivatives contracted by the company and by deferred taxes.

CASH FLOW ANALYSIS

As of December 31, 2020, cash flow from operating activities reached a cash income of MUS$47,760. This is mainly explained by Receivables for Operating Activities related to a VAT refund of approximately US$35 million.

During the same year, the cash flow used in investment activities was a disbursement of MUS$47,760, which is due to the disbursements required to continue developing its projects under construction.

As of December 2020, the cash flow from financing activities reached MUS$8,667. The flow is mainly explained by the movements in Accounts payable to Related Entities for the financing of projects under development.

THE TRANSMISSION MARKET

The electricity transmission infrastructure in Chile extends mainly along the National Electricity System (SEN by its Spanish acronym), which is located across the Chilean territory between Arica in the north of Chile and the island of Chiloé in the south. The operation of the SEN is coordinated by and independent technical organization called National Electricity Coordinator (CEN by its Spanish acronym). Chile has two other smaller electric transmission systems, The Aysén and Magallanes Systems, which are in the southern tip of the country.

Chile was one of the first countries in the world to segment and regulate (1982) and then privatize (early nineties) its electricity system. As a result, the Chilean electricity regulatory framework has evolved for more than 30 years.

The regulatory framework that determines the operation of the transmission segment in Chile is based on Decree No. 4 of the Ministry of Economy, Development and Reconstruction of 2006, which establishes the consolidated, coordinated, and systematized text of the General Law of Electrical Services, hereinafter referred to as “General Law of Electrical Services” or “LGSE” by its Spanish acronym. The LGSE and its complementary legislation regulates the activities of generation, transmission and distribution, the concessions and electric easements and the tariffs applicable to each segment, as well as the organization responsible for coordinating the operation of the system and its operation in accordance with the conditions of quality and safety of the facilities established in the current technical regulation and the relations of companies and individuals with the State.

The latest major amendment to the LGSE is the Law No. 20.936 published on July 20th, 2016, which establishes a new Electrical Transmission System and creates an Independent Coordinating Body for the National Electrical System, incorporating the following amendments:

1. New functional definition of Transmission Systems.

2. New process of long-term energy planning and transmission planning.

3. New pricing and remuneration scheme for the different segments of the Transmission System.

4. Preliminary definition of transmission lines for certain new Works, by means of a Strip Study Procedure, by the Ministry of Energy.

5. New universal open Access regime.

6. New rules on compensation to end-users for unauthorized unavailability of supply, based on pre-established safety and quality standards.

7. It creates a new Independent Coordinator of the National Electricity System, hereinafter referred to as "The Coordinator", which replaces the former Economic Dispatch Freight Centers (CDEC's).

The new transmission law modifies the names of the Transmission Systems due to the new definition of each. Therefore, the Trunk, Subtransmission and Additional systems are renamed National, Zonal and Dedicated, respectively.

RISK FACTORS

Due to the characteristics of the Chilean electricity market and strict standards regulating the sector, Transelec Concesiones is not exposed to substantial risk while operating its main line of business. However, is appropriate to highlight and consider the following risk factors:

OPERATING RISKS

Although administration believes the company maintains its risks appropriately covered according with industry practices, there is no guarantee that preventive actions and mitigations implemented (asset management, safety strip management, insurance policies, etc.) will be enough to cover certain operating risks, including forces of nature, damage to transmission facilities, cybersecurity incidents, work-related accidents, and equipment failure.

CONSTRUCTION DELAYS FOR NEW POWER TRANSMISSION FACILITIES

Success of the upgrades and expansion projects program for the transmission network will depend on several factors, including the cost and availability of financing. The construction of new facilities could be hampered by factors commonly associated with projects, including delays in the approval of regulatory authorizations such as power concessions, lack of equipment, materials or labor, or price variation, adverse weather conditions, natural disasters or unforeseen circumstances or difficulties when it comes to financing under favorable conditions and at reasonable rates. Any of the aforementioned factors could lead to delays in the partial or total completion of the capital investment program, while increasing the cost of the projects considered in this program.

FINANCIAL RISKS

Interest Rate Risk

Significant changes in fair values and future cash flows of financial instruments that can be directly attributable to interest rate risks include changes in the net proceeds from financial instruments whose cash flows are determined in reference to floating interest rates and changes in the value of financial instruments with fixed cash flows may affect the Company. This risk is mitigated by hedge agreements that offset the increases in interest rates.

Foreign Exchange Risk

Most of the Company's operating cash flows are dollar denominated and since this is its functional currency, there is no significant exposure to the exchange rate. Those flows resulting from investments during the construction of projects in which the Company may have significant costs in a currency other than the functional one, the risk is covered through hedging operations with derivatives.

Liquidity Risk

Liquidity risk is the risk of the Company not satisfying a need for cash or debt payment upon maturity. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

Credit Risk

Credit risk corresponding to receivables from commercial activities, is historically very limited in the industry given the nature of the stable regulatory framework, and the business of the Company's customers, which also have excellent credit level; and the short-term payment of customers, which does not accumulate significant amounts.

However, revenues are highly concentrated in a few clients that will make up a large part of Transelec Concesiones' future cash flow. A substantial change in the assets, financial condition and/or operating results of those companies could adversely affect the Company.

ENVIRONMENTAL INSTITUTIONALISM AND THE APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

Transelec Concesiones projects are subject to Law N° 19,300/1994 on General Environmental Guidelines (“Environmental Law”) and its subsequent amendments. Transelec Concesiones may run the risk of environmental permit lobbying taking longer than expected, which would delay project construction and open the possibility of fines being applied.

OTHER RISKS

In addition to the aforementioned, the company faces other risks such as cybersecurity, legal, market, counterpart, and reputational risks. During 2020, the risk associated with the effects of the Covid-19 pandemic arises, which were mitigated with various actions, which will continue during 2021.

RESPONSIBILITY STATEMENT

Both the Directors and the CEO of Transelec Concesiones S.A., which are signing this declaration, are responsible, under oath, regarding the accuracy of the information provided in this 2020 Annual Report, pursuant to General Norm No. 30, issued by the Superintendency of Securities and Insurance, today the Commission for the Financial Market.

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