

REASONED ANALYSIS AS OF DECEMBER 31, 2019

TRANSELEC CONCESIONES S.A.

Summary

Transelec Concesiones S.A. is the winner of three new construction projects in the National Transmission System.

As of December 31, 2019, the following projects are operational:

- “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”, recognizing the entry into operation of Stage I in the last quarter of 2017 and Stage II in the last quarter of 2019.
- Nueva Charrúa Substation, granted by CEN on July 27, 2018, recognizing the entry into operation on July 20, 2018.

On the other hand, progress in the construction of the remaining project "2x500 kV Pichirropulli Line - Nueva Puerto Montt" has continued.

In December 2018 Transelec Concesiones closed the Financing of the projects, through the "Project Finance" modality with the participation of the MUFGE, EDC and KfW banks. A total of USD \$199 million has been disbursed until December 31, 2019.

Income statement

During 2019 Transelec Concesiones S.A. recorded a profit of ThUS \$1,132. This is mainly explained by the Revenues of ThUS \$9,562 associated with projects that are already in operation. Additionally, there is a gain from exchange differences of ThUS \$1,292 and Financial Income of ThUS \$7,367. The foregoing is partially offset by Costs associated with projects in the operation of ThUS \$2,489, Financial costs of ThUS \$13,851 and Administration expenses of ThUS \$188.

During 2018, it registered a profit of ThUS \$2,630. This is mainly explained by the Revenues of ThUS \$4,935 associated with projects that are already in operation. Additionally, there is a gain from exchange differences of ThUS \$1,317 and Financial Income of ThUS \$106. The foregoing is partially

offset by Costs associated with projects in operation for ThUS \$1,182, Financial costs for ThUS \$896 mainly for intercompany interests and Administrative expenses for ThUS \$894.

Balance Sheet

As of December 31, 2019, Assets reached ThUS \$375,965, presenting an increase of 38% compared to the same period in 2018 (ThUS \$273,289). The increase in 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. Current Assets also show a small rise associated with an increase in the cash balance.

As of December 31, 2019, Liabilities and Equity reached ThUS \$375.965 higher than the same period in 2018 (ThUS \$273,289). The increase in total Liabilities and Equity is mostly due to an increase in Non-Current Liabilities. The rise in Non-Current Liabilities is mainly due to an increase in Financial Liabilities due to project financing. The increase in Current Liabilities is explained by higher accounts payable to suppliers and higher accounts payable to related entities.

Statement of cash flows

As of December 31, 2019, the cash flow used in operating activities reached ThUS \$17,777. This is mainly explained by payments to suppliers and interest paid.

During the same period, the cash flow used in investing activities was ThUS \$69,209, which is explained entirely by property, plant and equipment. In 2018, the cash flow used in investing activities was ThUS \$108,686.

As of December 2019, the cash flow from financing activities reached ThUS \$100,365, decreasing 11% compared to the same period in 2018 (ThUS \$113,247). In 2019, the flow is explained by the financing of projects through debt.

Transmission Market

The electricity transmission infrastructure in Chile extends mainly along the National Electric System (SEN for its acronym in Spanish), which is located throughout the Chilean territory between Arica in northern Chile and the island of Chiloé in the south. The SEN operation is coordinated by a technical and independent entity called the National Electric Coordinator. Chile has two other smaller electric

transmission systems, the Aysén and Magallanes systems, which are located in the extreme south of the country.

Chile was one of the first countries in the world to segment and regulate (1982) and then privatize (the early 1990s) its electricity system. Consequently, the Chilean electrical regulatory framework has more than 30 years of evolution.

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 concerning technical, safety, coordination, quality, information and economic aspects of appropriate power sector operation. This include electrical concessions, easements and the rates applicable to each segment, as well as the body in charge of coordinating the operation, the relationships of companies and individuals with the State.

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The LGSE and its complementary regulations, regulate the activities of generation, transport and distribution,

The last important reform to the LGSE is the recently passed Law N° 20,936/2016, which establishes a new Electric Transmission System and creates an Independent Coordinator for the National Electric System incorporating the following modifications:

1. Redefinition of power transmission systems.
2. The incorporation of energy and power transmission planning with a long-term horizon.
3. New tariff and remuneration scheme for the different segments of the Transmission System.
4. Preliminary definition of paths for new power transmission projects of public interest, by means of an Easement Strip Study procedure to be executed by the Ministry.
5. Open Access to universal Power Transmission System.
6. New regulations on compensation to end users for unauthorized supply cuts, based on previously established safety and quality standards.
7. An exclusive National Electricity System Coordinator, independent from the actors of the market stakeholders, which replace the Economic Load Dispatch Centers.

The new transmission law modifies the names of the Transmission Systems due to the new definition of each one. 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 in the course of operating its main line of business.

Operating Risks

Although the Company's management believes it has adequate risk coverage, in line with industry practices, it cannot guarantee the sufficiency of its insurance policy coverage for certain operating risks to which it is exposed, including forces of nature, damages to transmission facilities, on-the-job accidents and equipment failure. Any of these events could negatively affect the Company's financial statements.

Construction Delays for New Transmission Facilities

Success of the upgrades and expansion program for the power 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 for 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 taking out loans 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.

Foreign Exchange Risk

The Company does not have significant exposure to the exchange rate since most of its flows are denominated in Dollars (its functional currency).

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.

Environmental Institutionalism and the Application of Environmental Standards and/or Policies

Operations of Transelec Concesiones are subject to Law N ° 19.300 / 1994 on General Bases of the Environment ("Environmental Law") and its subsequent modifications. The Environmental Law requires that holders of new projects or modifications of high voltage transmission lines and electrical substations submit to the Environmental Impact Assessment System (SEIA) and submit Environmental Impact Assessments (EIA) or Environmental Impact Statements (DIA), as appropriate. These projects must be evaluated and environmentally qualified by the respective Environmental Assessment Commissions, and finally obtain their approval through an environmental qualification resolution. Additionally, the regulation establishes that the project owner may request from the Environmental Assessment Service a ruling on whether a project or its modification must be submitted to the SEIA. These presentations are called letters of relevance to the SEIA.

Notwithstanding that the company complies with the environmental requirements of the Environmental Law, it is not possible to ensure that these presentations (EIA, DIA or Letter of 23 Relevance) before the environmental authority are approved by the government authorities, nor that the possible public opposition will not generate delays or modifications in the proposed projects, nor that the laws and regulations will not change or will be interpreted in a way that could adversely affect the operations and plans of the company, since the new entity, in all its capacity, is underway and in perfection