

# **TRANSELEC CONCESIONES S.A.**

Financial statements for the years  
ended December 31, 2020 and 2019  
and independent auditors' report

## 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.

The logo for Deloitte, written in a blue, cursive script.

March 29, 2021  
Santiago, Chile

*Financial Statements (Audited)*

**TRANSELEC CONCESIONES S.A.**

*Santiago, Chile*

*December 31, 2020 and 2019*

*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.

## INDEX

### FINANCIAL STATEMENTS

CLASSIFIED STATEMENTS OF FINANCIAL POSITION .....	1
STATEMENTS OF COMPREHENSIVE INCOME BY FUNCTION .....	3
STATEMENTS OF CHANGES IN NET EQUITY .....	5
STATEMENT OF CASH FLOWS .....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7
NOTE 1 – GENERAL INFORMATION.....	7
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES .....	8
2.1 Basis of preparation of the financial statements .....	8
2.2 International Financial Reporting Standards .....	9
2.3 Foreign currency transactions .....	15
2.4 Financial reporting by operating segments.....	15
2.5 Property, plant and equipment .....	16
2.6 Intangible assets.....	17
2.7 Impairment of non-financial assets .....	17
2.8 Financial Instruments .....	18
2.9 Inventories .....	22
2.10 Paid-in capital.....	22
2.11 Income tax and deferred taxes .....	23
2.12 Provisions.....	23
2.13 Classification of current and non-current balances.....	24
2.14 Distribution of dividends .....	24
2.15 Revenue recognition in Contracts with Customers .....	24
NOTE 3 - RISK MANAGEMENT POLICY .....	26
3.1 Financial Risk.....	26
3.1.1. Market risk.....	26
3.1.1.1 Interest Risk (continued) .....	26
3.1.2 Sensitivity analysis .....	27
3.1.3 Credit Risk .....	28
NOTE 4 - ESTIMATES AND JUDGMENTS OR CRITICAL CRITERIA USED BY MANAGEMENT .....	29
NOTE 5 - CASH AND CASH EQUIVALENTS .....	30
NOTE 6 - TRADE AND OTHER RECEIVABLES .....	30
NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES .....	31
7.1 Balances and transactions with related companies .....	31
7.1.1 Accounts receivable from related companies .....	31
7.1.2 Accounts payable to related companies .....	31
NOTE 8 – OTHER NON FINANCIAL ASSETS .....	33
NOTE 9 - INTANGIBLE ASSETS OTHER THAN GOODWILL.....	33
NOTE 10 - PROPERTY, PLANT AND EQUIPMENT .....	35
10.1 Detail of items.....	35
10.2 Reconciliation of changes in plant and equipment properties .....	36
10.3 Additional information on property, plant and equipment .....	36
NOTE 11 – DEFERRED TAXES.....	37
11.1 Deferred taxes.....	37
11.1 Detail of deferred tax assets and liabilities .....	37

11.2	Deferred tax movements of the statement of financial position .....	37
	NOTE 12 - TRADE AND OTHER PAYABLES .....	38
	NOTE 13 – OTHER FINANCIAL LIABILITIES .....	38
	NOTE 14 – DERIVATE INSTRUMENTS .....	39
14.1	Hedge assets and liabilities.....	39
14.2	Other information .....	39
14.3	Fair value hierarchies .....	40
	NOTE 15 – FINANCIAL INSTRUMENTS.....	41
15.1	Financial Assets .....	41
15.2	Financial liabilities .....	42
	NOTE 16 – NET EQUITY.....	43
16.1	Subscribed and paid-in capital.....	43
16.2	Number of subscribed and paid-in shares .....	43
16.3	Other reserves.....	43
16.4	Capital management .....	44
	NOTE 17 – REVENUE.....	44
	NOTE 18– RELEVANT INCOME STATEMENT ACCOUNTS.....	45
18.1	Expenses by nature.....	45
18.2	Financial results .....	45
	NOTE 19 – INCOME TAX RESULT.....	46
	NOTE 20 –ENVIROMENT.....	47
	NOTE 21 -LAWSUITS AND CONTINGENCIES .....	47
	NOTE 22 – SUBSEQUENT EVENTS .....	47

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\$
<b>CURRENT ASSETS</b>			
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
<b>Total current assets</b>		<u><b>53,736</b></u>	<u><b>77,115</b></u>
<b>NON-CURRENT ASSETS</b>			
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
<b>Total non-current assets</b>		<u><b>335,543</b></u>	<u><b>298,850</b></u>
<b>Total assets</b>		<u><b>389,279</b></u>	<u><b>375,965</b></u>

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\$
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>28,094</b>	<b>28,888</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	(13-14)	236,713	211,644
Accounts payable to related companies	(7)	154,843	146,501
<b>Total non-current liabilities</b>		<b>391,556</b>	<b>358,145</b>
<b>Total liabilities</b>		<b>419,650</b>	<b>387,033</b>
<b>EQUITY</b>			
Issued capital	(16)	5,000	5,000
Accumulated gains (losses)		7,807	2,924
Other reserves	(16)	(43,178)	(18,992)
<b>Total equity attributable to owners of the Parent</b>		<b>(30,371)</b>	<b>(11,068)</b>
Non- controlling interest			
<b>Total equity</b>		<b>(30,371)</b>	<b>(11,068)</b>
<b>Total equity and liabilities</b>		<b>389,279</b>	<b>375,965</b>

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)
<b>Gross profit</b>		<b>17,675</b>	<b>7,073</b>
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
<b>Profit Before Income Taxes</b>		<b>6,532</b>	<b>1,796</b>
Income tax expense	(19)	(1,649)	(664)
<b>Profit from continuing operations</b>		<b>4,883</b>	<b>1,132</b>
Profit (loss) from discontinued operations		-	-
<b>Profit (Loss)</b>		<b>4,883</b>	<b>1,132</b>
<b>Profit (loss) attributable to:</b>			
Profit attributable to the owners of the parent company		4,883	1,132
<b>Profit (Loss)</b>		<b>4,883</b>	<b>1,132</b>

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

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	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Total Other reserves	Gain (loss) Accumulated	Equity attributable to owners of parent	Total equity
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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		-	-	-	-	4,883	4,883	4,883
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)
<b>Closing balance as of December 31, 2020</b>		<b>5,000</b>	<b>-</b>	<b>(43,178)</b>	<b>(43,178)</b>	<b>7,807</b>	<b>(30,371)</b>	<b>(30,371)</b>

  

		Issued capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Total Other reserves	Gain (loss) Accumulated	Equity attributable to owners of parent	Total equity
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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		-	-	-	-	1,132	1,132	1,132
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)
<b>Closing balance as of December 31, 2019</b>		<b>5,000</b>	<b>-</b>	<b>(18,992)</b>	<b>(18,992)</b>	<b>2,924</b>	<b>(11,068)</b>	<b>(11,068)</b>

**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\$
<b>Cash flows provided by (used in) operating activities</b>			
<b>Classes of receipts from operating activities</b>			
Cash receipts from sales of goods and services		25,820	7,162
Other proceeds from operating activities		35,836	424
<b>Classes of payments</b>			
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)
<b>Cash flows provided by (used in) investing activities</b>			
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)
<b>Cash flows provided by (used in) financing activities</b>			
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
<b>Net increase in Cash and Cash Equivalents, before exchange effect</b>		7,021	12,242
<b>Effect of the variation of the exchange rate</b>		1,227	1,407
<b>Net increase (decrease) in Cash and Cash Equivalents</b>		8,248	13,649
<b>Cash and Cash Equivalents, at the beginning of the year</b>	(5)	16,810	3,161
<b>Cash and Cash Equivalents, at the end of the year</b>	(5)	25,058	16,810

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**NOTE 1 – GENERAL INFORMATION**

Transec 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) Transec 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, Transec 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 Transec 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 transmission facilities. The Company may act directly or through subsidiaries or affiliates, both in Chile and abroad.

The Company is controlled directly by Transec 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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.



TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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:

	<b>New standards, amendments and interpretations</b>	<b>Date of obligatory application</b>
<b>IAS 1 - IAS 8</b>	Definition of Material	January 01, 2020
<b>IFRS 3</b>	Definition of a Business	January 01, 2020
<b>Conceptual Framework</b>	Updating references to the conceptual framework	January 01, 2020
<b>IFRS 9 - IAS 39 - IFRS 7</b>	Interest Rate Benchmark Reform	January 01, 2020
<b>IFRS 16</b>	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:

	<b>New Standards</b>	<b>Date of obligatory application</b>
<b>IFRS 17</b>	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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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
<b>IAS 1</b>	Classification of Liabilities as Current or Non-Current	January 1, 2023
<b>IFRS 3</b>	Reference to the Conceptual Framework	January 1, 2022
<b>IAS 16</b>	Property, Plant and Equipment – Proceeds before Intended Used	January 1, 2022
<b>IAS 37</b>	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
<b>IFRS 1- IFRS 9- IFRS 16 -IAS 41</b>	Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
<b>IFRS 4- IFRS 7 - IFRS 9 - IFRS 16- IAS39</b>	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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

---

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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	
	Minimum	Maximum
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.



**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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) Amortized cost:

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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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%.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.



**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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.

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

**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.

Entry (Currency)	Position		Net income		Position		OCI	
	Long/ (short)	Change (-10%)	Change (+10%)	Change (-10%)	Change (+10%)	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	-	-	-	-	
<b>Total</b>	<b>4,401</b>	<b>(401)</b>	<b>489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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:

<b>Revenues</b>	<b>For the period ended as of December 31, 2020 ThUS\$</b>	<b>For the period ended as of December 31, 2019 ThUS\$</b>
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
<b>Total</b>	<b>22,723</b>	<b>9,562</b>
<b>% Concentration of the main clients</b>	<b>62.14%</b>	<b>76.29%</b>

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**NOTE 5 - CASH AND CASH EQUIVALENTS**

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

Cash and cash equivalents	Balances as at	
	12.31.2020 ThUS\$	12.31.2019 ThUS\$
Cash and banks	25,058	16,810
<b>Total</b>	<b>25,058</b>	<b>16,810</b>

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

Detail of cash and cash equivalents	Currency	Balances as at	
		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
<b>Total</b>		<b>25,058</b>	<b>16,810</b>

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:

Trade receivables	Balances as at	
	12.31.2020 ThUS\$	12.31.2019 ThUS\$
Trade receivables	8,104	4,118
<b>Total Accounts receivable and other receivables</b>	<b>8,104</b>	<b>4,118</b>

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

Maturing in less than 30 days	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
<b>Total</b>	<b>8,104</b>	<b>4,118</b>

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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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:

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

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

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

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	Effect on profits or loss	Amount	Effect on profits or loss
					ThUS\$	ThUS\$	ThUS\$	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.



TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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
<b>Total</b>	<b>20,574</b>	<b>56,187</b>

**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
<b>Total intangible assets identified</b>	<b>25,542</b>	<b>17,386</b>

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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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\$
<b>Opening balance as of 01.01.2020</b>	<b>17,136</b>	<b>250</b>	<b>17,386</b>
Movements in intangible assets			
Additions	8,156	-	8,156
<b>Closing balance of intangible assets as of December 31, 2020</b>	<b>25,292</b>	<b>250</b>	<b>25,542</b>

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

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

**10.1 Detail of items**

	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>Property, plant and equipment, net</b>		
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
<b>Total Property, plant and equipment</b>	<b>295,399</b>	<b>274,159</b>
<b>Property, plant and equipment, gross</b>	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
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
<b>Total Property, plant and equipment</b>	<b>302,942</b>	<b>277,011</b>
<b>Total accumulated depreciation and impairment</b>	<b>12.31.2020</b>	<b>12.31.2019</b>
<b>Property, plant and equipment,</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
Infrastructure constructions and works	(1,715)	(256)
Machinery and equipment	(5,828)	(2,596)
<b>Total accumulated depreciation and impairment of PPE</b>	<b>(7,543)</b>	<b>(2,852)</b>

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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\$
<b>Opening balance 01.01.2020</b>	<b>889</b>	<b>72,698</b>	<b>126,687</b>	<b>73,885</b>	<b>274,159</b>
<b>Movement:</b>					
Additions	-	-	-	25,931	25,931
Depreciation expense	-	(1,459)	(3,232)	-	(4,691)
<b>Closing balance as of December 31, 2020</b>	<b>889</b>	<b>71,239</b>	<b>123,455</b>	<b>99,816</b>	<b>295,399</b>

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

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.

	<b>12.31.2020</b>	<b>12.31.2019</b>
Capitalization rate (annual basis) (%)	3.98%	4.37%
Capitalized interest costs (ThUS\$)	3,752	7,367

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

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

**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\$
<b>Balances as of January 01, 2019</b>	-	<b>2,117</b>
Increase (decrease)	7,305	(2,117)
<b>Balance as of December 31, 2019</b>	<b>7,305</b>	-
Increase (decrease)	7,297	-
<b>Balance as of December 31, 2020</b>	<b>14,602</b>	-

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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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
<b>Total</b>	<b>2,594</b>	<b>16,430</b>

**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
<b>Total Bank loan</b>	<b>161</b>	<b>184,776</b>	<b>-</b>	<b>187,570</b>
Swap contract (note 14)	7,678	51,937	2,149	24,074
<b>Total Banks borrowings</b>	<b>7,678</b>	<b>51,937</b>	<b>2,149</b>	<b>24,074</b>
<b>Total Other Financial Liabilities</b>	<b>7,839</b>	<b>236,713</b>	<b>2,149</b>	<b>211,644</b>

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	Canadá						
KfW IPEX-Bank GmbH	Alemania	Dólares	2,82%	Dic 15, 2036	Half-yearly	184,937	187,570
MUFG Bank Ltd.	Estados Unidos						
<b>Total</b>						<b>184,937</b>	<b>187,570</b>

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

**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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7,678</b>	<b>51,937</b>	<b>-</b>	<b>-</b>	<b>2,149</b>	<b>24,074</b>

**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:

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

  

Financial derivatives	Fair value ThUS\$	Maturity						12.31.2019
		Prior to year 1 ThUS\$	2020 ThUS\$	2021 ThUS\$	2022 ThUS\$	2023 ThUS\$	After ThUS\$	Total 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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

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

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



TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

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	By result	Financial assets at fair value
December 31, 2020	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalent	-	25,058	25,058
Trade and other receivables	8,104	-	8,104
<b>Total</b>	<b>8,104</b>	<b>25,058</b>	<b>33,162</b>

	Financial assets at amortized cost	By result	Financial assets at fair value
December 31, 2019	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalent	-	16,810	16,810
Trade and other receivables	4,118	-	4,118
<b>Total</b>	<b>4,118</b>	<b>16,810</b>	<b>20,928</b>

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

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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	
	ThUS\$	Hedge ThUS\$	ThUS\$	
<b>December 31, 2020</b>				
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	
<b>Total</b>	<b>359,581</b>	<b>59,615</b>	<b>419,196</b>	

	Financial liabilities at amortized cost		Derivative instruments	
	ThUS\$	Hedge ThUS\$	ThUS\$	
<b>December 31, 2019</b>				
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	
<b>Total</b>	<b>360,712</b>	<b>26,223</b>	<b>386,935</b>	

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

---

**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)
<b>Total</b>	<b>(43,178)</b>	<b>(18,992)</b>

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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:

	<b>01.01.2020</b>	<b>01.01.2019</b>
	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Revenues from regulated transmission services	22,723	9,562
<b>Total revenue</b>	<b>22,723</b>	<b>9,562</b>

	<b>01.01.2020</b>	<b>01.01.2019</b>
	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Customers from regulated transmission services	22,723	9,562
<b>Total</b>	<b>22,723</b>	<b>9,562</b>

National System Income	22,723	9,562
<b>Total</b>	<b>22,723</b>	<b>9,562</b>

Transferred services over time	22,723	9,562
<b>Total revenue</b>	<b>22,723</b>	<b>9,562</b>

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

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

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

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements  
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)

**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
<b>Income tax expense (income), total</b>	<b>1,649</b>	<b>664</b>

	01.01.2020 12.31.2020 ThUS\$	01.01.2019 12.31.2019 ThUS\$
<b>Reconciliation of Tax Expense Using the Legal Rate with Tax Expense</b>		
Tax expense using the legal rate	1,764	485
PPE Movement Settings	(115)	179
Opening Balances Adjustment	-	-
<b>Total adjustments to tax expense using the legal rate</b>	<b>(115)</b>	<b>179</b>
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		
<b>Adjustments to tax expense using statutory rate</b>	<b>(1.76%)</b>	<b>9.97%</b>
<b>Effective Tax Rate</b>	<b>25.24%</b>	<b>36.97%</b>

**TRANSELEC CONCESIONES S.A.**

**Notes to the Financial Statements  
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)**

---

**NOTE 20 –ENVIRONMENT**

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.

# **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2020**

## **TRANSELEC CONCESIONES S.A.**

### **EXECUTIVE SUMMARY**

Transec 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 Kapatour (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 Transec 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, Transec 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 MUS\$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.

# RELEVANT FACTS AS OF DEC.31, 2020

## TRANSELEC CONCESIONES

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 the Securities Market, the following essential fact was reported:

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.