1H2019 Results

transelec
Uniendo a Chile con Energía

August, 2019

Executive Summary

9,672KM *
Transmission Lines

18,535MVA*
Transformation Capacity

Serving **98**% *
Chilean population

- Transelec continues to generate stable cash flows and maintains an EBITDA margin above 80% (in June 2019, 86% on a LTM basis).
- As expected, the Company started receiving take or pay revenues from the Zonal system thanks to Decree 6T which sets Zonal tariffs for 2018-19 period.
- The company generated funds from operations (FFO) of CLP243 billion (~ US$352 million), during the LTM ended June 30, 2019.
- By LTM June 2019, Transelec recorded a net income of CLP129 billion (~US$190 million).

(USD figures have been translated with the FX of the end of June 2019 ($679,15), for referential purposes only)

* Figures as of December 31, 2018

Business Update

- Current ratings of the Company are the following:

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

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

- During this first semester, the company incorporated US$20 million of new facilities, which include the commissioning of one national system and one zonal system upgrade projects.
  - ✓ The Company incorporated facilities for US$139.1 million LTM.

- Dividend distributions:
  - ✓ On April 26, a total 2018 dividend distribution was approved for CLP39,887 million, equivalent to the first and second interim dividends paid in June and September of 2018.
  - ✓ On June 18, a 2019 interim dividend of CLP32,875 million was approved.

- As of this year, the Company has adopted IFRS 16, which ceases to classify as operating costs the lease contracts with identifiable underlying assets.
  - ✓ Therefore, these leases are now classified as fixed assets and financial liabilities.
  - ✓ They depreciate over the life spam of the relevant leasing agreement.
  - ✓ Since Transelec does not have many of these leases, the effect is minor.

- National & Zonal System Tariff Processes for period 2020-23:
  - ✓ This is the first tariff process considering 2016 Transmission Law entirely.
  - ✓ The facilities Qualification Report and Useful Life Report are ready. As well as the rate of return has been set (7% after taxes) for this period.
  - ✓ Due to some delays, we estimate the tariffs will be set in 2021.

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Financial Results

CLP billion	1H2019	1H2018	Var.
Revenues	174	143	22%
Ebitda	151	119	27%
Operating Income	122	92	33%
Non-Operating Income	-35	-38	-7%
Tax	-23	-14	67%
Net Income	64	40	60%
Gross Debt	-1.485	-1.454	2%
Net Debt	-1.356	-1.380	-2%
FFO (LTM)	243	180	35%

- For this period, Revenues increased 22%, reaching CLP174 billion (~USD256 million). EBITDA increased 27% compared with the same period last year. The increase was mainly due to Decree 6T publication which establishes zonal tariff for 2018 and 2019, FX and commissioning of new projects.

- Non-Operating Income decreased 7%, reaching CLP-35 billion, mainly because there were higher financial income and a lower inflation effect in the revaluation of the UF bonds in 2019 (compared to 2018) partially compensated by higher interest expense due to higher FX and its effect in USD denominated bonds.

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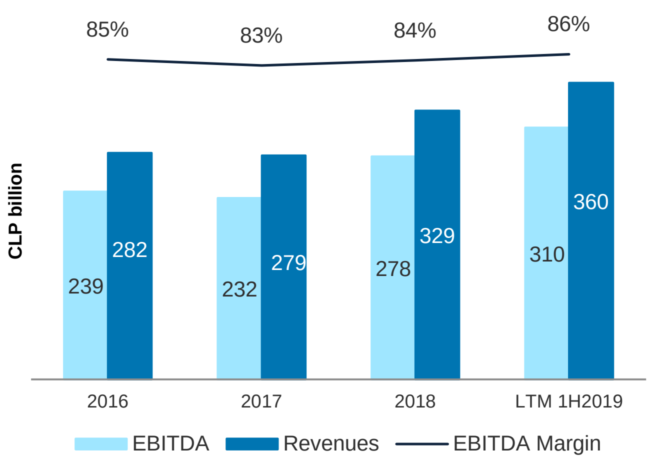
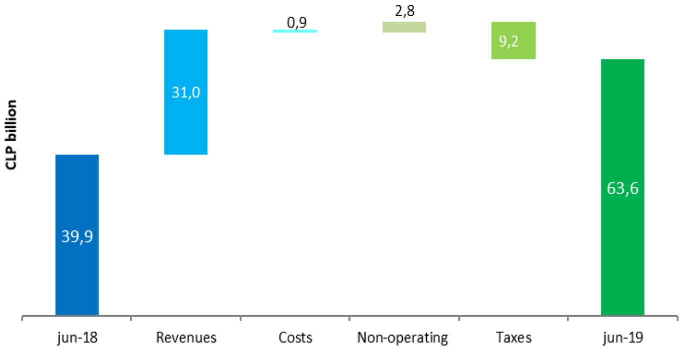
Revenue and Profitability

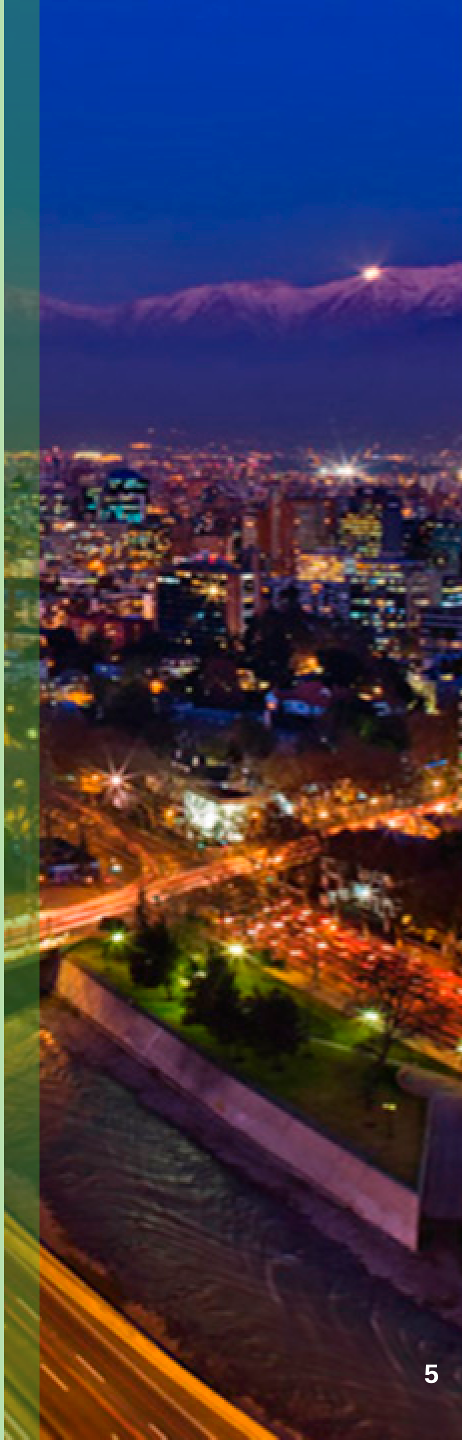
- Transelec's revenues and EBITDA have grown steadily in last years.
- Since 4Q2018, Transelec's revenues have strengthen because 100% of its transmission revenues are take-or-pay, eliminating all volume risk.
- As of June 30th, 2019, Transelec recorded a net income 60% higher than the same period in 2018 mainly due to:
  - ✓ Higher Zonal system revenues according to Decree 6T
  - ✓ Almost flat costs
- The company has historically maintained an EBITDA margin above 80%, driven by a low and stable cost structure mainly comprised of labor and maintenance expenses
  - ✓ In June 2019, EBITDA margin reached 86% on a LTM basis, influenced by Decree 6T

EBITDA[1] and Revenues



Net Income



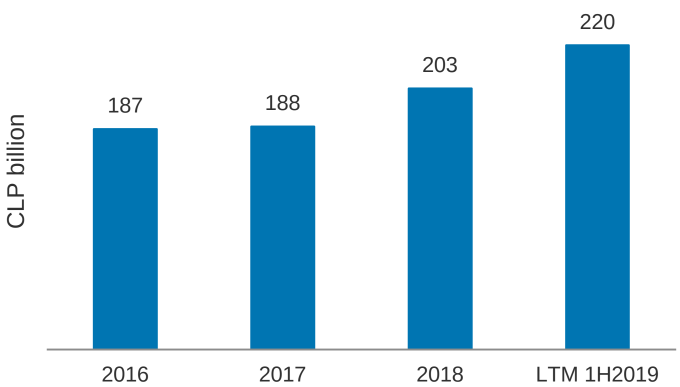


[1] EBITDA: Earnings before taxes, interest, depreciation, amortization, price-level restatement, net and foreign currency translation, net, plus income from leasing

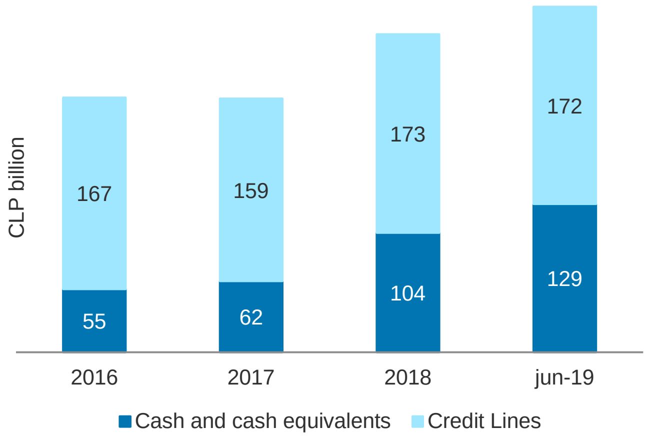
Solid Liquidity Position

- In June 2019, Transelec's liquidity reached CLP301 billion (equiv. USD443 million).
  - ✓ This includes ~ USD250 million available on a 3-year committed revolving credit line completely undrawn (denominated in USD & UF).
- In addition, the company generated during the LTM ended June 30, 2019, CLP243 billion of funds from operations (FFO) and CLP220 billion of cash flow from operations (CFO).
- Furthermore, the Company's bonds have a 6-months DSRA.

Cashflow From Operations



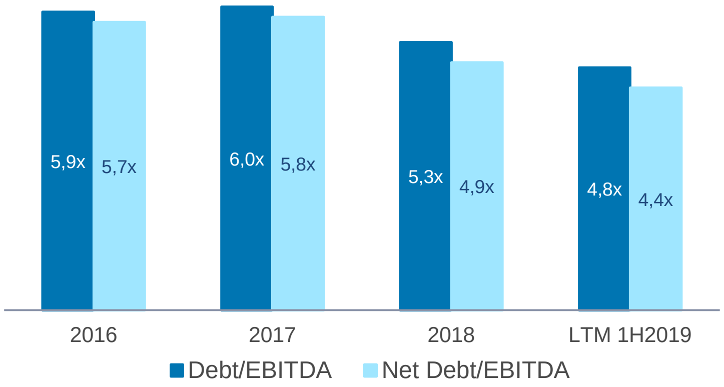
Liquidity



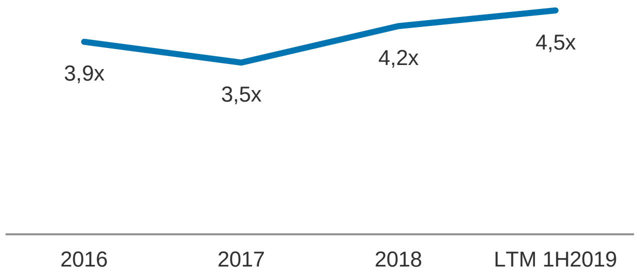
Strong Coverage Ratios

- Transelec's strong coverage metrics are supported by low cost of debt and growing cash flows that have improved through time.
- Debt to EBITDA ratio decreased below the expected limits due to higher Zonal system revenues according Decree 6T for years 2018-19 and a prudent financial policy without increasing debt in last 3 years.
- Transelec is committed to maintaining investment grade credit rating.

Leverage



Interest Expense Coverage



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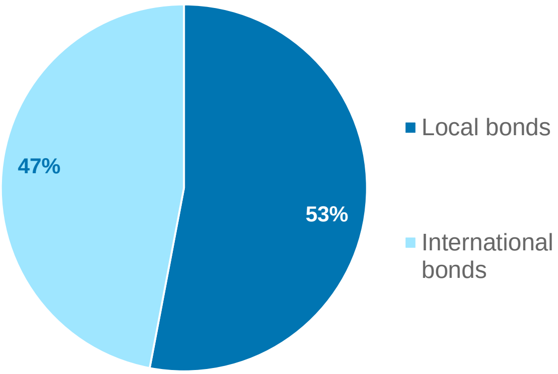
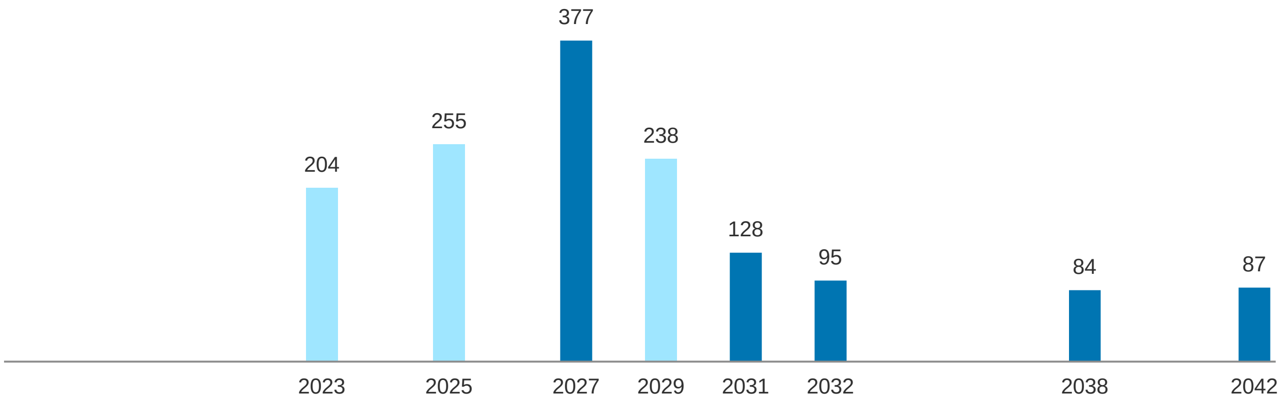
Debt Profile

- Transelec maintains a very manageable debt maturity profile with no debt refinancing in the next years.
- The Company has been able to obtain flexibility and a variety of sources for funding.
- All public debt has fixed rates.
- International bonds are naturally hedged or with capital only swaps.

Debt breakdown by type



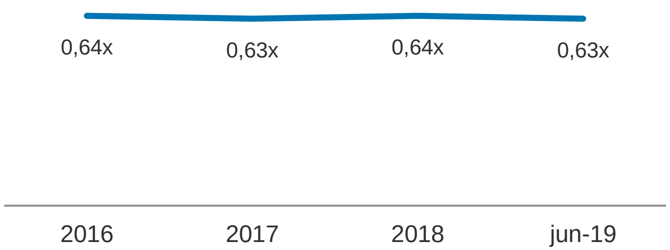
Public debt maturity profile (CLP Billion)



Covenants

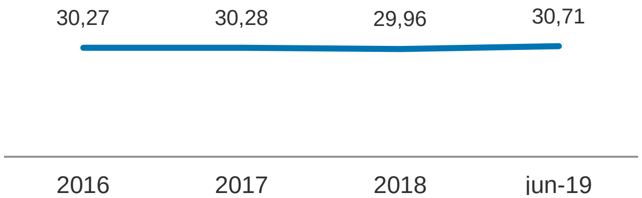
- Transelec's financial covenants (included in the local bond indentures) are balance sheet focused.
- As of June 30, 2019, the company is in full compliance with all debt covenants.

Debt / Capital < 0.7x [1]



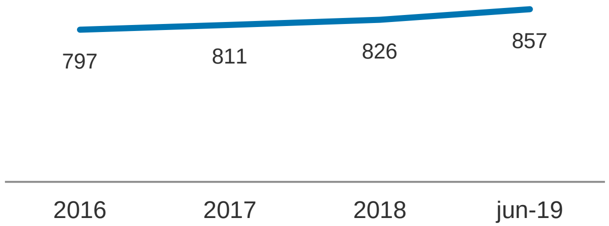
(1) Total Debt /(Total Debt +Interest + Shareholder's Equity + Accumulated amortization of goodwill)

Minimum Equity > UF15 million[2]



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

Minimum Equity > CLP 350 billion [3]



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

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You can find additional information in our web page:
http://www.transelec.cl/investors/?lang=en

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