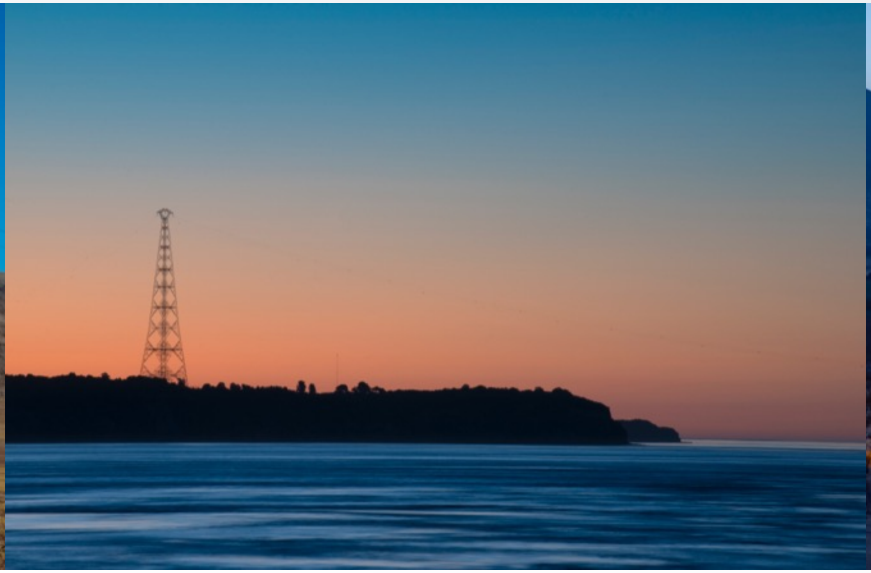
Transelec

2019 Performance



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- Overview
- Operational and Growth Accomplishment
- Regulatory Update
- Financial Update

Overview

Executive Summary

Transelec performed very well in 2019, executing on a number of its operating and financial objectives

- Generated EBITDA and FFO of CLP329 billion (~USD439 million) and CLP251 billion (~USD342 million), respectively, representing a 18% and 5% increase over prior year results

- Maintained an EBITDA margin above 80% (in 2019, 87%)

- Commissioned USD51 million of new projects, while being awarded an aggregate of USD200 million of Transmission Solution projects and obtained additional USD 130 million of zonal projects which increases our capital backlog to USD423 million as of December 31st, 2019

- Ended the year with CLP292 billion (~USD390 million) of liquidity to fund future growth initiatives

- Recorded a net income of CLP141 billion (~USD188 million)

(USD figures have been translated with the FX of the end of December 2019 ($748.74), for referential purposes only)

19.095 MVA

is the total transformation capacity distributed in 61 station.

9.792 Km

of transmission lines, part of the National Electric System of the country, that goes from Arica to the island of Chiloe.

98%

of Chile's population is supplied of energy thanks to the electric infrastructure developed and operated by Transelec.

Business Update

- In 2019, all our international and local ratings were ratified.

- As mentioned before, during 2019, the company incorporated USD51 million of new facilities, which include the commissioning of six national system and one zonal system upgrade projects.

- Dividend distributions for CLP96,218:
  - On July 18, a first 2019 interim dividend of CLP32,875 million was paid.
  - On September 25, a second 2019 interim dividend of CLP30,671 million was paid.
  - On December 16, a third 2019 interim dividend of CLP32,672 million was paid.

- In 2019, the Company has adopted IFRS 16, which ceases to classify as operating costs the lease contracts with identifiable underlying assets, with no significant impact in our P&L.

- According to the transmission law of 2016 as of January 2020, the rate of return on assets should fall from 10% before taxes to 7% after taxes, but because the tariff study to determine the remuneration of the transmission in the period 2020 – 2023 (valuation process) is delayed, the regulator (CNE) through resolution 815, has determined to stabilize the transmission rates until the rate study is complete (estimated within 2021), in order to advance the estimated reduction and not apply rises that are later reversed.

Operational & Growth Accomplishment

Strategic Assets and Operating Performance

- Chile's Transmission System is Critical National Infrastructure.
  - Transmission System accounts for only ~10% of the final customer average bill of energy.

- Transelec is working in digital transformation as an essential pillar to achieve continuous innovation and improvements for the operation and for network maintenance.

- Service quality is one of the Company's strategic pillars, which is the result of:
  - Compliance with highly demanding service quality and safety standards.
  - Transelec management's work to maintain and modernize its assets,
  - Adequate response capacity in the event of network incidents.

- In 2019, Transelec achieved the lowest accident index rate (0.07) of last 10 years thanks to the high compliance in the Occupational Health and Safety Plans and Programs with direct involvement of contractor companies.

Increased Cash Flows through successful execution and commissioning of projects

- Transelec's growth strategy is designed to ensure that the company remains a relevant player in Chile's transmission system.

- Transelec has proved the efficiency of its pricing discipline and its prudent growth vision.
  - Guaranteeing an appropriate rate of return is key for Transelec when participating in bids for new transmission lines.

- In 2019, the company commissioned USD51 million of upgrade projects, where we can mention the following projects:
  - In Q1, Banco Autotransformador 220/154 kV in Tinguiririca substation
  - In Q4, S/E Seccionadora El Laurel 220 kV (former Nueva Valdivia) & Seccionamiento del segundo circuito de la línea Polpaico - Lo Aguirre 2x500 kV en S/E Lo Aguirre 500 kV

- Transelec has a track record of delivering projects safely on time and on schedule.

- Transelec was awarded the development, operation and maintenance of the transmission solution for Quebrada Blanca Phase 2 mining project and for some important NCRE projects, totalizing USD200 million.

Regulatory Update

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National & Zonal Tariff Processes for 2020-23 period

- A new 2020-2023 tariff setting process for the National and Zonal Transmission Systems started in 2018.
  - For the first time and according to New TxL, the rate of return will be set for the 4 years period
  - The rate of return is already set at 7% after tax for 2020-23 period

- The first power transmission facilities Qualification Process took place.
  - The final CNE Facilities Qualification Technical Report was published in April 2019.

- National and Zonal consultants began the tariff studies for each segment.
  - Both consultants have already delivered Reports n° 1 & 2 for revision of the industries stakeholders
  - Final reports of consultants are expected by mid year.

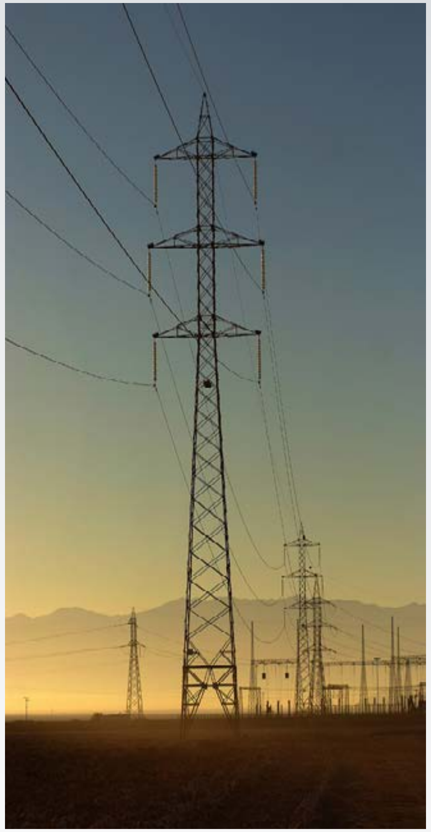
- Overall, the process is delayed, and according to our internal estimations, the final decree should be published by 2H2021, more than one year later than the date when the new tariffs should start to be applied.

Revenues Stabilization

- Since October 2019, in the context of Chilean social unrest, many social demands have been presented looking for a better quality of life and many actions have been taken by the authorities trying to answer those requests.

- During 4Q2019, authorities froze electricity tariffs, stabilizing tariffs from each player in this chain of value:
  - Generation: tariffs were frozen for the end consumer, but the government recognized a debt for the extra revenues not collected.
  - Distribution: since the short law of distribution included already a rate of return decrease, authorities speed up the law approval and enactment.
  - Transmission: authorities published an Exempt Resolution freezing the final consumer tariffs and recognizing a debt to be reassessed when new tariffs will be in full force.

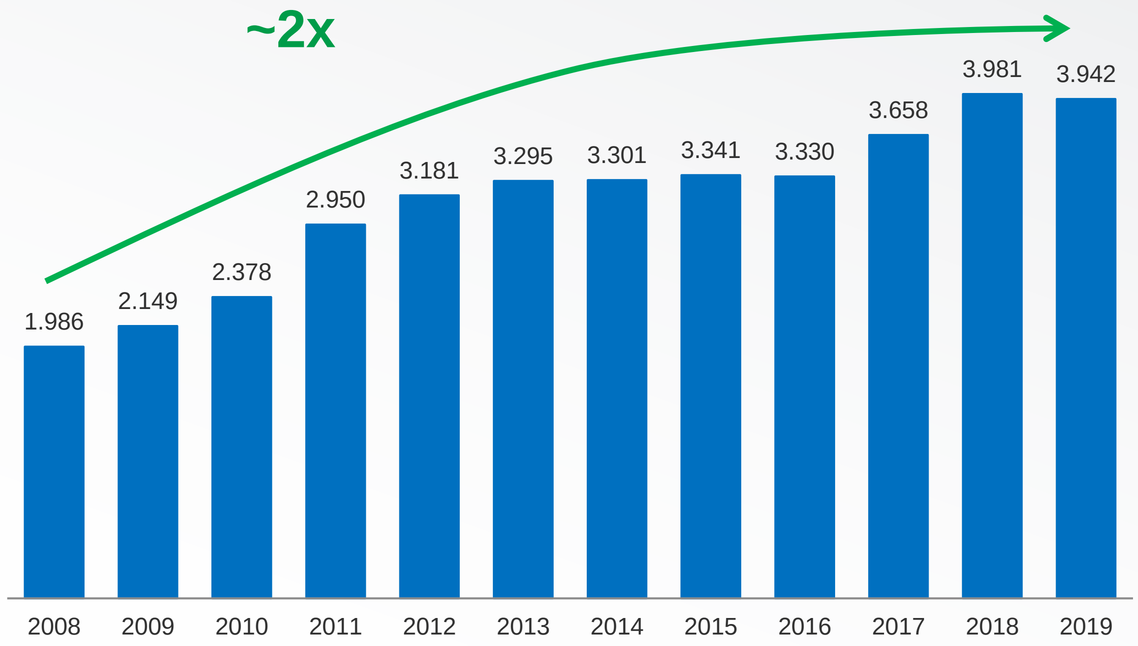
- As a consequence of revenues stabilization, the change of the paying entity of the transmission toll (former generator and future disco), got desynchronized for at least 2 years. Therefore, the Transmission Equivalent Charge (CET) amount will have to be paid in 2020 by transmission companies to generators, and we expect distribution companies will pay back to transmission companies the CET since year 2022 when new regulated tariffs are in place.



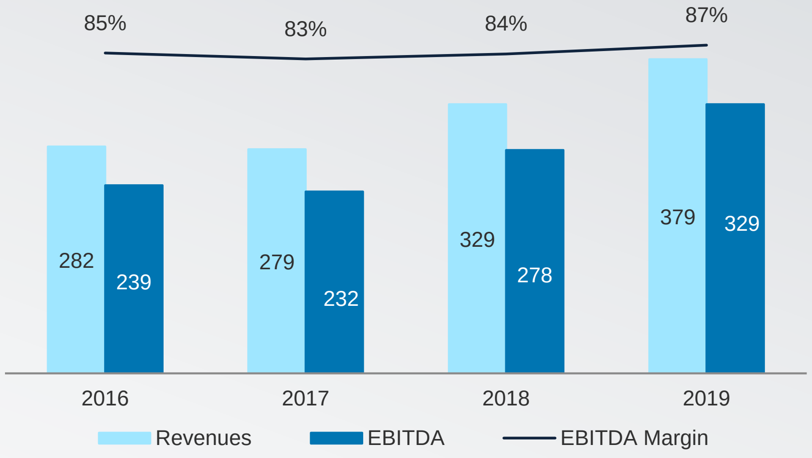
Financial Update

Financial Performance

Total Value of Investment



Revenues/EBITDA



Risk Ratings

International	Rating
Moody’s	Baa1
Fitch- Ratings International	BBB
S&P	BBB

Chile	Rating
Humphrey’s	AA
Feller-Rate	AA-
Fitch- Ratings Chile	AA-

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Financial Results

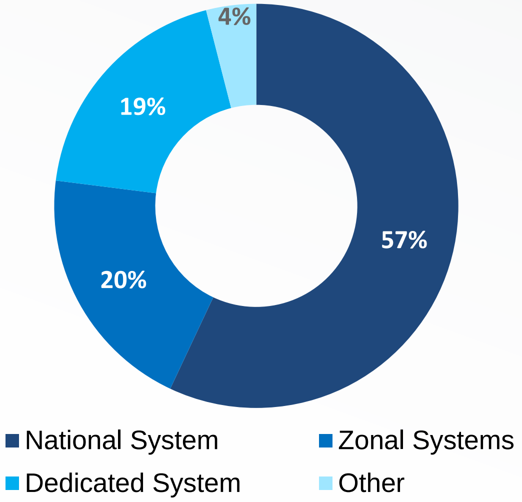
CLP billion	2019	2018	Var.
Revenues	379	329	15%
Ebitda	329	278	18%
Operating Income	267	221	21%
Non-Operating Income	-76	-77	-2%
Tax	-51	-38	36%
Net Income	141	105	33%
Gross Debt	-1.559	-1.475	6%
Net Debt	-1.450	-1.371	6%
FFO (LTM)	256	239	7%

- During 2019, Revenues increased 15%, reaching CLP379 billion (~MUSD 506). EBITDA increased 18% compared with last year.
  - The increase in tolls was due to macroeconomic effects, new revenues from projects commissioned and the recognition of regulated revenues of dedicated assets from 2018.
  - Additionally, revenues from services rendered increased due to an extraordinary intercompany service provided (also recognized as costs).
- The Company successfully maintained costs and expenses controlled, with a slight increase mainly due to depreciation.
- EBITDA margin increases in this period, above 85%.
- Non-Operating Income decreased 2%, reaching CLP-76 billion, mainly due to higher financial income.

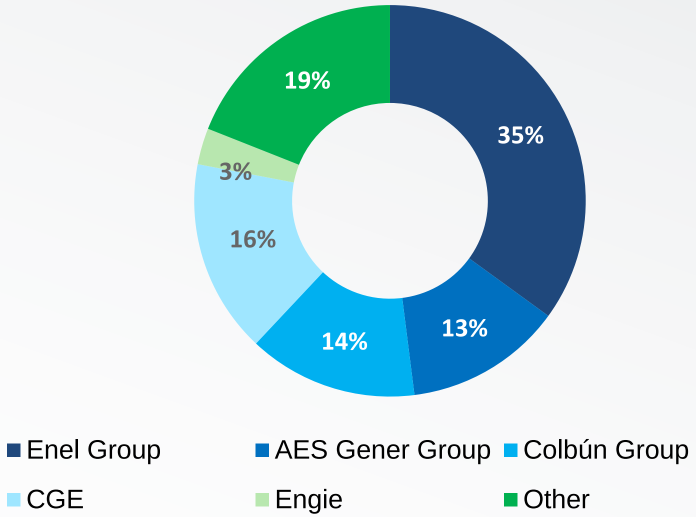
Low business risk profile

- Stable sources of revenues
  - Regulated revenues: from National system and Zonal systems
  - Contractual revenues: from bilateral contracts which include, mainly, Dedicated Systems’ assets
- All of Transelec transmission revenues are ‘take or pay’
- Stability of flows
  - Regulated revenues (73% of total revenues) are established by law, providing a high level of certainty.
  - Currently Strong counterparties, with 78% of revenue from 4 of the largest energy generation companies in Chile.

Revenue by Type



Revenue by Client



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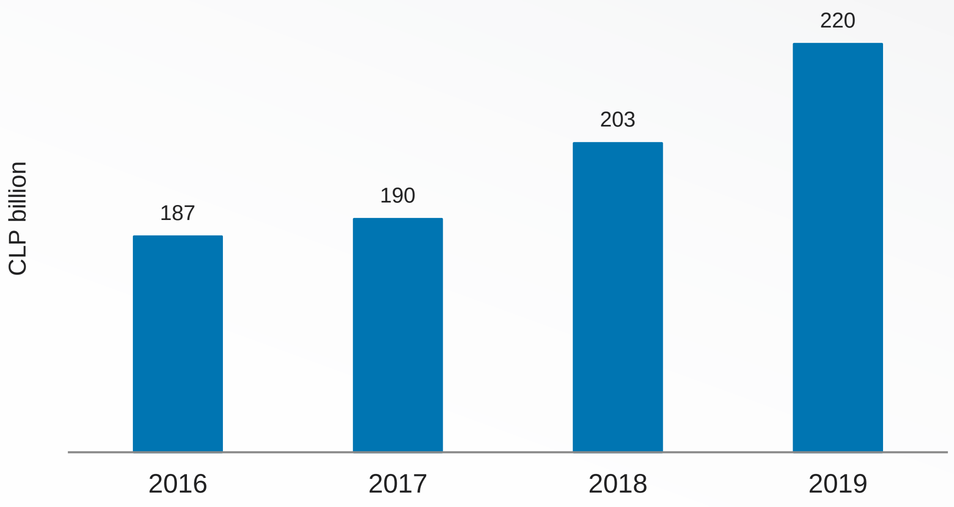
Financial Strength

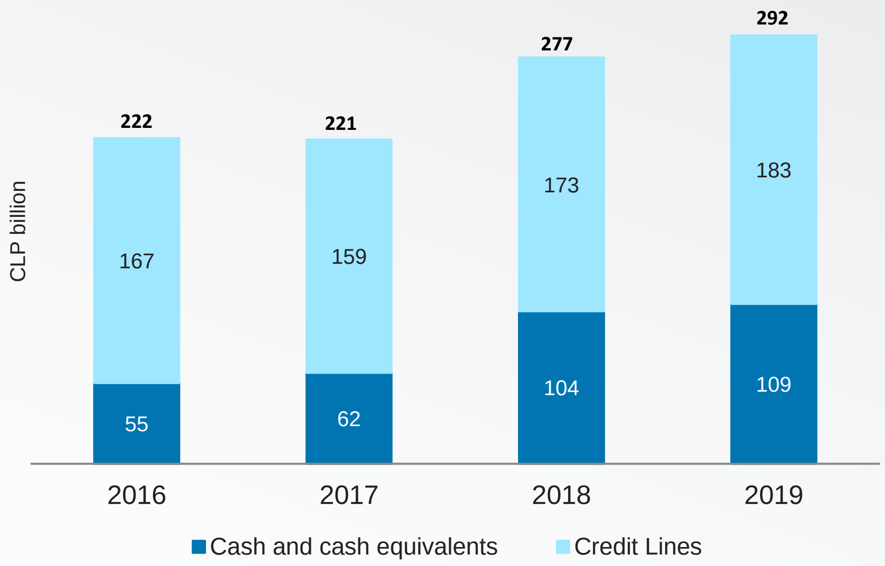
- Transelec's liquidity amounted to CLP292 billion (~USD390 million), supported by strong cash flow from operations in 2019
  - This includes ~ USD245 million available on 3-year committed revolving credit lines completely undrawn (denominated in USD & UF).
  - Furthermore, the Company's bonds have a 6-month DSRA.

- In the short term, cash flows are expected to remain stable due to revenue stabilization determined by the end of 2019.
  - Since the new rate of return will be applied in regulated tariffs for 2020-23, we expect a decrease in cash flows when the tariff decree will be published.

Cashflow From Operations



Liquidity



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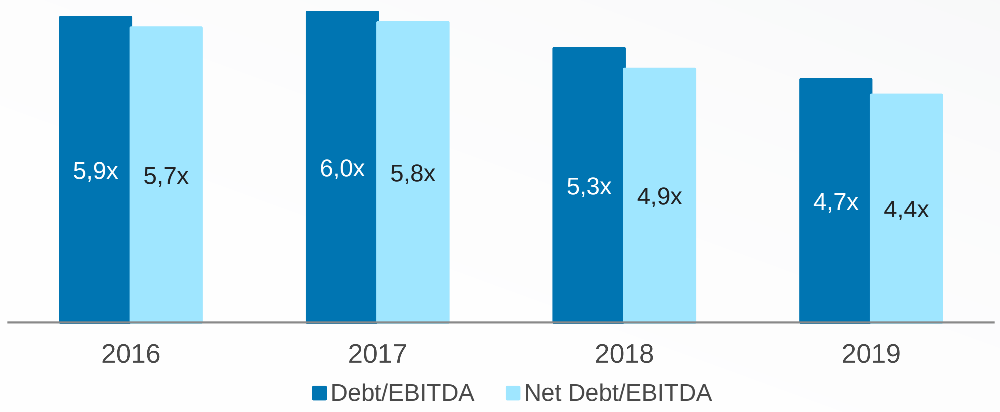
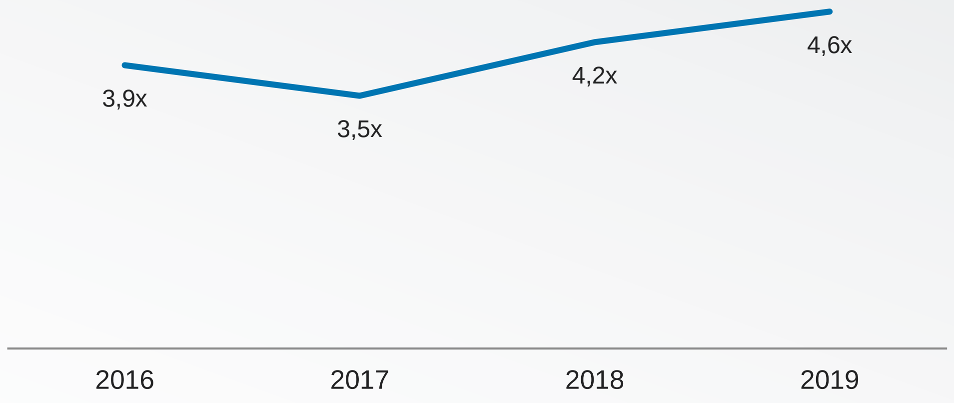
Strong Coverage Ratios

- Transelec's strong coverage metrics are supported by low cost of debt and growing cash flows.
- Debt to EBITDA has ended 2019 below the company's objective. Transelec will maintain this ratio within the limits the Company has defined (6.0x -6.5x) in the long term.
- Interest Expense coverage had increased. We expect to maintain it in adequate levels.
- Transelec is committed to maintaining investment grade credit rating.

Leverage



Interest Expense Coverage



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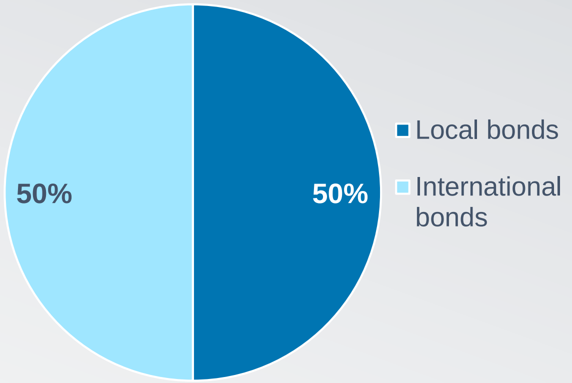
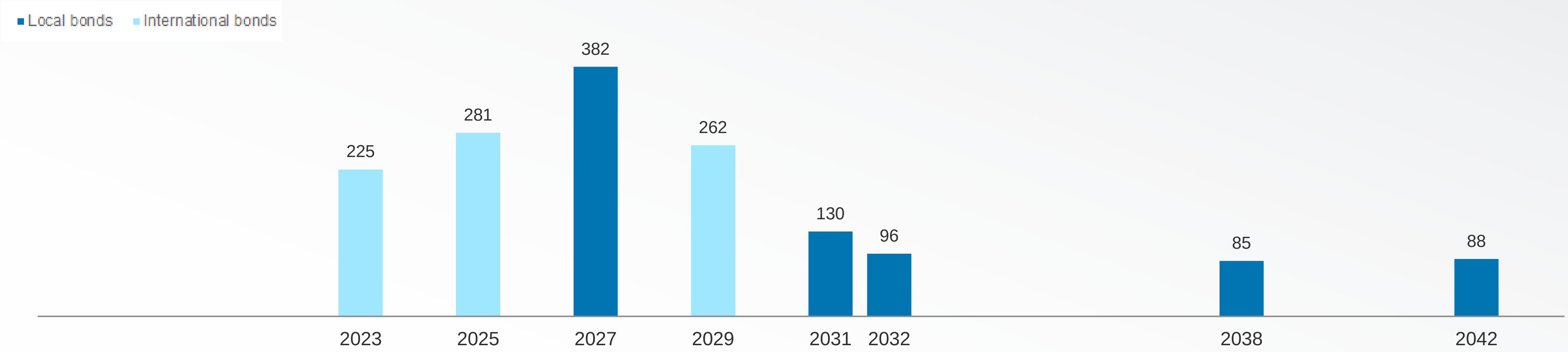
Debt Profile

- Transelec maintains a very manageable public debt maturity profile with no 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.
- Transelec balance sheet is fully hedged.

Public Debt breakdown by type



Public debt maturity profile (CLP billion)



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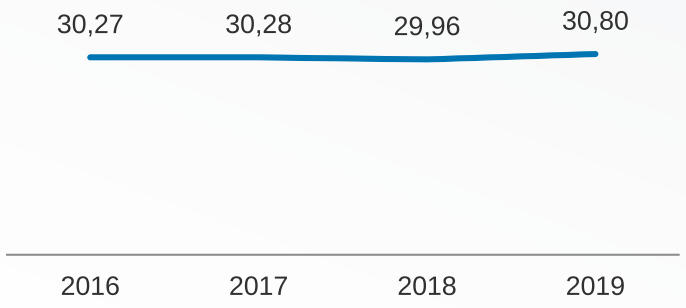
Covenants

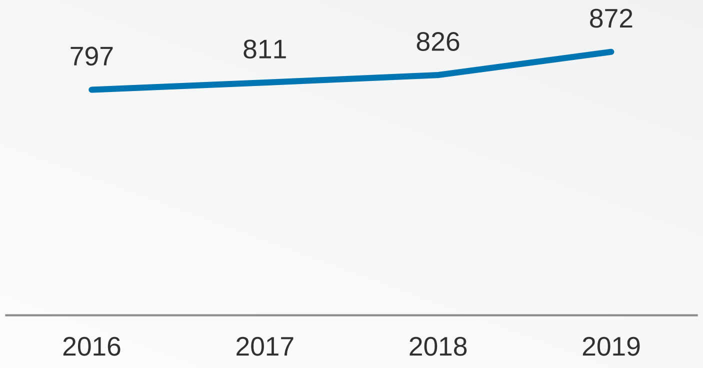
As of December 31st, 2019, the company is in full compliance with all debt covenants (included in the local bond indentures).

Minimum Equity > UF15 million (1)



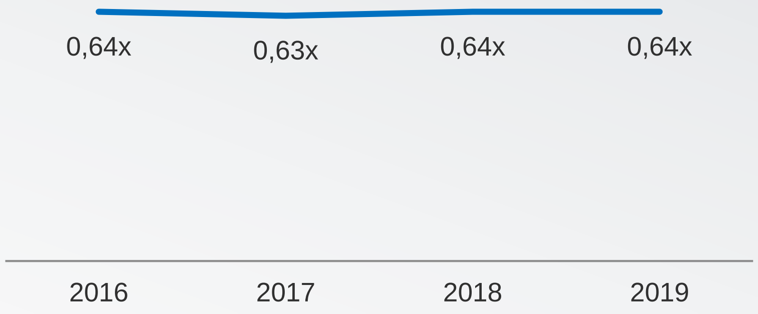
(1) Equity attributable to the owners + Accumulated amortization of goodwill

Minimum Equity > CLP 350 billion (2)(3)



(2) Equity attributable to the owners + Accumulated amortization of goodwill
(3) This metric replaced 'UF' Minimum Equity in series Q bonds (last local issuance).

Debt / Capital < 0.7x (4)



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

Contact Information

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You can find additional information in our web page:
www.transelec.cl

Transelec, 2019 Performance

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