transelec

Uniendo a Chile con Energía®

3Q2020 Results

November 2020

Executive Summary

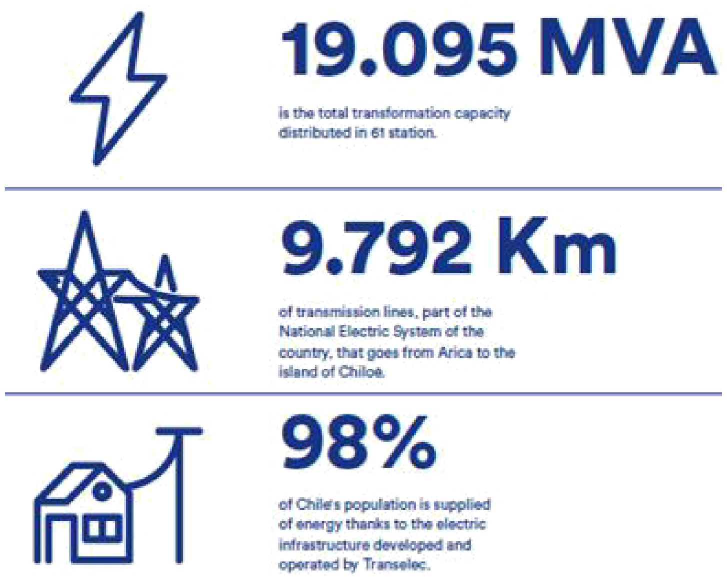
- Financial results reflect the strength of Transelec’s revenue streams and rate base
  - Generated EBITDA of CLP 309 billion (~USD392 million) as of LTM September 30th, 2020.
  - Maintains an EBITDA margin above 80% (in LTM September 2020, 85%).

- The company generated funds from operations (FFO) of CLP247 billion, (~ USD 304 million) during LTM September 2020.

- By LTM September 2020, Transelec recorded a net income of CLP125 billion (~USD 158 million).

- Reaffirming the solid financial performance of the Company, during this period, Fitch reaffirmed our current international rating (BBB) and local rating (AA-), Moody’s reaffirmed our international rating (Baa1) as well as S&P (BBB). Additionally, Humphreys reaffirmed our local rating (AA).

- Considering the health crisis (Covid-19) started in March 2020, Transelec drew from its committed credit line, as a preventive measure, an amount of MUSD100 to strengthen, even more, our liquidity position.
  - Transelec doesn’t foresee major effects in the company coming from the health crisis.



(USD figures have been translated with the FX of the end of September 2020 ($788.15), for referential purposes only)

Business Update

- 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 study is complete (estimated within 2021), in order to advance the estimated reduction and not apply rises that are later reversed (to not increase final consumer bill in 2020, given social unrest).

- In January 2020, the Superintendency of Electricity and Fuels (SEC) issued a USD4.8 million fine to Transelec for a failure that left Arica zone without electricity for 21 hours in 2018. Transelec filed releases and an administrative complaint (still pending resolution).

- In February 2020, the Company was awarded with USD60 million of National and Zonal expansion projects.

- The company incorporated USD47 million of new facilities of the national system during 2020.

- Transelec distributed 100% of 2019 Individual Net Income as dividends amounting CLP140 billion (~ MUSD165).
  - Until September 2020, Board of Directors prudently decided not to distribute nor the 1st neither the 2nd interim dividend for 2020 considering the health crisis that the country and the world are facing. The distribution could be resumed once the crisis declines.

- 2016 Transmission Law determined that the final client is responsible for transmission service payment. Due to transitory norms, Transelec had to return to GenCos (CET) a total amount of CLP87,000 million in June 2020. This same amount should have been paid in 2020 by the final client to Transelec, but due to the stabilization, part of this payment is postponed.

Financial Results

- As of September 30th, 2020, revenues decreased 5% when compared with the same period of previous year, reaching CLP 254 billion (~USD 463 million).
  - Given the delay in the 2020-2023 tariff study, revenues in 2020 are recognized according to the decrees in force by the end of 2019.
  - Considering the best information available, the Company has estimated the new tariffs impact and has registered a provision of less income.
  - This provision is partially offset by macroeconomics (higher FX) and commissioning of projects.

- EBITDA decreased 9% compared with the same period last year. The decrease was mainly due to lower revenues. EBITDA margin reaches 85% in this period . This margin is expected to return to the long term average of ~80%, once the company recognizes new tariffs for the full year.

- Non-Operating Income increased 7%, reaching CLP -58 billion, mainly because financial costs increased due to higher exchange rate.

CLP billion	sept-20	sept-19	Var.
Revenues	254	267	-5%
Ebitda	211	230	-9%
Operating Income	169	186	-9%
Non-Operating Income	-58	-55	7%
Tax	-30	-35	-14%
Net Income	80	96	-17%
Gross Debt	-1.685	-1.524	11%
Net Debt	-1.554	-1.408	10%
FFO (LTM)	247	256	-4%

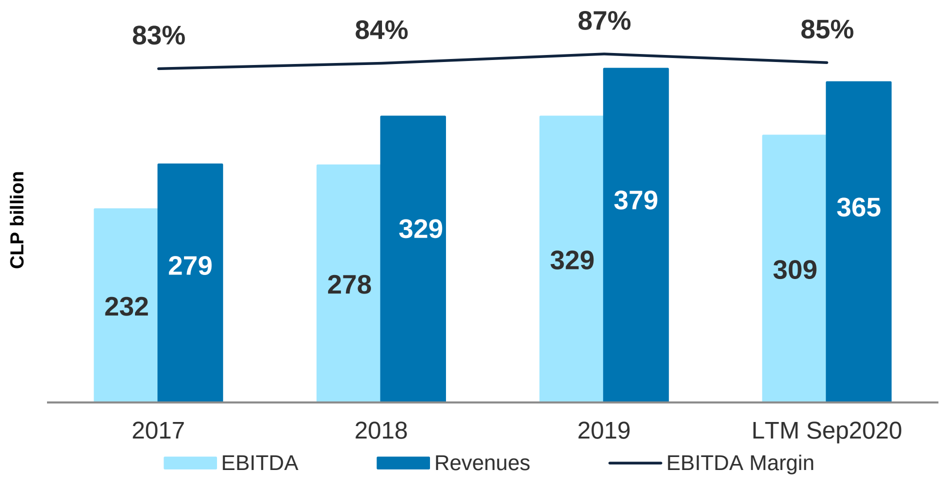
Revenue and Profitability

- Transelec's revenues and EBITDA have grown steadily in last years.
  - As of September 30th, 2020, the Company still recognized revenues according to decrees in force by the end of 2019.
  - Once the new 2020-2023 tariff is recognized, revenues and Ebitda will decrease according to the parameters set in the tariff study.
  - Nevertheless, the Company registered a provision for lower revenues related to our best estimate of the new tariffs.

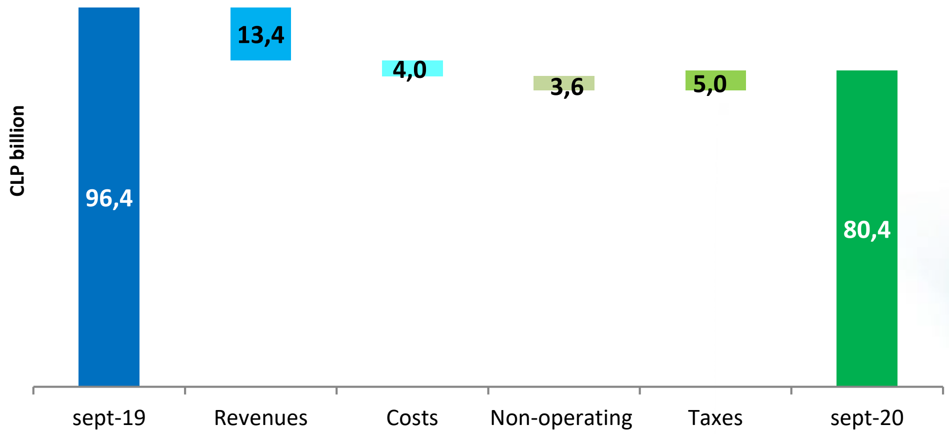
- As of September 30th, 2020, Transelec recorded a net income lower than the same period in 2019 mainly due to:
  - Lower revenues, and higher financial costs.

- The company has historically maintained an EBITDA margin around 80%, driven by a low and stable cost structure mainly comprised of labor and maintenance expenses
  - In September 2020, EBITDA margin reached 85% on a LTM basis.

EBITDA[1] and Revenues



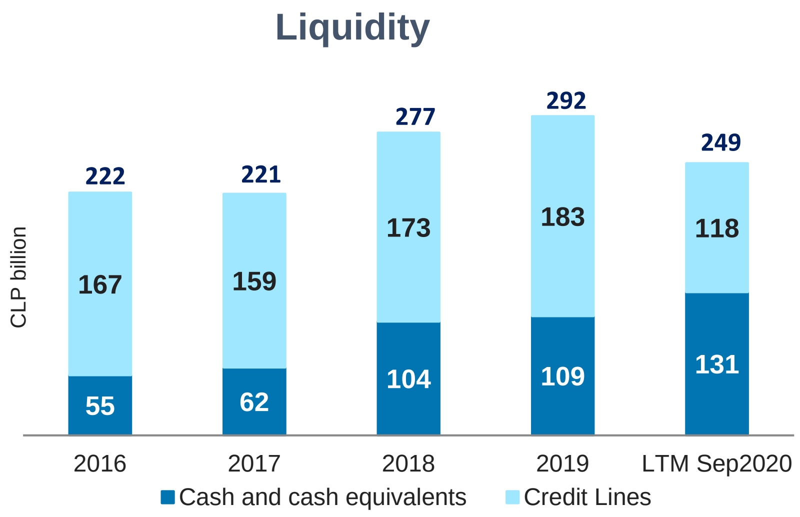
Net Income

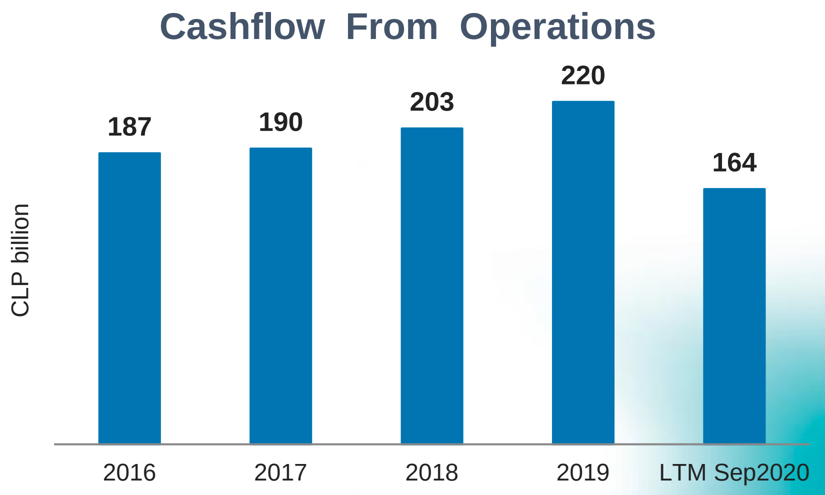


[1] EBITDA: Earnings before taxes, interest, depreciation, amortization, price-level restatement, net and foreign currency translation, net, plus income from leasing

Financial Strength

- Transelec's liquidity is strong, reaching CLP 249 billion (USD316 million) in September 2020.
  - Prudently, the Company drew USD100 million from the committed revolving credit line (RCF) to face comfortably any contingency arising from the health crisis in the country.
  - Additionally, there is still USD150 million available on the RCF (denominated in USD).
  - The credit line was renewed for 1 year in July 2020 for USD 250m (USD 100m already drawn).
  - Furthermore, the Company's bonds have a 6-month DSRA.
- As of September 30th, 2020, cash flows decreased mainly due to the CET payment to GenCos (CLP 87 billion) and also due to the Tariff stabilization.
  - Due to transitory norms, Transelec had to return to GenCos the CET payment in June 2020. This same amount should have been paid in 2020 by the final client to Transelec.
  - Free clients are paying part of the CET since 2H20 but the payment corresponding to the regulated clients is postponed due to the Tariff stabilization.
- In September, the Company has an important level of cash on hands.
  - Own cash generation
  - Deferred dividends
  - RCF draw.

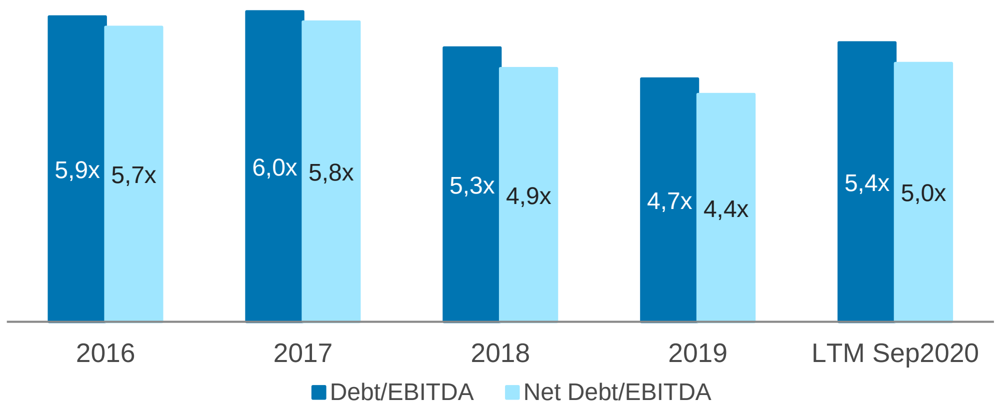




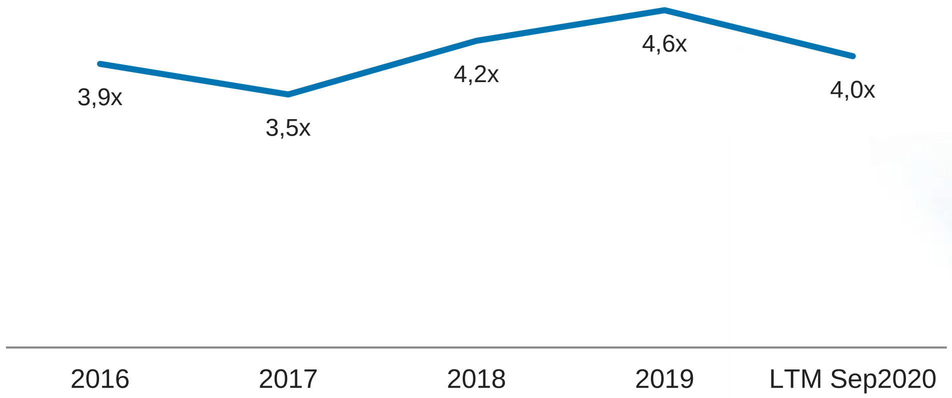
Strong Coverage Ratios

- Transelec's strong coverage metrics are supported by low cost of debt and growing cash flows.
- Debt to EBITDA ratio is currently below the expected target of 6.5x, due to increased revenues in last years, without increases in long term debt.
  - Nevertheless, this ratio presented a slight increase since December 2019, due to the RCF draw in March 2020.
  - Additionally, this ratio increased because of the provision for lower revenues during this period.
- Interest Expense coverage has remained above 3.5x. We expect to maintain it in adequate levels.
- Transelec is committed to maintaining investment grade credit rating.

Leverage



Interest Coverage*

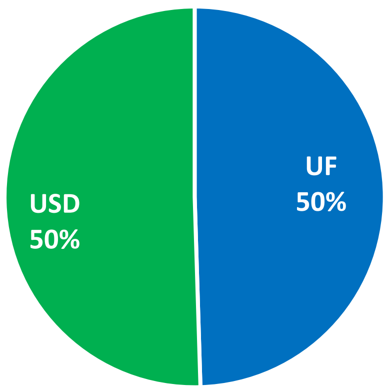


* EBITDA/Interest Paid.

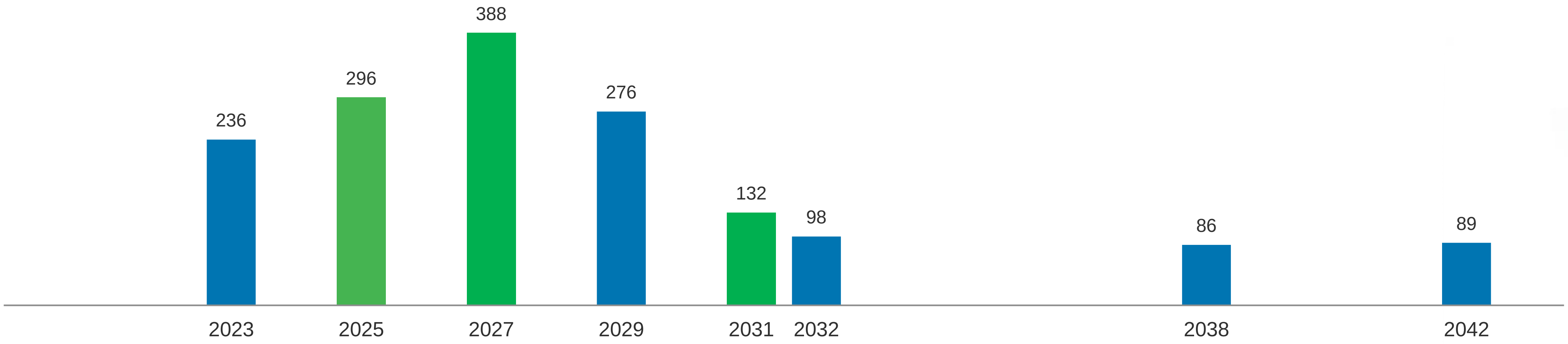
Public Debt Profile

- 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



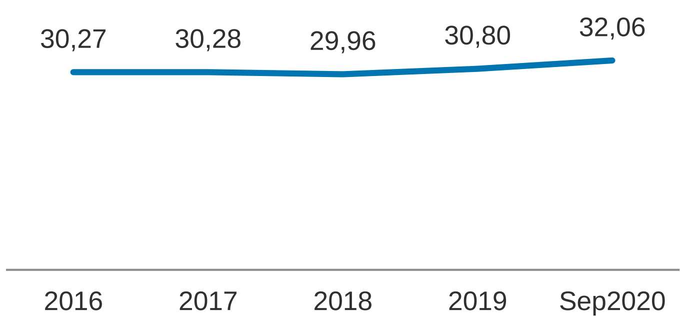
Public debt maturity profile (CLP billion)



Covenants

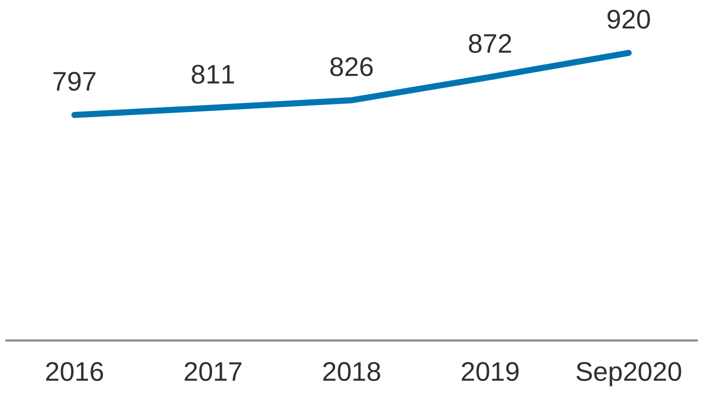
- As of September 30th, 2020, the company is in full compliance with all debt covenants.

Minimum Equity > UF15 million (1)



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

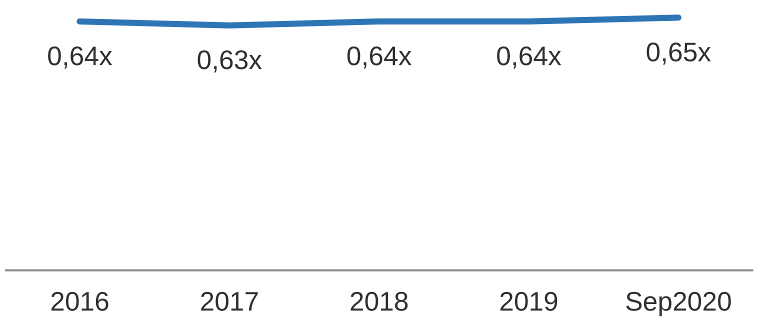
Minimum Equity > CLP 350 billion (2)(3)



(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:
https://www.transelec.cl/home-en/

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