2020 Performance

March 2021

Index

Overview

Executive Summary

transelec
Uniendo a Chile con Energía®

- Financial results reflect the strength of Transelec's revenue streams and rate base
  - Generated EBITDA of CLP 276 billion (~USD388 million) as of December 31st, 2020.
  - Maintains an EBITDA margin above 80% (in 2020, 83%).
- The Company registered a provision for lower revenues in 2020, corresponding to the best estimation we have for 2020-2023 regulated tariffs (currently being determined).
- The Company generated funds from operations (FFO) of CLP210 billion, (~ USD 337 million) during 2020.
- By December 2020, Transelec recorded a net income of CLP96 billion (~USD 135 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) as well as Feller Rate (AA-).
- Ended the year with CLP284 billion (~USD399 million) of liquidity to fund future growth initiatives
- Health crisis (Covid-19) started in March 2020. Transelec didn't face and doesn't foresee major effects coming from the health crisis.

9,857 Km

of transmission lines, part of the National Electric System of the country, from Arica to the island of Chiloé.

98%

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

19,136 MVA

total transformation capacity distributed in 63 station.

(USD figures have been translated with the FX of the end of December 2020 ($710.95), 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 USD52 million of new facilities of the national and zonal system during 2020.

- Transelec distributed 100% of 2019 Individual Net Income as dividends amounting CLP140 billion (~ MUSD165), ~CLP44 billion were paid in 2020 as final 2019 dividend and the rest was paid during 2019 as interim dividends.
  - Until December 2020, Board of Directors prudently decided not to distribute any interim dividend for 2020 considering the health crisis that the country and the world are facing. The cash generated during 2020, can be distributed at any time in 2021 or later.

- 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.
  - During the 2020, the Company has already received a partial payment from free clients.

Pandemia Faced in Chile & in the Company

COVID-19 Pandemic in Chile

Health situation

- The virus was confirmed to have reached Chile in March 2020. Currently, there is a considerable COVID-19 outbreak in Chile.
  - The country has reached more than 950,000 confirmed cases, mainly concentrated in Santiago and a couple of other regions.
- No national lockdown has been established in Chile, as in neighboring Argentina and Peru, but only a method of strategic and dynamic quarantine was established.
  - Currently, there are several regions of Chile in lockdown, in consequence almost 14 million people in the country is under confinement.
- With more than 6 million people having received at least one shot of the vaccine, Chile is now near the top among countries at vaccinating its population against the virus.

Economic measures applied by the government

- During 2020, Government applied 2 packages of economic measures for a total amount of MUSD16,700 that aim to address the following concepts:
  - Strengthen the Health System Budget
  - Protect the income of Chilean families ("Covid-19" Law, Employment protection law, bonus, solidarity funds)
  - Protect the jobs and the companies that generate them (Tax measures, acceleration of state payments, capitalization Banco Estado)
  - Income Protection Fund for the Most Vulnerable People (Emergency income, cash given to Municipalities)
  - Covid-19 Line of Credit with state guarantees of up to 85%
- By June 2020, government approved with the congress a new package amounting MUSD12,000 for social & economic measures in the next 24 months to protect families, workers and boost the deteriorated post- pandemia economy.
  - In March 2021, Government announced a new package of MUSD6,000 for additional social and economic measures.
- New laws have been approved to allow people to withdraw, twice, 10% of their pension funds.

COVID-19 Pandemic in Transelec

Transelec in times of pandemic

- Home office work modality has been implemented for all personnel who can carry out their work remotely (60% of the endowment).
- CNOT (National Operations Center) has fulfilled extraordinary measures to guarantee operational continuity.
- Regarding maintenance activities, Transelec S.A. is prioritizing those activities necessary for the operational continuity of the facilities.
- Project development has faced some delays due to restrictions to transport workers, together with slower permits and RoW procurement.

Effect on our revenues

- A bill of law was approved to establish payment delay for certain basic services, including electrical services.
  - Later on, a second bill of law was approved to extend in time previous law considering the pandemic continues.
- Transelec does not foresee material effects in revenue due to the law of basic services.
- The decrease in the Demand of energy will differ some revenues in time but it is not material.

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 2020, actions taken quickly and processes implemented allowed managing the emerging risk with no cases of work-related COVID-19 infection reported.

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 2020, the Company commissioned USD52 million of projects, where we can mention the following projects:
  - In Q2, S/E Seccionadora Frontera 220 kV (former S/E Quillagua)
  - In Q3, new S/E Malleco 220 Kv
- Additionally, we acquired San Luis – Quinteros transmission line from Enel in Q4.
- Transelec has a track record of delivering projects safely on time and on schedule.
- In 2020 Transelec was awarded the development, operation and maintenance of transmission projects totalizing over USD200 million.

Regulatory Update

New Tariff Cycle (2020-23): National & Zonal System Tariff Processes

- A new 2020-2023 tariff setting process for the National and Zonal Transmission Systems started in 2018.
  - For the first time and according to 2016 law, the rate of return was set for the 4 years period (2020-23) at 7% after tax
  - In 2018, Useful Life Report for 2020-2023, 2024-2027 & 2028-2031 tariff studies was approved.
  - The first power transmission facilities Qualification Process was approved in April 2019.

- National tariff consultants and zonal tariff consultant have presented their final reports which have already been reviewed through a public audience.
  - These reports are now being reviewed by the CNE.

- Overall, the process is delayed, and according to our internal estimations, the final decree should be published in the second semester of 2021, more than one year later than the date where the new tariffs should have been applied.

- According to the law, Transmission Companies will continue receiving revenues according to previous tariff cycle until the new tariff decree is published.
  - Nonetheless, the Company registered a provision of lower revenues during 2020 to show in advance the potential decrease in tariff due mainly to a lower rate of return.

CET : Payment and Collection

- 2016 Transmission Law established that all revenues will be collected from final consumer and CET (Cargo Equivalente de Transmisión) for each PPA should be determined.

- Due to delays on determining the CET (Cargo Equivalente de Transmisión) for each PPA to be renegotiated and discoordination, in 2019 Transmission Companies received payments related to CET from GenCos.

- In June 2020, Transelec paid MCLP87,000 (CET+VAT+interests) to GenCos, but due to the tariff stabilization, the payment from DistCos to Transmission Companies is delayed.

- On June 26, CNE published CU (single charge) of transmission for 2H2020, where it continues considering tariff stabilization (as in 1H2020), but also includes an Exemption Fee for the collection of the CET:
  - Final free clients started to pay this fee in 2H2020,
  - Final regulated clients will have to pay this fee once tariff stabilization finalizes (expected in 2022).

- Until December, Transelec has received some installments from free clients associated to CET collection.

Financial Update

Financial Results

- In 2020, revenues decreased 12% when compared with previous year, reaching CLP 333 billion (~USD 469 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, but considering the best information available, the Company has estimated the new tariffs impact and has registered a provision of lower income.
  - The decrease in revenues due to this provision is partially offset by commissioning of projects and macroeconomics (higher FX).

- EBITDA decreased 16% compared with last year. The decrease was mainly due to lower revenues. EBITDA margin reaches 83% in this period . This margin is returning to the long term average of ~80%, considering the provision for lower revenues that the Company did to recognize new tariffs for the full year.

- Non-Operating Income increased 11%, reaching CLP -84 billion, mainly because financial costs increased due to higher exchange rate and local CPI. Additionally, this increase is due to the interests paid for the withdrawal of the revolving credit facility from March until December 2020.

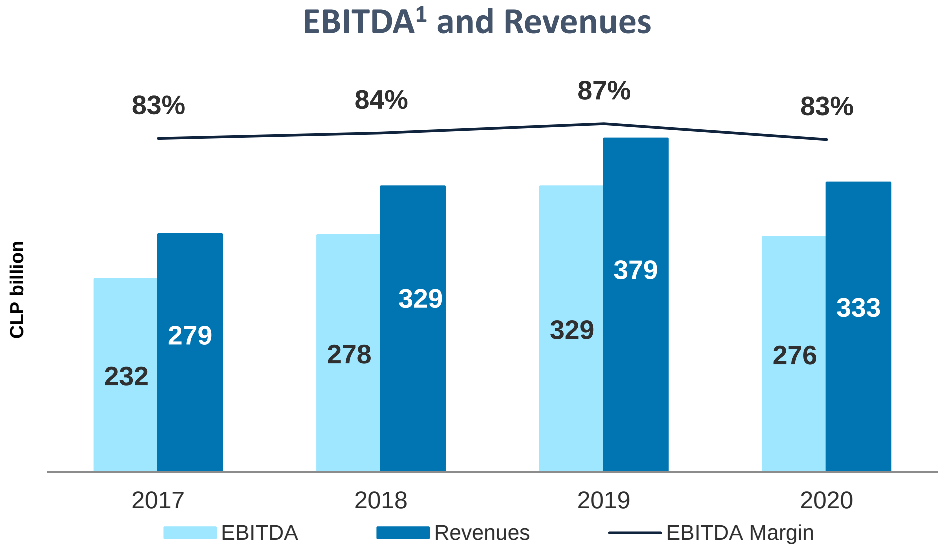
CLP billion	2020	2019	Var.
Revenues	333	379	-12%
Ebitda	276	329	-16%
Operating Income	216	267	-19%
Non-Operating Income	-84	-76	11%
Tax	-36	-51	-30%
Net Income	96	141	-32%
Gross Debt	-1.542	-1.559	-1%
Net Debt	-1.436	-1.450	-1%
FFO (LTM)	210	251	-16%

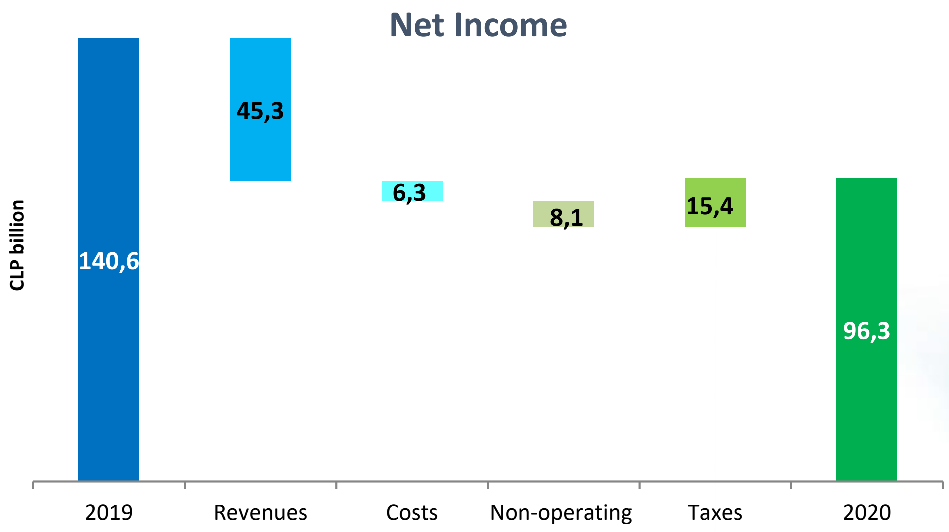
Revenue and Profitability

- Transelec's revenues and EBITDA have grown steadily in last years. Nonetheless, we can see a decrease during 2020 due to:
  - In 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, during 2020 the Company registered a provision for lower revenues related to our best estimate of the new tariffs.

- In 2020, Transelec recorded a net income lower than in 2019 mainly due to:
  - Lower revenues, and higher 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 2020, EBITDA margin reached 83% on a LTM basis.

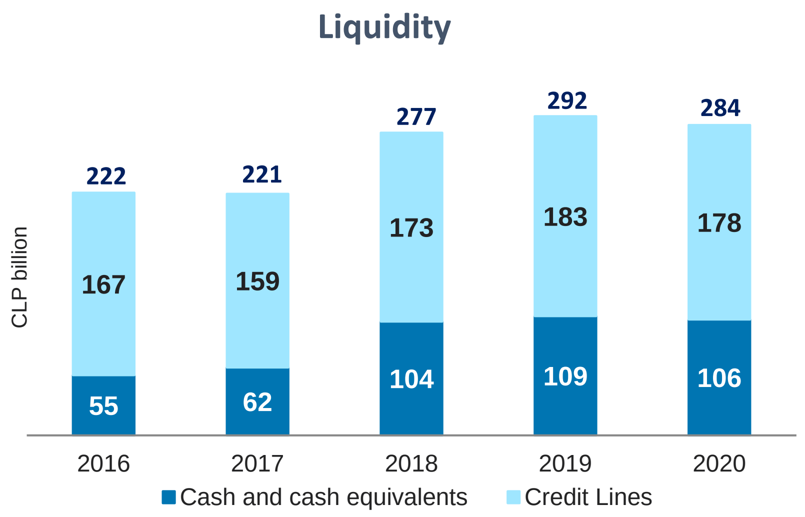


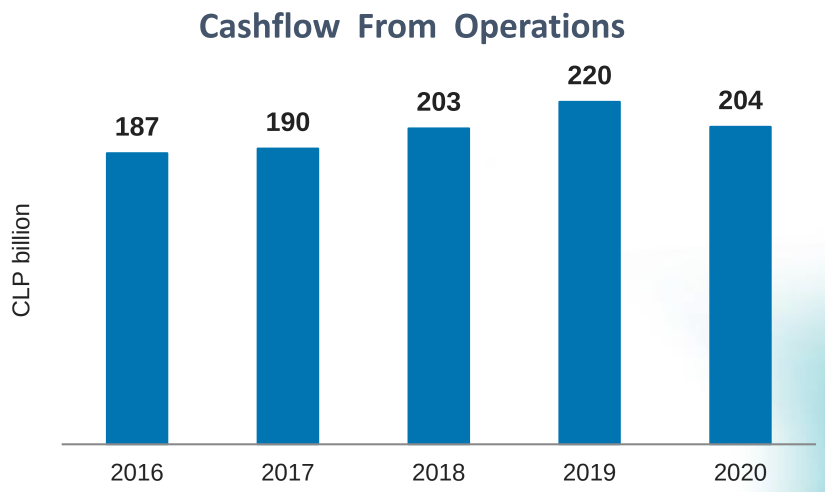


[1] EBITDA: Earnings before taxes, interest, depreciation, amortization, price-level restatement, net and foreign currency translation, net, plus income from leasing

Financial Strength

- Transelec's liquidity is strong, reaching CLP 284 billion (USD399 million) in 2020.
  - Prudently, in March, 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. In December, the Company paid back all the amount withdrawn (USD100 million).
  - The RCF was renewed for 1 year in July 2020 for USD 250million. Since December, the RCF is totally available.
  - Furthermore, the Company's bonds have a 6-month DSRA.
- During 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.
  - Free clients are paying part of the CET since 2H2020 but the payment corresponding to the regulated clients is postponed due to the Tariff stabilization.
- By the end of 2020, the Company has an important level of cash on hands.
  - Own cash generation
  - Deferred dividends

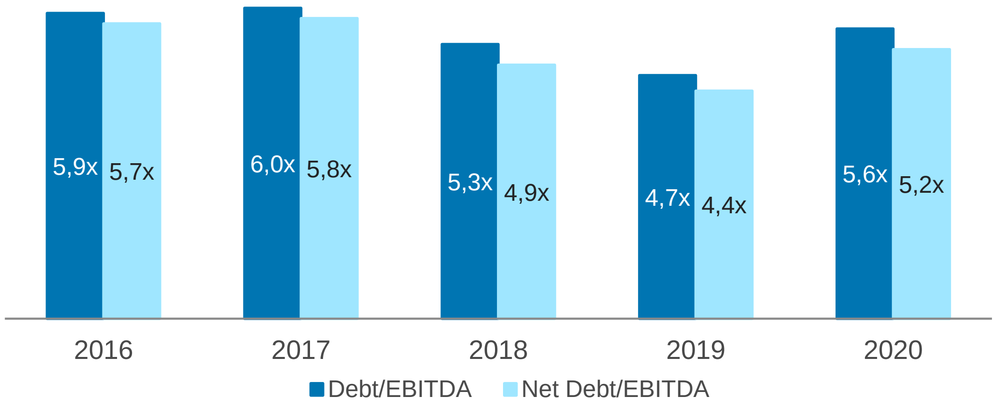




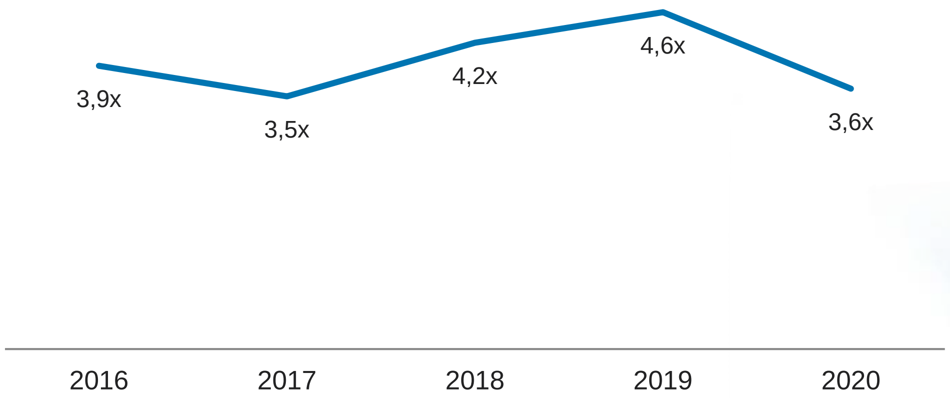
Strong Coverage Ratios

- 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 an increase since December 2019, due to the provision for lower revenues that the Company decided to register during 2020.
- 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*

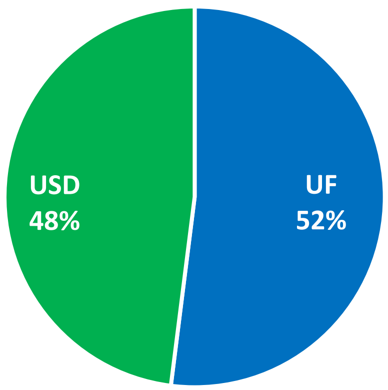


* EBITDA/Interest Paid.

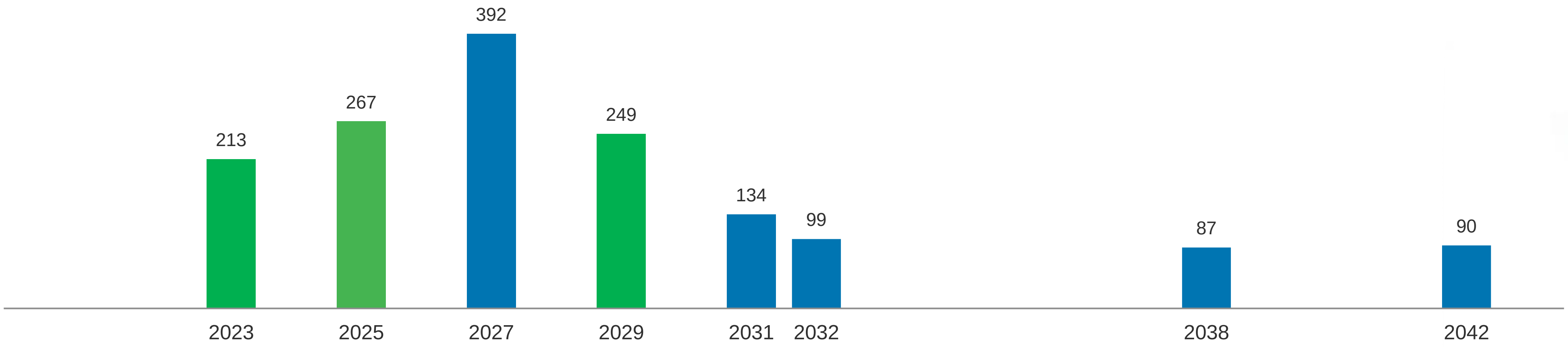
Public Debt Profile

- 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



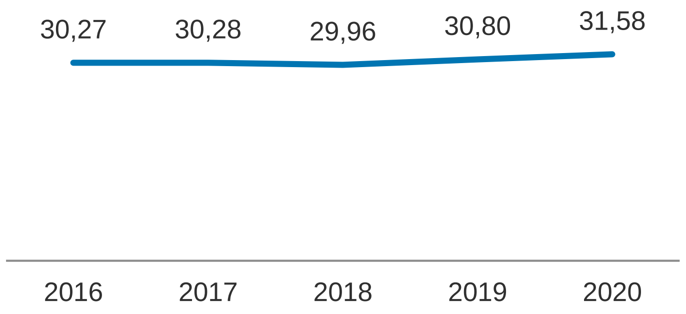
Public debt maturity profile (CLP billion)



Covenants

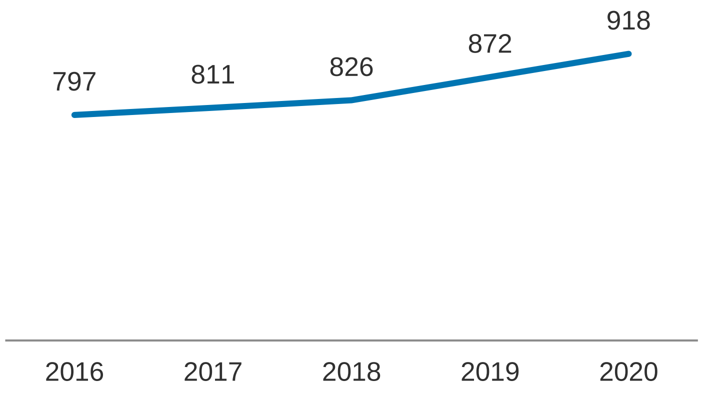
- As of December 31st, 2020, the Company is in full compliance with all debt covenants.

Minimum Equity > UF15 million (1)



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

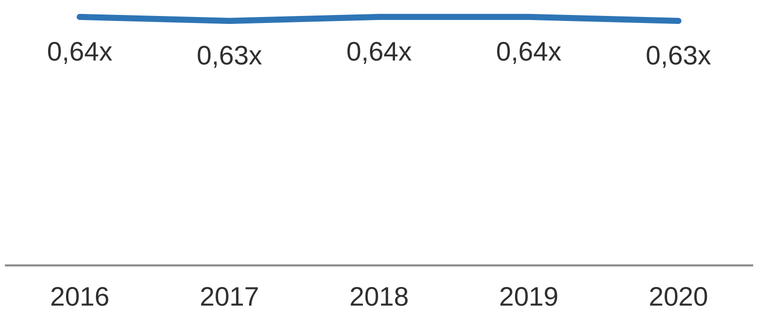
Minimum Equity > CLP 350 billion (2)(3)



(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)

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