transelec®

Annual Report 2020

Índice

Corporate identification

Name or Firm Name:	Transelec S.A.
Domicile:	Santiago, while not restricting the establishment of agencies, branches or offices in other parts of the country or overseas.
Tax identification number:	76.555.400-4
Address:	Orinoco N°90, 14th floor, Las Condes
Entity Type:	Open Stock Corporation
National Securities Registration:	Number 974
Telephone:	(56-2) 2467 7000
E-mail:	transelec@transelec.cl
Webpage:	www.transelec.cl

Share ownership

Transelec capital is divided into 1,000,000 nominative ordinary shares with no nominal value. Transelec Holding Rentas Limitada owns 999,900 shares and Rentas Eléctricas I Limitada owns 100 shares.

Transelec S.A.'s final shareholders are China Southern Power Grid International (CSG, with a 27.79% stake), Canada Pension Plan Investment Board (CPP, with 27.73%), British Columbia Investment Management (BCI, with 26.00%) and Public Sector Pension Investment Board (PSP, with 18.48%).

Corporate structure is indicated in the organizational chart in Chapter 02.

Letter from the Chairman of the Board of Directors

To the Stakeholders of Transelec,

On behalf of the Transelec Board of Directors, I am pleased to present our Annual Report for the year 2020.

This was undoubtedly a difficult year, for everyone in Chile, and in the world beyond. Through it all, Transelec's employees, management, board and shareholders remained resolute and constant in their commitment to Chile and Transelec, protecting our employees, supporting the vast number of communities Transelec resides in throughout the Covid-19 crisis, and actively working to support and build new assets in the country. Transelec consistently upheld its core values and commitment to the Chilean society while navigating the health crisis that initiated in March 2020 as the first Covid-19 case was detected in Chile.

As a company, Transelec serves Chile every day by providing quality transmission service to our users and contributing to the local development of the communities we operate in. It holds the unique responsibility of securing a steady and uninterrupted power supply to customers and, therefore, essential services continuity as well as Chile's life quality and development.

In such critical times, Transelec was fast to review its annual plan and respond to the crisis' health, social, operating and economic impacts. As the crisis hit, Transelec's priorities were four: (i) Health & Safety; (ii) Operational continuity; (iii) Community assistance; and (iv) Financial liquidity management. Altogether, the hard work of Transelec's talented workforce and management, their collaboration and outstanding implementation allowed Transelec to deliver on its commitments to the Chilean society, its closest communities and shareholders.

Holding up to our company's commitment to all the people working with us and enhanced by the safety culture we've developed over the years, once the pandemic hit, we focused on taking a myriad of measures to safeguard the health and integrity of our teams, while enhancing employee communication. Transelec enabled remote work for all headquarters and zonal staff and implemented enhanced safety protocols for all employees required to remain working on site (~30% of total personnel). We have also retained 100% of our workforce and not furloughed any personnel, as a result of Covid-19.

The company took several preventive actions to ensure operational continuity and secure energy supply throughout Chile. The annual capex plan was revised to prioritize critical maintenance activities and additional redundancy was created as the national operations center was reinforced with two additional centers and a new team of operators was trained.

As informed by Transelec's continued commitment to local communities, we developed a comprehensive assistance plan and increased social investment by 70% in 2020. Transelec reached 25 Chilean territories with community assistance initiatives including the distribution of more than 9,000 food baskets, funding medical task forces and mobile clinics benefiting nearly 2,000 residents from different areas, providing repair works for public schools, and the provision of free Wi-Fi services in local associations and community centers. Such results were achieved in extensive coordination with municipalities and local government agencies as well as in partnership with the following foundations to which we extend our gratitude: Un Techo para Chile, Niños Primero, Fundación Simón de Cirene and Desafío Levantemos Chile.

Reinforcing commitments made in 2019, Transelec continued to deliver on the 24 concrete initiatives that comprise a roadmap to support the society's effort to have a more inclusive Chile. These initiatives are focused on three areas of application: (i) leading an improvement in the working conditions for collaborators throughout the entire value chain, starting with our contractors and SMEs; (ii) improving the quality of the society in our neighboring communities; and (iii) continuing to improve our own collaborators' work-life balance. We have finalized the implementation of 20 of such initiatives, while the remaining four are near completion.

From a financial standpoint, Transelec took measures to strengthen its balance sheet in 2020, including the postponement of dividends; however, as electricity demand in Chile remained stable due to mining activities and the approval of a basic services law, the financial impact of the Covid-19 crisis proved to be manageable and Transelec ended the year in the position of being ready to continue its financing of system growth and resilience.

2020 was a positive year for Transelec as it once again demonstrated the company's cash flow resilience and ability to perform across economic cycles while delivering on growth. However, it was negatively impacted by preliminary outcomes for the ongoing tariff review process. Transelec revenue came to CLP 333.3 billion in 2020, down 12% from 2019 mainly due to a provision reflecting the most recent view on the outcome of the ongoing tariff study for transmission rates in the 2020-2023 regulatory period. This was partially offset by higher revenues stemming from new projects commissioning and indexation. Transelec's EBITDA was CLP 275.98 billion. Cash flows from operations summed CLP 203.8 billion, evidencing robust cash flow generation capacity and ability to comfortably meet its financial commitments.

In terms of operations, it's worthwhile highlighting the efforts put forth by our collaborators and subcontractors, who constantly aim to guarantee high power transmission standards at our facilities in order to provide power to 98% of the households between Arica and Chiloé. Consistent with this objective, Transelec improved how Service Quality is measured, implementing three strategic indicators (SAIDI, an indicator that measures the time that a town was without electricity supply; EAI measuring high impact events consider all those supply interruptions to the end customer that exceed an one hour duration; and Compensation, which quantifies the impact that failures have on the end customer), which will maintain Transelec on a continuous improvement path.

Transelec continued its asset management program throughout system operation in 2020, with initial implementation of the Asset Performance Management (APM) Platform. The objective of this platform is to improve asset performance while optimizing costs at operating and maintenance levels.

Transelec also launched PULSE platform, an unparalleled service to trace and certify renewable energy sources. As part of Chile's decarbonization process, this innovative digital platform will highlight companies using clean energy for their products and services, marking a turning point for citizens valuing responsible and sustainable consumption.

Finally, I wish to especially thank all Transelec employees and its contractors for their resilience and commitment to the company's essential service and continued development. Chile wouldn't have its highly reliable power transmission service without them and more than ever this is an essential feature of well-being for all the people of Chile and the country's economic development.
I wish you all a peaceful, healthy, prosperous 2021.

Scott Lawrence
Chairman of the Board of Directors

1. The Company

Transelec owns 9,857 kilometers of transmission lines, with total transformation capacity amounting to 19,136 MVA distributed into 63 substations considering all substations where Transelec is the owner, lessee, and usufructuary or operates an important number of power transmission facilities in any capacity. Transelec is consequently the leading stakeholder in the National Power Grid spanning from Arica to Chiloé. Power infrastructure developed and operated by the Company provides electrical energy to 98% of Chile's population.

From the very beginning, Transelec has gained extensive experience with each of the links comprising the chain of value for the power transmission industry: ranging from project evaluation, conceptual and basic engineering, power transmission solutions design and connection to project management and construction, consultancy for commissioning, even operation, maintenance and administration of new facilities.

Transelec contributes its extensive experience and knowledge of power projects to a wide range of customers in the power, mining and industrial sectors throughout Chile. These customers trust in the support and excellence provided by the Company's integral power transmission solutions.

9,857 Km

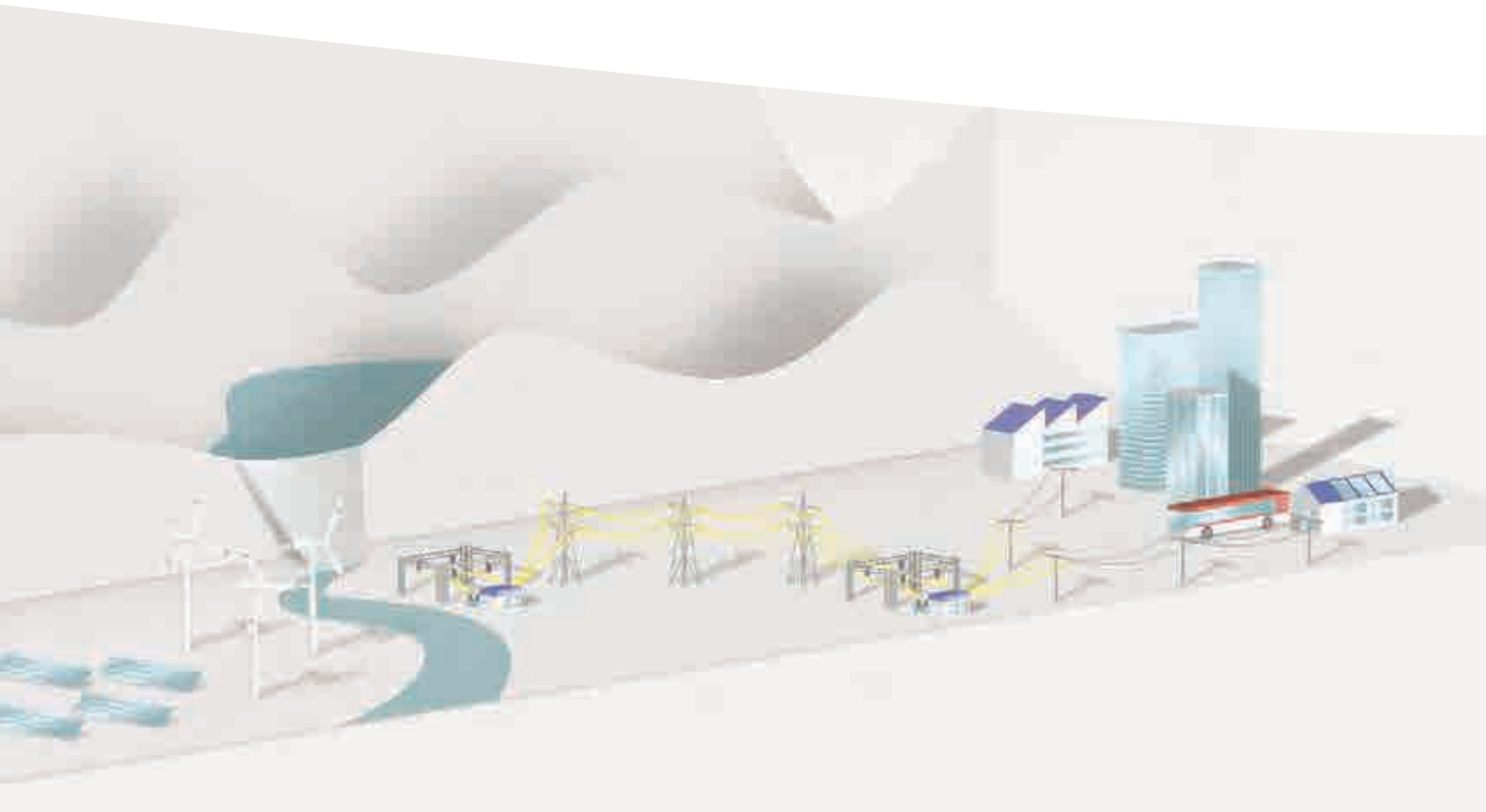
of transmission lines, part of the National Electric System of the country, from Arica to the island of Chiloé.

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.



Our history Transelec: Uniting Chile with energy

1943 Corfo created Empresa Nacional de Electricidad (Endesa) to execute a national plan featuring construction of new power generation units and especially a network of regional power transmission lines.

1955 The SIC power grid (Central Interconnected System) was created by connecting the recently built Cipreses Power Plant by means of 154 kV power transmission lines to consumption centers in Santiago and Concepción.

1965 A submarine cable (presently an aerial cable) was laid across the Chacao Channel, supplying power to Isla Grande de Chiloé for the first time.

1966 Another important milestone was the construction of the first 220 kV transmission line, the Rapel-Cerro Navia line connecting the Rapel Power Plant to growing power demand in Chile's central zone.

1978 Interconnection with Chile's Near North was enhanced with power transmission lines connecting San Isidro (presently Quillota) and Cardones. In the early 80s, the SIC power grid was extended as far as Diego de Almagro in order to connect El Salvador mining company, while 220 kV power transmission lines were extended as far as Puerto Montt in southern Chile.

1986 The extra high voltage era started with the commissioning of the first 500 kV power transmission lines (Ancoa-Alto Jahuel 1 and 2). These were essential for the injection of power generated by the Colbún-Machicura complex into the SIC power grid.

1993 Endesa transformed its Power Transmission Division into the subsidiary Compañía Nacional de Transmisión Eléctrica S.A., followed by the creation of Transelec S.A., which was designed to plan, operate and maintain the system. In addition, the aerial crossing of the Chacao Channel was commissioned, consisting of two 179-meter towers and power transmission lines spanning a total length of 2,680 meters.

1996 Transelec built its first 220 kV transmission line between Charrúa and Ancoa in order to connect the Pangue power plant (460 MW), which was later upgraded to connect the Ralco power plant.

2000 The Canadian company Hydro-Québec purchased all Transelec shares.

2003

Transelec entered the SING power grid after purchasing 924 kilometers of 220 kV transmission lines.

2004

The largest transmission development project in history was completed: upgrading the system between Charrúa and Alto Jahuel to 550 kV, thus enabling connection of the Ralco hydroelectric power plant (690 MW).

2006

The Canadian consortium comprised of Brookfield Asset Management (BAM), Canada Pension Plan Investment Board (CPP), British Columbia Investment Management Corporation (bcIMC) and Public Sector Pension Investments (PSP) purchased 100% of Transelec's shares, contributing its solid financial strength to meet Chile's growth requirements.

2008

Energization of the 500 kV Alto Jahuel-Polpaico double circuit transmission line brought northbound network saturation to an end and was largely responsible for creation of a 500 kV ring surrounding Santiago, which was essential for the system's future.

2010

Transelec purchased Punta Colorada substation from Barrick Gold to consolidate its presence in the mining sector. In addition, Transelec commissioned Las Palmas substation, which is the main bus bar for wind power contribution to the SIC power grid.

2014

At a ceremony attended by President of the Republic Michelle Bachelet, Transelec commissioned its National Transmission Operation Center (CNOT), which enabled the centralization of the operations in real time of our facilities with the highest standards.

2015

Lo Aguirre sectioning substation featuring total capacity of 1,000 MVA was commissioned to boost power supply to the Metropolitan Region and to enable potential future connection of continuous current transmission lines.

2018

In March, the company China Southern Power Grid (CSG) purchased shares held by BAM, making CSG shareholder of the 27.79% interest in Transelec indirectly owned by BAM. Transelec share ownership was consequently comprised of CPP, bcIMC, PSP and CSG.

On November 7, 2018 Transelec powered up the new Lo Aguirre – Cerro Navia, 2x220 kV transmission line, the only power line featuring a section with underground transmission line.

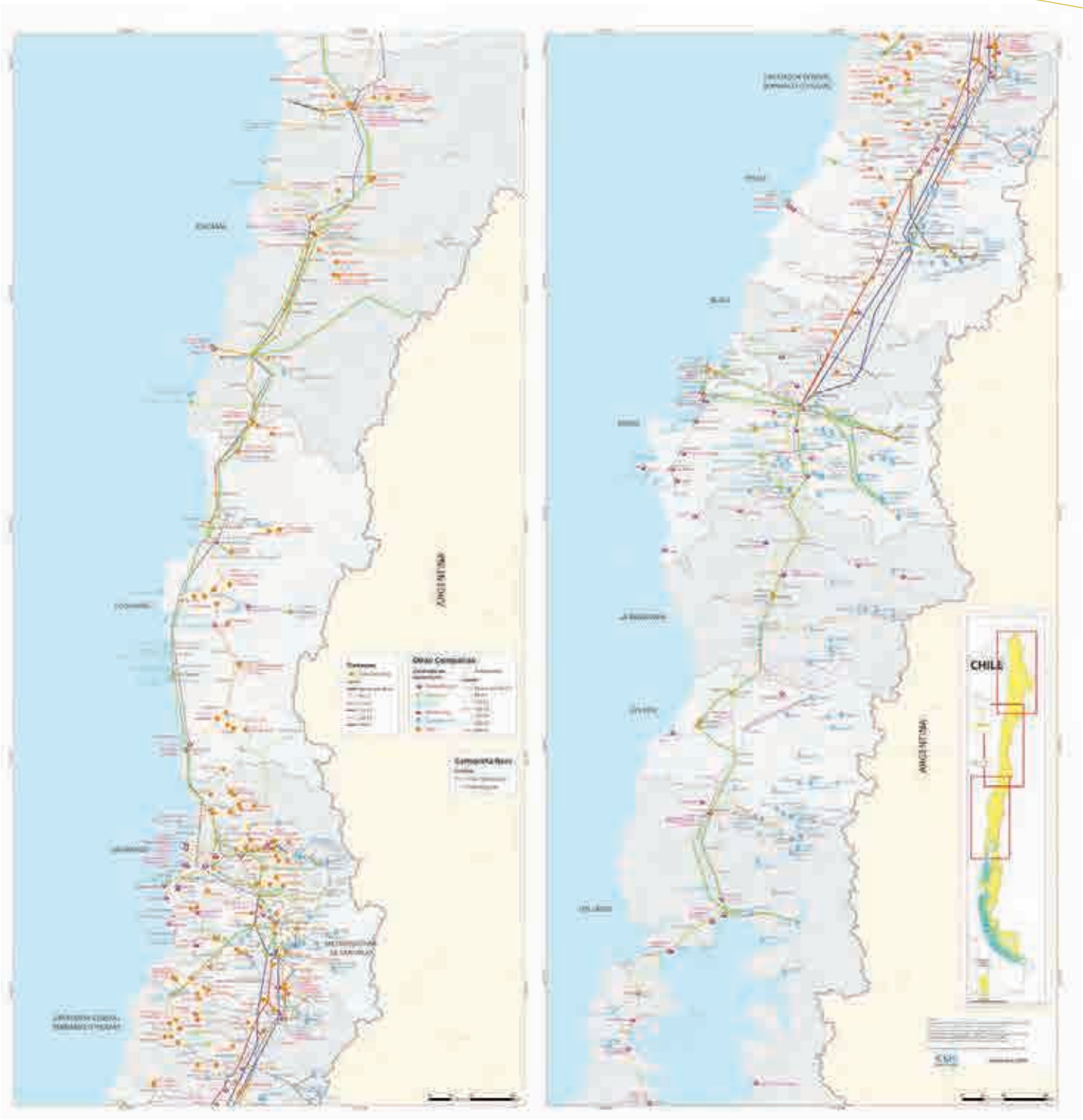
2019

Transelec was awarded a contract for development, operation and maintenance of the power transmission solution for the Quebrada Blanca Phase 2 project and for some important NCRE projects. In addition, Transelec achieved its lowest accident and loss rate over the last ten years.

2020

Transelec developed Pulse, a digital platform for energy certification and traceability based on block chain. This platform seeks to give visibility and promote the role of renewable energy sources to encourage the preference for products that are manufactured with clean energy.

Power Transmission System Map


ARGENTINA
Otras Compañías
Carreteras Rutas
ARGENTINA
CHILE

2. Corporate Governance

Board of Directors

Scott Lawrence
Chairman

Jordan Anderson*
Acting Director

Rui Han
Director

Richard Cacchione
Director

Andrea Butelmann Peisajoff
Director

Blas Tomic Errázuriz
Director

Mario Valcarce Durán
Director

Patricia Núñez Figueroa
Director

Juan Benabarre Benaiges
Director

*Mr. Jordan Anderson replaced Ms. Brenda Eaton.

Scott Lawrence
Chairman
Foreign
Deputy Chairman: Alfredo Ergas

Jordan Anderson
Acting Director
Foreign
Deputy Director: to be announced

Rui Han
Director
Foreign
Deputy Director: Sihong Zhong

Richard Cacchione
Director
Foreign
Deputy Director: Michael Rosenfeld

Andrea Butelmann Peisajoff
Director
ID: 6.383.159-K
Deputy Director:
Juan Agustín Laso Bambach

Blas Tomic Errázuriz
Director
ID: 5.390.891-8
Deputy Director: Patricio Reyes Infante

Mario Valcarce Durán
Director
ID: 5.850.972-8
Deputy Director:
José Miguel Bambach Salvatore

Patricia Nuñez Figueroa
Director
ID: 9.761.676-0
Deputy Director:
Claudio Campos Bierwirth

Juan Benabarre Benaiges
Director
ID:5.899.848-6
Deputy Director:
Roberto Munita Valdés

Transelec S.A. Board of Directors acknowledged and accepted the resignation presented by Mr. Juan Agustín Laso Bambach from his position of Director on January 14, 2020. His resignation came into effect on March 11, 2020.

In addition, at the same date the Transelec S.A. Board of Directors appointed Mrs. Andrea Butelmann to replace Mr. Juan Agustín Laso Bambach as Director starting on March 11, 2020.

On April 24, 2020, the current Board of Directors was elected at a Shareholders Meeting and was constituted as follows: Mr. Scott Lawrence as director and Mr. Alfredo Ergas Segal as his respective deputy director, Mrs. Brenda Eaton as director and Mr. Jordan Anderson as her respective deputy director, Mr. Rui Han as director and Mrs. Sihong Zhong as his respective deputy director; Mr. Richard Cacchione as director and Mr. Michael Rosenfeld as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. José Miguel Bambach Salvatore as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Patricio Reyes Infante as his respective deputy director; Mr. Juan Benabarre Benaiges as director and Mr. Roberto Munita Valdés as his respective deputy director; Mrs. Patricia Núñez Figueroa as director and Mr. Claudio Campos Bierwirth as her respective deputy director and Mrs. Andrea Butelmann Peisajoff as director and Mr. Juan Agustín Laso Bambach as her respective deputy director.

Mr. Scott Lawrence was elected Chairman of Transelec Board of Directors in the meeting held on May 13, 2020.

The Board of Directors accepted the resignation of Director Brenda Eaton on September 15, 2020. She was replaced, on an interim basis, by Deputy Director Mr. Jordan Anderson until the next Shareholders Meeting to be held in April 2021.

The Board of Directors is presently constituted by eight Directors, one Acting Director and their respective Deputy Directors.

In conformity with the Law and its provisions, the Board of Directors is required to meet at least once per month. During the 2020 fiscal year, Transelec S.A. corporation held 12 Board of Directors meetings and 2 special Board of Directors meetings.

Board of Directors salaries

Directors Scott Lawrence, Jordan Anderson, Han Rui and Richard Cacchione waived their salaries corresponding to the 2020 fiscal year. Director salaries for the 2020 fiscal year are listed as follows:

Mario Valcarce Durán	USD$90,000
Blas Tomic Errázuriz	USD$90,000
Patricia Nuñez Figueroa	USD$90,000
Juan Benabarre Benaiges	USD$90,000
Andrea Butelmann Peisajoff	USD$75,000*

*Salary proportionate to her appointment date.

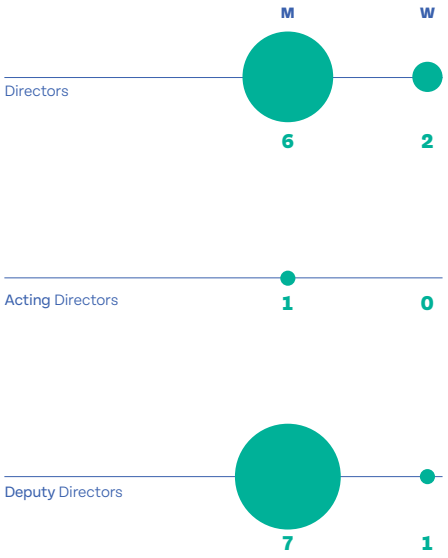
Board of Directors expenses

Total payment for director expenses throughout the fiscal year amounted to CLP 6,275,260.

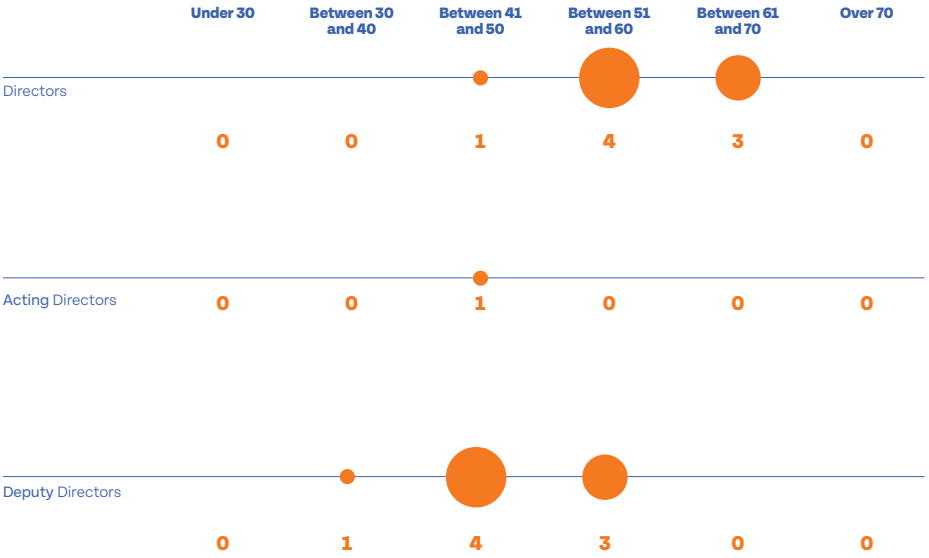
Board of directors diversity

In terms of diversity, there are two women on the Board of Directors and one deputy director is a woman. Board of Directors distribution by nationality, age and seniority at the Company is as follows:

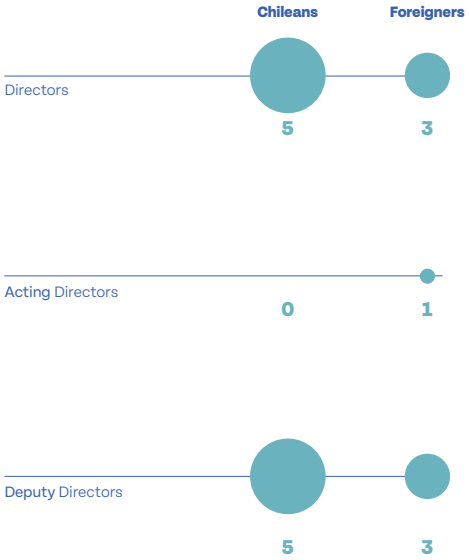
i) Number of persons by gender



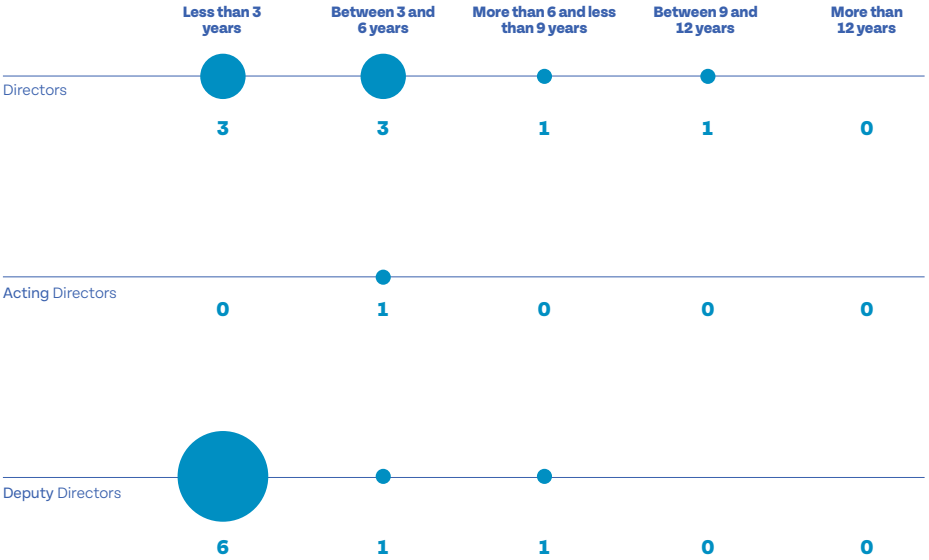
iii) Number of persons by age range



ii) Number of persons by nationality



iii) Number of persons by seniority



Audit Committee

Creation of an Audit Committee different from that established in the Corporations Law was approved in April 2007. Its functions, among others, are to revise auditor reports, balance sheets and other financial statements of the company, and to revise the annual (internal and external) audit plan, as well as its progress and reports, and to supervise the application, operation and certification of the Company's Crime Prevention Model.

Transelec Audit Committee is comprised of four directors who are appointed by the Board of Directors for a period of two years and are eligible for re-election. The Committee elects a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Committee held four meetings in 2020.

As of 31 December 2020, the Audit Committee was comprised of its Chairman, Mr. Mario Valcarce Durán, Mr. Alfredo Ergas, Mrs. Patricia Núñez Figueroa and Mr. Juan Benabarre, and its Secretary, Mr. Arturo Le Blanc Cerda.

Salaries paid to Mario Valcarce Durán, Mrs. Patricia Núñez Figueroa and Mr. Juan Benabarre Benaiges as members of the Audit Committee between 1 January 2020 and 31 December 2020 amounted to USD 10,000 per person.

Investment Advisory Committee

Investment Advisory Committee is responsible for improving information presented to the Board of Directors regarding the Company's different projects, thus facilitating decision making by the Board of Directors. The Committee's main objectives are to recommend to the Board of Directors rates of return by project, tendering strategies, risk mitigation and other specific project factors, and to allow the Administration to access shareholders' resources and experience.

Finance Committee

The Finance Committee meets regularly to review the Company's financial strategy. The Committee also provides consultancy and approves different proposals made by Transelec. Issues such as financing, hedging, risk management, distributions, tax issues and forecasts are reviewed, among others. Issues requiring approval are subsequently presented to the Board of Directors.

People and Organization Committee

People and Organization Committee meets at least once per year to review issues related to the people comprising Transelec team. Among other issues, the Committee reviews financial KPIs, which are the base of the incentive pyramid for the Company's current variable bonus system, as well as other issues related to personal development, training, etc.

Corporate Governance Committee

Corporate Governance Committee was created in 2016. The Committee's mandate is to propose and nominate members of the Board of Directors and to evaluate their management, approve codes and manuals and modifications made to these, to examine and evaluate Transelec corporate governance guidelines and to make recommendations to the Board of Directors, among others.

Operations Committee

The purpose of this Committee is to give Transelec Administration the opportunity to discuss operational issues in detail with the members of the Board of Directors, either before or after Board of Directors meetings. The Committee is also responsible for supervising health and safety programs set out in Transelec recommendations regarding health, safety and operational KPIs.

Other Committees

A) Coordination Committees: these involve the different Transelec Vice-Presidencies. The Committees meet regularly to coordinate the most important issues for the Company. These are listed as follows:

- Executive Committee
- Business Committee
- Projects Committee
- Ethics Committee
- Value Management and Results Committee
- Regulatory Agenda Committee
- Information Technology Committee
- Supply Committee

B) Integrated Management System Committee: this Committee's mission is to discuss all issues related to Occupational Health and Safety, Environment and Quality. The Committee meets on a regular basis to approve programs and plans for monitoring these issues.

Management team

1. Andrés Kuhlmann Jahn
General Manager
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
ID : 6.554.568-3

2. Sebastián Fernandez Cox
Vice-president of Business Development
Commercial Engineer
Universidad de los Andes
ID : 10.673.365-1

3. Francisco Castro Crichton
Vice-president of Finance
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
ID : 9.963.957-1

4. Claudio Aravena Vallejo
Vice-president of Personel and Organization
Commercial Engineer
Pontificia Universidad Católica de Chile
ID : 9.580.875-1

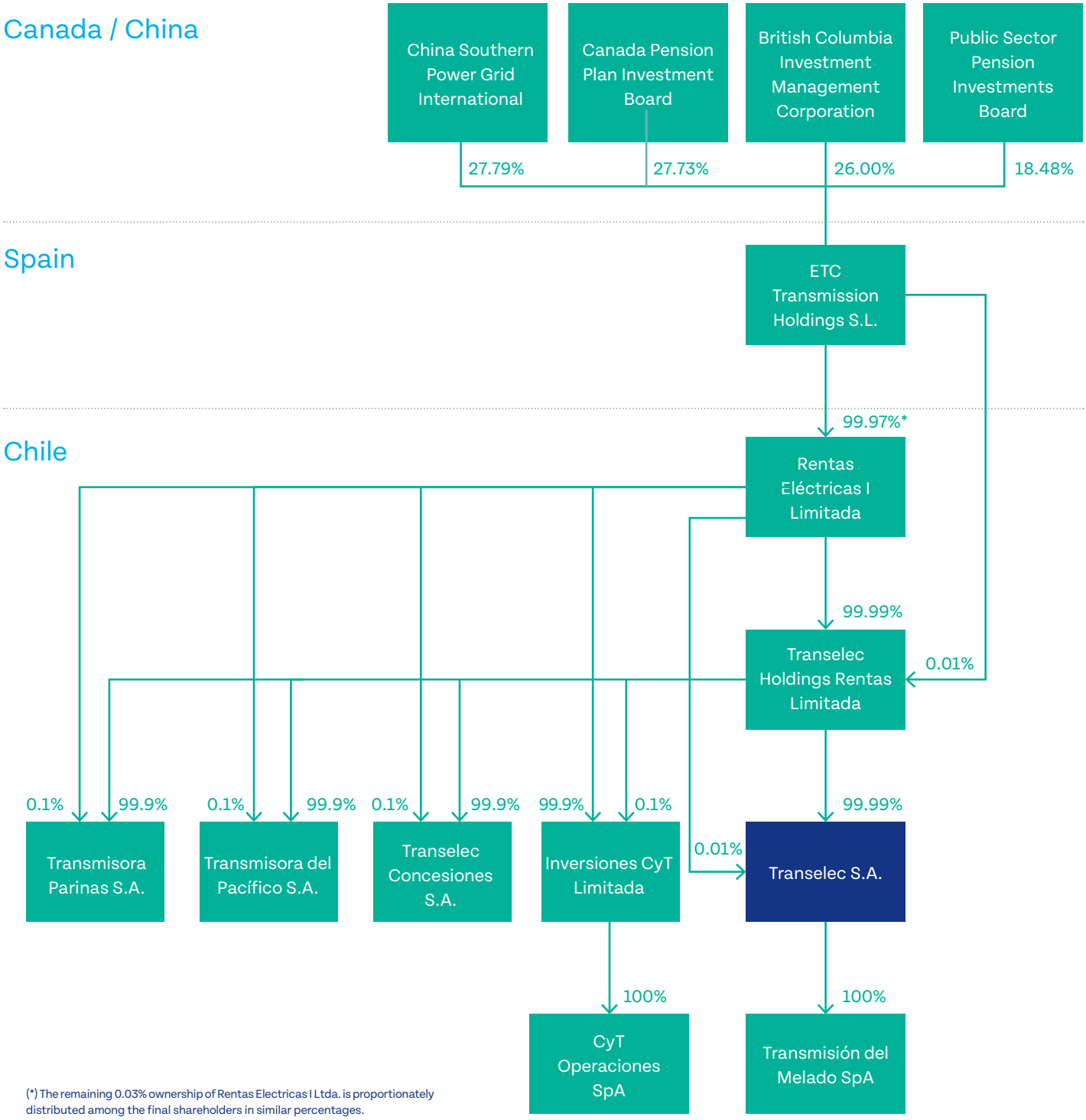
5. David Noe Scheinwald
Vice-president of Corporate Affairs and Sustainability
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
ID : 10.502.232-8

6. Bernardo Canales Fuenzalida
Vice-president of Engineering and Project Development
Bachelor of Science in Mechanical Engineering
Universidad de Chile
ID : 11.565.097-1

7. Rodrigo López Vergara
Vice-president of Operations
Civil Electrical Engineer
Universidad de Chile
ID : 7.518.088-8

8. Arturo Le Blanc Cerda
Vice-president of Regulatory and Legal Affairs
Attorney
Universidad de Chile
ID : 10.601.441-8

Organizational Structure



(*) The remaining 0.03% ownership of Rentas Electricas I Ltda. is proportionately distributed among the final shareholders in similar percentages.

3. The Business

Transelec participates in both the national and zonal (regulated) systems and in the dedicated system (bilateral contracts with large customers) that comprise Chile's power transmission business. In Chile, the Company owns transmission assets appraised at US$ 3,972 million as of December 31, 2020.

Regulatory scenario

The legal framework that regulates how the power transmission industry operates in Chile is based on Ministry of Economy, Development and Reconstruction Statutory Decree N°4 dated in 2006. This decree determines the consolidated, coordinated and systematized text of the General Electricity Services Law, hereinafter and indistinctively the "General Electricity Services Law" or "LGSE". The LGSE and its complementary regulations determine standards applicable to any power generation, transmission or distribution facility with regard to technical, safety, coordination, quality, information and economic aspects of appropriate power sector operation.

The latest important reform made to the LGSE is the recently passed Law N° 20,936/2016 (Transmission Law), which incorporated the following important amendments:

- An exclusive National Electricity System Coordinator that is independent from market stakeholders, which replaces the Economic Load Dispatch Centers.
- Redefinition of power transmission systems, classifying these as the National Transmission System (formerly the trunk system), the Zonal Transmission Systems (formerly subtransmission systems), and the Dedicated Systems (formerly additional systems), and the incorporation of two new segments: Transmission Systems for Development Poles and International Interconnection Systems.
- Incorporation of long-term energy and power transmission planning, considering enough flexibility for a safer and more robust system.
- Preliminary definition of paths for new power transmission projects of public interest, by means of an Easement Strip Study procedure[1] executed by the ministry.
- Open Access to universal Transmission Systems.
- This regulates tariff setting for National Power Transmission Systems, Zonal Transmission Systems, for Development Poles and payment for the use of Dedicated Power Transmission System facilities by users subject to price regulation, among other issues.
- Payment for National, Zonal and Dedicated Power Transmission Systems by users subject to price regulation shall be the responsibility of free and regulated end users, in contrast with the former law in which payment was the responsibility of power generation companies.

[1] Easement Strip Study: "A specific, participatory and transparent system for deciding where to locate new transmission lines, established in LGSE Article 92 and following articles (introduced by Law 20,936), designed to subject certain New projects (determined by the Ministry of Energy) to an evaluation process in order to provide greater degrees of certainty for project execution, assigning the State a leading role in path definition, reducing risks and making the project socially and environmentally legitimate before the tender and project award."

Transelec's business mainly focuses on economic compensation for the power transmission service provided by its facilities in accordance with safety and service quality standards indicated in current legislation. The current legal framework that regulates the power transmission business in Chile divides its facilities into four[2] categories:

- **National Transmission System:** comprised of power transmission lines and substations that enable development of this market, interconnecting all other transmission segments and enabling the supply of total power system demand in different power generation facility availability scenarios, including contingency and failure situations.

- **Zonal Transmission Systems:** comprised of power transmission lines and substations essentially arranged to supply current or future regulated customers that can be identified on a territorial basis, without compromising use by free customers or power generation companies connected directly to or by means of power transmission systems used for the aforementioned transmission systems.

- **Transmission Systems for Development Poles:** comprised of power transmission lines and substations used to transmit energy generated by a single development pole into a power transmission system, thus making efficient use of national territory.

- **Dedicated Transmission Systems:** comprised of power transmission lines and substations that are interconnected to the electricity system and essentially arranged to supply electrical energy to users that are not subject to price regulation or to inject power produced by power plants into the grid.

2 Article 73 of LGSE: "International interconnection systems, which will be subject to special standards determined for this purpose, are also part of the transmission system".

The first three systems are public services for which tariffs are set by the Ministry of Energy. These systems are subject to universal open access under non-discriminatory conditions. Access shall be provided to Dedicated System power transmission facilities as long as there is available technical transmission capacity that is determined by the Coordinator, without prejudice of the hired capacity or the company's own projects that have been reliably considered upon the interested third party requesting use of these facilities.

Several regulations related to Law N° 20,936/2016 have been published to date, determining necessary provisions for the execution of issues related to the National Electricity System Coordinator, the Panel of Experts, energy planning, preliminary easement strips, international interconnections and compensation for power supply outages, as well as the passing of Technical Standards and Complementary Services. In addition, National Power Grid Operation and Coordination Regulations were published in late 2019, followed by Power Transmission Facility Remuneration, Tariff Setting and Qualification Regulations, Small-scale Means of Power Generation Regulations and Decree N°42, which amends Regulations for Power Transfer between Power Companies in 2020. For issues that have not yet been regulated, the National Energy Commission, hereinafter and indistinctively the "Commission" or "CNE" has published several resolutions with temporary provisions in terms of deadlines, requirements and conditions determined by the new law.

Transmission System and Transmission Planning Regulations, as well as amendments made to LGSE Regulations (SD327) are currently under revision by the General Comptrollership of the Republic for subsequent publication by the Ministry of Energy in 2021. We wish to highlight that the Ministry based on a participatory process with all stakeholders in the electricity market has formulated all Regulations.

System growth

The CNE must conduct a power transmission planning process each year. This process must consider a timeline of at least twenty years. This planning encompasses upgrade projects required for the National Transmission System, the Zonal Transmission System, Development Poles and Dedicated Transmission Systems used by public distribution service concessionaires to supply users subject to price regulation. These expansion plans feature investments that must be classified as new projects or upgrades for existing facilities. As the result of this process, the CNE formulates a technical report and the Ministry of Energy will use this report to determine the transmission Expansion Plan for the following 12 months. The National Electricity Coordinator, hereinafter the "Coordinator", is responsible for hosting annual international tenders to award said transmission projects according to the level of robustness and growth it considers appropriate and necessary for the system.

Remuneration for the national and zonal transmission systems, development poles and dedicated facilities used by users subject to price regulation

Revenues generated by existing facilities in the National and Zonal Transmission Systems and for Development Poles is constituted by the Annual Transmission Value by Segment (VATT), which is calculated based on Annual Investment Value (AVI) and Operating, Maintenance and Administration Costs (COMA) for each of the segments comprising these systems. In addition, revenue generated by the use of dedicated transmission facilities by users subject to price regulation is constituted by the proportion of their VATT assignable to said users.

System valuation studies

The National Energy Commission (CNE) determines segments comprising these systems and their corresponding VATT once every four years based on a Transmission System Valuation Study or Studies conducted by a consultant chosen by means of an international public tender. As the result of this process, the CNE prepares a technical report and based on this report the Ministry of Energy will set National and Zonal systems and Development Pole tariffs for the next four-year period as well as payment for the use of dedicated transmission facilities by users subject to price regulation. During the four-year period between two consecutive tariff-setting processes, both VATT and COMA for each segment will be indexed using formulas designed to maintain the real value of AVI and COMA during said period. Indexing formulas and their application frequency are determined in the corresponding tariff setting process.

Payment for power transmission systems

Free and regulated end users shall make payment for National, Zonal and Dedicated Transmission Systems used by users subject to price regulation. Transmission System payment for Development Poles determines a single charge in such a way that collection for this service will compensate for the proportion of facilities to be used as development poles that are not used by existing power generation. Power generation companies injecting their production into the corresponding pole will pay VATT that is not covered by this rate. In the case of the National Transmission System, Law N°20,936 established a transition period, determined between 2019 and 2034, to replace gradually the former payment and remuneration regime with the aforementioned new regime. In the case of Zonal Transmission Systems, the new payment and remuneration regime came into force on January 1, 2018.

The Coordinator is responsible for international public tenders for upgrade projects, regardless of whether these are new works or upgrades. Tenders for the construction and execution of upgrade projects for existing facilities will be settled depending on the VI offered and the respective company awarded the contract will be paid by the owner of these facilities, as opposed to what happens in the case of new projects, for which exploitation and execution rights will be awarded to the bidder indicating the lowest VATT for the project tendered. The upgrade project owner will receive VATT comprised by the corresponding AVI and COMA, in which AVI will be determined considering the awarded VI, which will remain in force for five tariff-setting periods of four years each. In the case of new projects, VATT resulting from the tender will constitute revenue and will be applied for the five tariff setting periods. Following the aforementioned five tariff setting periods, upgrades and new projects will start to be considered as existing facilities for the purpose of valuation and remuneration, with a tariff revision conducted once every four years.

Because of the October 2019 social unrest in Chile, the Ministry of Energy announced that it would stabilize power tariffs for end customers. The authority has consequently taken the following measures:

i) On November 2, 2019, Law N° 21,185 was published in the Official Gazette; creating a temporary electrical energy price stabilization mechanism for customers subject to tariff regulation related to power company supply contracts and their customers.
ii) On December 21, 2019, Law N° 21,194 was published in the Official Gazette, which temporarily stabilizes price levels associated to added value stemming from distribution costs applied or tariffs under the maximum tariffs currently being invoiced as of the publication date of Law N° 21,194 among other issues,.
iii) By means of Exempt Resolution N° 815, the National Energy Commission set single charges indicated in articles 115 and 116 of the General Electrical Services Law, including single charges associated to transmission, stating that the National and Zonal transmission facility valuation process that is currently underway and is expected to end during the second half of 2021, will come into force (retroactively) as of 1 January 2020 and that rates are expected to be reduced due to, among other reasons, reduction of the discount rate indicated in Law N° 20,936/2016. The National Energy Commission decided to maintain charges transferrable to end customers in force as of December 2019, making only some minor adjustments to these charges to avoid creating negative impacts for end customers.

Dedicated system remuneration

Revenue generated by the use of facilities belonging to Dedicated Transmission Systems is determined within transmission contracts signed between users and owners of these facilities. Prices are normally set by calculating AVI + COMA that is determined by mutual agreement between the parties.

Even if these dedicated facilities are essentially being used to inject power produced by generation plants into the system or to supply electrical energy to free customers, the authority could eventually declare these facilities to be National, Zonal or Development Poles if operating conditions are changed and if these facilities meet the corresponding requirements. This revision is made once every four years by the National Energy Commission as part of the transmission system facility qualification process, or if upgrade projects are developed at dedicated facilities.

Equivalent Transmission Charge

Law N° 20,936, which "Establishes a New Transmission System and creates an independent Coordination Body of the National Electricity System", was published in the Official Gazette on July 20, 2016. According to said legal body, end users will pay a single charge for the use of power transmission networks to their suppliers, which shall provide this to the transmission companies. This single charge shall be the complement of tariff revenue produced in the balance between power injection and withdrawal in the short-term market to complete the VATT transmission companies are entitled to receive.

However, Law N° 20,936 established two temporary application periods. The first of these spans between its date of publication and December 31, 2018, in which period transmission companies shall receive remuneration in accordance with the standard prior to the legal change, which is to say by collecting transmission toll from power generation companies and the aforementioned tariff revenues. The second period spans from 1 January 2019 to 31 December 2034, in which National Transmission System remuneration will be mixed, one portion by means of the former standard and one portion by means of the new standard. This transition period provides for a gradual migration from both collection methodologies for the aforementioned transmission system.

During the transition period, Law N° 20,936 created a mechanism by which power generation companies could be exempted from payment of injection toll for use of the National Power Transmission System by amending power supply contracts signed prior to the publication date of said Law. According to this Law, power generation companies had up until July 2018 to agree with their customers on a permanent price deduction for power supply, which would be equivalent to the price for injection toll. This amount is called Equivalent Power Transmission Charge, hereinafter "CET", and is to be determined by the National Energy Commission for each individual power supply contract for each power generation company. In accordance with the foregoing, the setting of single transmission charges for the first semester of 2019 shall include exemption from injection toll for power generation companies that have agreed with their customers to a price discount for their power supply contracts.

The process of setting CET charges was completed in late 2019, more than one year behind schedule. This meant that generation companies continued to pay injection toll to transmission companies in 2019. The National Electricity Coordinator re-assessed tolls for use of the National Power Transmission System during the first semester of 2020, considering agreements signed between power generation companies and their customers for application of the CET mechanism.

This re-assessment meant that Transelec had to pay power generation companies an amount of CLP 68 billion in June 2020, which corresponds to an important percentage of revenues for use of the National Transmission System in 2019. Starting in the second semester of 2020, the National Energy Commission incorporated an adjustment to the single transmission charge to collect said revenues from 2019. This amount should be fully recovered by the end of 2022.

Tariff studies

National /Trunk Transmission system

The Ministry of Energy published Supreme Decree N° 23 T in February 2016, bringing new tariffs for Trunk and National Transmission System facilities into force for the 2016-2019 period as required.

Application of the new Law N° 20,936/2016 enabled the identification of two temporary collection, payment and remuneration periods for the National Transmission System, which are regulated as follows:

- 2016-2018 Period: the collection, payment and remuneration regime established by Law N° 19,940 (Short Law I) in March 2004 will be applied.

- 2019-2034 Period: the collection, payment and remuneration regime established by Temporary Article 25 of the new Law N° 20,936/2016 will be applied. This temporary standard was designed to prevent double payment for transmission due to current power supply contracts between power generation companies and free or regulated end consumers that were signed before the aforementioned law came into force.

Zonal Transmission system/Subtransmission system

Temporary Article Eleventh of Law N°20,936/2016 indicates that Supreme Decree 14/2013[3] will remain in force between 1 January 2016 and 31 December 2017, including adjustments made by the Ministry of Energy by means of a decree issued under the "by order of the President of the Republic" formula. These adjust ments to Supreme Decree 14/2013 were determined by the Ministry of Energy by means of Decree 1T dated February 2017. In turn, Temporary Article Twelve of Law N° 20,936/2016 indicates that continuity and termination will be provided for the process of setting the annual value of subtransmission systems for application during the 2018-2019 period throughout the extended term of Decree 14/2013.

Therefore, during the extended term of Supreme Decree N° 14/2013, the process for setting the annual value for subtransmission and additional transmission systems, used by users subject to price regulation, underway at the time the new Law Ley N°20,936/2016 was published, was completed. Therefore, the CNE published Exempt Resolution N°531 on July 19, 2018. This resolution replaced the technical report determining VATT for Zonal Transmission Systems and the proportion of dedicated transmission used by users subject to price regulation during the 2018-2019 period, approved by means of CNE Exempt Resolution N°414 dated 31 July 2017, in accordance with the provisions of the new Law N°20,936/2016. This technical report was used as the basis for formulating Decree 6T, published in the Official Gazette on October 5, 2018, which sets the annual value by section of zonal and exclusive transmission facilities used by users subject to price regulation, as well as tariffs and indexation formulas for the 2018-2019 period.

[3] Ministry of Energy Decree N° 14, 2012, sets tariffs for Subtransmission and Additional Transmission systems and tariff indexing formulas for the 2011-2014 four-year period. A one-time extension was made to this decree up until 31 December 2015 by means of Decree N° 8T dated March 2015.

New 2020-2023 Tariff Setting process – National and Zonal Transmission system

The 2020-2023 tariff setting process for the National and Zonal Power Transmission Systems started in 2019 with the first power transmission facilities qualification process executed in conformity with Law N°20,936/2016. This qualification process was completed in April 2019 with the publication of CNE Exempt Resolution N°244 approving the Final Facility Qualification Technical Report considering a ruling by the Panel of Experts. In addition, CNE Exempt Resolution N°272 approving Technical and Administrative Bases for conducting Valuation Studies was published, thus enabling the call to an international public tender for execution of these studies and constitution of a Supervision Committee for these studies. Transelec was chosen to represent companies from the National Power Grid.

The National Transmission System Valuation Study was awarded to Consorcio Synex Ingenieros Consultores Ltda., Estudios Energéticos Consultores S.A. and Elequipos Servicios de Ingeniería S.A. in July 2019 and study development began in August 2019. The Zonal Transmission Systems Valuation Study tender was declared void because the bidders failed to comply with the bidding conditions. A second call to international public tender was made for this study and the contract was finally awarded to the Company SIGLA S.A. Study development started in October 2019.

Consultants for the National and Zonal Transmission System Valuation Studies published their respective final reports in December 2020. Public hearings were held in November and December 2020 at which consultants from the National and Zonal Transmission Systems respectively presented the results of these valuation studies.

The next stages of the National and Zonal tariff setting process are the formulation and publication of the CNE Final Technical Report and the setting and publication of 2020-2023 tariffs by the Ministry. This tariff setting process should be completed by end-2021.

Regulatory measures during the pandemic

Meanwhile, due to the Covid-19 health contingency in 2020, Law N° 21,249 was published in August. This law creates exceptional measures favoring health, electricity and natural gas network end users, such as prohibiting the suspension of power and natural gas supply due to payment default. Subsequently, due to the extension of economic effects caused by the pandemic, in the month of October 2020 the Chilean Senate announced lobbying of a bill designed to extend the benefits provided by Law N° 21,249. Said project was approved by Congress and was published in the Official Gazette on January 5, 2021.

Other regulatory issues

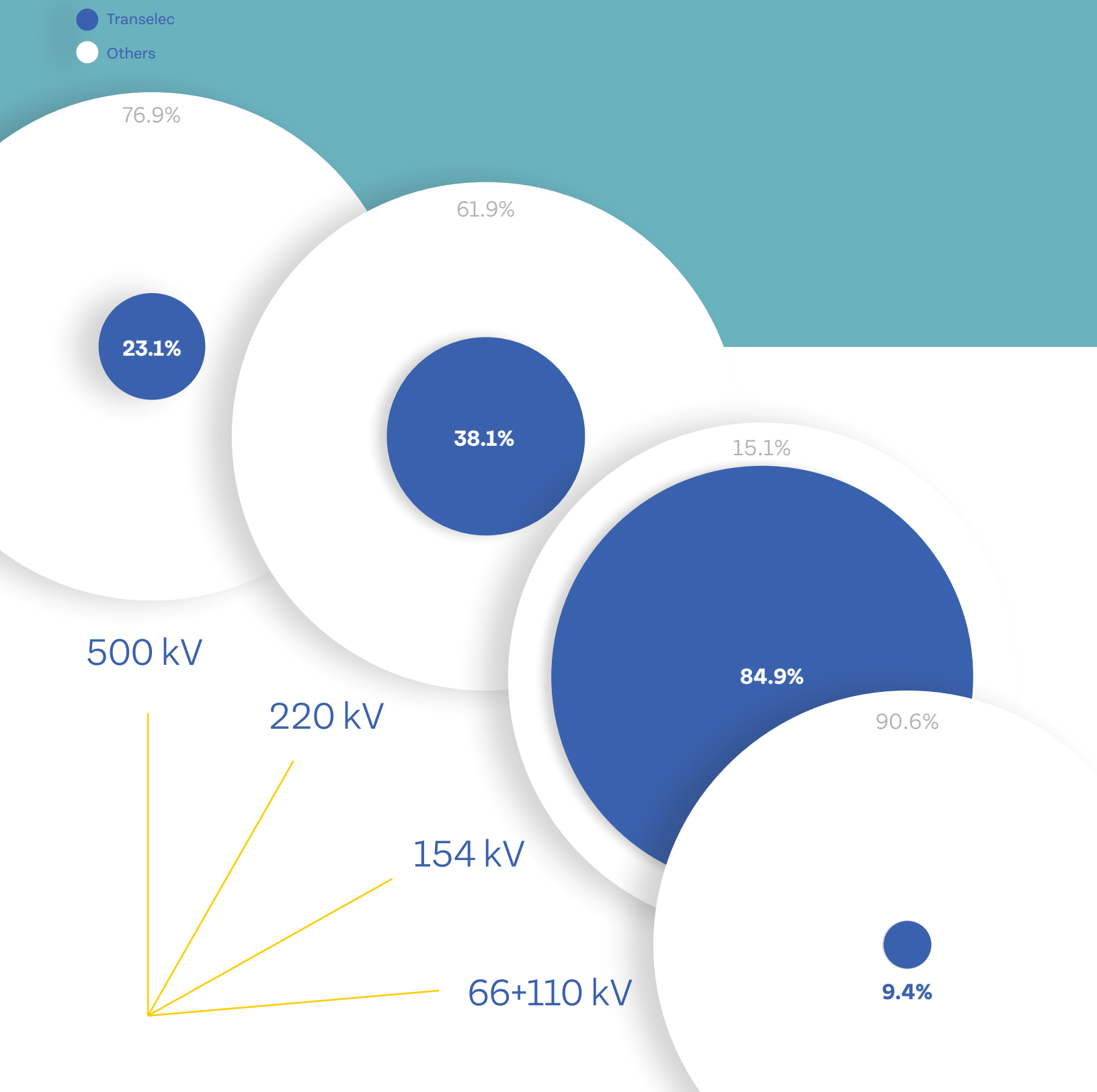
The Ministry of Energy launched a Flexibility Strategy for the National Electricity System on September 8, 2020. This strategy considers a program consisting of several regulatory reforms designed to ensure the efficient operation and expansion of the power grid over the long term, considering the new operating paradigm currently being faced due to the high penetration of Variable Renewable Energy, which has implied important technological, social and environmental changes.

In addition, the Chilean Chamber of Deputies started to process a Power Portability bill on September 9, 2020. This bill is designed to provide power grid users with the right to choose their own power supplier, making the power supply tender mechanism flexible and ensuring the incorporation of new stakeholders and competitors into the market while ensuring that tendered power supply contracts are respected by means of a gradual transition with certain technical objectives and criteria. This bill will be processed during 2021, while Service Quality and Distributed Generation bills are expected to be submitted to the Chilean Congress in 2021.

Moreover, in 2020 the Ministry of Energy announced that it was working with the SEC on a bill to amend SEC Organic Law N°18,410, in order to process this law in the Chilean Congress during 2021. This bill is designed to update SEC functions, inspection and sanction mechanisms.

Market share as of December 31, 2020

Transelec is an important stakeholder in Chile's transmission system, as a pioneering company and leader that has substantial know-how and expertise. Considering the remuneration system for the power transmission market, the Company receives revenues as a profit over installed capacity and therefore market share is not a significant factor. However, Transelec has the following market share in transmission lines, which indicates the important scope of its ownership when it comes to operational high voltage transmission lines, especially at 154 and 220 kV:



Project development

In 2020 and in the context of the Covid-19 pandemic, the focus in the development of projects has been to balance the occupational health and safety of all our collaborators and operational continuity. Thus, given the prompt implementation of the sanitary measures defined by the Authority, the execution of the projects has been moderately impacted mainly due to the slowdown in permits, disruptions in logistics chains, loss of productivity and / or delays in the energization of projects.

National Power Grid projects

New projects

1. Studies

Transelec S.A. is currently developing studies in order to participate in the new projects tendering process executed by the National Electricity Coordinator. The project portfolio has a reference investment value amounting to US$ 1,203 million and is outlined as follows:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0185/2020	New Reactive Compensation Equipment (NCER AT)	27.87	Q1 2024
0231/2019 0162/2020	Kimal-Lo Aguirre HVDC transmission line	1.176.00	Q4 2028

2. Projects Awarded

Transelec S.A. awarded contracts and started the development of projects with reference investment value amounting to US$ 198.21 million in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0004/2019	New 220 kV JMA Sectioning Substation	19.11	Q3 2023
0004/2019	Nueva 500/220 kV Parinas Sectioning Substation	54.31	Q3 2023
0004/2019	New 2x500 kV Parinas-Likanantai transmission line energized at 220 kV	105.62	Q3 2024
0004/2019	New 2x220 kV Lagunas-Nueva Pozo Almonte transmission line, first circuit installed	19.17	Q3 2024

3. Project Development

Project development with a reference investment value of US$ 11.21 million continued in 2020. This is indicated as follows:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0422/2017	220 kV Frutillar North Substation	11.21	Q2 2021

4. Commissioning

Projects with reference investment value amounting to US$ 8.13 million were energized in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0422/2017	220 kV Malleco Substation	8.13	Q3 2020

Upgrades

1. Studies

The National Electricity Coordinator started the tendering process for national upgrades with reference investment value amounting to US$ 55.09 million in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0171/2020	Coupling bay circuit breaker replacement at 66 kV Temuco Substation	0.87	Q4 2022
0171/2020	Upgrade at 220 kV Rahue Substation (BPS+BT)	0.69	Q1 2023
0171/2020	Upgrade at 110 kV Maitencillo Substation (BPS+BT)	1.74	Q2 2023
0171/2020	Coupling bay circuit breaker replacement at Alto Jahuel Substation	0.70	Q2 2023
0171/2020	2x220 kV Alto Jahuel-Chena transmission line circuit breaker replacement at Alto Jahuel Substation	1.78	Q2 2023
0171/2020	Upgrade at Temuco Substation (BPS+BT)	0.26	Q3 2023
0171/2020	Upgrade at Frontera Substation 2x220 kV Lagunas–Encuentro transmission line sectioning	9.93	Q1 2024
0171/2020	2x220 kV La Cebada–Punta Sierra transmission line capacity upgrade	3.58	Q1 2024
0171/2020	2x220kV Frontera–María Elena and 2x220 kV María Elena–Kimal transmission line capacity upgrades	19.56	Q3 2024
0171/2020	1x220 kV Charrúa–Temuco transmission line capacity upgrade	15.98	Q3 2024

2. Projects Awarded

Transelec S.A. awarded contracts and started the development of projects with reference investment value amounting to US$ 60.15 million in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0293/2018	Upgrade at Lagunas Substation	2.44	Q3 2022
0198/2019	Upgrade at Polpaico Substation	1.20	Q4 2022
0293/2018	Increase in capac. LAT 2x220 kV Tineo-Puerto Montt transmission line upgrade and upgrade at Tineo Substation	3.94	Q1 2023
0293/2018	2x220 kV Ciruelos-Cautín transmission line upgrade	10.35	Q3 2023
0198/2019	2x500 kV Alto Jahuel-Lo Aguirre transmission line upgrade and upgrade at Lo Aguirre Substation	42.22	Q4 2023

3. Project Development

Transelec S.A. continued to develop projects with reference investment value amounting to US$ 8.57 million:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0373/2016	220 kV Punta Colorada Substation upgrade	2.53	Q1 2021
0158/2015	2x220 kV Crucero – Lagunas transmission line extension	2.54	Q2 2021
Art. 102	Upgrade at 220kV Miraje Substation	3.50	Q3 2021

4. Commissioning

Projects with reference investment value amounting to US$ 24.16 million were energized in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
Art. 102	Adjustments at Lagunillas Substation for connection to 2x220 kV MAPA-Lagunillas transmission line	1.30	Q2 2020
0373/2016	1x220 kV Tarapacá-Cóndores transmission line bay incorporation at Cóndores Substation	3.61	Q2 2020
0373/2016	New 220 kV Quillagua Sectioning Substation	18.04	Q2 2020
0373/2016	Normalization of bays J3 and J4 at 220 kV Chena Substation	1.21	Q3 2020

Investment in 2020
National Power Grid
Values in CLP million

Project type	Actual investment
New works	9,417
Upgrades	9,899
Carry over (*)	3,790
Total National System projects	**23,107**

(*) Corresponding to payment made in 2020 for projects commissioned in 2019 or earlier.

Zonal System projects

New projects
1. Studies

Transelec S.A. is currently developing studies in order to participate in the tendering process executed by the National Electricity Coordinator. The project portfolio has a reference investment value of US$ 145.48 million and projects are listed as follows:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0185/2020	New 66 kV Los Poetas Sectioning Substation and new 1x66 kV Algarrobo–Los Poetas transmission line	5.54	Q1 2024
0185/2020	New 1x110 kV Maitencillo–Vallenar transmission line	4.78	Q3 2024
0185/2020	New 220/110 kV La Ligua Substation	20.69	Q3 2024
0185/2020	New Baja Cordillera Sectioning Substation	27.42	Q3 2024
0185/2020	New 1x66 kV Portezuelo–Alcones transmission line	3.30	Q3 2024
0185/2020	New El Ruil Sectioning Substation	6.96	Q3 2024
0185/2020	New 220/66 kV Epuleufu Sectioning Substation	13.67	Q3 2024
0185/2020	New 1x66 kV Angol–Epulefu transmission line	5.41	Q3 2024
0185/2020	New Mapocho Substation and new 2x110 kV Mapocho-Vitacura transmission line	57.71	Q3 2026

2. Projects Awarded

The National Electricity Coordinator awarded contracts and started the development of projects with reference investment value amounting to US$ 19.57 million in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0004/2019	New 2x220 kV Candelaria-Nueva Tuniche transmission line and 220 kV Nueva Tuniche Substation	19.57	Q3 2024

3. Project Development

Transelec S.A. continued with Project Development with reference investment value amounting to US$ 39.09 million:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0418/2017	New 220/110 kV Río Aconcagua Substation	24.22	Q3 2021
0418/2017	New 220/66 kV Lastarria Substation	14.87	Q4 2021

4. Commissioning

No projects were energized throughout the period.

Upgrades

1. Studies

The National Electricity Coordinator started a tender process for zonal upgrades with reference investment value amounting to US$ 8.17 million:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0171/2020	Upgrade at 110 kV Nueva San Rafael Substation	0.35	Q1 2023
0171/2020	Upgrade at Vallenar Substation (NTR ATMT)	4.10	Q3 2023
0171/2020	Upgrade at Laja Substation (RTR ATMT)	1.43	Q3 2023
0171/2020	Upgrade at Temuco Substation (NTR ATMT)	2.29	Q3 2023

2. Projects Awarded

The National Electricity Coordinator awarded and started the development of projects with reference investment value amounting to US$ 19.64 million in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0418/2017	Circuit replacement at 1x154 kV Charrúa-TAP Chillán and 1x154 kV. Charrúa-Monterrico	2.45	Q1 2022
0293/2018	Upgrade at Laja Substation	0.58	Q1 2022
0198/2019	Upgrade at Charrúa Substation	2.73	Q3 2022
0418/2017	220 kV Nueva Valdivia Substation upgrade.	7.16	Q1 2023
0293/2018	2x220 kV Punta de Cortés - Tuniche transmission line upgrade: incorporation of transmission line bays	6.72	Q1 2023

3. Project Development

Transelec S.A. continued to develop zonal upgrade projects with reference investment value amounting to US$ 16.67 million in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0418/2017	1x110 kV Maitencillo - Algarrobo High Voltage Transmission Line Capacity Upgrade	1.62	Q3 2021
0418/2017	2x154 kV Alto Jahuel - Tinguiririca High Voltage Transmission Line Sectioning at Punta Cortés Substation	4.52	Q3 2021
0293/2018	Double pairing of 220/110 kV Transformer N°1 at Cardones Substation	6.80	Q1 2022
0418/2017	110 kV GIS Upgrade at Cerro Navia Substation	2.73	Q2 2022

4. Commissioning

Projects with reference investment value amounting to US$ 16.58 million were energized in 2020:

Decree	Project	Ref. VI (US$ mn)	Commissioning Date
0418/2017	220/110 kV Autotransformer Bank at Pan de Azúcar Substation	12.91	Q3 2020
0418/2017	Sectioning at Panimávida Substation	0.61	Q3 2020
0418/2017	Itahue Substation upgrade	3.06	Q3 2020

Investment in 2020

Zonal System

Values in millions of Chilean pesos

Project type	Actual investment
New works	53,006
Upgrades	8,155
Carry over (*)	75
Total National System projects	**61,237**

(*) Corresponding to payment made in 2020 for projects commissioned in 2019 or earlier.

Dedicated System projects

1. Studies

Transelec S.A. has continued its pursuit of new business opportunities in 2020, aiming to establish and strengthen relations with its customers while contributing its expertise to the provision of technical, innovative and competitive solutions.

2. Projects Awarded

Transelec S.A. was awarded contracts and started project development with reference investment value amounting to US$ 1.8 million:

Connection Type	Project	Ref. VI (US$ mn)	Commissioning Date
Solar	CEME1 connection (Miraje Substation)	1.80	Q3 2021

3. Project Development

Transelec S.A. continued to execute zonal upgrade projects with reference investment value amounting to US$ 293.0 million in 2020:

Connection Type	Project	Ref. VI (US$ mn)	Commissioning Date
Solar	Río Escondido Power Transmission Project	18.00	Q1 2021
Wind	Puelche Sur Wind Park	13.00	Q1 2021
Solar	Valle del Sol Transmission Line Conditioning	2.00	Q3 2021
Industrial	Quebrada Blanca (Phase II), Teck	260.00	Q4 2021

4. Commissioning

Projects with reference investment value amounting to US$ 27.0 million were energized in 2020:

Connection Type	Project	Ref. VI (US$ mn)	Commissioning Date
Wind	Malleco Wind Park	3.00	Q3 2020
Solar	Atacama Solar	24.00	Q4 2020

Investment in 2020

Dedicated Power Transmission System
Values in millions of Chilean pesos

Project type	Actual investment
Dedicated works	72,066
Carry over (*)	344
Total Dedicated System Projects	**72,411**

(*) Corresponding to payment made in 2020 for projects commissioned in 2019 or earlier.

Our customers

Transelec transmits electrical energy that is fundamental for energy market operation. We are the link between power generation and daily demand made by Chile's inhabitants. The Company is the main supplier of power transmission services in the National Power Grid and plays an essential role in the country's energy development. Our customers are those users that withdraw and/or inject energy to/from power transmission systems, which is to say power generation companies and end customers (by means of power distribution companies), industrial and mining customers.

We are consequently an important part of the responsibility for ensuring that residential and industrial customers have a steady and uninterrupted power supply, thus improving the country's quality of life and development.

Transelec and Mainstream worked together again in 2020, this time, in southern Chile where development, construction, operation and maintenance of the transmission line for the Puelche Sur Wind Park located in the Los Lagos Region is to be executed. Construction work for the 1x220 kV transmission line will be laid out over a distance of 12.8 kilometers and considers 42 towers to support the transmisssion line that will transport energy from the wind park to the future Frutillar North substation. With this project, Transelec has consolidated its commitment, competitiveness and agility with the enhancement of clean energy in Chile's power grid.

We understand that being leaders in the power transmission market not only means managing large-scale projects, which Transelec has been doing throughout its corporate history, but also providing better solutions for each type of customer and adapting to the new requirements of a constantly changing market. We are facing the future with innovative vision, in which digital transformation leverages our commitment with quality and reliability.

pulse
de Transelec

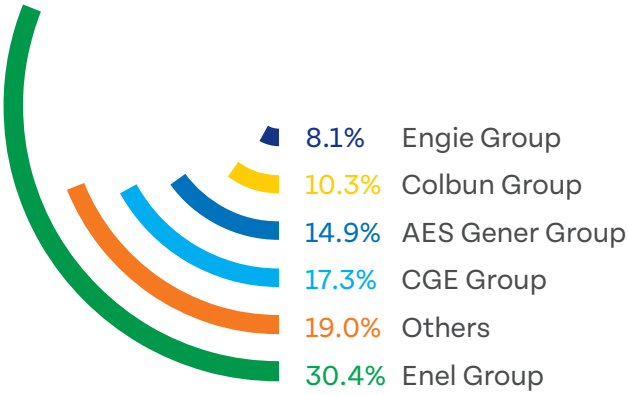
This year Transelec developed Pulse, a digital power certification and traceability platform based in block chain. The platform is the result of an open innovation project executed with the company Phineal. The initiative is designed to raise awareness, promote the role of renewable energy sources in the process of decarbonizing the Chilean power grid, and create awareness regarding sustainable consumption by providing clear and reliable information to encourage people to prefer products manufactured using clean energy. Pulse is one of the company's contributions to an environment with less emissions, adding more value and providing tools for companies from different industries wishing to differentiate their products from the competition.

Transelec's commitment not only focuses on its customers, but also involves the future of Chile's energy, considering energy as a high impact social and economic development engine in the country.

Transelec is looking toward the new decade with a view to new leadership committed to service management in a scenario bringing together irreproachable customer relations management, new technologies, sustainable development, well-informed and conscientious citizenry and a world moving toward digitization in smart cities at a breakneck pace. We, at Transelec, are prepared.

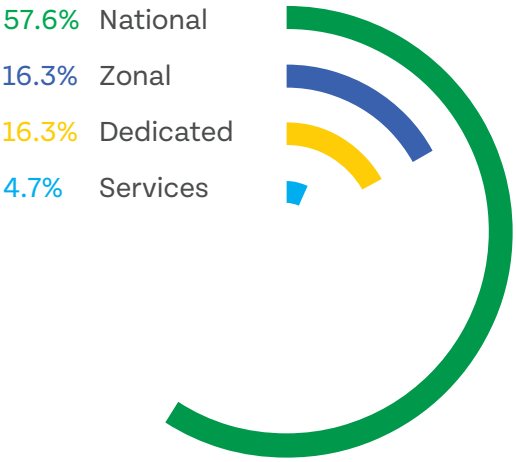
Revenues by Transelec Clients*

(*) According to invoicing.



Revenues by System*

(*) According to invoicing.

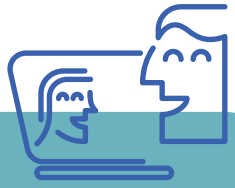


Our customer service policy

Our policy is to interpret and understand our customers' needs, identifying optimum technical and economic solutions for each project and executing these projects with the highest quality, safety and environmental parameters. We seek to reach a commitment that will forge long-term relations over the years.

Our commitment is to provide service and consultancy using our extensive and specialized knowledge of power transmission to deliver tailor-made services for project execution. Customer service and trust in our knowledge as system specialists are the foundation for close relations with our customers and the market.

The pursuit and provision of a specialized power supply allows us to develop the best and most innovative power transmission solutions, especially for highly complex projects with tight deadlines, incorporating cutting-edge technological solutions. Our projects are executed in compliance with the highest standards, in a framework of sustainability throughout their entire life cycle, using technology and designs that are compatible with the environment, communities, our employees and contractors.

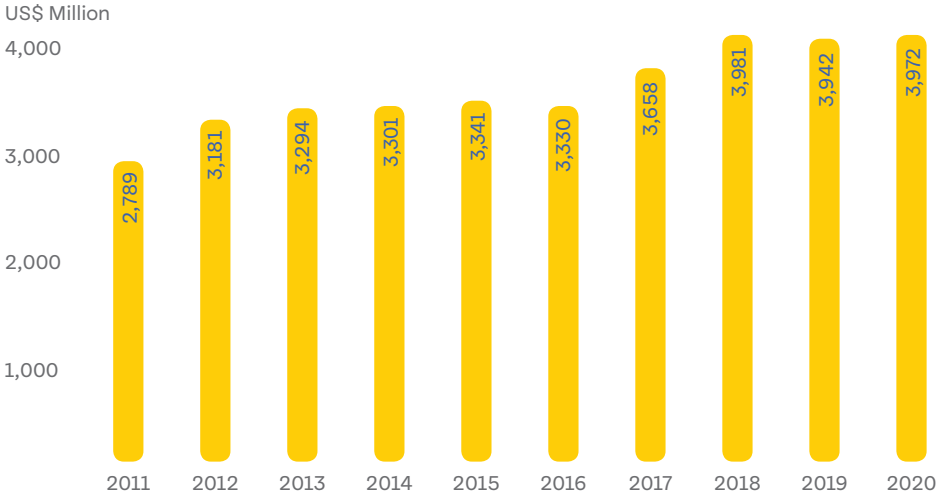


We have strengthened our customer relations actions in 2020, understanding that conditions during the year required special focus and attention. We have consequently worked on the development and improvement of digital platforms that enable more fluent communication with optimum response time. As part of our customer satisfaction plan, surveys are conducted with our main clients, our connection and open access clients, as well as clients we are executing development projects with. Our efforts have led to results with high satisfaction levels.

Investment Value (VI)

The current regulatory framework establishes mechanisms for calculating and publishing transmission company investment value at market prices. This information is used to set service tariffs.

Transelec power transmission facilities were appraised at US$ 3,972 million as of 31 December 2020.



4. The Operation

As a public service company, Transelec is strongly committed to providing power transmission service in compliance with stringent quality and safety standards, while focusing on its customers and optimal asset management. The Company consequently employs its own personnel and highly qualified contractors, as well as technology-intensive processes and resources based on risk models.

Asset Management

One of the strategic focal points for transmission asset management in 2020 was the formulation of specific and exclusive action plans and measures designed to ensure service quality at facilities for which disconnection generates impacts on regulated customers. In this context, we conducted two initiatives whose guiding purpose was to formulate preventive activities for pre- and post-failure management. On the one hand, preventive actions were formulated to prevent transmission line failures and failures affecting critical substations, which led to prioritized investment in OPEX and Sustainable CAPEX. On the other hand, activities have been implemented in procedures to manage corrective actions during repairs in order to mitigate the impact of events on these critical facilities. Actions specifically formulated in 2019 to improve the reliability of critical transmission lines were implemented at these facilities during 2020.

In addition, the Covid-19 pandemic has generated the need to revise activities underway in assets by means of maintenance, replacement or renewal. This was mainly evidenced as increased safety measures that must be taken to prevent infection, which implies additional difficulty for site work. All 2020 activities were revised under this logic and prioritization was executed, leaving only the most important and critical tasks so as to focus efforts and thus maintain performance standards at our facilities.

The Disconnection Rate Indicator, which conceptually measures the number of failures stemming from internal causes at Transelec facilities with regard to the number of assets, disaggregating events at transmission lines and substations, whether these faults affect critical or non-critical assets, indicated positive facility performance in 2020. A change was made in the way substation assets are measured, with addition of disconnection statics for "Primary Equipment" and "Control and Protection Equipment" under a single indicator known as "Substation Disconnection Rate" in order to implement a measurement equivalent to the ITOMS benchmark. This indicator showed results similar to goals set for the year. In general, terms, a breakdown for the two technical areas measured by the indicator is provided as follows:

- Transmission line disconnection rate amounted to 3.49, better than 2019 and in line with the target rate set for 2020.
- The substation disconnection rate came to 73.12, slightly up compared to 2019. However, this is the second-best historical result for this indicator since measurement first started.

Related to the maintenance of transmission assets, in 2020 a compliance with maintenance categorized by risk was achieved equal to 122%, similar to the objective established for the year. This indicator was especially impacted by the difficulties in carrying out maintenance activities due to Covid-19, especially at the beginning of the pandemic; however, the activities defined according to their criticality were carried out. Similarly, for the "Sustainable CAPEX" asset replacement plan, compliance with the "physical-financial progress" indicator was equal to 94%, for which there was also an effect associated with the contingency, especially related to difficulties of contractors to mobilize and develop the work.

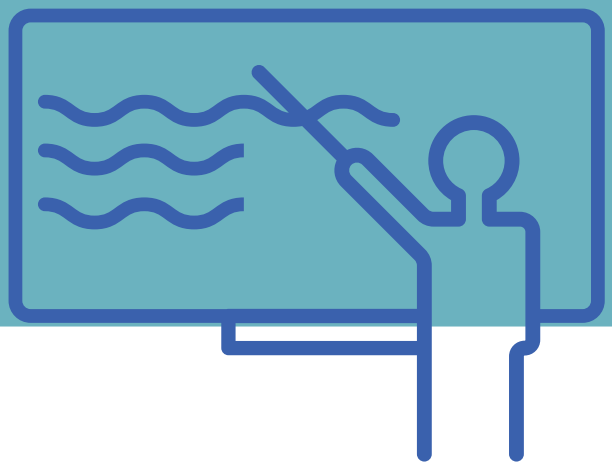
One of the most important Digital Transformation initiatives is the Asset Management 4.0 project. Asset Performance Management (APM) platform implementation was kicked off in July and is being executed with our strategic partner General Electric (GE). One of the most important milestones in 2020 was the development of Sprint N°1, which consisted of modelling 50 power transformers using historical information. The milestone was completed in mid-December when the first results were made available. Following completion of this milestone, we are continuing work on the implementation process, which considers incorporation of the remaining transformers and modelling of circuit breakers and transmission lines. Finally, we will work on platform implementation in 2021, as well as the incorporation of analysis results submitted by APM for our decision-making process, in order to improve asset performance while optimizing OPEX and Sustainable CAPEX (TOTEX) costs.

Ongoing innovation and the incorporation of digital technology are fundamental springboards for achieving world-class asset management standards and ensuring service continuity for our customers. Technological development will enable us to predict risk situations for technical/economic decision-making, ensuring service continuity and sustainable operation.

Operation

Transelec National Transmission Operation Center (CNOT) plays a fundamental role in ensuring service continuity. CNOT construction was completed in 2014, meeting the highest safety standards and making it possible for Transelec to centralize operation of its facilities in real time. A capability management process for CNOT operators was implemented in 2016. The process included the assessment of model skills. An Operator Training System (OTS) was implemented in 2019 and this system has enabled additional improvement of our operator's technical and behavioral performance in a controlled environment by simulating extreme conditions and events, replicating actual system and workplace features in 2020.

In 2020, the Covid-19 pandemic forced us to incorporate necessary health measures to protect our personnel, making operational continuity a major challenge. The National Power Transmission Operation Center (CNOT) was an important part of our action plan, which was addressed early and successfully. Three separate control centers were created, ensuring appropriate health conditions while not compromising operating quality. In addition, a large number of engineers and analysts from other units were trained to enable our teams to be flexible in the event of Covid-19 infection.



Occupational Health and Safety

COVID 19

The change of context brought on by the COVID-19 pandemic made us rethink our Occupational Health and Security (OHS) management strategy. Without losing our focus on the three High-risk Activities (Work with Energized Transmission Lines and Equipment, Vehicle Circulation and Altitude Work), we had to reassign resources and plan actions for addressing this new risk and its potential impacts.

Work sessions were planned to analyze information and statistics issued by the authority, formulate and update protocols. We immediately join our contracting companies in all this prevention work.

The Company set itself the objective of preventing the labor contagion of our workers, its own and contractors.

Potential Impact

The Power Transmission System is critical and must not fail. It fuels the healthcare system, a fundamental component in the fight against COVID-19. The system must be kept operational and our workers had to be kept safe from the virus at all times.

Working plans were reformulated to address the pandemic taking in consideration risks potentially affecting transmission system operation and maintenance, which cannot fail.

In addition, the ISO 45001 Migration and Certification process also had to be redesigned and adjusted to teleworking and online sessions for different working commissions, together with another challenge: executing the first audits for the entire Integrated Management System.

Immediate Actions

Planning to address this pandemic or manage this new risk started an immediate implementation stage with the different work teams meeting on a regular basis while monitoring appropriate process implementation:

1. **Daily Monitoring and Control** for the action plan.
2. **Formulation of Protocols** for sites and offices pooling recommendations and standards issued by the authority.
3. **Quick Test Application** for Transelec and contracting company workers at Operations sites such as engineering.
4. **Purchase of COVID-19 personal protection equipment and supplies** in coordination with the Acquisition Area, for immediate requirements and planning with areas involved.
5. **Communications and Culture Plan**, we worked with Internal Communications to formulate and execute a plan designed to enhance preventive measures and protocols while installing and reinforcing practices such as social distancing, regular hand washing and the mandatory permanent use of facemasks.
6. **Training** to address the contingency in e-learning mode, reinforcing new prevention measures in compliance with authority requirements indicating that workers must be informed.
7. **Operational Control** designed to monitor measures indicated in Coronavirus and High Risk Activity control protocols.

Indicators

Actions taken quickly and processes implemented allowed managing this emerging risk in such a way that 2020 OHS Plan compliance came to 100%, achieving ISO 45001:2018 Certification and with no cases of work-related COVID-19 infection reported.

2020 Occupational Health and Safety Indicators

Accidentability Rate[4]

Historical maximum (2008)	Historical minimum (2019)	End of 2020
1.20	0.07	0.26

Accident Rate[5]

Historical maximum (2008)	Historical minimum (2019)	End of 2020
48.04	2.12	3.56

Work-related illness[6]

Historical maximum (2008)	Historical minimum (2019)	End of 2020
0	0	0

Work-related COVID-19 infection

Cierre 2020
0

[4] Accidentability Rate: the quotient between Lost Time due to Accidents and Number of Workers (Total Lost Time due to Accidents*100/Number of Workers).

[5] Accident Rate: the quotient between Total Days Lost and Number of Workers (Total Days Lost*100/Average Number of Workers).

[6] Work-related illness: illness directly caused by execution of a person's work or profession leading to disability or death.

Service Quality

Service quality is one of the Company's strategic pillars, which is the result of Transelec management work to maintain and modernize its assets, together with response capacity in the event of network incidents.

Considering strategic change proposed in 2019, the way we measure Service Quality has been perfected this year, replacing TEI with three strategic indicators:

- SAIDI TRANSELEC: It is an indicator that measures the time that a town was without electricity supply and, through it, we measure the impact of Transelec on the end customer in the 13 most critical points of the system, chosen by their historical performance or by the vulnerability of its topology.
  RESULT: 0.827 hours (2020) and 0.922 hours (2019). An improvement of 11% is evidenced compared to the results obtained in 2019.

- EAI: High impact events consider all those supply interruptions to the end customer that exceed 1 hour in duration, regardless of the number of customers.
  RESULT: 7 events (2020), 9 events (2019). A 22% better result is obtained compared to 2019.

- Compensations: The objective of this indicator is to quantify the impact that failures have on the end customer for Transelec, through the estimated compensation, which is ruled by regulation. Currently there is no amount determined by the authority, given that the regulatory process is under development, therefore, as of the next annual report, it will be possible to communicate this result.

Taking energy as a reference, the year 2020 had an increase of 20% compared to the average of the last 5 years, which was mainly marked by a failure that affected Compañía Minera Antucoya. In any case, these results make us see our opportunities for improvement, and establish internal quality improvement challenges more demanding than we originally had.

5. Environment and Communities

Transelec operations are subject to Law N°19,300/1994 on General Environmental Guidelines ("Environmental Law") and its subsequent amendments. The Environmental Law requires the principals of new projects or modifications of high voltage transmission lines and electrical substations to comply with the Environmental Impact Evaluation System (SEIA) and submit Environmental Impact Studies (EIA) or Environmental Impact Declarations (DIA) as required so these projects can be environmentally evaluated and qualified by the respective Environmental Evaluation Commissions and then finally approved by means of an environmental qualification resolution. In addition, these regulations indicate that the project principal will be entitled to request the Environmental Evaluation Service to make an official announcement as to whether a project or its modification should be submitted to the SEIA. These documents are known as letters of pertinence to be submitted to the SEIA. More specifically, the main reform made to the Environmental Law came about through the passing of Law 20,417/2010 that introduced important changes to current institutionalism, creating new environmental management instruments and modifying existing instruments. Transelec consequently had to adjust to these new requirements. The institutional framework was therefore constituted by the following entities:

i. Ministry of the Environment
ii. Council of Ministers for Sustainability
iii. Advisory Councils
iv. Environmental Evaluation Service
v. Environmental Superintendence
vi. Environmental Courts

These institutions are responsible for the design and application of environmental policies, plans and programs, the proposal of sustainability criteria for the formulation of planning process and policies at ministries, the formulation of regulations, SEIA administration, project inspection and sanctions, among others. Environmental Evaluation System Regulations (SD N°40/2012) came into force on December 24, 2013. Among other issues, these regulations indicate requirements for environmental impact evaluation procedures for Environmental Impact Studies, Environmental Impact Declarations and community participation, as well as consultation with first nations throughout this process.

We wish to highlight that the creation and commissioning of Environmental Courts on December 28, 2012 was also accompanied by entry into force of inspection and sanction capacity for the Environmental Superintendence.
In addition, the Ministry of the Environment presented a SEIA modernization package in 2019. The process was designed to ensure increased environmental court involvement in dispute settlement and strengthen regional commissions. In addition, a multi-stakeholder and multi-sectorial participatory process was executed to formulate a climate change framework law.

Our business, energy transmission, plays a key role in society and at the same time has the potential to generate impacts on the environment since our high voltage lines cross various territories and ecosystems. A preventive culture is key to minimize our socio-environmental impacts.

The potential environmental impacts of our activity vary according to the business stages and many of these potential impacts can be minimized or avoided during the design stage. An example of this is the deviation of paths with the aim of minimizing the alteration of natural landscapes and / or ecosystems valuable for their biodiversity, as well as reducing the loss of land for agricultural use.

Some examples of how impacts are avoided during the operation phase is by constantly managing environmental commitments through the m-risk platform where we monitor the Environmental Qualification Resolutions on environmental components such as noise, waste, water use, among others.

Transelec is an active environmental institutionalism user. Five projects were submitted for environmental evaluation in 2020 and their environmental certification is currently being processed.

This has been a year of challenges. Fourteen projects were underway and two sanctionary processes were executed which were a major corporate challenge. These are listed as follows:

Rincón de Pataguas
The Environmental Superintendence (SMA) pressed charges against Transelec and all other companies with facilities at the Ancoa Substation on July 9, 2020 for noise levels exceeding regulations. Transelec submitted an Environmental Compliance Program (ECP) to the SMA on August 3, which includes noise barriers to ensure compliance with noise regulations. No comments regarding the program submitted have been received to date.

Línea Charrua Lagunillas
The SMA pressed charges against Transelec in the framework of the "Charrúa–Lagunillas" project (RCA N°174/2009) on July 3, for failing to comply satisfactorily with reforestation measures. An Environmental Compliance Program (ECP) containing reforestation and restoration actions was submitted to the SMA on August 11. The SMA approved the proposed compliance program on September 10. Implementation of the approved measures has already started.

Our contributions to climate change and decarbonization

During 2020, different initiatives were carried out with the intention of being a contribution to the fight against climate change and being a more sustainable company.

"Súbete" started as an initiative aimed at carpooling among Transelec employees and from buildings near our Orinoco office with the intention of reducing emissions in our transfers. However, it had to be restructured because of the pandemic to avoid sources of contagion. The initiative was restructured promoting the use of safe and sustainable means of transport such as bicycles. For this, a joint work was done with the group of Transelec cyclists, Human Resources and the VP of Corporate Affairs and sustainability. We made a detailed survey of the situation of our cyclists and installed an exclusive bicycle rack for Transelec in one of the building's parking lots.

On the other hand, since 2020 we have a tool to measure our carbon footprint. This allows us to have a baseline on the impact that our processes have and a starting point to go looking for alternatives to reduce it.

All of our actions have an impact associated with carbon emissions into the atmosphere, and one of the actions that we decided to take responsibility of this year was the management of our waste at the central office. For this we had a consultancy from Triciclos, where setting up a baseline, 9 recycling containers were installed on the different floors to give correct traceability to the waste we generate and thus prevent them from going to landfills.
It is useless to have infrastructure if there is no culture. This is why the Zero Waste Committee was formed, a group whose mission is to make the company aim for a zero waste culture. They will focus on edges such as the education of our employees in terms of recycling and ensuring sustainable acquisitions for the company.

Communities and the COVID-19 emergency

As in former years, Transelec continued to execute social investment programs at the most strategic communities near our facilities and projects under construction.

However, urgent matters stemming from the Covid-19 pandemic in different areas where the company operates led us to develop an assistance plan for different requirements. We condensed these into the COVID-19 Community Assistance Plan, increasing social investment resources by 70% with some activities remaining to be executed in 2021.

The objective of this plan was to mitigate impact generated by coronavirus health and economic crisis. The program has been extended throughout 25 territories spanning from Arica to Chiloé and includes actions and initiatives in the fields of health, nutrition, education, community infrastructure and local employment, among others.

In keeping with this plan, the company delivered nearly 9,000 food baskets in nearly 20 communities. Wi-Fi connectivity projects were executed at 33 community centers, infrastructure was improved at 25 schools, a distance education program was executed in Cerro Navia and personal safety equipment was donated to the Félix Bulnes Hospital, together with health initiatives in different regions, providing assistance for 2,000 patients between June and December.

By means of an alliance with Desafío Levantemos Chile and in coordination with the Ministry of Health, the company brought medical personnel and PRC test facilities to remote localities in the regions of Antofagasta and Los Lagos to help decongest local medical centers and prevent risky mobility during the pandemic.

In turn, together with TECHO, Transelec cooperated with Medical Centers in the Metropolitan region, as well as the regions of Valparaíso, La Araucanía and Los Ríos, providing primary medical care not related to Covid-19 at rural public medical centers, CESFAM, community centers and homes in remote areas far from urban centers.

The plan considers entrepreneurial and local economy reactivation actions to be executed over the coming months. Additional information is available at https://www.transelec.cl/coronavirus/

6. Our People

Transelec's collaborators play an essential role in the Company's development and this became even more evident during a year like this one. From the very start of the pandemic, we consequently focused on taking all necessary and known measures to safeguard the health and integrity of our teams, while enhancing our communication to inform and accompany our collaborators throughout this fearful and uncertain process.

Although this was one of our main lines of work in 2020, we did not neglect the important task of seeking new talent to challenge our own limits, thus creating teams of excellence. The uncertain and changing times ahead mean that we are seeking to improve while becoming more diverse, agile and flexible. The above, together with increasing challenges we are facing as a company, encourages us to recruit and retain the best professionals in the market with a view to their development and well-being.

In keeping with this context, Transelec has benefits and compensation policies, as well as an incentive plan enabling us to be a competitive company in terms of talent attraction, motivation and retention.

With regard to professional development for our collaborators, the Company is regularly implementing training programs to empower knowledge, competencies and new skills to continue meeting the highest professional quality standards and adapting to changing requirements of the organization and the current scenario.

Year 2020 has been a different year because of the pandemic. Starting in March, prioritizing the health of our collaborators, we started an unprecedented teleworking process due to the Covid-19 health crisis. This measure was implemented for all members of our Headquarters and Zone Divisions, including all collaborators that could work from home. However, the need to work close to our assets meant that nearly 30% of our personnel remained in the workplace.

In order to safeguard personal safety and respect protocols currently in force, we designed a gradual partial Reincorporation Plan. Twenty people initially came back to work at our different offices, amounting to a maximum 100 at our Headquarters. This plan is based on the Weizmann Institute of Science, Israel, which divided its organization into two groups to prevent infection and implemented a 4x10 working model, which is to say 4 days of work at the office and the rest of the days from home. We have successfully developed this model in line with decisions made by the health authority.

We wish to highlight that despite the current pandemic scenario, Transelec has upheld its commitment with its collaborators, continuing with its training and development, diversity and inclusion plans, as well as benefits and activities to make work and family life more compatible.

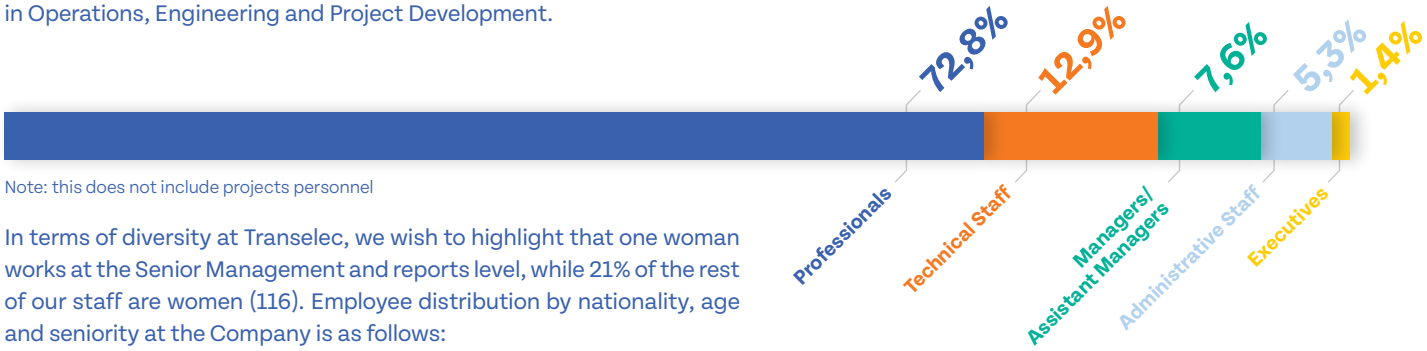
Quality of Life

Year 2020 has led us to explore new ways of working and safeguarding our collaborators' quality of life. Transelec has adapted to the new scenario, incorporating new initiatives and rethinking those requiring adaptation to the current context. In this sense, we wish to highlight the following initiatives:

- Teleworking mode has called attention to the need to discuss how to balance work, family and personal life. We consequently hosted a talk to create spaces for dialogue and contribute to greater synergy between the aforementioned roles.
- We continued to work fewer hours on Friday throughout the entire year. In addition, we continued to provide the benefit of bridge days when legal holidays fall on Tuesday or Thursday, adding Monday or Friday as an additional day off.
- Another outstanding benefit is the 5-minute Workout Program that started in 2011 and is currently underway in Santiago and in Chile's regions. The 5-minute Workout was provided online for all Transelec collaborators in 2020, providing different 5-minute workout options that can be done during work shifts in order to contribute to our collaborator's physical and mental well-being.
- We incorporated a benefit for our collaborators' mental health, known as the Extraordinary Program for Emotional Support and Assistance (Spanish acronym PEACE). This program consists of a psychological guidance service for collaborators, their spouses and dependent children.
- We also wish to highlight Club Transelec that matches collaborator contributions 1+1, which is to say provides the same amount spent by collaborators for recreational, sports and cultural activities. In keeping with the health contingency, this year the Club promoted remote activities and contests hosted from home.
- As part of integrating families into the company, once again and for the tenth year in a row, Transelec hosted "Open Day", one day per year in which Transelec invites our collaborators' children to visit their parents' workplace and appreciate their contribution to the company. The activity was hosted remotely this year because of the health contingency.
- We had to face the same challenge in September. Health concerns meant that we could not gather for any type of celebration. However, we sent presents to the homes of our collaborators to celebrate Independence Day despite the distance between us.
- Our traditional Christmas Celebration was also suspended due to the pandemic. However, there was no holding back the Christmas spirit and we sent presents to the homes of our workers and normal contractors for all children under the age of 12, as well as a present for each family.
- Birthday greetings were also sent, not in person, but rather by means of an e-mail from our Organization and Personnel Vice-president to each of our collaborators on his or her birthday.
- In the framework of "Initiatives for a More Inclusive Chile", the Organization and Personnel VP hosted a Financial Portability talk and made a "Financial Administration Techniques" course available to all collaborators, providing tools for taking control of the personal finances, breaking free of over-indebtedness and achieving financial well-being.

Our Staff

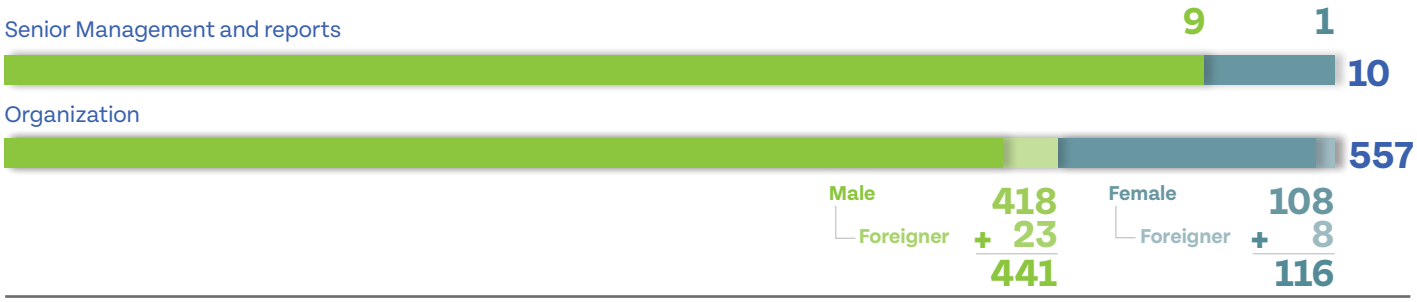
Transelec's staff came to 567 as of 31 December 2020. Over 96% of these workers are technically or professionally specialized, proving that the Company is highly knowledge intensive, in line with the service quality it requires. 72% of the Company's staff are employed in Operations, Engineering and Project Development.



Note: this does not include projects personnel

In terms of diversity at Transelec, we wish to highlight that one woman works at the Senior Management and reports level, while 21% of the rest of our staff are women (116). Employee distribution by nationality, age and seniority at the Company is as follows:

i) Nationality

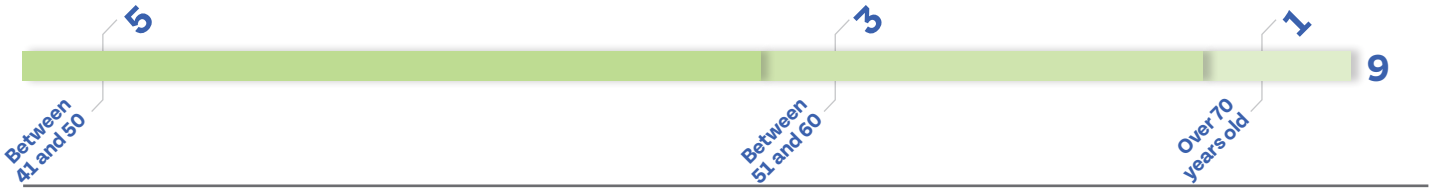


ii) Age distribution

a. Senior Management and reports

Personnel by Age Range (Men)

The age range for women is between 41 and 50.



b. Organization

Personnel by Age Range (Men)

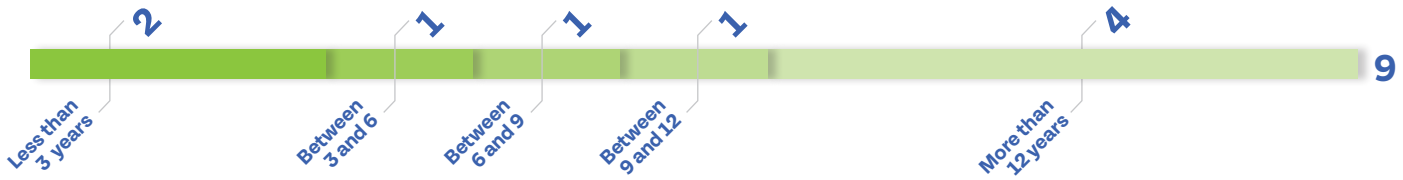
Personnel by Age Range (Women)

iii) Personnel by Seniority

a. Senior Management and reports

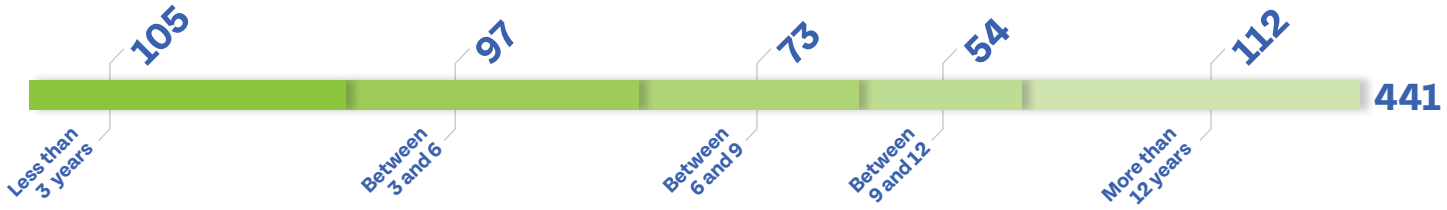
Personnel by Seniority (Men)

The seniority range for women is between 9 and 12 years.

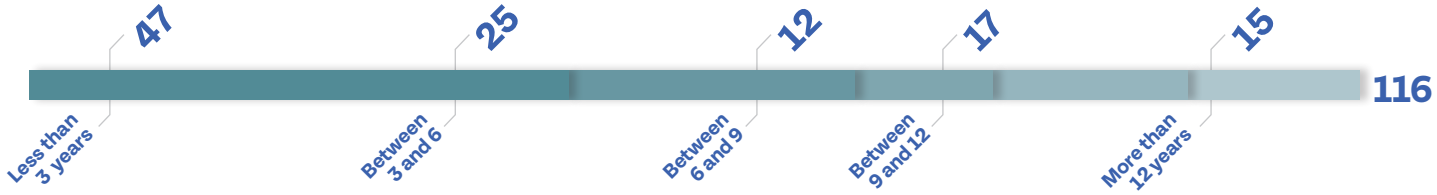


b. Organization

Personnel by Seniority (Men)

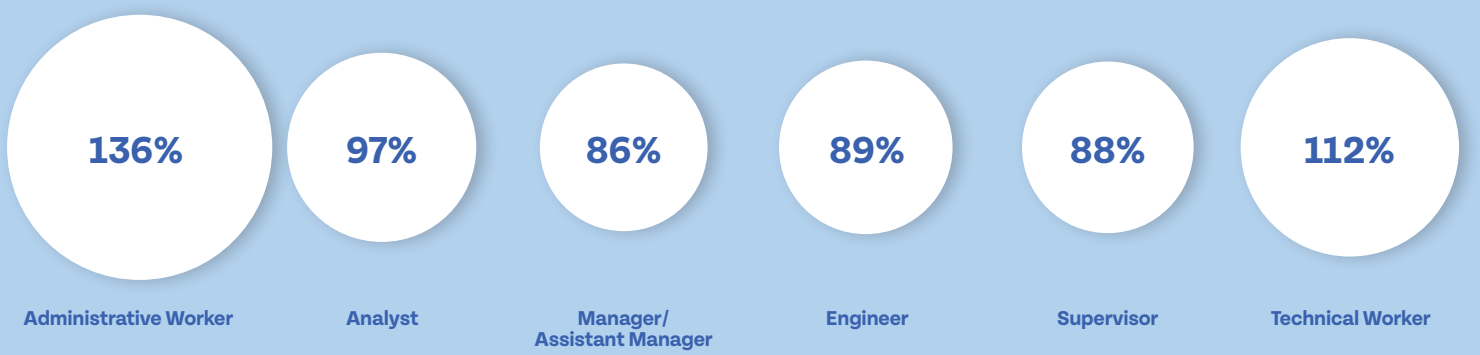


Personnel by Seniority (Women)



iv) Salary gap

The following figure indicates the salary gap between men and women as percentage rates. The salary gap is determined based on average gross salary for women compared to men. (AGS for Women / AGS for Men).



Labor relations and organizational climate

Transelec has been working to continue empowering good labor relations in 2020. In fact, the company has been given several awards in this category over recent years. The central concept of this work is the company's open house policy with its two unions. Regular meetings addressing different labor issues have helped build a relationship of trust between the two parties.

In June, the Company successfully reached an agreement regarding a new Collective Contract with the National Workers Union for the Company HQI Transelec Chile S.A. and Subsidiaries, SINATRAN. This Union represents 5.8% of the Company's total personnel. The process was executed virtually by means of Teams meetings within deadlines indicated in the Labor Code and was finalized with an agreement for the maximum legal period of 3 years, satisfying the parties involved. This is the first collective contract executed virtually, evidencing mutual trust and commitment.

The sixth version of the OHI (Organizational Health Index, which provides a global standard for measuring organizational health compared to a large number of companies from different industries and geographical regions) survey was conducted in October. This survey assesses nine key dimensions in an organization, such as working climate and leadership. Each factor assessed by this survey has been making positive progress over the years. This year's score was 80 points, a figure placing us in the upper decile for this evaluation at a global level, in line with our last three surveys with scores of 80 points or more.

This excellent news shows that our work over the last few years has been very successful. We have grown substantially and our Company's Leadership Program, together with the role of communications in promoting organizational culture have been fundamental for this achievement.

Our "Sumando Energías" Diversity and Inclusion Program grew exponentially this year. We are very pleased to announce that we met the 1% staff quota required by Law 21,015. Our commitment with diversity goes one-step further and we have consequently conducted Job Position Analysis for all positions at the Company, assessing the physical, cognitive and socio-relational requirements for each position. This information was used to confirm that all of our selection processes are open to persons with some type or degree of disability. In addition, we have strengthened our commitment with different initiatives promoted by the Ministry of Energy, such as the "Energía más Mujer" program, in which we have continued the work started after signing commitments for actions designed to incorporate and develop women in the industry. In addition, we created the Transelec Women Network to open a space for dialogue and cooperative work, creating visibility and learning opportunities for female collaborators at our Company, encouraging their participation in scenarios that will provide greater visibility. Along this same line, we have continued to encourage the incorporation of female and multi-generational talent by means of talks at educational institutions and career fairs. We have hosted talks and workshops at a corporate level to create solid foundations for an inclusive culture. This raises awareness for our collaborators regarding critical issues for cooperative work as part of diverse teams, including the following: Unconscious Biases and New Masculinities workshops, among others.

In line with panel discussions driven by the social context in 2019 and based on our collaborators' deep-rooted interest in participating in spaces for volunteer work, "Energía Solidaria", the Transelec Social Association and Volunteer Work Committee was created to reinforce our connection with our surrounding areas based on joint volunteer support provided by its members.

Training and development

Year 2020 witnessed a significant change in learning methodologies implemented, going from a face-to-face format in most cases to the implementation of digital format programs. On the one hand, the e-learning platform (APRENDE) was empowered, providing tailor-made transversal courses. On the other hand, access was provided to training offered by renowned national and international institutions and suppliers, achieving improved scope and quality while saving time and cutting costs.

Total training hours came to 28,155 hours in 2020, amounting to an average 4.2 hours per month per collaborator. 100% of our collaborators had access to training (courses, workshops, seminars, webinars, graduate diploma programs, etc.), related to technical issues, soft skills, safety, innovation, digital transformation, languages, administrative issues, management and information technology, among others.

Corporate competency model

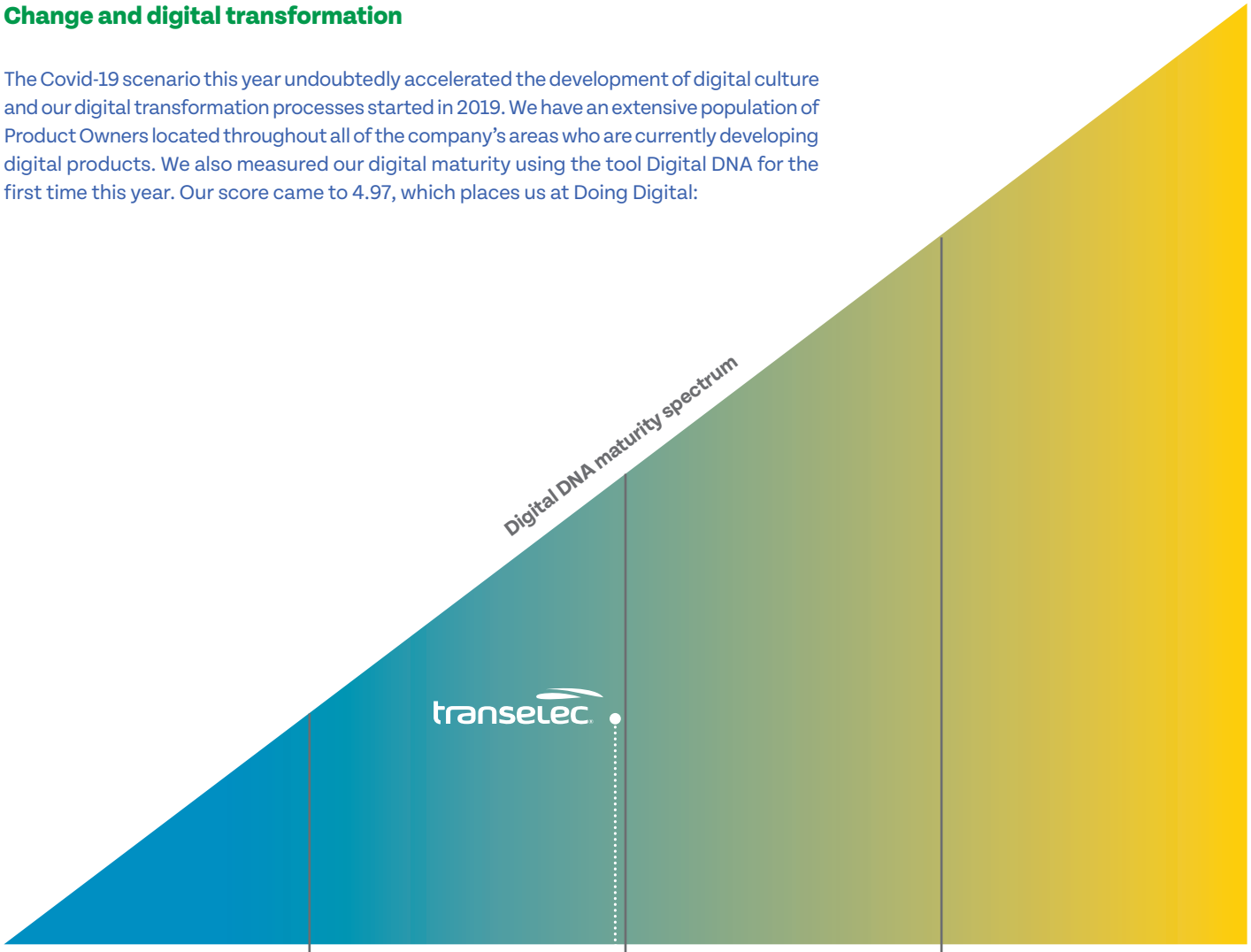
The new Corporate Competency Model was developed in 2020 as the basic tool for the entire life cycle of any Transelec collaborator. The model is designed to align expected collaborator behavior in order to move effectively the organization to meet strategic challenges. In addition, it aims to provide guidelines for leaders and professionals requiring this information for application in different organizational development processes such as selection, performance, talent, training and development.

The model is comprised of 12 skills organized into three major groups: Management Competencies, Personal Competencies and Transformational Competencies.

The model was created based on different sources of corporate information, including the following: corporate strategy, Personnel and Organization Vice-presidency strategy, internal survey results (OHI; Digital DNA, 360) and prior competency dictionaries, among others. In addition, a benchmarking analysis was conducted with the industry and regarding market trends for future competencies

Change and digital transformation

The Covid-19 scenario this year undoubtedly accelerated the development of digital culture and our digital transformation processes started in 2019. We have an extensive population of Product Owners located throughout all of the company's areas who are currently developing digital products. We also measured our digital maturity using the tool Digital DNA for the first time this year. Our score came to 4.97, which places us at Doing Digital:



Exploring Digital
Leverage traditional technologies to automate existing capabilities. Dabbling with digital. No change to the organization.

1 < 3.25

Doing Digital
Leverage digital technologies to extend capabilities, but still largely focused around same business, operating and customer models.

3.25 < 5

Becoming Digital
Leverage digital technologies - becoming more synchronized and less siloes - with more advanced changes to current business, operating and customer models.

5 < 6.25

Being Digital
Business, operating and customer models are optimized for business and profoundly different from prior business, operating and customer models.

6.25 < 7

Several Product Owner and Agility workshops, as well as workshops on other topics were hosted this year to promote the development of digital culture and align the company with this purpose. A Teams channel called +Digital, which disseminates material related to these issues, was also created.

Vice-presidents salaries

Salaries paid to vice-presidents employed by Transelec as of 31 December 2020 amounted to CLP 4,448 million.

Bonus plans

Transelec personnel participate in a bonus program determined by meeting objectives aligned with the Company strategy and these are developed in accordance with the level of detail and responsibility in the Transelec hierarchy scale.

Organizational chart

General Manager
Andrés Kuhlmann J.

- **Vice-president of Operations**
  Rodrigo Lopez V.
- **Vice-president of Business Development**
  Sebastián Fernandez C.
- **Vice-president of Engineering and Project Development**
  Bernardo Canales F.
- **Vice-president of Finance**
  Francisco Castro C.
- **Vice-president of Personel and Organization**
  Claudio Aravena V.
- **Vice-president of Regulatory and Legal Affairs**
  Arturo Le Blanc C.
- **Vice-president of Corporate Affairs and Sustainability**
  David Noe S.

7. Finance

2020 was a year with challenges in financial terms, due to the global economic crisis that was experienced, caused by the Covid-19 pandemic, and the local effects of the social unrest at the end of 2019.

The pandemic has had a very limited impact so far for the Company in financial aspects. The Company has focused on taking care of its liquidity, considering cost containment and an eventual postponement of investments and dividends. The Company's liquidity position is solid. Given the uncertainty, the company in March withdrew US $ 100,000,000 of its revolving credit facility. This amount was not used so it was paid in December.

A lower collection of distribution companies and the Basic Services Law project should not have an effect on the collection of Transelec, since the regulation establishes that the collection risk does not belong to the transmission. To date, Transelec has not seen its collection affected, nor it is expected to decrease.

Ongoing communication with our investors

One of Transelec's main objectives is to ensure constant access to capital markets and banks to secure funds for developing projects and making determined acquisitions. The ongoing confidence of the company's investors is therefore essential in order to sign deals that will promote Transelec's development.

Ongoing relations with debt investors consist of direct communication, quarterly reporting of the company's financial results and keeping important information available at the corporate website.

Transelec is a company that has committed to ongoing contact with local and international investors. The company continues to have close relationships of trust with different financial institutions, risk rating agencies and other institutions involved in its financing.

Risk rating

The Company's international and local risk ratings were ratified in 2020, recognizing Transelec's outstanding results and financial solidity in recent years.

International Rating

Moody's Investors Service	Fitch Ratings	Standard & Poor's
Baa1	BBB	BBB

Local Rating

Humphreys Clasificadora de Riesgo	Feller Rate Clasificadora de Riesgo	Fitch Ratings
AA	AA-	AA-

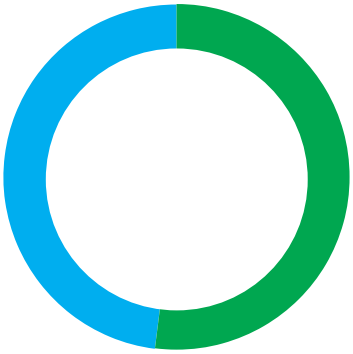
Current public debt

Debt	Date Issued	Interest Rate	Maturity Date	Current Amount	Currency
Bond D	14 DEC 06	4.25%	15 DEC 27	13,500,000	UF
Bond H	13 AUG 09	4.80%	01 AUG 31	3,000,000	UF
Bond K	04 DEC 09	4.60%	01 SEP 31	1,600,000	UF
Bond M	19 JAN 11	4.05%	15 JUN 32	3,400,000	UF
Bond N	19 JAN 11	3.95%	15 JUN 38	3,000,000	UF
Bond Q	03 MAY 13	3.95%	08 OCT 42	3,100,000	UF
Bond US$	26 JUL 13	4.63%	26 JUL 23	300,000,000	US$
Bond US$	09 JUL 14	4.25%	14 JAN 25	375,000,000	US$
Bond US$	12 JUL 16	3.88%	12 JAN 29	350,000,000	US$

UF: Unidad de Fomento (a price level restatement unit set by the Chilean Central Bank, Law 18,840).
All bonds are bullet bonds (principal payment upon expiry of the last coupon).

Company debt as of 31 December 2020 is broken down as follows:

Debt percentage by currency



52% UF
48% USD

Total debt in US dollars is naturally hedged by the company's assets in that currency and by principal only swaps, thus covering 100% of the balance sheet.

Debt service reserve

Starting in December 2006, Transelec has had a debt servicing reserve required for bond issuing contracts in order to make restricted payments (according to the definition of these in debt contracts). This debt service reserve considers each of the Company's public debts and benefits all bondholders, both local (D, H, K, M, N and Q bonds) and international (144A bonds issued in 2013, 2014 and 2016). This reserve goes as high as the amount of interest and main capital amortization –with the exception of final payment– corresponding to a six-month period for the aforementioned bonds in which the Bank of New York acts as Trustee. As of December 2020, the debt service reserve account amounts to US$ 50,000,000, which further strengthens the company's liquidity position.

Available revolving credit facility

To ensure that funds are available to cover working capital requirements, fixed asset investment project financing (projects currently underway and potential projects), transmission lines acquisitions and possible debt refinancing, the company has the following unsecured revolving credit facility, all of which was available at the end of 2020 according to the following conditions:

Banks	Maturity	Amount (up to)	Credit Type	Use
Bank of Tokyo-Mitsubishi, The Bank of Nova Scotia, Bank of China, China Construction Bank, JP Morgan, BNP Paribas, Banco Santander	30 JUL 2021	US$ 250,000,000	Unsecured revolving credit line	Working capital/ Capex/ Short-term refinancing

This credit facility was renegotiated in July 2020. This postponed its maturity by one year, eliminating the portion in local currency and increasing the portion in dollars to US$ 250,000,000.

Due to uncertainty regarding the pandemic during the first quarter of the year, in order to ensure liquidity Transelec made wise temporary use of this facility in March for an amount of USD 100,000,000. This amount was kept as cash on hand throughout the year. After the effects of the pandemic had been more clearly understood, Transelec repaid the entire amount owed in the revolving credit facility in December. All of the US$ 250 million in this facility is available since that date.

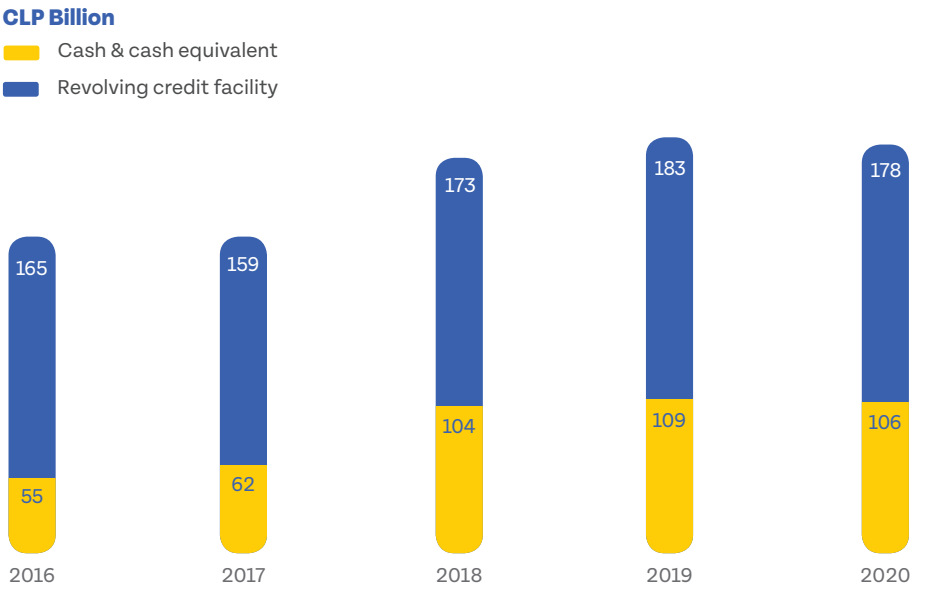
Performance indicators

Liquidity

Considering positive results in 2020, Transelec has a solid liquidity level, together with the following:

a) An available revolving credit facility
b) Partial reinvestment of its own cash generation, which will enable the company to finance its future plans to invest in new transmission assets
c) An available debt service reserve
d) The firm commitment of its shareholders to invest or reinvest in the Company when necessary

Liquidity



Operating income in 2020

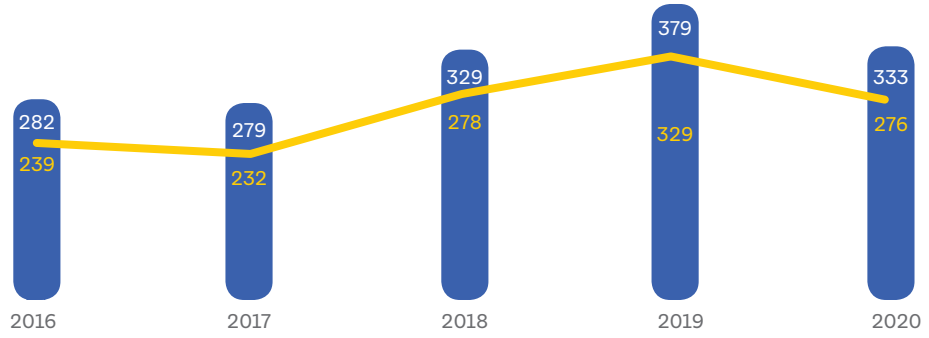
The Company has two main sources of income generation:

a) Regulated income from the service provided by assets belonging to national transmission systems and zonal systems.
b) Contractual revenue stipulated in bilateral contracts, which consider dedicated transmission assets, among others.

Transelec's properly secured 'take or pay' revenue structure, market conditions, legislation, Chile's current regulatory framework, customer quality and solvency have ensured stable results for the Company over the years.

Revenues certainty and predictability, as well as stable costs for the company, which mainly consist of personnel and maintenance, ensure Ebitda margins consistently over 80%.

Income evolution and EBITDA*



* EBITDA= Earnings from Ordinary Activities + Fixed Sales Costs + Fixed Administrative Expenses + Other Income (Losses) + Financial Leasing Amortization

Risk factors

Due to the characteristics of the Chilean electricity market and strict standards regulating the sector, Transelec S.A. is not exposed to substantial risk in the course of operating its main line of business.

Transelec manages its risks using a corporate program, including vision and information provided by members of the Board of Directors and collaborators in direct contact with risks, by means of workshops where past and potential risks are analyzed in line with the company's strategy. We execute concrete actions to prevent and/or mitigate these risks, reducing the likelihood of occurrence or impact.

At projects level, the company executes the Stages and Decisions process designed to ensure that projects are guided by current protocols starting from business idea gestation to bid submittal, project award and subsequent construction or acquisition and commissioning to ensure that decision makers have the necessary information and that risks are mitigated throughout the different project stages.

The main risks are presented to and discussed by the Board of Directors on a quarterly basis. However, we wish to highlight and consider the following risk factors:

Regulatory framework

Power transmission tariffs are established by law and include readjustments to guarantee actual annual profitability for operators. The nature of this industry means that power transmission company revenue is stable over the long term. This revenue is complemented by revenue from private contracts with large customers.

However, the fact that these tariffs are revised once every four years in the National and Zonal Power Transmission Studies could mean new tariffs that could be detrimental or less attractive for the Company in terms of investment made.

National and zonal revenue reassessment

According to the provisions of temporary Article twenty-five of the General Electricity Services Law "LGSE", the collection, payment and remuneration regime specified in the standards that the new Law N° 20,936/2016 abolished are to be applied between the period starting July 20, 2016, which corresponds to the entry into force of the new Law N° 20,936, and ending on December 31, 2018. This is to say that the former regime established in Law N° 19,940/2004 (Short Law I) will continue to be applied. By virtue of the above, Transelec is entitled to the collection procedure set out in Ministry of Energy Supreme Decree N° 23 T/2016. Transelec annually collects Annual Transmission Value by Section for its existing national facilities, for which it receives monthly tolls from each section and temporarily receives actual tariff income that is subsequently reassessed compared to estimated tariff income.

The Company could face the risk of failing to collect revenue in a timely manner from any of the companies owning power generation assets established in the CDEC payment charts, which could temporarily affect the Company's liquidity status. In this sense and in the Company's opinion, work executed by Transelec in terms of the aforementioned collection does not consist of collection management of its own, but is rather the mere collection and transfer of external appraised surplus and deficit revenue, with the exception of estimated tariff income.

Renegotiation of bilateral contracts for dedicated (additional) facilities

Revenue generated by certain dedicated (additional) facilities stems from long-term contracts. Once these contracts have expired, a condition renegotiation process must be executed. This includes new payment and tariff terms, as well as the determination of which transmission services will continue to be provided. Therefore, we cannot guarantee that the economic terms will remain in force once the renegotiation process has concluded.

Increasing competition in the power transmission market

Chile's power transmission industry is becoming increasingly competitive. We believe that this trend will continue over the short term and that we will face increased competition during tendering processes. This could mean fewer transmission network upgrades and new projects awarded, which would reduce our market share and could hamper our estimated operating results in the future.

Operating risks

Although Transelec administration believes the company maintains its risks appropriately covered according with industry practices, including an annual full exercise of Enterprise Risk Management, 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.

Health and safety

Our personnel and our contractors could be affected by accidents during their work. The health conditions of our employees may not be compatible with certain tasks that a person must carry out as part of their duties. Furthermore, teleworking needs to be regulated to avoid risks. The company is aware of these risks that people face so it not only fully complies with labor regulations and transmits them to its collaborators and contractors, but also constantly reviews the security conditions in its facilities, access roads and offices, and we constantly evaluate issues related to workload and stress to ensure the psycho-occupational health of our staff, among other various measures. Transelec has an OHS Management System certified in 2010 under the OHSAS 18001 standard, which migrated in 2020 to the ISO 45001: 2018 standard, which provides a framework to continuously manage and improve occupational health and safety (OHS) within the organization.

Labor conflicts

Delays, suspensions or other labor conflicts affecting Transelec could have an adverse material effect on the corporation's business, financial conditions, operating income and expectations. Approximately 74% of Transelec workforce belong to one of its two unions and is covered by collective agreements, which expire in 2021 and 2023. Although Transelec's administration believes that current labor relations evidence mutual collaboration between the company and its workers, there is no guarantee that strikes, delays or suspensions will not occur prior to or at the time the current union contracts expire, which may lead to subsequent arbitration. The administration cannot estimate the possible effect of these events on Transelec operations. Finally, Transelec S.A. is currently included in the "Strategic Companies" list that cannot go on strike as long as conditions indicated in the labor code are being met.

Fines stemming from transmission service interruptions

As of 31 December 2020, Transelec had nine sanction procedures pending with the Superintendence of Electricity and Fuel (SEC) due to charges pressed by the authority stemming from forced electricity transmission service disconnections. In six of these, the SEC applied fines amounting to one hundred and forty thousand Monthly Taxation Units. Transelec subsequently filed claims of illegality before the Santiago Court of Appeals (five cases representing a total one hundred and forty thousand Monthly Taxation Units) and one administrative appeal for reconsideration (twenty-five thousand Monthly Taxation Units). No resolutions indicating the amount of fines have been passed for the remaining three sanction procedures.

Environmental institutionalism and the application of environmental standards and/or policies

Transelec projects are subject to Law N°19,300/1994 on General Environmental Guidelines ("Environmental Law") and its subsequent amendments. Transelec may run the risk of project and environmental permit process taking longer than expected, which would delay project construction and increase the possibility of fines being applied.

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. Although Transelec has experience with large-scale construction projects, 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.

Exchange rate risk

Depending on market fundamentals, specific financial characteristics of the business and other considerations, when necessary Transelec has implemented hedging operations such as cross-currency swaps, options or currency forwards to correlate assets and liabilities in currency other than the functional currency (Chilean pesos) in order to minimize any potential mismatch in the company's earnings.

However, there is no guarantee that Transelec will be totally protected by the fact that it holds exchange rate hedging contracts. In addition, cross-currency swaps and forwards bear credit risk from the counterpart, cash requirements at maturity dates or recouponing clauses (if this is the case) and other associated risks.

Technological changes

As previously indicated, compensation for Transelec investment in power transmission facilities is obtained by means of an annual existing facility valuation (AVI) at market rates, which is regularly recalculated according to the process established in current regulations. If important technological advances are made for equipment at Transelec facilities, this valuation could be lower and thus hamper overall recovery of investments made.

Credit risk

Credit risk corresponding to accounts receivable stemming from transmission activities has historically been very low due to the limited number of customers, their risk ratings and short collection time.

However, revenue is highly concentrated in a few customers that will produce most of Transelec's future cash flow. Any substantial change to these companies' goods, financial situation and/or operating income could be detrimental for the Company.

Liquidity risk

Liquidity risk is the risk of the company not being able to meet a monetary requirement in cash or make debt payment upon maturity. Liquidity risk also includes the risk of not being able to liquidate assets at a reasonable price and in a timely manner.

The company is exposed to risks associated to its debt, including the risk of refinancing debt upon maturity. These risks are mitigated by the use of long-term debt and the debt maturity profile over time.

In order to ensure that the company is able to react quickly to investment opportunities and to pay its obligations upon maturity, Transelec has a fully available revolving credit facility amounting to US$ 250 million as of 31 December 2020, in addition to the company's cash surpluses and short-term accounts receivable. Moreover, Transelec has unused credit lines that have been approved by local banks that could be used to meet all of its short-term requirements.

Interest rate risk

Company assets are mainly long lasting fixed assets and intangibles. Therefore, financial liabilities used to finance these assets mainly consist of long-term liabilities at fixed rates.

In addition, current loans held by the Company with related companies are indicated in Chilean pesos, UF and US dollars and feature a fixed interest rate for long-term contracts, which also helps to mitigate this risk.

Inflation risk

Although higher inflation in Chile could affect debt costs expressed in UF and consequently affect the company's income from readjustable units, these impacts are partly mitigated by the company's revenue, which is also partially adjusted according to local inflation variation by means of contract indexation formulas.

Other risks

In addition to the foregoing, the company faces other risks such as cybersecurity, legal, market, counterpart, reputational and sociopolitical enviroment risk. During 2020, the risk associated with the effects of the Covid-19 pandemic arises, which was mitigated with various actions that will continue during 2021.

Insurance

The insurance policies that cover the company's fixed assets remained in force during 2020. These assets comprise equipment and parts that are both in substations owned by Transelec and by third parties. This coverage is granted by an industrial multi-risk policy that covers physical damage caused by fires, machinery breakdowns, earthquakes and natural risks. As in previous years, it was not considered necessary to cover physical damage to the transmission lines and towers, thanks to good international construction practices and the high demand of Chilean standards, apart from some exceptions that we have insured because we consider them strategic or due to contractual requirements with clients.

After the social events in Chile in 2019, for the year 2020 the Terrorism policy was maintained and renewed, which covers events that are classified as terrorist acts, strike, riot, civil commotion and vandalism. Likewise, civil liability and professional civil liability insurance were maintained. This last policy covers eventual claims derived from the management of its engineers. On the other hand, vehicles and mobile equipment were insured and coverage was taken for cabotage operations and international transport of equipment and materials. Regarding engineering projects, Transelec takes coverage of all construction and assembly risk, civil liability and transportation, when applicable.

Finally, for the risks of personal accidents, the company continues to maintain insurance contracts for its workers. These are, among others, supplementary health insurance, travel assistance, service fee.

In 2020, the usual renewal of insurance policies was carried out. The company's main insurances are property, civil liability, terrorism and social upheaval. The renewal was carried out for periods between 12 and 18 months. All the policies were renewed, based on the offers available in an industry that has been characterized in recent years by having a high loss ratio. That is why the contracted premiums had slight increases compared to the previous period, while the coverage in general was maintained.

Dividends

2020 Dividends policy

Dividends Policy states that the Board of Directors will distribute up to 100% of the net profit reported by the Company, considering acquisitions and investment opportunities, the Company's financial situation, commitments made by Transelec, commitments made when issuing bonds and the issuing of any other debt instrument and with regard to impacts related to the implementation of new IFRS standards. The Board of Directors will determine on a quarterly basis the amount to be distributed as interim dividends, if required in accordance with the aforementioned conditions.

Dividends distributed

Transelec has distributed the following dividends to its shareholders over the last 10 years:

Dividends paid each year (*)
(Temporary, eventual and final)

Year	Historical Value (CLP million)
2011	45,866
2012	106,806
2013	59,064
2014	63,038
2015	88,166
2016	80,894
2017	79,294
2018	58,599
2019	96,218
2020	43,852

(*) : Values as of December of each year.

Profit sharing
(Taken from each fiscal year)

Year	CLP million (*)	% of Profit from Fiscal Year
2011	46,839	100%
2012	61,749	100%
2013	63,292	98%
2014	66,773	100%
2015	82,989	99%
2016	80,983	100%
2017	78,249	99%
2018	39,887	38%
2019	140,070	100%
2020	0	0%

(*) : Values as of December of each year.

Relevant facts

1) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, the following relevant fact was reported 14 January 2020, The Transelec S.A. Board of Directors acknowledged and accepted the resignation presented by Mr. Juan Agustín Laso Bambach from his position as Director, which will come into effect 11 March 2020.

   In addition, at the same date the Transelec S.A. Board of Directors appointed Mrs. Andrea Butelmann to replace Mr. Juan Agustín Laso Bambach as Deputy Director starting 11 March 2020.

2) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law N° 18,045 Article 10, the following relevant fact was reported on 7 April 2020:

   At a meeting held 11 March 2019, the Transelec S.A. Board of Directors agreed to announce the notice of a shareholders meeting 24 April 2020 at 9:00 a.m., in the offices located in Orinoco 90, 14th floor, Las Condes or by electronic means arranged for it due to the health emergency experienced in Chile by COVID-19, in order to announce the following issues to the shareholders and request their approval:

1. The Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2019.

2. Final dividend distribution. In this regard, the Transelec S.A. Board of Directors agreed to propose at the shareholders meeting amounts already distributed as temporary dividends during the 2019 fiscal year amounting to CLP 140,070,000,000 as final dividends for 2019.

3. Board of Directors election.

4. Board of Directors and Audit Committee salaries.

5. Appointment of External Auditors.

6. The newspaper to be used to announce shareholders meetings.

7. Agreements reached by the Board of Directors regarding issues contained in Corporations Law Article 146 and following articles.

8. Other issues of interest for the corporation and for consideration at the shareholders meeting.

3) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10, a corporation shareholders meeting was held 24 April 2020 and the following agreements were made:

1. To approve the Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2019.

2. To approve final dividend distribution for 2019 by declaring amounts already distributed as temporary dividends during the 2019 fiscal year plus a final distribution of CLP 43,852,483,903 for a total CLP 140,070,483,903 to be final dividends for 2019.

3. It was agreed that the members of the Board of Directors were to be replaced and therefore the Board is now comprised as follows: Mr. Scott Lawrence as director and Mr. Alfredo Ergas Segal as his respective deputy director, Mrs. Brenda Eaton as director and Mr. Jordan Anderson as her respective deputy director, Mr. Rui Han as director and Mrs. Sihong Zhong as his respective deputy director; Mr. Richard Cacchione as director and Mr. Michael Rosenfeld as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. José Miguel Bambach Salvatore as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Patricio Reyes Infante as his respective deputy director; Mr. Juan Benabarre Benaiges as director and Mr. Roberto Munita Valdés as his respective deputy director; Mrs. Patricia Núñez Figueroa as director and Mr. Claudio Campos Bierwirth as her respective deputy director and Mrs. Andrea Butelmann Peisajoff as director and Mr. Juan Agustín Laso Bambach as her respective deputy director.

4. To determine Board of Directors and Audit Committee salaries.

5. To approve appointment of the firm Deloitte as the corporation's external auditors for the 2020 fiscal year.

6. To approve Diario Financiero as the newspaper to be used for publishing notices of shareholders meetings.

7. Agreements reached by the Board of Directors regarding matters contained in Corporations Law Article 146 and following articles were reported.

4) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30, at meeting N° 199 dated 13 May 2020 the Transelec S.A. Board of Directors appointed Mr. Scott Lawrence as Chairman of the Board of Directors.

5) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30, at meeting N° 204 dated 15 September 2020, the Transelec S.A. Board of Directors acknowledged and accepted the resignation presented by Mrs. Brenda Eaton from her position as Director, which will come into effect 30 September 2020.

8. Legal incorporation and amendments

Transelec S.A. is an open stock corporation founded for an indefinite period that was originally founded as a limited liability company with the firm name "Rentas Eléctricas III Limitada", by public deed dated 6 June 2006 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract corresponding to its incorporation is inscribed in sheet 22,031, N°15,264 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006, and was published in the Official Gazette N°38,485 dated 9 June 2006.

The assignment of rights and actions for the corporation was executed by means of a public deed dated 15 June 2006 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, with the corporations Rentas Eléctricas I Limitada and Rentas Eléctricas II Limitada established as partners. In addition, the corporation's share capital was increased and its administration was changed. An extract corresponding to this corporate modification is inscribed in sheet 25,168, N°17,510 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006, and was published in the Official Gazette N°38.501 dated 30 June 2006. The aforementioned amendment extract inscribed in sheet 28,355, N°19,800 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006 was corrected and published in the Official Gazette N°38,518 dated 20 July 2006.

The corporation's share capital was increased by means of a public deed dated 11 December 2006 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract of this deed was inscribed in sheet 53,096, N°37,999 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006, and was published in the Official Gazette N°38,650 dated 29 December 2006.

A public deed dated 26 March 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo recorded that the corporation became an open stock corporation with the firm name "Rentas Eléctricas III S.A.". An extract corresponding to the corporation's transformation is inscribed in page 12,696, N° 9,344, of the Santiago Real Estate Registrar Commercial Registry corresponding to 2007 and was published in the Official Gazette N°38,727 dated 30 March 2007.

It was agreed at the company's first special shareholders meeting held 24 April 2007 that the company would be incorporated as an open stock corporation by means of the voluntary registration of the company and its shares in the Securities Registry of the Securities and Insurance Commission. The minutes of this first special shareholders meeting were reduced to a document of public record dated 25 April 2007.

In June 2007, Rentas Eléctricas III S.A. took over Transelec S.A., tax list number 76.555.430-6, as stated in a public deed dated 30 June 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, an extract of which was inscribed in sheet 27,509, N°19,936 corresponding to the year 2007 and was published in the Official Gazette N°38,812 dated 13 July 2007.

It was agreed at the second special shareholders meeting held 30 June 2007 that the company's corporate bylaws would be changed. The firm name was changed to "Transelec S.A." and a new Board of Directors was elected. The minutes of this second special shareholders meeting were reduced to a document of public record dated 30 June 2007 at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract of this reform was inscribed in sheet 27,530, N°19,941 dated 2007 of the Santiago Real Estate Registrar Commercial Registry and was published in the Official Gazette N°38,812 dated 13 July 2007.

It was agreed at the company's tenth special shareholders meeting held 24 May 2011 that price level restatement corresponding to the year 2009 would be capitalized. This came to CLP 19,732,724,601 following amendment of the corporate bylaws that increased the company's share capital. The minutes of this tenth special shareholders meeting were reduced to a document of public record dated 6 June 2011 at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract of the reform was inscribed in sheet 33,736, N°25,194 dated 2011 of the Santiago Real Estate Registrar Commercial Registry and was published in the Official Gazette N°39,994 dated 24 June 2011.

It was agreed at the eleventh special shareholders meeting held 22 January 2014 that the corporation's capital would be reduced by CLP 857,944,547,865, divided into 1,000,000 ordinary nominative shares with no nominal value to CLP 776,355,047,865, divided into 1,000,000 ordinary nominative shares with no nominal value. This reduction was made considering the current stakes in the Corporation owned by shareholders, in such a way that the partner Rentas Eléctricas I Limitada would continue to own 100 shares amounting to CLP 77,635,505 and 0.01% of the corporation's share capital, and that Transelec Holdings Rentas Limitada would continue to own 999,900 shares amounting to CLP 776,277,412,360 and 99.99% of the corporation's share capital, amending Article Five and the First Temporary Article of the corporate bylaws. The minutes for this meeting were reduced to a document of public record 30 January 2014, at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, and an extract was inscribed in sheet 17,669 N° 11,117 dated 2014 of the Santiago Real Estate Registrar Commercial Registry and was published in the Official Gazette N°40,811 dated 19 March 2014.

It was reported at the corporation's twentieth special shareholders meeting held 23 January 2015 that takeover mergers would be executed with the corporations Transmisora Abenor Limitada, Transmisora Araucana de Electricidad Limitada and Transmisora Huepil Limitada by Inversiones Eléctricas Transam Chile Limitada as agreed at a special Board of Directors Meeting held 23 December 2014. In addition, it was agreed at this special shareholders meeting to approve the merger between the subsidiary Inversiones Eléctricas Transam Chile Limitada and Transelec S.A., assigning the Corporation's Board of Directors to announce when this merger would take place. Moreover, it was agreed at the company's eighth shareholders meeting held 28 April 2015 that in accordance with an official letter from the Securities and Insurance Commission that the purpose of said agreement was to approve the takeover merger of the subsidiary Inversiones Eléctricas Transam Chile Limitada by Transelec S.A., and to authorize the Corporation's Board of Directors to determine the occasion and mechanism to be used in order to proceed with this takeover merger, which finally took place 31 August 2015.

The corporation's historical background

Transelec S.A., formerly Rentas Eléctricas III S.A., is the successor of the following companies whose incorporation, firm name change, mergers or transformations are summarized as follows:

TAKEOVER MERGER WITH COMPAÑÍA NACIONAL DE TRANSMISIÓN ELÉCTRICA S.A. BY HQI TRANSELEC CHILE S.A.

A public deed of dissolution dated 30 January 2001, granted at the Notary Office owned by Mr. Fernando Opazo Larraín, reduced to a document of public records the fact that Compañía Nacional de Transmisión Eléctrica S.A. was dissolved in virtue of Article 103 N°2 of Law 18,046 on Corporations because all of its shares were purchased by HQI Transelec Chile S.A., its successor. The extract was inscribed in page 4,662; N°3,720 of the Santiago Real Estate Registrar Commercial Registry dated 2001 and was published in the Official Gazette dated 30 January 2001. This dissolution was reported at the 113th Board of Directors Meeting 30 January 2001 and was reduced to a document of public record at that same date at the Santiago Notary Office owned by Mr. Fernando Opazo Larraín.

FIRM NAME CHANGED FROM HQI TRANSELEC CHILE S.A. TO TRANSELEC S.A.

A public deed dated 23 August 2006 granted at the Notary Office owned by Mr. Iván Tamargo Barros, reduced the minutes of the 8th HQI TRANSELEC CHILE S.A. Special Shareholders Meeting held 16 August 2006 to a document of public record, indicating that the firm name HQI TRANSELEC CHILE S.A., tax list number 77.498.870-K was changed to TRANSELEC S.A., with the same tax list number. The extract was inscribed in page 34,753; N°24,453 of the Santiago Real Estate Registrar Commercial Registry dated 2006 and was published in the Official Gazette dated 23 August 2006.

TAKEOVER MERGER WITH TRANSELEC S.A. BY NUEVA TRANSELEC S.A.

A public deed granted at the Notary Office owned by Mr. Iván Tamargo Barros 30 November 2006 reduced the minutes of the Transelec S.A. special Board of Directors meeting 101 held 22 November 2006, declared dissolution following takeover by the aforementioned corporation since its shares were now held by New Transelec S.A., tax list number 76.555.430-6. The extract was inscribed in page 49,292, N°35,195, of the Santiago Real Estate Registrar Commercial Registry del year 2006 and published in the Official Gazette dated 6 December 2006.

FIRM NAME CHANGED FROM NUEVA TRANSELEC S.A. TO TRANSELEC S.A.

A public deed dated 30 November 2006, granted at the Notary Office owned by Ms. María Gloria Acharán Toledo, reduced the minutes of the corporation's 3rd Special Shareholders Meeting to a document of public record, indicating that the firm name Nueva Transelec S.A. was changed to Transelec S.A. The extract was inscribed in page 49,963, N°35,710, of the Santiago Real Estate Registrar Commercial Registry dated 2006, indicating that the firm name was changed and this was published in the Official Gazette dated 9 December 2006.

TAKEOVER MERGER WITH TRANSELEC S.A. BY RENTAS ELÉCTRICAS III S.A.

A public deed dated 30 June 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo reduced the minutes of the 16th Transelec S.A. Special Board of Directors Meeting dated 6 June 2007 to a document of public record, indicating a takeover merger with Transelec S.A., tax list number 76.555.430-6 by Rentas Eléctricas III S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. The extract was inscribed in page 27,509; N°19,936 of the Santiago Real Estate Registrar Commercial Registry dated 2007 and was published in the Official Gazette dated 13 July 2007. A public deed dated 30 June 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán T. reduced the minutes of the 5th Rentas Eléctricas III S.A. Special Board of Directors meeting held on the same date to a document of public record, indicating the takeover merger with Transelec S.A., tax list number 76.555.430-6 by Rentas Eléctricas III S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. Rentas Eléctricas III S.A. declares that is the legal successor of Transelec S.A., assuming all of its rights and obligations, and declares that it is jointly and severally responsible for any taxes that it currently owes or may owe.

FIRM NAME CHANGED FROM RENTAS ELÉCTRICAS III S.A. TO TRANSELEC S.A.

A public deed dated 30 June 2007, granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, reduced the minutes of the Rentas Eléctricas III S.A. Second Special Shareholders Meeting dated 30 June 2007 to a document of public record, stating that the name of Rentas Eléctricas III S.A. was changed to Transelec S.A. The extract was inscribed in page 27,530, N° 19,941 of the Santiago Real Estate Registrar Commercial Registry dated 2007 and was published in the Official Gazette dated 13 July 2007.

TRANSELEC NORTE S.A. TAKEVOER MERGER WITH TRANSELEC S.A.

A public deed dated 4 December 2014 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo reduced the minutes of the Transelec Norte S.A. 131st Special Board of Directors Meeting dated 26 November 2014 to a document of public record and constituted the takeover merger with Transelec Norte S.A., tax list number 99.521.950 by Transelec S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. The extract was inscribed in page 94.440; N° 57.701 of the Santiago Real Estate Registrar Commercial Registry dated 2014 and was published in the Official Gazette 31 December 2014. A public deed dated 27 November 2014 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo reduced the minutes of the Transelec Norte S.A. 116th Special Board of Directors Meeting dated 26 November 2014 to a document of public record, constituting the takeover merger with Transelec Norte S.A., tax list number 99.521.950 by Transelec S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. Transelec S.A. declares that is the legal successor of Transelec Norte S.A., assuming all of its rights and obligations, and declares that it is jointly and severally responsible for any taxes owed or that may be owed.

TRANSELEC S.A. TAKEOVER MERGER WITH INVERSIONES ELÉCTRICAS TRANSAM CHILE LIMITADA

A public deed dated 31 August 2015 granted at the Santiago Notary Office owned by Mr. Raúl Undurraga Laso constituted the takeover merger with Eléctricas Transam Chile Limitada, tax list number 76.384.810-8 by Transelec S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. The extract was inscribed in page 71,421, N° 41,726 of the Santiago Real Estate Registrar Commercial Registry dated 30 September 2015.

9. Financial Statements

Consolidated Financial Statements Audited

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
December 31, 2020 and 2019

$	:	Chilean Pesos
ThCh$	:	Thousands of 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.
US$	:	US Dollars
ThUS$	:	Thousands of US Dollars

Deloitte.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Shareholders of
Transelec S.A.

We have audited the accompanying consolidated financial statements of Transelec S.A. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Information
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transelec S.A. and its subsidiary 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 consolidated financial statements have been translated into English solely for the convenience of Shareholder's readers outside of Chile.

Deloitte

March 24, 2021
Santiago, Chile

Index

Page

TRANSELEC S.A AND SUBSIDIARY

Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	31/12/2020 ThCh$	31/12/2019 ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	105,840,150	108,642,362
Other financial assets	(8)	1,149,191	1,223,578
Other non-financial assets		10,106,103	2,966,635
Trade and other receivables	(6)	119,373,154	87,044,078
Receivables from related parties	(7)	1,633,280	22,005,672
Inventory		428,238	315,202
Total current assets		**238,530,116**	**222,197,527**
NON-CURRENT ASSETS			
Other non-current financial assets	(8)	72,566,466	71,361,110
Other non-current non-financial assets		8,052,091	7,770,805
Receivables from related parties, non-current	(7)	206,388,399	242,808,336
Intangible assets other than goodwill	(9)	183,143,503	182,202,369
Goodwill	(10)	343,059,078	343,059,078
Property, plant and equipment, net	(11)	1,692,276,111	1,543,335,368
Total non-current assets		**2,505,485,648**	**2,390,537,066**
Total Assets		**2,744,015,764**	**2,612,734,593**

TRANSELEC S.A AND SUBSIDIARY

Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	Note	31/12/2020 ThCh$	31/12/2019 ThCh$
CURRENT LIABILITIES			
Other financial liabilities	(13)	24,508,712	24,892,053
Trade and other payables	(14)	56,778,382	31,123,907
Accounts payable related entities	(7)	28,722,472	-
Provisions for employee benefits, current	(17)	9,419,762	6,153,716
Current tax liabilities		-	153,399
Other non-financial liabilities		5,288,022	2,434,524
Total current liabilities		**124,717,350**	**64,757,599**
NON-CURRENT LIABILITIES			
Other financial liabilities	(11)	1,517,636,647	1,533,707,053
Deferred tax liabilities	(12)	200,346,628	156,348,593
Provisions for employee benefits, non-current	(17)	3,472,839	5,821,598
Other non-financial liabilities		4,752,008	5,149,580
Total non-current liabilities		**1,726,208,122**	**1,701,026,824**
Total liabilities		**1,850,925,472**	**1,765,784,423**
EQUITY			
Paid-in capital	(19)	776,355,048	776,355,048
Retained earnings		134,234,420	110,543,991
Other reserves	(19)	(17,499,176)	(39,948,869)
Total equity attributable to owners of the parent		**893,090,292**	**846,950,170**
Non-controlling interest	-		-
Total equity		**893,090,292**	**846,950,170**
Total Equity and Liabilities		**2,744,015,764**	**2,612,734,593**

TRANSELEC S.A AND SUBSIDIARY

Consolidated Statements of Comprehensive Income by Function
For the years ended December 31, 2020 and 2019

(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION	Note	01/01/2020 31/12/2020 ThCh$	01/01/2019 31/12/2019 ThCh$
Operating revenues	(20)	333,302,81	3378,591,271
Cost of sales	(21)	(93,224,315)	(88,115,298)
GROSS MARGIN		**240,078,498**	**290,475,973**
Administrative expenses	(21)	(24,392,013)	(23,153,903)
Other gains (losses)	(20)	1,311,924	3,041,021
Financial income	(21)	11,130,297	13,588,488
Financial expenses	(21)	(75,998,128)	(73,454,495)
Foreign exchange differences	(21)	369,354	1,200,755
Income by indexed units	(21)	(20,473,442)	(19,942,029)
Profit (Loss), Before Tax		**132,026,490**	**191,755,810**
Income tax expense	(22)	(35,761,105)	(51,143,574)
Profit from continuing operations		**96,265,385**	**140,612,236**
Profit (loss) from discontinued operations		-	-
Profit (loss)		**96,265,385**	**140,612,236**
PROFIT (LOSS) ATTRIBUTABLE TO:			
Profit attributable to owners of the parent	96,265,385		140,612,236
Profit (loss)	**96,265,385**		**140,612,236**
EARNINGS PER SHARE			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations (Ch$/sh)	(23)	96,265	140,612
Basic earnings per share/diluted from discontinued operations (Ch$/sh)	-		-
Basic earnings per share/diluted (Ch$/sh)		**96,265**	**140,612**

TRANSELEC S.A AND SUBSIDIARY

Consolidated Statements of Comprehensive Income by Function
For the years ended December 31, 2020 and 2019

(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

		01/01/2020 31/12/2020 ThCh$	01/01/2019 31/12/2019 ThCh$
PROFIT (LOSS)		**96,265,385**	**140,612,236**
Components of other comprehensive income,			
before taxes			
Foreign Currency Translation			
Gains (losses) on foreign currency translation			
differences, before taxes		(296,756)	(279,008)
Employee benefit plans		188,351	(171,122)
Cash flow hedges			
Gains (losses) on cash flow hedges		30,861,409	2,728,140
Income taxes related to components of other comprehensive income			
Income taxes related to components of foreign currency translation		80,124	75,332
Income taxes related to components of cash flow hedge		(8,332,580)	(736,598)
Income tax related to actuarial calculation		(50,855)	46,203
Other comprehensive income		**22,449,693**	**1,662,947**
Total comprehensive income		**118,715,078**	**142,275,183**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	118,715,078		142,275,183
Comprehensive income attributable to non-controlling interest	-		-
Total comprehensive income	**118,715,078**		**142,275,183**

TRANSELEC S.A AND SUBSIDIARY

Consolidated Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Actuarial Losses	Total Other reserves	Accumulated gains (losses)	Equity attributable to owners of the parent	Non-controlling interest	Total equity
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of 01/01/2020		776,355,048	216,632	(40,570,859)	405,358	(39,948,869)	110,543,991	846,950,170	-	846,950,170
Changes in equity:										
Comprehensive income:										
Profit (loss)		-	-	-	-	-	96,265,385	96,265,385	-	96,265,385
Other comprehensive income		-	(216,632)	22,528,829	137,496	22,449,693		22,449,693	-	22,449,693
Total comprehensive income		-	(216,632)	22,528,829	137,496	22,449,693	96,265,385	118,715,078	-	118,715,078
Dividends	(19.3)	-	-	-	-	-	(72,574,956)	(72,574,956)	-	(72,574,956)
Total changes in equity		-	(216,632)	22,528,829	137,496	22,449,693	23,690,429	46,140,122	-	46,140,122
Closing balance on 12/31/2020	**(19)**	**776,355,048**	**-**	**(18,042,030)**	**542,854**	**(17,499,176)**	**134,234,420**	**893,090,292**	**-**	**893,090,292**

	Note	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Actuarial Losses	Total Other reserves	Accumulated gains (losses)	Equity attributable to owners of the parent	Non-controlling interest	Total equity
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of 01/01/2019		776,355,048	420,308	(42,562,401)	530,277	(41,611,816)	66,149,755	800,892,987	-	800,892,987
Changes in equity:										
Comprehensive income:										
Profit		-	-	-	-	-	140,612,236	140,612,236	-	140,612,236
Other comprehensive income		-	(203,676)	1,991,542	(124,919)	1,662,947	-	1,662,947	-	1,662,947
Total comprehensive income		-	(203,676)	1,991,542	(124,919)	1,662,947	140,612,236	142,275,183	-	142,275,183
Dividends	(19.3)	-	-	-	-	-	(96,218,000)	(96,218,000)	-	(96,218,000)
Total changes in equity		**-**	**(203,676)**	**1,991,542**	**(124,919)**	**1,662,947**	**44,394,236**	**46,057,183**	**-**	**46,057,183**
Closing balance on 12/31/2019	**(19)**	**776,355,048**	**216,632**	**(40,570,859)**	**405,358**	**(39,948,869)**	**110,543,991**	**846,950,170**	**-**	**846,950,170**

TRANSELEC S.A AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

DIRECT STATEMENT OF CASH FLOWS	Note	01/01/2020 31/12/2020 ThCh$	01/01/2019 31/12/2019 ThCh$
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		462,681,121	476,199,110
Cash receipts from related party for services rendered		2,562,432	1,891,186
Other proceeds from operating activities		612,255	121,679
Proceeds from interest received		8,537,233	8,844,077
Classes of payments			
Payments to suppliers for goods and services		(115,564,715)	(55,466,832)
Other payments for operating activities		(60,476,858)	(94,931,969)
Payments to and on behalf of employees		(17,519,121)	(16,819,933)
Payments of interest for rights of use		(114,239)	(120,706)
Interest paid		(76,912,022)	(71,188,566)
Net cash flows provided by operating activities		**203,806,086**	**248,528,046**
Cash Flows Provided by (Used in) Investing Activities			
Additions of property, plant and equipment and Intangible		(215,100,040)	(134,675,151)
Sales of property, plant and equipment		-	26,300
Loans to related parties	(7.1)	-	(30,261,850)
Loan collection to receivables from related parties	(7.1)	29,180,023	-
Accounts receivable from related parties	(7.1)	(120,799)	(446,285)
Collections received from related parties	(7.1)	54,681,871	102,969,665
Payments made to related parties	(7.1)	(34,798,213)	(83,260,653)
Net cash flows used in investing activities		**(166,157,158)**	**(145,647,974)**
Cash Flows Provided by (Used in) Financing Activities			
Loan from banks	(13.3)	75,706,000	-
Payment of loans to financial institutions	(13.3)	(73,158,000)	-
Payment for rights of use		(1,359,744)	(1,525,758)
Dividends paid	(19.3)	(43,852,484)	(96,218,000)
Net cash flows used in financing activities		**(42,664,228)**	**(97,743,758)**
Net Increase (Decrease) in Cash and Cash Equivalents		**(5,015,300)**	**5,136,314**
Effects of changes in the exchange rate on cash and cash equivalents		2,213,088	(553,226)
Net Increase (Decrease) in Cash and Cash Equivalents		**(2,802,212)**	**4,583,088**
Cash and Cash Equivalents, at the beginning of the year	(5)	108,642,362	104,059,274
Cash and Cash Equivalents, at the ending of the year	**(5)**	**105,840,150**	**108,642,362**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. According to public deed dated May 9, 2007, the Company acquired 100 shares owned by Transelec Holdings Rentas Limitada, corresponding to 0.01% of the share capital of Transelec S.A. (formerly Nueva Transelec S.A.), leaving the Company with 100% ownership. Thus, the merger took place by absorption, and the assets, liabilities, rights and obligations of Transelec S.A. (formerly Nueva Transelec S.A.) passed to the Company. In this way, the Company directly assumed operation of the electricity transmission business previously conducted by the aforementioned subsidiary.

On March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation and June 30, 2007, Rentas Eléctricas III S.A. changed its name to its current name, Transelec S.A. (here and after "the Company" or "Transelec").

On May 16, 2007, the Company was listed under number 974 in the Securities Registry of the Commission for the Financial Market (CMF) and is subject to its supervision. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

On December 1, 2014, Transelec S.A., merged with its subsidiary Transelec Norte S.A. through an acquisition of 0.01% of the shares of Transelec Norte S.A. owned by Transelec Holdings Rentas Limitada, becoming the owner of the 100% shares.

On September 1, 2015, Transelec S.A merged with its subsidiary Inversiones Electricas Transam Chile Ltda., which on August 1, 2015, had absorbed its subsidiaries: Transmisora Huepil Ltda, Transmisora Abenor Ltda y Transmisora Araucana de Electricidad Ltda. Through the acquisition of the investment complement which completes 100% of the ownership, in the merger processes mentioned above.

On March 31, 2017, Transelec S.A acquired 100% shares of the company Transmisión Del Melado SpA.; thus, taking control of this entity during April 2017. For this reason, Transelec S.A. changes from preparing the individual financial statements as of December 31, 2016, to preparing consolidated financial statements as of June 30, 2017.

The Company is domiciled at Orinoco No. 90, floor 14, 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 Transelec Holdings Rentas Limitada and indirectly by ETC Transmission Holdings S.L.

The Consolidated Financial Statements of the Company for the period ended as of December 31, 2020, were approved by the Board at its meeting N°199 held on march 24, 2021.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of December 31, 2020 and applied uniformly for the periods presented.

2.1 Basis of preparation of the consolidated financial statements

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking into account the presentation regulations of the CMF, which are not in conflict with IFRS.

These Consolidated Financial Statements have been prepared from the accounting records maintained by the Company. The figures in these Consolidated Financial Statements and their notes are expressed in thousands of Chilean pesos.

In preparing these Consolidated Financial Statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. IFRS also requires management to exercise its judgment in the process of applying Transelec's accounting policies. Areas involving a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for these consolidated financial statements are described in Note 4.

The information contained in these Consolidated Financial Statements is the responsibility of the Company's management.

The accounting policies adopted in the preparation of the Consolidated Financial Statements are consistent with those applied in the preparation of the annual individual 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 consolidated 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.

2.2 Basis of Consolidation of the Financial Statements

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, including all its assets, liabilities, revenue, expenses and cash flows after carrying out the amendments and eliminations related to the transactions between the companies that form part of the consolidation.

A subsidiary is a company over which Transelec S.A. exercises control in accordance with IFRS 10. In order to comply with the definition of control according to IFRS 10, three criteria must be complied with, namely: (a) an investor has the power over the relevant activities of the investee, (b) the investor is exposed, or has rights to, variable returns from the share in the investee, (c) the investor has the ability to use its power over the investee to exercise influence over the amount of income of the investor. Non-controlling interest represents the amount of net assets and profit or loss that are not property of the Parent Company, which is presented separately in the comprehensive income statement and within equity in the consolidated statement of financial situation.

Acquisition of a subsidiary is recorded in accordance with IFRS 3 "Business Combinations", using the equity method. This method requires the recognition of identifiable assets (including intangible assets previously unrecognized and goodwill) and liabilities acquired at fair value on the acquisition date. Non-controlling interest is recognized by the portion owned by minority shareholders on the value of recognized assets and liabilities.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 Basis of Consolidation of the Financial Statements (continued)

The excess of acquisition cost on the fair value of the share of the Company in the acquired identifiable net assets is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement.

The financial statements of the subsidiary have been prepared on the same date as those of the Parent Company and the accounting policies have been applied uniformly, considering the specific nature of each business unit.
The information regarding the entity in which the Company has control and that forms part of the consolidation is detailed as follows:

Rut	Subsidiary	Participation Share		Country of origin	Functional currency
		31/12/2020	31/12/2019		
76.538.831-7	Transmisión del Melado SpA	100%	100%	Chile	Ch$

2.3 New standards and interpretations accounting

The following new standards, amendments and interpretations has been adopted in this Consolidated Financial Statements:

	New standards, amendments and interpretations	Date of obligatory application
IAS 1 - IAS 8	Definition of Material	January 01, 2020
IFRS 3	Definition of a Business	January 01, 2020
Conceptual Framework	Updating references to the conceptual framework	January 01, 2020
IFRS 9 - IFRS 7 - IAS 39	Interest Rate Benchmark Reform	January 01, 2020
IFRS 16	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 consolidated financial statements, are detailed below. The Company has not adopted these standards in advance:

	New Standards	Date of obligatory application
IFRS 17	Insurance Contracts	January 01, 2023

2.3.1. New Standards

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.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting (continued)

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 is currently evaluating the impact that this new standard could generate.

2.3.2 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
IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2023
IFR 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment – Proceeds before Intended Used	January 1, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
IFRS 1 - IFRS 9 - IFRS 16 - IAS 41	Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 4 - IFRS 7 - IFRS 9 - IFRS 16 - IAS 39	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 S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting (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.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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 labor, 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.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting (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.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The annual improvements make 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).

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.

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.

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.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)

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.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting (continued)

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.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The Company's functional currency is the Chilean peso. These Consolidated Financial Statements are presented in Chilean pesos.

2.4.2 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.

2.4.3 Exchange rates

As of each year end, assets and liabilities in foreign currency and UF have been converted to Chilean pesos using the following exchange rates:

Currency	Chilean pesos per unit	
	31/12/2020	31/12/2019
Unidad de Fomento	29,070.33	28,309.94
US$	710.95	748.74
Euro	873.30	839.58

2.5 Financial reporting by operating segments

The Company manages its operations and presents information in the Consolidated Financial Statements based on a single operating segment, Electricity transmission.

The source of the revenues that generates the company and its assets are located in Chile.

2.6 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 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.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment (continued)

(c) Future disbursements that Transelec S.A. and its subsidiary must make to close their facilities are incorporated into the value of the asset at present value, recording the corresponding provision. 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.

Assets under construction are transferred to operating assets once the testing period has been completed when they are available for use, at which time depreciation begins.

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. Periodic maintenance, conservation and repair expenses are recorded directly in income 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:

	Range of estimated useful life	
	Minimum	Maximum
Buildings 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 and Sales Expenses.

2.7 Intangible assets

2.7.1 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 if 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 those Consolidated Financial Statements, there were no impairment losses of goodwill.

2.7.2 Rights of way

Rights of way are presented 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 and if there are indicator of impairment.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.7 Intangible assets (continued)

2.7.3 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 income statement under costs of sales and administrative expenses

2.8 Impairment of non-financial assets

Assets with an indefinite useful life, such as land and rights of way, are not amortized and are tested annually for impairment. Amortized assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

An impairment loss is recognized for the difference between the asset's carrying amount and its recoverable amount.

The recoverable amount is the higher of its fair value less costs to sell and its value in use this being the present value of the expected future cash flows.

The Company has defined its only operating segment the Transmission of Electricity as a Cash Generating Unit (CGU) for the purposes of impairment tests and, therefore, both goodwill and intangible assets with an indefinite useful life existing at the date of the impairment test are completely assigned to this CGU.

The variable to which the value in use model is most sensitive is the discount rate. The main variables considered in the impairment test are:

Variable	Dec.31 2020	Dec.31 2019	Description
Discount rate	4,90%	5,96%	The discount rate used is the weighted average cost of capital (WACC) of the Company, measured before taxes.
Growth rate	3,00%	3,00%	The growth rate is applied to the perpetuity and is based on the estimation of the long-term inflation expectation established by the Central Bank of Chile.
Period of estimation of flows	5 years	5 years	The estimation period is 5 years, based on the Company's internal business plan plus perpetuity.

Impairment losses from continuing operations are recognized in the income statement in the expenses categories in accordance with the function of the impaired assets. In the case of goodwill see Note 2.7.1.

Non-financial assets other than goodwill that 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.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 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 and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Non-derivatives financial assets that that accomplish with the conditions stated in IFRS 9 to be classified at amortized cost are: account receivables, loans granted and cash equivalents. This assets are recorded at amortized cost which is its initial fair value, minus the payments of principal, plus the non-collected accrued interests calculated according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

b) Fair value through other comprehensive income (Equity):
In this category are classified the financial assets within the Business Model of the Company whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are recognized into the Consolidated Financial Statement at its fair value when it can be feasible determined. Changes in its fair value, net of tax effect, are recorded into the Other Comprehensive Income Statement until those financial assets are derecognized which is the moment when the accumulated effect is recycle into the Profit or Loss of the period. If the fair value of the financial assets is lower than the acquisition cost, and if there is objective evidence that the financial assets has an impairment that is not reversible, 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 financial assets are measured in the Consolidated Financial Statement at its fair value and the changes on its fair value are recorded directly in profit or loss at the moment when they occurred, Purchases or sales of financial assets are recorded at the date of the transaction.

2. Cash and Cash Equivalent

Cash and cash equivalents include cash, bank balances, time deposits and other deposits short-term, whose term is equal to or less than 90 days from the investment date, highly-liquid investments that are easily convertible into known amounts of cash and that they are subject to negligible risk of changes in value. The balance of this account does not differ from that presented in the statement of cash flows. There is no restricted cash.

3. Impairment of financial assets

According to IFRS 9, the Company the impairment model based of expected credit losses. These 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 S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

4. Non-derivatives financial liabilities

Financial liabilities are initially recognized at its fair value. In the case of loans they also include the 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 15).

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 the transaction on the Consolidated Financial Statements. 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 9 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 that the Company perform 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 years 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%.

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) Hedge of a net investment in a foreign operation (hedge of a net investment): Hedges of net investments in foreign operations are accounted for to similarly to cash flow hedges. The exchange differences originated by a net investment in a foreign entity and those derived from the hedging operation must be recorded in a reserve of the Equity, under the item Other reserves until the disposal of the investment occurs.

Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”.

The Company has not used hedges of a net investment in a foreign operation in the periods of time.

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

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

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. Other derivatives are presented as current assets or liabilities.

6. Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as derivatives when their risks and characteristics are not closely related to the principal contracts and the principal 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 Consolidated Financial Statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

7. Derecognition of financial assets and liabilities

Financial assets are derecognized when, and only when:

a) The contractual rights to the cash flows from the financial asset expire or, the Company retains the contractual rights to receive the cash flows but assumes a contractual obligation to pay those cash flows to one or more entities.

b) The Company has substantially transferred the risks and benefits derived from its ownership or, if it has not substantially transferred or retained them, when it does not retain control of the assets.

8. Compensation of financial assets and liabilities

The Company compensate financial assets and liabilities, presenting the net amount in its Consolidated Financial Statements, only when:

a) Exist a legal right to compensated both amounts; and

b) Exist the intention of settle the transaction on a net basis, or to collect the asset and pay the liability simultaneously.

These rights can only be legally enforceable during the normal course of the business, or in case insolvency, payment problems or bankruptcy, of any one or all of the parties involved in the transaction

2.10 Inventory

Inventory is valued at acquisition cost using the weighted average price or net realizable value if this is lower.

2.11 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.

2.12 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 book 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 assets are realized and 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

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.12 Income tax and deferred taxes (continued)

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 are future taxable profits sufficient enough against which the deductible temporary differences and the carry forward of unused tax credit can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date consolidated 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. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will 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 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.

2.13 Employee benefits

2.13.1 Staff severance indemnity

The Company records liabilities for staff severance indemnity obligations based on collective and individual employment contracts, payable when their employees cease to provide services.

This benefit is recorded at nominal value.

The Company records liabilities for severance obligations personnel services for their employees, based on the provisions of the collective and individual staff contracts. If this benefit is contractual, the obligation is treated in the same way as defined benefit plans in accordance with IAS 19 and is recorded using the projected unit credit method.

Defined benefit plans define the amount of the benefit that an employee will receive upon termination of employment, which usually depends on one or more factors such as the employee's age, rotation, years of service and compensation.

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation plus/minus adjustments for unrecorded actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting cash outflows estimated using as a reference BCU (rate of Chilean Central Bank bonds denominated in Unidades de Fomento) interest rates for terms similar to the maturity of the staff severance indemnity obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income.

2.13.2 Profit sharing

The Company recognizes a liability and an expense for profit sharing arrangements based on respective collective and individual contracts with its employees and executives, using a formula that takes into account the net income attributable to the Company's shareholders after certain adjustments. Transelec recognizes a provision when it has a contractual obligation or when a past practice has created a constructive obligation of agreement to IAS 19.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.14 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 implicit, as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation;
- The amount can be reliably estimated.

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, as of the reporting date, of the time value of money, as well as the specific risk related to the particular liability, if appropriate. Increases in provisions due to the passage of time are recognized in interest expense.

As of the date of issuance of these Consolidated Financial Statements, Transelec have no obligation to establish provision for environmental restoration and similar expenses.

2.15 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.

2.16 Revenue recognition

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 complemented 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 there to. 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 subtransmission 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 las enters into effect immediately and gradually until its full application as of 2020.

Company's revenues are generated by the remuneration from customers for the use of its transmission facilities. The Company has two types of contracts with customers: regulated and contractual. The first one is subject to regulatory rates while the second one is related to contractual agreements with the user of the transmission facilities.

The total revenues for the use of the transmission facilities for both regulated and contractual arrangements 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)

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Revenue recognition (continued)

the COMA, which corresponds to the cost required to operate, maintain and administrate the corresponding transmission 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 transmission facilities. The Electrical Law stablishes these "AVI+COMA" as integral components in rendering the transmission service. Therefore, due to these services are substantially the same and they have the same stream of transference to customers, in other words, both services are satisfied through the time with a similar progress measurement; The company has defined that there is a unique performance obligation and it is satisfied during a period of time, therefore revenues are recognized in the same base.

Revenues from both regulatory and contractual arrangements 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.

2.17 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether or not the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

2.17.1 The Company as lessor

The assets held under a finance lease are presented in other financial assets at an amount equal to the net investment in the lease, being the aggregate of: (i) minimum lease payments receivable and (ii) any unguaranteed residual value accruing to the Company discounted at the interest rate implicit in the lease. The income (interest) is recognized on a pattern reflecting a constant periodic rate of return on the net investment in the lease; this income is presented in the statement of income in operating revenues. Lease payments relating to the period, excluding costs for any separate services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative to reflect time pattern in which use benefit derived from the leased asset is diminished.

2.17.2 The Company as lessee

Finance leases in which acts as lessee are recognized when the agreement begins, recording an asset based on the nature of the lease and a liability for the same amount, equal to the lesser of the fair value of the leased asset or the present value of the minimum lease payments.

Subsequently, the minimum lease payments are divided between finance expense and reducing the debt. The finance expense is recorded in the income statement and distributed over the period of the lease term so as to obtain a constant interest rate for each period over the balance of the debt pending amortization. The asset is amortized in the same terms as other similar depreciable assets, as long as there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If no such certainty exists, the asset will be amortized over the lesser term between the useful life of the asset and the term of the lease.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

2.17.3 Rights from Use of Lease

The company has lease agreements on several Property, Plant and Equipment items. Under IAS 17, the Company classified each of its assets on the date of origin as a finance lease or an operating lease. Leases were classified as finance leases if they substantially transferred to the company all the risks and rewards incidental to ownership of the leased asset; otherwise, they were classified as operating leases.

In adopting IFRS 16, the Company applied a single recognition and measurement approach to all leases (in which the Company acts as lessee), except for short-term leases and low-value assets. In addition, the standard provides specific transition requirements and practical solutions, which the Company has applied.

2.17.3.1 Leases previously classified as operating leases

The Company recognized assets for right of use and lease liabilities in regards to leases previously classified as operating leases (in which the Company acts as lessee), except in the case of short-term leases and leases of low-value assets.

The right-of-use assets in the case of most leases were recognized based on book value as if the Standard had always been applied, except for the use of the passive rate on the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liability, adjusted for the amount of any advance or accumulated (accrued) lease payment that has been previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted through the use of the increasing passive rate at the date of initial application.

The practical solutions used by the Company in the application of IFRS 16 were:

a) Single discount rate for a lease portfolio with reasonably similar characteristics.

b) Evaluation of onerous leases before the date of initial application.

c) Application of the exceptions for short-term leases (maturity less than 12 months) on the date of the initial application.

d) Exclusion of the initial direct costs of measuring the right of use asset on the date of initial application.

e) Retrospective evaluation to determine the term of the lease in those cases in which the contracts contain renewal options or termination of the lease.

2.17.3.2 Right of Use Assets

The Company recognizes right of use assets at the inception date of the lease (i.e., the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and are adjusted for any new measurement of lease liabilities. The cost of the right of use assets includes the amount of the recognized lease liabilities, the initially incurred direct costs and the lease payments on or before the inception date minus any received lease incentives.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

Recognized right-of-use assets are depreciated on a straight-line basis for the shortest of their estimated useful life and the term of the lease and are subject to impairment review.

2.17.3.3 Lease Liabilities

On the inception date of the lease, the Company recognizes the lease liabilities at the present value of the lease payments that must be made during the term of the lease. In calculating the present value of the lease payments, the Company uses the incremental indebtedness rate at the inception date of the lease if the interest rate implicit in the lease can not be determined. After the inception date, the amount of lease liabilities is increased to reflect the accrued interest and is reduced as per the lease payments made. In addition, the book value of the lease liabilities is remeasured if there is a revision, a change in the term of the lease, a substantial change in the fixed lease payments or a change in the evaluation of the purchase of the underlying asset.

2.17.3.4 Short-term leases and lease of low-value assets

The Company applies the exception for recognition of short-term leases to its leases that have a term of 12 months or less from the inception date and that do not contain a renewal option. The lease recognition exception also applies for contracts that involve low value assets (less than USD 5,000). Short-term lease payments and leases of low-value assets are recognized as expenses on a straight-line basis over the term of the lease.

Significant judgment in determining the lease term for contracts with renewal options. The Company determines the lease term as the non-cancelable term of the lease, along with any period covered by an option to extend the lease if there is reasonable assurance that it will be exercised, or any period covered by an option to terminate the lease, if there is reasonable assurance that it will not be exercised.

The Company includes the renewal period as part of the term of the lease in the case of leases of assets of significant importance for its operations. These leases have a short non-cancelable period (i.e., three to five years) and there would be a significant negative effect on production if a replacement is not available.

At the time of initial recognition as of January 1, 2019, right of use assets and lease liabilities (net of deferred interest) were recognized for an amount of ThCh$ 6,032,968

2.18 Distribution of dividends

Dividends payable to the Company's shareholders are recognized as a liability in the Consolidated Financial Statements in the period in which they are approved by the Company's shareholders.

Company makes a provision at the end of each year for the 30% of the profit of the year, in accordance with Law N° 18,046.

On the Company's Board meeting No. 57 held on December 31, 2010, the policy used for the determination of distributable net profit was approved. This policy does not contemplate adjustments to the "Profit (Loss) attributable to Holders of Equity Participation instruments of the Controller ".

As of December 31, 2020, the company made the distribution of a final dividend for the results of the year 2019 in the amount of ThCh$43,852,484, which was paid during the month of May 2020 (see note 19.3).

In addition, the company recognized the provision by the distribution of dividends according to the legal minimum for the result of the year 2020, for an amount of ThCh$28,722,472 (see Note 7.1).

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

3. RISK MANAGEMENT POLICY

3.1 Financial risk

Transelec is exposed to the following risks as a result of the financial instruments it holds: market risk stemming from interest rates, exchange rates and other prices that impact market values of financial instruments, credit risk and liquidity risk. 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.

Company 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 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.

The Company´s assets are primarily fixed and long-lived intangible assets. Consequently, financial liabilities that are used to finance such assets consist primarily of long-term liabilities at fixed rates. This debt is recorded in the balance sheet at amortized cost.

The objective of interest rate risk management is to achieve a balanced debt structure, decrease the impact on costs due to interest rate variations and, reduce volatility in the income statement.

The table below compares the debts of the Company and shows that most of the debt of the Company as of December 31, 2020 and 2019 was at fixed rate until maturity. In addition, in the case of UF and Dollar indexed debt, variations in inflation and exchange rate could potentially impact the Company's financial expenses, which is mitigated by indexed income to inflation and exchange rate.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

3. RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

Debt	Currency or Index	Interest Rate	Type of Rate	Amount in Original Currency (thousand) 31/12/2020	31/12/2019
Series D Bond	UF	4.25%	Fixed	13,500	13,500
Series H Bond	UF	4.80%	Fixed	3,000	3,000
Series K Bond	UF	4.60%	Fixed	1,600	1,600
Series M Bond	UF	4.05%	Fixed	3,400	3,400
Series N Bond	UF	3.95%	Fixed	3,000	3,000
Series Q Bond	UF	3,95%	Fixed	3,100	3,100
Senior Notes	USD	4.625%	Fixed	300,000	300,000
Senior Notes	USD	4.250%	Fixed	375,000	375,000
Senior Notes	USD	3.875%	Fixed	350,000	350,000
Revolving Credit Facility	USD	1.738%	Floating (*)	-	-

(*) The floating rate 1.738% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.50%. As of December 31, 2020, the Company did not maintain amounts drawn on this line.

Transelec S.A. drawn the credit line for US$ 100 million. This credit line was drawn in March 2020 and it was renewed in July 2020 with other banks. Finally, the credit line was pain in December 2020.

Although, inflation increases may have an impact on the costs of the debt denominated in UF and, therefore, on the Company's financial expenses, these impacts are slightly reduced by accounts receivable denominated in UF.

The following table shows the effects of the debt indexed to the UF (Transmission of Melado SpA is excluded since it was prepaid) on the company's financial result.

Serie	Position in UF Long / (Short)	Annual Effect on income (ThCh$) Inflation (3%)	Inflation (4%)	Inflation (2%)
Series D Bond	(13,409,802)	(27,342)	(31,240)	(23,444)
Series H Bond	(3,000,780)	(6,119)	(6,991)	(5,247)
Series K Bond	(1,598,900)	(3,260)	(3,725)	(2,796)
Series M Bond	(1,472,233)	(3,002)	(3,430)	(2,574)
Series M1 Bond	(1,861,504)	(3,795)	(4,336)	(3,254)
Series N Bond	(2,876,461)	(5,865)	(6,701)	(5,029)
Series Q Bond	(3,073,929)	(6,268)	(7,162)	(5,374)
Total	**(27,293,609)**	**(55,651)**	**(63,585)**	**(47,718)**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

3. RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1.2 Exchange rate risk

Transelec's exposure to the risk of exchange rate variations is due to the following:

- Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).
- Transelec Maintains accounts receivables in US dollars.
- Transelec maintains Cross Currency Swap contracts, which offset exchange rate risks of international emissions made in 2014 and 2016, for notional amounts equivalent to US$ 375 million and US$ 350 million, respectively (Long-term position).
- Maintains lease contracts that generate income indexed to US dollars

The exposure to exchange rate risk is managed through an approved policy that includes fully covering the net balance sheet exposure, which is carried out through various instruments such as positions in US dollars, forward contracts and cross currency swaps.

The following table details the amounts of monetary assets and liabilities denominated into dollar and Chilean pesos in the periods indicated below:

	Liabilities		Assets	
	Dec. 31, 2020 ThCh$	Dec. 31,2019 ThCh$	Dec. 31,2020 ThCh$	Dec. 31,2019 ThCh$
U.S. dollar (amounts associated with balance sheet items)	729,075	774,341	733,240	773,997
Chilean peso	2,007,075	1,596,539	2,002,910	1,596,884

Indexation formulas semiannual application incorporated into contracts tolls and subtransmission tariffs, as well as monthly application for trunk regulated revenues, allowing reflect changes in the value of the facilities and operating costs, maintenance and management. Generally, these indexation formulas contemplate the variations in the international equipment prices, material prices and national manpower prices.

3.1.1.2.1 Sensivity 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 US Dollar exchange rate. 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 or other comprehensive income when the Chilean peso is strengthened with respect to the foreign currency. A negative percentage implies a weakening of the Chilean peso with respect to the foreign currency, which negatively impacts the income statement or in other comprehensive income.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

3. RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

Item (Currency)	Position Long (Corta	Net income (gain)/loss Change (-10%)	Net income (gain)/loss Change (-10%)	Position Long (Short)	OCI Change (-10%)	OCI Change (-10%)
Cash (US$)	1,954	(3)	3	-	-	-
Leasing (US$)	28,832	(45)	45	-	-	-
Forwards (assets) (US$)	9,366	-	-	(179)	-	-
Senior Notes (US$)	(729,075)	1,139	(1,139)	-	-	-
Swaps	508,933	(795)	795	85,684	(121)	121
Intercompany loan (US$)	184,155	(288)	288	-	-	-
Total	**4,165**	**8**	**(8)**	**85,505**	**(121)**	**121**

3.1.2 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 leads to the situation in which they do not accumulate very significant amounts.

However, revenues are highly concentrated in major customers as shown in the following table:

Revenues	Dec 31, 2020 ThCh$	Dec 31, 2019 ThCh$
Enel Group	101,185,263	132,055,320
CGE Group	57,645,432	60,554,392
AES Gener Group	49,745,907	51,258,777
Colbún Group	34,326,740	51,919,220
Engie (E-CL) Group	26,966,883	9,736,157
Others	63,432,588	73,067,405
Total	**333,302,813**	**378,591,271**
% of concentration of top customers	**80.97%**	**80.70%**

Tolls and tariff revenues that these companies must pay to use the transmission system will generate significant future cash flows of Transelec and a substantial change in their assets, financial conditions and / or results of operations could adversely affect the Company.

Regarding the credit risks associated with financial assets of the Company other than accounts receivable (time deposits, mutual funds, bonds, covenants, active position derivative), the policy of the Treasury establishes limits on exposure to a particular institution, and this limit depends on the risk classification and capital of each institution. Additionally, in the case of investments in mutual funds, only the ones having risk classification qualify.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

3. RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.3 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.

a) Risk associated to Company's management

To guarantee that it is able to respond financially both the investment opportunities and to the timely payment of its obligations. Transelec has, separely from its cash and short-term accounts receivables, a committed credit line of the revolving type (RC) for the use of working capital for an equivalent amount of US$250 million. This line has been in force since July 2012 and the current conditions according to the last renewal are as follows:

(a) Amount committed US$250 million
(b) Cost for unused amount (Commitment Fee): 0.50%
(c) The margin or spread per amount used: 1.50%

This committed line of credit was contracted on July 9, 2012, initially granted for a period of 3 years by Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR. It was renegotiated and extended on October 15, 2014 with a new expiration date of October 15, 2017. Subsequently, a new extension was made with the group of banks Scotiabank, Banco Estado, The bank of Nova Scotia, Bank of Tokyo-Mitsubishi, DnB Bank and Export Development Canada due August 3, 2020. In July 2020 the line was renewed until July 31, 2021 with the group of banks The Bank of Nova Scotia, Bank of China, Santander, Bank of Tokyo-Mitsubishi, BNP Paribas, JP Morgan Bank, China Construction Bank.

The Company is exposed to risks associated with indebtedness, including refinancing risk when its debt matures. These risks are mitigated by using long-term debt and appropriately structuring maturities over time. The following table presents the capital amortizations and estimated interest payments corresponding to the Company's financial liabilities (debt), according to their maturity date, as of December 31, 2020 and 2019.

Debt maturity (equity and interest)	Less than 1 Years ThCh$	1 to 3 Years ThCh$	3 to 5 Years ThCh$	5 to 10 Years ThCh$	More than 10 Years ThCh$	Total ThCh$
December 31, 2020	67,424,478	371,293,957	402,253,474	818,114,099	485,553,281	2,144,639,289
December 31, 2019	65,254,362	130,508,724	344,741,957	1.108,424,936	495,527,134	2,144,457,113

The maturity of derivatives is presented Note 15.2.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

3. RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

According to Decree N°4/20,018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income of the trunk system generated for every period.

b) Associated risk to the settlement of trunk transmission system tariff revenues (Ex Troncal)

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20,018, monthly reliquidation of the tariff income received provisionally in accordance with the payment tables prepared by the CDEC (load economic dispatch center) through the collection or payment to the different companies, owners of generation facilities.

Transelec could face the risk of not timely collecting the income that some of the companies owners of generation facilities should pay as determined in the payment tables prepared by CDEC, what may temporarily affect the Company's liquidity position. In this sense, and in the opinion of the Company, the function that Transelec fulfills in the above-mentioned collection process, consists not of the collection of amounts for its own benefit, but it is merely collection and subsequent transfers to third parties of surpluses and deficits that belong to the generating companies, with the exception of the expected tariff income .

3.2 Situation of COVID-19

Current situation of COVID-19 has had a minor impact so far on the financial and operative aspects of the Company. However, the Company has been making preventive decisions in order to keep the operative performance according to our pre-pandemic standard.

From a Financing perspective, the Company has been cautious about its liquidity position, considering actions to save costs and, if needed, even some delay in investments and distributions. As of December 2020, the liquidity position of the Company is solid and there is a revolving credit line available for US$250m if needed.

The Basic Services Interruption Law, which prohibits the interruption of basic services to a particular group of clients that had some delay in the payments of their monthly bills for the next 90 days after that Law is enacted, is currently in force. On January 5th 2021, an extension to this Law was enacted which increases from 90 days to 270 days the mentioned deadlines and increases the number of installments to pay the outstanding debt from 12 to 36.

This situation should have no effect on Company collections, as current regulation state that non-collectability risk is not a cost of the transmission industry. At the date of issuance of this Financial Statements, the collection of Single Charge from client through Distributions Companies has had not delay for the Company.

From an Operational perspective, the facilities of the Company keep performing as usual and just minor adjustment had to be made in order to prioritize critical activities due to the pandemic. Main risks identified are related to the availability of personnel (internal and external) in order to keep the continuity of schedule tasks regarding the critical maintenance to ensure the continuous performance in Lines, Substations and Control & Telecommunications. In this regards, our Operations Center has also been reinforced in order to keep operational continuity.

From a Personnel perspective, the Company has been on teleworking modality from the second week of March 2020 up to date in all administrative and managing tasks maintaining the quality in its performance in this regard.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

4. CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED 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 makes estimates and assumptions about the future. By definition, the resulting accounting estimates will rarely be equal to the real outcomes. Estimates and assumptions with a significant risk of causing an important risk to the Company during the upcoming year are detailed below:

- The estimates of recoverable values of assets and goodwill to determine potential existence of impairment losses;
  Useful lives of property, plant and equipment and intangible assets;
- The assumptions used to calculate the fair value of financial instruments;
- The actuarial assumptions used to calculate obligations with employees;
- Future tax results for the purposes of determining the recoverability of 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 Consolidated 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 Consolidated Financial Statements.

5. CASH AND CASH EQUIVALENTS

(a) As of December 31, 2020 and 2019, this account is detailed as follows:

	Balance as of	
Cash and Cash Equivalents	**Dec. 31, 2020 ThCh$**	**Dec. 31,2019 ThCh$**
Bank and cash	3,875,016	1,680,122
Short term deposits	-	3,404,498
Reverse repurchase agreements and mutual funds	101,965,134	103,557,742
Total	**105,840,150**	**108,642,362**

Cash and cash equivalents included in the statement of financial position as of December 31, 2020 and 2019 does not differ from those presented in the statement of cash flows.

b) The following table details the balance of cash and cash equivalents by type of currency:

		Balance as of	
Detail of Cash and Cash Equivalents	**Currency**	**Dec. 31, 2020 ThCh$**	**Dec. 31,2019 ThCh$**
Amount of cash and cash equivalents	U.S. dollars	2,282,670	4,021,429
Amount of cash and cash equivalents	Euros	10,612	252,235
Amount of cash and cash equivalents	Chilean pesos	103,546,868	104,368,698
Total		**105,840,150**	**108,642,362**

Fair values are not significantly different from book values due to the short maturity of these instruments.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

6. TRADE AND OTHER RECEIVABLES

The detail as of December 31, 2020 and 2019 is as follows:

	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Trade receivables	119,247,383	86,831,886
Miscellaneous receivables	125,771	212,192
Total trade and other receivables	**119,373,154**	**87,044,078**

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties.

As of December 31, 2020 and 2019, the aging of trade and other receivables is as follow:

	Balance as of	
	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Maturing in less than 30 days	73,695,790	56,843,998
Maturing in more than 30 days up to 1 year	45,677,364	30,200,080
Total	**119,373,154**	**87,044,078**

Fair values do not differ significantly from book values due to the short term maturity of these instruments.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

The balances of accounts receivables and payables between the company and its unconsolidated related companies are as follows:

Account receivables from related companies

Tax ID number	Company	Country	Description	Start Date	Relation	Currency	Balance as of Current		Non-current	
							Dec 31, 2020 ThCh$	Dec 31, 2019 ThCh$	Dec 31, 2020 ThCh$	Dec 31, 2019 ThCh$
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Loan	21-09-2025/ 28-11-2027	Parent Company	UF	-	-	22,233,065	21,651,517
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Loan	30-06-2025/ 28-11-2027	Parent Company	US$	-	-	184,155,334	193,943,969
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Loan Mercantile current Account	Not defined	Parent Company	CH$	-	13,955,738	-	-
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Loan	31-08-2020	Parent Company	CH$	-	1,773,786	-	27,212,850
76.524.463-3	Transelec Concesiones SA	Chile	Accounts receivable	Not defined	Indirect	CH$	1,159,468	353,236	-	-
76.248.725-K	CyT Operaciones SPA	Chile	Accounts receivable	Not defined	Indirect	CH$	314,845	5,802,554	-	-
20601047005	Conelsur SV	Perú	Accounts receivable	Not defined	Indirect	CH$	158,967	120,358	-	-
Total							**1,633,280**	**22,005,672**	**206,388,399**	**242,808,336**

Account payable to related companies

Tax ID number	Company	Country	Description	Start Date	Relation	Currency	Balance as of Current		Non-current	
							Dec 31, 2020 ThCh$	Dec 31, 2019 ThCh$	Dec 31, 2020 ThCh$	Dec 31, 2019 ThCh$
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Dividends payable	Not defined	Parent Company	CH$	28,719,600	-	-	-
76.559.580-0	Rentas Eléctricas Ltda	Chile	Dividends payable	Not defined	Parent Company	CH$	2,872	-	-	-
Total						**28,722,472**	**-**	**-**	**-**	

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.1 Balances and transactions with related parties (continued)

Most significant transactions and their effect on income

Transactions with unconsolidated related parties had the following effects on the income statement:

					Dec. 31, 2020		Dec. 31, 2019	
Tax ID Number	Company	Country	Relation	Description of the transaction	Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Parent Company	Amounts provided	34,798,213	-	113,968,788	-
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Parent Company	Amounts charged	77,542,535	-	101,341,749	-
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Parent Company	Interest earned	9,025,996	9,025,996	8,929,331	8,929,331
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Parent Company	Exchange difference	10,039,319	10,039,319	14,020,200	14,020,200
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Parent Company	Indexed to UF	600,548	600,548	573,752	573,752
76.560.200-9	Transelect Holding Rentas Ltda	Chile	Parent Company	Dividends payable	28,719,600	-	-	-
76.559.580-0	Rentas Eléctricas I Limitada	Chile	Parent Company	Dividends payable	2,872	-	-	-
76.920.929-8	Transmisora del Pacífico SA	Chile	Indirect	Amounts charged	391,128	-	-	-
76.524.463-3	Transelec Concesiones SA	Chile	Indirect	Amounts payable	120,799	-	-	-
76.524.463-3	Transelec Concesiones SA	Chile	Indirect	Amounts charged	120,799	-	1,490,235	-
76.248.725-K	CyT Operaciones SPA	Chile	Indirect	Amounts charged	5,807,432	-	137,681	-

These operations are in accordance with the provisions of Articles No. 44 and 49 of Law No. 18,046, on Corporations.

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. For each Board Member there is an alternate Board Member.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.2 Board of Directors and management (continued)

The current Board of Directors was elected at the Ordinary Shareholders Meeting dated April 24, 2020, which was composed as follows: Mr. Scott Lawrence as Director and Mr. Alfredo Ergas Segal as his alternate Director, Mrs. Brenda Eaton as Director and Mr. Jordan Anderson as her alternate Director, Mr. Rui Han as Director and Mrs. Sihong Zhong as his alternate Director; Mr. Richard Cacchione as Director and Mr. Michael Rosenfeld as his alternate Director; Mr. Mario Valcarce Durán as Director and Mr. José Miguel Bambach Salvatore as his alternate Director; Mr. Blas Tomic Errázuriz as Director and Mr. Patricio Reyes Infante as his alternate Director; Mr. Juan Benabarre Benaiges as Director and Mr. Roberto Munita Valdés as his alternate Director; and Mrs. Patricia Núñez Figueroa as Director and Mr. Claudio Campos Bierwirth as her alternate Director and Mrs. Andrea Butelmann Peisajoff as Director and Mr. Juan Agustín Laso Bambach as her alternate Director.

At the Board meeting held on May 13, 2020 was elected Mr. Scott Lawrence Chairman of the Board.

On September 15, 2020, the Board of Directors accepted the renounce of the Director Ms. Brenda Eaton. The Alternate Director, Mr. Jordan Anderson assumed on that same date on an interim basis, until the next Ordinary Shareholders' Meeting.

Currently, the Board of Directors is composed of eight Regular Directors, an acting Director and their respective alternate Directors.

According to the law and the statutes, the Board of Directors must meet at least once a month. During the 2020 financial year, the company Transelec S.A. held 12 ordinary meetings and 2 extraordinary sessions of the Council.

7.2.1 Board of Directors' compensation

According to Article No. 33 of Law No. 18,046 on Corporations, at the Tenth Ordinary Shareholders' Board Meeting of Transelec S.A., held on April 24, 2020, it was agreed to maintain annual directors' allowance of US$ 90,000, gross value, regardless of the number of meetings actually attended or held. The allowance is paid quarterly.

The Directors, Mr. Rui Han, Mr. Richar Cacchione, Mr. Jordan Anderson, and Mr. Scott Lawrence renounced their respective diets for the 2020 period.

At the Ordinary Shareholders' Meeting for 2020, it was decided that the alternate directors would not receive an allowance.

	Dec 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Scott Lawrence (Presidente)*	-	-
Brenda Eaton (Presidenta)**	14,963	107,731
Blas Tomic Errázuriz	72,145	62,431
Mario Alejandro Valcarce Durán	72,145	62,431
Patricia Angelina Nuñez Figueroa	72,145	62,431
Juan Ramon Benabarre Benaiges	72,145	62,431
Andrea Butelmann Peisajoff	42,518	-
Alejandro Jadresic Marinovic	-	46,046
Rui Han*	-	-
Richard Cacchione*	-	-
Alfredo Ergas Segal*	-	-
Jordan Andersony*	-	-

* Mr. Scott Lawrence (President), Rui Han, Richard Cacchione, Alfredo Ergas Segal and Jordan Andersony resigned their respective allowances for the period 2019 and 2020.

** Mrs. Brenda Eaton submitted her resignation as Chairman of the Board on November 14, 2019, which was unanimously approved by the Board of Transelec S.A.

7.3 Board expenses

As of December 31, 2020, expenses were incurred in the training of the In Company Program given by the PUC's Corporate Governance Center, held on September 2, 2020, in the Free Competition training carried out by FT Legal, dated November 24, 2020 for 300 UF. As of December 31, 2019, no advisory expenses were made for the board of directors.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.4 Audit committee

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other Consolidated Financial Statements and internal systems.

Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company, Committee members are appointed by the Board of Directors. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board. The Audit Committee has held four sessions during 2020.

Through a mandate from the Board , Mr. Director Mario Valcarce Durán, who is also its President, was elected as members of the Audit Committee, and the Directors, Mr. Juan Ramón Benabarre Benaiges and Mrs. Patricia Angelina Nuñez Figueroa, Mr. Alfredo is also a member. Ergas Segal as well as the Secretary, Mr. Arturo Le Blanc Cerda.

As of the date of these consolidated financial statements, the Audit Committee is maintained.

At the Thirteenth Ordinary Shareholders' Meeting of Transelec S.A., held on April 24, 2020, it was agreed to keep as compensation of the members of the Committee, the gross amount of US$ 10,000 per year regardless of the number of meetings that they actually attend or that are actually held.

The following compensation was received by members of the Audit Committee as of December 31, 2020 and 2019:

	Dec. 31, 2020 ThCh$	Dec. 31,2019 ThCh$
Mario Alejandro Valcarce Duran	7,487	6,948
Patricia Angelina Nuñez Figueroa	7,487	6,948
Juan Ramón Benabarre Benaiges	7,487	-

7.5 Compensation of key management that are not Directors

Members of Key Management

Andrés Kuhlmann Jahn	Chief Executive Officer
Sebastian Fernandez Cox	Vice-President of Business Development
Francisco Castro Crichton	Vice-President of Finance
Bernardo Canales Fuenzalida	Vice President of Engineering and Project Development
Claudio Aravena Vallejo	Vice-President of Human Resources
Arturo Le Blanc Cerda	Vice-President of Legal Matters
Rodrigo López Vergara	Vice-President of Operations
David Noe Scheinwald	Vice-President of Corporate Affairs and Environment

The Company has established an incentive plan for its executives based on meeting certain individual goals that contribute to the Company's results. These incentives are structured as a minimum and maximum number of gross monthly salaries and paid once per year:

	Balance as of	
	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Salaries	2,026,983	1,900,765
Short-term employee benefits	819,401	767,533
Long-term employee benefits	1,602,254	700,880
Total compensation received by key management personnel	**4,448,638**	**3,369,178**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

8. OTHER FINANCIAL ASSETS, LEASES

As of December 31, 2020 and 2019, this account is detailed as follows:

	Dec. 31,2020 ThCh$	Dec. 31,2019 ThCh$
Finance lease receivables current	1,149,191	1,150,194
Forward Contracts (see Note 15)	-	73,384
Sub-total Other financial current	**1,149,191**	**1,223,578**
Finance lease receivables non-current	27,682,949	30,342,702
Contratos Swap (ver Nota 15)	44,841,765	40,976,656
Other financial assets	41,752	41,752
Sub-total Other financial non-current	**72,566,466**	**71,361,110**
Total	**73.715.657**	**72.584.688**

8.1 Finance lease receivables

Within current and non-current other assets receivable, the Company includes assets that have been constructed at the express request of the lessee. Therefore, substantially all risks and benefits have been transferred when the assets are commissioned. Nominal value (gross investment in the lease) and present value of the minimum lease payments to be received are presented in the following tables:

December 31, 2020

Period in years	Present Value ThCh$	Interest receivable ThCh$	Gross investment ThCh$
Less than 1	1,149,191	3,249,529	4,398,720
1-5	4,792,431	12,239,822	17,032,253
Over 5	22,890,518	36,621,263	59,511,781
Total	**28,832,140**	**52,110,614**	**80,942,754**

December 31, 2019

Period in years	Present Value ThCh$	Interest receivable ThCh$	Gross investment ThCh$
Less than 1	1,150,194	3,474,714	4,624,908
1-5	6,320,066	16,229,841	22,549,907
Over 5	24,022,636	38,442,162	62,464,798
Total	**31,492,896**	**58,146,717**	**89,639,613**

Movements in finance leases:

	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Opening balance	**31,492,896**	**29,954,109**
Additions	24,811	203,497
Amortization	(1,125,974)	(1,053,041)
Translation difference	(1,559,593)	2,388,331
Ending balance	**28,832,140**	**31,492,896**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

9 INTANGIBLE ASSETS

The following tables detail the balances within this account as of December 31, 2020 and 2021:

Intangible assets, net	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Rights of way	179,394,850	176,327,213
Software	3,748,653	5,875,156
Total intangible assets	**183,143.503**	**182,202,369**

Intangible assets, gross	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Rights of way	179,394,850	176,327,213
Software	20,160,583	19,465,387
Total intangible assets	**199,555,433**	**195,792,600**

Accumulated amortization and impairment	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Software	(16,411,930)	(13,590,231)
Total accumulated amortization	**(16,411,930)**	**(13,590,231)**

As of December 31, 2020 and 2019 Transelec S.A. present intangible assets with indefinite useful lives under the classification of rights of way.

The composition and movements of intangible assets as of December 31, 2020 and 2019 are the following:

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2020	**176,327,213**	**5,875,156**	**182,202,369**
Movements in intangible assets			
Additions	3,246,476	695,196	3,941,672
Retirements	(178,839)	-	(178,839)
Amortization	-	(2,821,699)	(2,821,699)
Ending balance of intangible assets as of December 31, 2020	**179.394.850**	**3.748.653**	**183.143.503**

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2019	**176,039,780**	**5,219,985**	**181,259,765**
Movements in intangible assets			
Additions	441,349	3,520,853	3,962,202
Retirements	(153,916)	-	(153,916)
Amortization	-	(2,865,682)	(2,865,682)
Ending balance of intangible assets as of December 31, 2019	**176,327,213**	**5,875,156**	**182,202,369**

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of December 31, 2020 and 2019 to be recovered.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

10. GOODWILL

Goodwill represents the excess of the acquisition cost over the fair value of the group's identifiable net assets acquired.

The Company has defined its only operating segment of Electric Power Transmission as the Cash Generating Unit (CGU) for the purpose of performing the impairment tests and therefore the surplus value at the date of the impairment test is fully assigned to this CGU.

10.1 Measurement of the recoverable value of goodwill

The breakdown of this item as of December 31, 2020 and 2019 is as follows:

Detail	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Goodwill	343,059,078	343,059,078
	343,059,078	**343,059,078**

10.2 Movement of goodwill in the Consolidated Financial Statements

The goodwill movements as of December 31, 2020 and 2019 are:

	Dec. 31, 2020 ThCh$
Opening balance as of January 1, 2020	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of December 31, 2020	**343,059,078**

	Dec. 31, 2019 ThCh$
Opening balance as of January 1, 2019	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of December 31, 2019	**343,059,078**

10. 3 Impairment test

Management considers that the value in use approach, determined by the discounted cash flow model, is the most reliable method for determining the recoverable values of the CGU. (The variables used by the Company are found in Note 2.8 Impairment of non-financial assets).

The result of the impairment test, which includes a sensitivity analysis of its main variables, showed that the calculated recoverable values exceed the book value of the net assets of the respective cash-generating unit, and therefore no impairment was detected.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

The composition corresponds to the following detail:

Property, plant and equipment, net	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Land	20,998,917	20,983,646
Buildings and infrastructure	899,288,460	896,902,191
Work in progress	252,585,609	135,552,321
Machinery and equipment	508,949,881	478,838,192
Other property, plant and equipment	5,834,252	5,932,186
Assets for rights of use for leases	4,618,992	5,126,832
Property, plant and equipment, net	**1,692,276,111**	**1,543,335,368**

Property, plant and equipment, gross	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Land	20,998,917	20,983,646
Buildings and infrastructure	1,236,281,672	1,210,139,071
Work in progress	252,585,609	135,552,321
Machinery and equipment	778,737,992	726,472,407
Other property, plant and equipment	5,834,252	5,932,186
Assets for rights of use for leases	7,856,907	6,721,268
Total property, plant and equipment, gross	**2,302,295,349**	**2,105,800,899**

Total accumulated depreciation of property, plant and equipment, net	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Buildings and infrastructure	(336,993,212)	(313,236,880)
Machinery and equipment	(269,788,111)	(247,634,215)
Assets for rights of use for leases	(3,237,915)	(1,594,436)
Total accumulated depreciation of property, plant and equipment	**(610,019,238)**	**(562,465,531)**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 Reconciliation of changes in property, plant and equipment

The following table details the reconciliation of changes in property, plant and equipment by class during the periods ended December 31, 2020 and 2019.

	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Assets rights of use	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance January 1, 2020	**20,983,646**	**896,902,191**	**478,838,192**	**135,552,321**	**5,932,186**	**5,126,832**	**1,543,335,368**
Movement:							
Additions	-	-	-	202,420,526	238,110	1,135,639	203,794,275
Retirements	-	(1,367,993)	(1,426,773)	(1,059,733)	-	-	(3,854,499)
Transfer	15,271	28,779,134	55,869,144	(84,327,505)	(336,044)	-	-
Depreciation	-	(25,024,872)	(24,330,682)	-	-	(1,643,479)	(50,999,033)
Closing balance as of December 31, 2020	**20,998,917**	**899,288,460**	**508,949,881**	**252,585,609**	**5,834,252**	**4,618,992**	**1,692,276,111**

	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Assets rights of use	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance January 1, 2019	**20,696,130**	**912,272,233**	**466,735,333**	**73,919,836**	**6,110,221**	**-**	**1,479,733,753**
Movement:							
Additions	-	-	-	110,795,192	715,371	6,721,268	118,231,831
Retirements	-	(1,154,194)	(1,046,337)	(445,701)	-	-	(2,646,232)
Reclassifications	287,516	12,751,849	36,571,047	(48,717,006)	(893,406)	-	-
Depreciation	-	(26,967,697)	(23,421,851)	-	-	(1,594,436)	(51,983,984)
Closing balance as of December 31, 2019	**20,983,646**	**896,902,191**	**478,838,192**	**135,552,321**	**5,932,186**	**5,126,832**	**1,543,335,368**

11.3 Additional information on property, plant and equipment

Transelec has insurance policies to cover possible risks subject to various items of property, plant and equipment and possible claims that might be filed by exercising its activities, understanding that such policies cover sufficiently the risks to which they are taken.

The Company held as of December 31, 2020 and 2019 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engineering-Procurement-Construction) in the amount of ThCh$ 165,474,322 and ThCh$204,714,968, respectively.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 Additional information on property, plant and equipment (continued)

The following table details capitalized interest costs in property, plant and equipment:

	Dec. 31,2020	Dec. 31, 2019
Capitalization rate (Annual basis)	4,88%	4,71%
Capitalized interest costs (ThCh$)	6,894,242	2,147,489

Work in progress balances amounts to ThCh$252,585,609 and ThCh$135,552,321 as of December 31, 2020 and 2019 respectively.

11.4 Lease right of use

The book values of the right-of-use assets and their movements during the period are detailed below:

Movement period 2020	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
Opening balances as of January 01, 2020	**86,162**	**4,888,529**	**152,141**	**5,126,832**
Additions	-	-	1,135,639	1,135,639
Depreciation expense	(15,627)	(1,191,800)	(436,052)	(1,643,479)
Closing balance as of December 31, 2020	**70,535**	**3,696,729**	**851,728**	**4,618,992**

Movement period 2019	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
Opening balances as of January 01, 2019	**-**	**-**	**-**	**-**
Additions	101,788	6,010,915	608,565	6,721,268
Depreciation expense	(15,626)	(1,122,386)	(456,424)	(1,594,436)
Closing balance as of December 31, 2019	**86,162**	**4,888,529**	**152,141**	**5,126,832**

As of December 31, 2020 and 2019 one of the main assets for use rights and liabilities for leases (Note 13.2), comes from the contract between Seguros Vida Security vision S.A and Transelec S.A. This contract has a duration of 5 years from January 2019 and accrues interest at an annual rate of 2.3%.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

12. DEFERRED TAXES

12.1 Detail of deferred tax liabilities

The origin of deferred taxes recorded as of December 31, 2020 and 2019 corresponding to the company Transelec is detailed as follows:

	Net deferred taxes	
Temporary differences	**Dec. 31, 2020 ThCh$**	**Dec. 31, 2019 ThCh$**
Depreciable fixed assets	(191,266,541)	(167,226,971)
Financial expenses	(59,678)	(210,162)
Leased assets	(6,125,453)	(5,573,603)
Materials and spare parts	196,310	141,951
Tax losses	7,128,387	16,974,715
Staff severance indemnities provision	(173,307)	(76,642)
Deferred income	1,336,491	1,443,835
Obsolescence provision	1,482,154	1,082,703
Work in progress	(26,562,161)	1,236,783
Vacation provisions	659,438	514,547
Intangible assets	(2,742,874)	(4,614,934)
Adjustment of effective interest rate of bonds	(2,456,278)	(2,709,734)
Land	2,008,106	1,804,089
Provision Tariff Review	15,521,245	-
Goodwill	707,533	864,830
Net deferred tax assets/(liabilities)	**(200,346.628)**	**(156,348,593)**
Reflected in the statement financial position as follows:		
Deferred tax liabilities	200,346,628	156,348,593
Net deferred tax assets/(liabilities)	**(200,346,628)**	**(156,348,593)**

12.2 Deferred tax movements in statement of financial position

Tax losses balances amounts to ThCh$ 26,401,433 and ThCh$ 62,869,315 as of December 31, 2020 and 2019 respectively.

The movements of balances of "deferred taxes" in the statement of financial position for the periods as on December 31, 2020 and 2019 are as follows:

Deferred tax movements	**Asset ThCh$**	**Liability ThCh$**
Balance as of January 1, 2019	-	104,804,361
Increase (decrease)	-	51,544,232
Balance as of December 31, 2019		156,348,593
Increase (decrease)	-	43,998,035
Balance as of December 31, 2020	**-**	**200,346,628**

Recovery of deferred tax assets will depend on whether sufficient tax profits are obtained in the future. Based on its projections the Company believes that its future profits will allow these assets to be recovered.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

13 - OTHER FINANCIAL LIABILITIES

The current and non-current portion of this account as of December 31, 2020 and 2019 is as follows:

Loan classes that accrue (accrue) interest	December 31, 2020		December 31, 2019	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	18,701,867	1,514,452,089	19,415,009	1,529,919,065
Total bonds payable	**18,701,867**	**1,514,452,089**	**19,415,009**	**1,529,919,065**
Forward Obligations	178,954	-	-	-
Swap contract (see Note 15)	4,070,488	-	4,070,487	-
Total Banks borrowings	**4,249,442**	**-**	**4,070,487**	**-**
Right of use liabilities	1,557,403	3,184,558	1,406,557	3,787,988
Total Right of use liabilities	**1,557,403**	**3,184,558**	**1,406,557**	**3,787,988**
Total Financial Liabilities	**24,508,712**	**1,517,636,647**	**24,892,053**	**1,533,707,053**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

13 - OTHER FINANCIAL LIABILITIES (continued)

13.1 Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of December 31, 2020 and 2019 are shown below:

Taxpayer ID number	Debtor name	Country	Placement in Chile or abroad	Instrument registration number	Series	Indexation unit	Nominal interest rate	Effective interest rate	Interest payments	Periodicity principal payments	Final maturity	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
76.555.400-4	Transelec S.A.	Chile	Chile	480,000000	D	UF	4,37%	4,25%	At maturity	Semiannually	15-12-2027	390,625,246	380,060,600
76.555.400-4	Transelec S.A.	Chile	Chile	599,000000	H	UF	4,79%	4,80%	At maturity	Semiannually	01-08-2031	89,009,052	86,675,039
76.555.400-4	Transelec S.A.	Chile	Chile	599,000000	K	UF	4,61%	4,60%	At maturity	Semiannually	01-09-2031	47,211,060	45,970,408
76.555.400-4	Transelec S.A.	Chile	Chile	599,000000	M	UF	4,26%	4,05%	At maturity	Semiannually	15-06-2032	42,878,671	41,701,200
76.555.400-4	Transelec S.A.	Chile	Chile	599,000000	M-1	UF	4,23%	4,05%	At maturity	Semiannually	15-06-2032	54,217,986	52,722,915
76.555.400-4	Transelec S.A.	Chile	Chile	599,000000	N	UF	4,29%	3,95%	At maturity	Semiannually	15-12-2038	83,731,059	81,404,518
76.555.400-4	Transelec S.A.	Chile	Chile	744,000000	Q	UF	4,02%	3,95%	At maturity	Semiannually	15-10-2042	90,115,371	87,739,660
76.555.400-4	Transelec S.A.	Chile	Foreign	1st issuance	Sr N	US$	5,10%	4,63%	At maturity	Semiannually	26-07-2023	216,639,226	227,748,936
76.555.400-4	Transelec S.A.	Chile	Foreign	2nd issuance	Sr N	US$	4,66%	4,25%	At maturity	Semiannually	14-01-2025	269,730,293	283,538,652
76.555.400-4	Transelec S.A.	Chile	Foreign	3rd issuance	Sr N	US$	4,31%	3,88%	At maturity	Semiannually	12-01-2029	248,995,992	261,772,146
											Total	**1,533,153,956**	**1,549,334,074**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1 687,850,187 and ThCh$1,754,552,977 as of December 31, 2020 and December 31, 2019, respectively (it does not include other current and non-current liabilities such as swap agreements which are presented in the Consolidated Financial Statements at fair value). The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities. This value is categorized as level 2 according to the hierarchy of fair value.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

13 - OTHER FINANCIAL LIABILITIES (continued)

13.1 Bonds payable (continued)

			CURRENT			NON-CURRENT			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	Total Current Dec. 31, 2020 ThCh$	Maturity 1 a 3 years ThCh$	Maturity 3 a 5 years ThCh$	Maturity more than 5 years ThCh$	Total Non-current Dec. 31, 2020 ThCh$
76.555.400-4	Transelec S.A.	480	-	724,039	724,039	-	-	389,901,207	389,901,207
76.555.400-4	Transelec S.A.	599	1,718,089	-	1,718,089	-	-	87,290,963	87,290,963
76.555.400-4	Transelec S.A.	599	702,704	-	702,704	-	-	46,508,356	46,508,356
76.555.400-4	Transelec S.A.	599	-	76,507	76,507	-	-	42,802,164	42,802,164
76.555.400-4	Transelec S.A.	599	-	97,179	97,179	-	-	54,120,807	54,120,807
76.555.400-4	Transelec S.A.	599	-	150,487	150,487	-	-	83,580,572	83,580,572
76.555.400-4	Transelec S.A.	744	-	745,287	745,287	-	-	89,370,084	89,370,084
76.555.400-4	Transelec S.A.	1st issuance	-	4,388,051	4,388,051	212,251,175	-	-	212,251,175
76.555.400-4	Transelec S.A.	2da, Emisión	-	5,428,727	5,428,727	-	264,301,566	-	264,301,566
76.555.400-4	Transelec S.A.	3da, Emisión	-	4,670,797	4,670,797	-	-	244.325.195	244,325,195
		Total	**2,420,793**	**16,281,074**	**18,701,867**	**212,251,175**	**264,301,566**	**1,037,899,348**	**1,514,452,089**

			CURRENT			NON-CURRENT			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	Total Current Dec. 31, 2019 ThCh$	Maturity 1 a 3 years ThCh$	Maturity 3 a 5 years ThCh$	Maturity more than 5 years ThCh$	Total Non-current Dec. 31, 2019 ThCh$
76.555.400-4	Transelec S.A.	480	-	703,805	703,805	-	-	379,356,795	379,356,795
76.555.400-4	Transelec S.A.	599	1,673,554	-	1,673,554	-	-	85,001,485	85,001,485
76.555.400-4	Transelec S.A.	599	684,445	-	684,445	-	-	45,285,963	45,285,963
76.555.400-4	Transelec S.A.	599	-	74,407	74,407	-	-	41,626,793	41,626,793
76.555.400-4	Transelec S.A.	599	-	94,501	94,501	-	-	52,628,414	52,628,414
76.555.400-4	Transelec S.A.	599	-	146,308	146,308	-	-	81,258,210	81,258,210
76.555.400-4	Transelec S.A.	744	-	722,248	722,248	-	-	87,017,412	87,017,412
76.555.400-4	Transelec S.A.	1st issuance	4,647,652	-	4,647,652	-	223,101,284	-	223,101,284
76.555.400-4	Transelec S.A.	2da, Emisión	5,722,840	-	5,722,840	-	-	277,815,812	277,815,812
76.555.400-4	Transelec S.A.	3da, Emisión	4,945,249	-	4,945,249	-	-	256,826,897	256,826,897
		Total	**17,673,740**	**1,741,269**	**19,415,009**	**-**	**223,101,284**	**1,306,817,781**	**1,529,919,065**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

13 - OTHER FINANCIAL LIABILITIES (continued)

13.2 Lease liabilities for use rights

The book values of the lease liabilities and the movements during the periods are detailed below:

Movement Lease liabilities Período 2020	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right for use, Net ThCh$
Opening balances as of January 01, 2020	84,765	4,960,285	149,495	5,194,545
Movements:				
Right of Use from lease	-	-	1,135,638	1,135,638
Interest expenses	(1,819)	(102,768)	(9,652)	(114,239)
Payments	(8,278)	(948,451)	(403,015)	(1,359,744)
Deferred interest	(1,819)	(102,768)	(9,652)	(114,239)
Closing balance as of December 31, 2020	**72,849**	**3,806,298**	**862,814**	**4,741,961**

Movement Lease liabilities Período 2019	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right for use, Net ThCh$
Opening balances as of January 01, 2019	-	-	-	-
Movements:				
Right of Use from lease	104,075	6,373,869	615,092	7,093,036
Interest expenses	(2,029)	(112,580)	(6,097)	(120,706)
Payments	(12,299)	(1,054,872)	(458,587)	(1,525,758)
Deferred interest	(4,982)	(246,132)	(913)	(252,027)
Closing balance as of December 31, 2019	**84,765**	**4,960,285**	**149,495**	**5,194,545**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

13 - OTHER FINANCIAL LIABILITIES (continuación)

13.2 Lease liabilities for use rights (continuación)

a) Additional information of rights of use from leases

The following is the detail of the incremental discount rates for contracts subject to the adoption of IFRS 16 - Leases:

Currencies	5 Years	10 Years
Rate in CLP ($)	4.73%	5.32%
Rate in UF	1.21%	2.30%

b) Detail of other Right of use financial liabilities for short- and long-term leases

Obligations for the right of use	Balance as of December 31, 2020		Balance as of December 31, 2019	
	Current	Non- Current	Current	Non- Current
	ThCh$	ThCh$	ThCh$	ThCh$
Right of Use Liabilities	1,643,628	3,268,463	1,439,238	4,007,334
Total Right of Use Liabilities	**1,643,628**	**3,268,463**	**1,439,238**	**4,007,334**
Right of Use deferred interest	(86,225)	(83,905)	(32,681)	(219,346)
Total Right of Use deferred interest	**(86,225)**	**(83,905)**	**(32,681)**	**(219,346)**
Total Right of Use financial liabilities	**1,557,403**	**3,184,558**	**1,406,557**	**3,787,988**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

13 - OTHER FINANCIAL LIABILITIES (continuación)

13.2 Lease liabilities for use rights (continuación)

c) Detail of future lease rights of use liabilities.

	CURRENT			NON-CURRENT			
Right of use	Maturity Less than 90 days ThCh$	Maturity More than 90 days ThCh$	Total Current as of December 31, ThCh$	Maturity 1 and up to 3 years ThCh$	Maturity 3 and up to 5 years ThCh$	Maturity More than 5 years ThCh$	Total Non-current as of Dec. 31, 2020 ThCh$
Land	3,537	10,612	14,149	45,992	12,708	-	58,700
Buildings	292,364	877,094	1,169,458	2,465,312	171,528	-	2,636,840
Vehicles	93,449	280,347	373,796	489,018	-	-	489,018
Total Right of Use financial liabilities	**389,350**	**1,168,053**	**1,557,403**	**3,000,322**	**184,236**	**-**	**3,184,558**

	CURRENT			NON-CURRENT			
Right of use	Maturity Less than 90 days ThCh$	Maturity More than 90 days ThCh$	Total Current as of December 31, ThCh$	Maturity 1 and up to 3 years ThCh$	Maturity 3 and up to 5 years ThCh$	Maturity More than 5 years ThCh$	Total Non-current as of Dec. 31, 2019 ThCh$
Land	-	14,781	14,781	46,228	23,756	-	69,984
Buildings	290,521	951,760	1,242,281	3,428,907	205,104	83,993	3,718,004
Vehicles	112,047	37,448	149,495	-	-	-	-
Total Right of Use financial liabilities	**402,568**	**1,003,989**	**1,406,557**	**3,475,135**	**228,860**	**83,993**	**3,787,988**

13.3 Other aspects

As of December 31, 2020, Transelec had available a credit line of US$250 million, which as of that date is without pending drafts. Transelec S.A. drew the credit line for US$ 100 million. This credit line was drawn in March 2020 and it was renewed in July 2020 with other banks. Finally, the credit line was pain in December 2020.

Many of the Company's debt agreements include an obligation to comply with certain covenants, including certain financial ratios (see Note 19.5), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

14 - TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2020 and 2019, are detailed as follows:

Trade and other payables	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Trade and other payables	52,291,534	29,227,990
Other accounts payable	4,486,848	1,895,917
Total	**56,778,382**	**31,123,907**

The average payment period for suppliers in the periods ended 2020 and 2019 is than 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

15. DERIVATIVE INSTRUMENTS

In adhering to its risk management policy, Transelec enters primarily into exchange rate derivatives (see Note 3). The Company classifies its derivatives as:

- Cash flow hedging instruments: 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.

15.1 Hedge assets and liabilities

	December 31, 2020				December 31, 2019			
	Asset		Liability		Asset		Liability	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Currency hedge Swap	-	44,841,765	4,070,488	-	-	40,976,656	4,070,487	-
Forward (non-hedging)	-	-	178,954	-	73,384	-	-	-
Total		**44,841,765**	**4,249,442**	**-**	**73,384**	**40,976,656**	**4,070,487**	**-**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

15. DERIVATIVE INSTRUMENTS (continuación)

15.2 Other information

The following is the a detail of the derivatives contracted by Transelec as of December 31, 2020 and 2019, their fair value and the breakdown by maturity:

			Maturity					
Financial derivatives	**Fair value ThCh$**	**Before 1 year ThCh$**	**2022 ThCh$**	**2023 ThCh$**	**2024 ThCh$**	**2025 ThCh$**	**Subsequent years ThCh$**	**Dec. 31, 2020 Total ThCh$**
Currency hedge Swap	40,771,277	(4,070,488)	-	-	-	-	44,841,765	40,771,277
Forward	(178,954)	(178,954)	-	-	-	-	-	(178,954)

			Maturity					
Financial derivatives	**Fair value ThCh$**	**Before 1 year ThCh$**	**2022 ThCh$**	**2023 ThCh$**	**2024 ThCh$**	**2025 ThCh$**	**Subsequent years ThCh$**	**Dec. 31, 2019 Total ThCh$**
Swap de cobertura de moneda	36,906,169	(4,070,487)	-	-	-	-	40,976,656	36,906,169
Contratos Forwards	73,384	73,384	-	-	-	-	-	73,384

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the periods presented December 31, 2020 and 2019, Transelec 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 the credit risk of the counterparty, foreign exchange spot rates and interest rate curves.

15.3 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).

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

15. DERIVATIVE INSTRUMENTS (continuación)
15.3 Fair value hierarchies (continuación)

The following table details financial assets and liabilities measured at fair value as of December31, 2020 and 2019:

			Fair value measured at the end of the reporting period using	
Financial instrumental measured at fair value	**December 31, 2020 ThCh$**	**Level 1 ThCh$**	**Level 2 ThCh$**	**Level 3 ThCh$**
Financial asset (liability)				
Forward contracts	(178,954)	-	(178,954)	-
Currency hedging swap	40,771,277	-	40,771,277	-
Total, net	**40,592,323**		**40,592,323**	

			Fair value measured at the end of the reporting period using	
Financial instrumental measured at fair value	**December 31, 2019 ThCh$**	**Level 1 ThCh$**	**Level 2 ThCh$**	**Level 3 ThCh$**
Financial asset (liability)				
Forward contracts	73,384	-	73,384	-
Currency hedging swap	36,906,169	-	36,906,169	-
Total, net	**36,979,553**		**36,979,553**	

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

16. FINANCIAL INSTRUMENTS

The classification of financial assets in the categories described in Note 2.9 is shown below:

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments	Total
		By Result	Hedge	No Hedge	
December 31, 2020	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalents	-	105,840,150	-	-	105,840,150
Other financial assets, current	1,149,191	-	-	-	1,149,191
Trade and other receivables	119,373,154	-	-	-	119,373,154
Other financial assets, non-current	27,682,949	41,752	44,841,765	-	72,566,466
Receivables from related parties, current	1,633,280	-	-	-	1,633,280
Receivables from related parties, non-current	206,388,399	-	-	-	206,388,399
Total	**356,226,973**	**105,881,902**	**44,841,765**	**-**	**506,950,640**

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments	Total
		By Result	Hedge	No Hedge	
December 31, 2019	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalents	-	108,642,362	-	-	108,642,362
Other financial assets, current	1,150,194	-	-	73,384	1,223,578
Trade and other receivables	87,044,078	-	-	-	87,044,078
Other financial assets, non-current	30,342,702	41,752	40,976,656	-	71,361,110
Receivables from related parties, current	22,005,672	-	-	-	22,005,672
Receivables from related parties, non-current	24,808,336	-	-	-	242,808,336
Total	**383,350,982**	**108,684,114**	**40,976,656**	**73,384**	**533,085,136**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

16. INSTRUMENTOS FINANCIEROS (continuación)

The classification of financial liabilities in the categories described in Note 2.9 is shown below:

	Financial Liabilities to Amortized Cost	Derivative Instruments		Total
		Hedge	No Hedge	
December 31, 2020	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	20,259,270	4,070,488	178,954	24,508,712
Trade and other payables	56,778,382	-	-	56,778,382
Other financial liabilities, non-current	1,517,636,647	-	-	1,517,636,647
Accounts payable to related entities current	28,722,472	-	-	28,722,472
Total	**1,623,396,771**	**4,070,488**	**178,954**	**1,627,646,213**

	Financial Liabilities to Amortized Cost	Derivative Instruments		Total
		Hedge	No Hedge	
December 31, 2019	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	20,821,566	4,070,487	-	24,892,053
Trade and other payables	31,123,907	-	-	31,123,907
Other financial liabilities, non-current	1,533,707,053	-	-	1,533,707,053
Total	**1,585,652,526**	**4,070,487**	**-**	**1,589,723,013**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

17. PROVISIONS

17.1 Detail of provisions

The detail as of December 31, 2020 and 2019, is as follows:

	Current		Non-current	
Detail	**Dec. 31, 2020 ThCh$**	**Dec. 31, 2019 ThCh$**	**Dec. 31, 2020 ThCh$**	**Dec. 31, 2019 ThCh$**
Staff severance indemnities	477,551	365,539	3,472,839	5,821,598
Accrued vacations	2,442,363	1,905,730	-	-
Profit sharing benefits	6,294,401	3,677,000	-	-
Other provisions	205,447	205,447	-	-
Total	**9,419,762**	**6,153,716**	**3,472,839**	**5,821,598**

17.2 Provision movements

The movement of provisions as of December 31, 2020 and 2019 is as follows:

Movements in provisions 2020	**Staff severance indemnities ThCh$**	**Profit sharing benefits ThCh$**	**Accrued vacations ThCh$**	**Other provisions ThCh$**	**Total ThCh$**
Opening balance as of January 1, 2020	**6,187,137**	**3,677,000**	**1,905,730**	**205,447**	**11,975,314**
Movements in provisions:					
Provisions during the year	390,425	8,604,409	1,445,058	-	10,439,892
Payments	(2,627,172)	(5,987,008)	(908,425)	-	(9,522,605)
Ending balance as of December 31, 2020	**3,950,390**	**6,294,401**	**2,442,363**	**205,447**	**12,892,601**

Movements in provisions 2019	**Staff severance indemnities ThCh$**	**Profit sharing benefits ThCh$**	**Accrued vacations ThCh$**	**Other provisions ThCh$**	**Total ThCh$**
Opening balance as of January 1, 2019	**6,114,557**	**4,497,305**	**1,820,222**	**205,447**	**12,637,531**
Movements in provisions:					
Provisions during the year	379,684	6,365,580	1,396,460	-	8,141,724
Payments	(307,104)	(7,185,885)	(1,310,952)	-	(8,803,941)
Ending balance as of December 31, 2019	**6,187,137**	**3,677,000**	**1,905,730**	**205,447**	**11,975,314**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

17. PROVISIONS (continued)
17.2 Provision movements (continued)

The maturity of these provisions is detailed in the table below:

Detail	Less than 1 year ThCh$	More than 1 year and up to 3 years ThCh$	More than 3 years and up to 5 years ThCh$	More than 5 years ThCh$
As of December 31, 2020				
Staff severance indemnities	477,551	665,675	957,942	1,849,222
Accrued vacations	2,442,363	-	-	-
Profit sharing benefits	6,294,401	-	-	-
Other provisions	205,447	-	-	-
Total	**9,419,762**	**665,675**	**957,942**	**1,849,222**

Detail	Less than 1 year ThCh$	More than 1 year and up to 3 years ThCh$	More than 3 years and up to 5 years ThCh$	More than 5 years ThCh$
As of December 31, 2019				
Staff severance indemnities	365,539	484,907	1,051,093	4,285,598
Accrued vacations	1,905,730	-	-	-
Profit sharing benefits	3,677,000	-	-	-
Other provisions	205,447	-	-	-
Total	**6,153,716**	**484,907**	**1,051,093**	**4,285,598**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

17. PROVISIONS (continued)

17.3 Provision for employee benefits

Severance pay for years of service
The Company has constituted a provision to cover the obligation of severance pay for years of service, to be paid to its employees, in accordance with the collective contracts signed with the latter. This provision represents the entire accrued provision (see note 18).

Vacation accrual
This obligation corresponds to the expense for vacations granted and not accrued by the Company's employees, whose benefit is specified in individual contract of each employee.

Annual benefits
This provision primarily includes allowances for employee participation in the Company's income, which are mostly paid within the first quarter of the following year.

Other provisions
This category's balance primarily corresponds to the obligation for health agreement contributions.

17.4 Lawsuits and arbitration proceedings

1. With regard to delays in two of the important milestones of Nogales-Polpaico project, the Ministry of Energy proceeded in June 2016 to collect two guarantees for a total of US $ 2,960,000. In September 2016, the CDEC-SIC (currently CEN) settled the fine for delays to start the operations of the Project and reported that Transelec was obliged to pay the maximum fine, that is, US$1,800,000. Transelec filed an appeal for protection against the CDEC-SIC (currently CEN) and the Ministry of Energy, since there are requests for extension of time they have not been resolved by the Ministry, so it is entirely inappropriate to act CDEC-SIC (currently CEN) and the failure of the Ministry of Energy. The Court of Appeals declared admissible and ordered injunction. By judgment dated December 13, 2016, the Court of Appeals rejected the protection. . The Supreme Court rejected the appeal presented. TGR's report of the fine is pending, to then proceed with its payment.

As of December 31, 2020 the Company has established a provision for these liabilities totaling to ThCh$ 1,279,710 (US$1,800,000) considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC.

2. As of December 31, 2020, Transelec has a provision of UTM 57,500, equivalent to 50% of five fines applied by the Superintendence of Electricity and Fuels. The first two correspond to the interruption of the electricity supply due to a failure of the Maitencillo-Vallenar power line that occurred on August 1, 2018. While the third to a failure in the Condores-Parinacota power line on December 18, 2018. The fourth fine corresponds to a failure in the Cerro Navia substation on November 7, 2018 and the last, to a failure in the line Maitencillo-Vallenar dated May 24, 2019. Claims of illegality were presented before the Santiago Court of Appeals, which are pending and without a first instance sentence to date. As of December 31, 2020, this provision is equivalent to ThCh $ 2,934,168.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

18. POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

18.1 Detail of account

Employee benefit obligations	Dec. 31, 2020 ThCh$	Dec. 31, 2019 ThCh$
Staff severance indemnity provision – current	477,551	365,539
Staff severance indemnity provision non – current	3,472.839	5,821,598
Total Employee benefit obligations	**3,950,390**	**6,187,137**

18.2 Detail of obligations to employees

The movement of the obligation in the period ended December 31, 2020 and 2019 is as follows:

	Staff severance indemnity Dec. 31, 2020 ThCh$	 Dec. 31, 2019 ThCh$
Present value of defined benefit plan obligations opening balance	6,187,137	6,114,557
Current service cost of defined benefit plan obligations	328,854	550,637
Liquidations obligation defined benefit plan	(2,565,601)	(484,057)
Present value of defined benefit obligations ending balance	**3,950,390**	**6,187,137**

18.3 Balance of obligations to employees

	Indemnización por años de servicios 31/12/2020 ThCh$	 31/12/2019 ThCh$
Present value of defined benefit obligations, ending balance	**3,950,390**	**6,187,137**
Present obligation with defined benefit plan funds	3,950,390	6,187,137
Balance of defined benefit obligations, ending balance	**3,950,390**	**6,187,137**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

18. POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

18.4 Expenses recognized in income statement

	Staff severance indemnity		
	January 1, 2020 To Dec. 31, 2020 ThCh$	January 1, 2019 To Dec. 31, 2019 ThCh$	Income statement line item where recognized
Current service cost of defined benefit plan	188,949	178,066	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	139,905	372,571	Cost of sales and Administrative expenses
Total expense recognized in income statement	**328,854**	**550,637**	

18.5 Actuarial hypothesis

Detail	December 31, 2020 ThCh$	December 31, 2019 ThCh$
Discount rate used	(0.18%)	0.75%
Inflation rate	3.00%	3.00%
Future salary increase	0.72%	1.10%
Mortality table	RV-2014	RV-2014
Disability table	30% RV-2014	30% RV-2014
Rotation table	4.48%/0.34%	2.77%/0.92%

Assumptions for future mortality rates are based on actuarial data obtained using published statistics and historical experience.

18.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of December 31, 2020:

	Discount rate used		Inflation rate		Future salary increase	
Level of Sensitivity	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)
Impact on current and non-current of employment benefit obligation	(169,573)	185,563	-	-	181,942	(123,014)

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

18. POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

18.6 Sensitivity analysis (continued)

To evaluate impact, the sensitivity analysis has been determined based on the extrapolation method obtaining reasonable results in terms of the changes in the significant hypotheses used as of December 31, 2020.

In the following table the payments of expected of employment benefit obligation are presented:

	December 31, 2020 ThCh$	December 31, 2019 ThCh$
During the upcoming 12 month	477,551	365,539
Between 2 to 5 years	1,623,617	1,536,000
Between 5 to 10 years	1,553,923	2,005,839
More than 10 years	295,299	2,279,759
Total Payments Expected	**3,950,390**	**6,187,137**

19. EQUITY

19.1 Subscribed and paid capital

As of December 31, 2020 and 2019 authorized, subscribed and paid share capital amounts to ThCh$ 776,355,048.

19.2 Number of subscribed and paid shares

	Number of shares subscribed	Number of shares paid	Number of shares with voting rights
Sole series	1,000,000	1,000,000	1,000,000

No shares have been issued or redeemed in the years covered by these financial statements.

19.3 Dividends

As of December 31, 2020, the company made the distribution of a final dividend for the results of the year 2019 in the amount of ThCh $ 43,852,484, which was paid during the month of May 2020. (see note 19.3)

In addition, the company recognized the distribution of dividends according to the legal minimum for the result of the year 2020, for an amount of ThCh $ 28,722,472 (see Note 7.1).

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

19. EQUITY (continued)
19.3 Dividends (continued)

As of December 31, 2019, the company distributed provisional dividends charged to the 2019 fiscal year amounting to ThCh$96,218,000, which was paid in full during the year. A first payment was made on July 18, 2019 for an amount of ThCh$32,875,000 and a second payment on September 25, 2019 for an amount of ThCh$30,671,000 and a third payment dated December 17, 2019 for an amount of ThCh$ 32,672,000.

19.4 Other reserves

Other reserves as of December 31, 2020 and 2019 are detailed as follows:

Description	December 31, 2020 ThCh$	December 31, 2019 ThCh$
Conversion difference, before tax	-	296,756
Gains (losses) from cash flow hedges	(24,715,110)	(55,576,519)
Gain (loss) on other reserves	743,636	555,285
Income tax related to translation differences	-	(80,124)
Income tax related to cash flow hedges	6,673,080	15,005,660
Income tax related to other reserves	(200,782)	(149,927)
Other Comprehensive Result	**(17,499,176)**	**(39,948,869)**

The movements of other reserves as of December 31, 2020 and 2019, are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2020	216,632	(40,570,859)	405,358	(39,948,869)
Increase/(decrease)	(296,756)	30,861,409	188,351	30,753,004
Deferred tax	80,124	(8,332,580)	(50,855)	(8,303,311)
Closing balance as of December 31, 2020	**-**	**(18,042,030)**	**542,854**	**(17,499,176)**

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2019	420,308	(42,562,401)	530,277	(41,611,816)
Increase/(decrease)	(279,008)	2,728,140	(171,122)	2,278,010
Deferred tax	75,332	(736,598)	46,203	(615,063)
Closing balance as of December 31, 2019	**216,632**	**(40,570,859)**	**405,358**	**(39,948,869)**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

19. EQUITY (continued)

19.5 Capital management

Capital management refers to the Company's administration of its equity,

The capital management policy of Transelec S.A. and subsidiary is aimed at maintaining adequate capitalization levels to sustain operations and provide 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:

1) Maintain individual and indebtedness levels (Total debt / Total capitalization ratio) no greater than 0.7 based on the definitions of these terms in the respective prospectuses of local bond series C, D, H, K, M, N and Q.

2) **a)** Maintain minimum individual and equity of fifteen million UF equivalent to ThCh$436,054,950 as of December 31, 2020. As that term is defined in the respective prospectuses of local bond series C, D, H, K, M and N.

b) Maintain at all times during the validity period of the bond issuance a minimum Equity of ThCh$350,000,000; as this term is defined in the respective prospectus of local bond Series Q.

The test of distribution of restricted payments (net cash flow of the operations / financial costs) must be greater than 1.5 times, as those terms are defined in the respective prospectuses C,D,H,K,M and N.

The following tables present as of December 31, 2020 and 2019 the calculation of the two covenants mentioned above and also a calculation of a third ratio that the Company has to comply, which does not depend on capital (equity) amount.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

19. EQUITY (continued)
19.5 Capital management (continued)

Covenant 1	Total debt / Total capitalization ratio Lower or equal to 0.70	Dec. 31, 2020 MCh$	Dec. 31, 2019 MCh$
A	Other financial liabilities, current	24,509	24,892
B	Payables to related parties, current	28,722	-
C	Other financial liabilities, non-current	1,517,637	1,533,707
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,570,868**	**1,558,599**
G	Debt with guarantees	-	-
DT=E+G	**Total debt**	**1,570,868**	**1,558,599**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	893,090	846,950
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	**2,488,928**	**2,430,519**
DT/CT	**Total debt / Total capitalization ratio**	**0.63**	**0.64**

Covenant 2	Minimum equity Greater than or equal to UF 15 million/ Greater or equal to MCh$ 350,000	Dec. 31, 2020 MCh$	Dec. 31, 2019 MCh$
P	Equity attributable to owners of the parent	893,090	846,950
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in MCh$)**	**918,060**	**871,920**
UF	UF value	29,070,33	28,309,94
(P+I)/UF	**Equity (in UF millions)**	**31,58**	**30,80**

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1.5	Dec. 31, 2020 MCh$	Dec. 31, 2019 MCh$
FO	Cash flow from operations	203,806	219,732
CF	Absolute value of financial costs	75,998	73,454
IG	Absolute value of income tax expense	35,761	51,144
FNO=FO+CF+IG	**Funds from operations**	**315,565**	**344,330**
FNO/CF	**Funds from operations / Financial costs**	**4,15**	**4,69**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

19. EQUITY (continued)
19.5 Capital management (continued)

Covenant 4	Total debt / Adjusted EBITDA Lower or equal to 0.70	Dec 31, 2020 MCh$	Dec 31, 2019 MCh$
A	Other financial liabilities, (current and non-current)	1,542,145	1,558,599
B	Total rights of use	4,742	5,195
C	Cash and cash equivalents	105,840	108,642
D	Other financial assets (current and non-current)	73,716	72,585
E	Finance leases receivable (current and non-current)	28,832	31,493
DN=A-B-(C+D-E)	**Net debt**	**1,386,680**	**1,403,670**
G	Operating revenues	333,303	378,591
H	Cost of sales	(93,224)	(88,115)
I	Administrative expenses	(24,392)	(23,154)
J	Depreciation and amortization	57,854	57,396
K	Other gains	1,312	3,041
L	Finance lease amortization	1,126	1,053
EA = G+H+I+J+K+L	**Adjusted EBITDA**	**275,978**	**328,812**
DN/EA	**Net debt /Adjusted EBITDA**	**5.02**	**4.27**

As of the date of issuance of these consolidated financial statements, the Company was in compliance with all financial covenants established in its current debt contracts.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

20. REVENUE

20.1 Revenue

The breakdown of operating income for the years ended December 31, 2020 and 2019, is as follows:

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Regulated revenues	308,733,987	289,658,852
Contract revenue	78,292,142	85,423,231
Leasing revenues	3,762,784	3,509,188
Provision Tariff Review	(57,486,100)	-
Total revenues	**333,302,813**	**378,591,271**

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Regulated Revenues:	308,733,987	289,658,852
National Transmission System	220,549,243	208,237,904
Zonal Transmission System	82,982,304	75,882,719
Dedicated Transmission System	4,241,436	4,600,921
Complementary services	961,004	937,308
Total	**78,292,142**	**85,423,231**
Contractual income	62,551,641	71,457,603
Transmission facilities	10,338,798	3,089,729
Engineering and Construction Services	5,401,703	10,875,899
Others	**3,762,784**	**3,509.188**
Leasing revenues	**(57,486,100)**	**-**
Provision Tariff Review	**333,302,813**	**378,591,271**
Total	**308,733,987**	**289,658,852**

	01/01/2020 12/31/2020 M$	01/01/2019 12/31/2019 M$
Transferred services by a long time	333,302,813	378,591,271
Total Revenues	**333,302,813**	**378,591,271**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

20. REVENUE (continued)

20.1 Revenue (continued)

The next Tariff Study for the Nacional Interconnected System, which rules a high percentage of the revenues of the Company, is under current preparation according to the Law and it is expected to be enacted by the end of 2021. When the new Tariff Study will be in force, it will have a retroactive effect affecting the revenues of the Company from January 1st, 2020 up to date. This situation implies that for the time the new Study is on preparation and not yet effective, the previous Decree has a transitory character and it will continue under application until the new Tariff Study is enacted. Additionally, Exempt Resolutions n°815 and n°229 issued on December 26th, 2019 and June 26th, 2020 respectively, set a price freeze in Chilean Pesos for previous tariff until the new tariff enters in force and to the Toll Annual Reassessment Report of 2019 issued on March 2020 which ordered a payment to Generator Companies to be made on the first semester of 2020. Both effects should start to be refunded (a) partially starting on June 2020 and (b) totally once the new tariff is enacted. At the date of issuance of this Financial Statements, the Company continues the revenue recognition according to the previous Decree (DS23T and DS6T) until new Tariff Study is finally enacted.

According to the scenario mentioned above, the Company has estimated a possible impact on 2020 revenues due to new Tariff Study being enacted and in force, based upon best information available today has proceeded to make a provision for lower income as of December 31, 2020 of US $ 57,486,100 (equivalent to US$80,9 million).

20.2 Other operating income

The detail of operating income for the years ended December 31, 2020 and 2019, is as follows:

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Financial income (Note 21.4)	11,130,297	13,588,488
Other gains, net	1,311,924	3,041,021
Total other income	**12,442,221**	**16,629,509**

21. RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses for the years ended December 31, 2020 and 2019, is as follows:

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Personnel expenses (see note 21.1)	25,167,749	22,651,010
Operating expenses	22,769,615	19,309,764
Maintenance expenses	10,136,688	9,437,386
Depreciation and write-offs (see note 21.3)	57,854,070	57,649,814
Other	1,688,206	2,221,227
Total	**117,616,328**	**111,269,201**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

21. RELEVANT INCOME STATEMENT ACCOUNTS (continued)

21.2 Personnel expenses

The composition of this item for the years ended December 31, 2020 and 2019, is as follows:

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Salaries and wages	21,890,811	20,397,821
Short-term employee benefits	1,316,138	1,354,917
Staff severance indemnity	820,864	557,749
Other long-term benefits	1,433,857	1,393,055
Other personnel expenses	9,211,752	7,727,178
Expenses capitalized on construction in progress	(9,505,673)	(8,779,710)
Total	**25,167,749**	**22,651,010**

21.3 Depreciation and amortization

The detail of this item in the income statement for the years ended December 31, 2020 and 2019, is as follows:

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Depreciation (PP&E)	49,355,554	50,389,548
Amortization (Intangible)	2,821,699	2,865,682
Amortization (Rights of use)	1,643,479	1,594,436
Losses from damages	4,033,338	2,800,148
Total	**57,854,070**	**57,649,814**

The losses for the withdrawal and damages are a replacement of equipment by technical conditions, not significantly affecting the deterioration of the Cash Generating Unit.

21.4 Financial results

The detail of the financial result for the years ended December 31, 2020 and 2019, is as follows:

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Financial income:	**11,130,297**	**13,588,488**
Commercial interest earned	691,170	891,411
Bank interest earned	,386,989	3,059,545
Interest earned from related parties	9,025,996	9,364,912
Otros ingresos	26,142	272,620
Financial expenses:	**(75,998,128)**	**(73,454,495)**
Interest on bonds	(64,248,960)	(63,650,453)
Interest rate Swap	(8,712,003)	(8,709,101)
Interests related companies	-	(435,581)
Other expenses	(3,037,165)	(659,360)
Gain (loss) from indexation of UF	**(20,473,442)**	**(19,942,029)**
Foreign exchange gains (losses), net	**369,354**	**1,200,755**
Obligations with public	40,071,976	(55,509,846)
Intercompany Loan	(10,039,319)	14,020,278
Financial Instruments	(27,754,253)	39,220,717
Other	(1,909,050)	3,469,606
Total financial result, net	**(84,971,919)**	**(78,607,281)**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

22. INCOME TAX RESULT

The following table reconciles income taxes resulting from applying statutory tax rate to the "Profit before Taxes" to the income tax expense recorded in the income statement for the years ended December 31, 2020 and 2019

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Current tax expense	66,381	214,405
Current tax expense, net, total	**66,381**	**214,405**
Deferred tax expense relating to origination and reversal of temporary differences	35,694,724	50,929,169
Deferred tax expense, net, total	**35,694,724**	**50,929,169**
Income tax expense	**35,761,105**	**51,143,574**

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Tax expense using the legal rate	**3,647,152**	**51,774,069**
Monetary Capital Correction	55,478	149,143
Tax correction tax loss	(464,477)	(1,001,125)
Other differences	522,952	221,487
Total adjustments to tax expense using statutory rate	113,953	(630,495)
Tax expense using effective tax rate	**35,761,105**	**51,143,574**

	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Statutory Tax Rate	27%	27%
Monetary Capital Correction	0.04%	0.08%
Tax correction tax loss	(0.35%)	(0.52%)
Other Increase (Decrease)	0.40%	0.11%
Total adjustments to tax expense using statutory rate	**0.09%**	**(0.33%)**
Effective tax rate	**27.09%**	**26.67%**

The tax rate used for the years 2020 and 2019 reconciliations corresponds to 27%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations.

Chilean Tax Reform

On February 24, 2020, Law 21,210 Modernization of the Tax Legislation was published in the Official Gazette, which is effective as of January 1, 2020, which comes to modify aspects of Business taxation and form finals taxpayers.

This Law repeals the previous Tax Regimes and generates a new unique tax regime called 14A).

The Transelec Group of Companies changed from regime 14B) as of December 31, 2019 to regime 14A) as of January 1, 2020. Although the management is evaluating the generality of changes, regarding the change of regimen, it is estimated the effect on the Transelec Group is totally neutral since the tax regime 14B) to which the Group belongs mutated to the New Regime 14A) that works the same way.

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TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit attributable to the Company's shareholders by the weighted average number of common shares in circulation during the year excluding, if any, common shares purchased by the Company and maintained as treasury shares..

Basic Earnings per Share	01/01/2020 12/31/2020 ThCh$	01/01/2019 12/31/2019 ThCh$
Profit Attributable to Holders of Equity Participation Instruments of the Parent Company (ThCh $)	96,265,385	140,612,236
Earnings available to common shareholders, basic (ThCh $)	96,265,385	140,612,236
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	96,265	140,612

24. SEGMENT REPORTING

The Company engages exclusively in providing services related to electricity transmission. To provide such services, they possess assets throughout the country that form the Transelec transmission system, stretching 3,168 kilometers from the Arica y Parinacota Region to the Los Lagos Region.

Electricity transmission service falls under the legal framework that governs the electricity sector in Chile. This framework defines transmission systems and classifies transmission facilities into three categories the national transmission system (former trunk), the zonal system (former subtransmission system) and committed systems (former additional systems), establishing an open access scheme for the first two systems and allowing additional lines that use rights of way and have national assets for public use along their paths to be used by third parties under non-discriminatory technical and economic conditions. The law also sets criteria and procedures for determining compensation that transmission facility owners are entitled to receive.

Transelec's revenue from the national system (former trunk system) consists of the "annual transmission value per segment" (VATT for its Spanish acronym), which is calculated every 4 years based on the "annual investment value" (AVI for its Spanish acronym), plus "operating, maintenance and administrative costs" (COMA for its Spanish acronym) for each segment that forms the national system (former trunk system).

The annual zonal system (former subtransmission system) value (VASTX for its Spanish acronym) is calculated every four years. It is based on the valuation of facilities that are economically adapted to demand and consists of standard investment, maintenance, operating and administrative costs, plus average energy and capacity losses of the adapted facilities.

Revenue from committed systems (former additional system) is established in private contracts with third parties, which are principally generators and users that are not subject to price regulation. The main objective of the committed systems (former additional system) is to enable generators to inject their production into the electricity system and to allow large customers to make withdrawals

The law distinguishes between the different systems in order to ensure that tariffs are appropriate for each case, Nevertheless, facilities of a given voltage (220 KV, for example) are identical, whether national (former trunk), Zonal (former subtransmission) or committed (former additional. Thus, a 220 KV facility requires a given type of maintenance, fundamentally because of its geographic location, its proximity to the ocean, the climate, etc., but in no case does this maintenance depend on whether that 220 KV facility is national (former trunk), zonal (former subtransmission) or additional. Thus, for Transelec this classification into national (former trunk), zonal (former subtransmission) or additional systems is merely for tariff purposes and has no other consequences.

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

24. SEGMENT REPORTING (continued)

The Company's management analyzes its business as a set of transmission assets that enables it to provide services to its customers. As a result, resource allocation and performance measurements are analyzed in aggregate.

Internal management takes into account this classification criterion for revenue and costs merely for descriptive purposes but in no case for business segmentation.

As a result, for the purposes of applying IFRS 8, all of the businesses described above are defined as one sole operating segment for Transelec S.A.

	12/31/2020 ThCh$	12/13/2019 ThCh$
Transmission services	333,302,813	378,591,271

Information about sales and principal customers

Information about the main customers of the Company is contained in note 3.1.2 Credit risk

25. THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

As of December 31, 2020, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh $30,208,753.- (ThCh $33,869,143 as of December 31, 2019).

As of December 31, 2020, the Company has issued Guarantee Certificates for government entities and commercial counterparts, mainly to guarantee the fulfillment of works, the seriousness of offers in new tenders and/or asset purchases for an amount of ThCh$ 21,314,954. - (ThCh$ 57,424,320.- as of December 31, 2019).

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

26. DISTRIBUTION OF PERSONNEL

As of December 31, 2020 and 2019, personnel employed by Transelec S.A. are detailed as follows:

December 31, 2020

	Manager and Executives	Profesionales and technical personnel	Other employees	Total	Average of the year
Total	**17**	**427**	**123**	**567**	**564**

December 31, 2019

	Manager and Executives	Profesionales and technical personnel	Other employees	Total	Average of the year
Total	**17**	**413**	**132**	**562**	**548**

27. ENVIRONMENT

Transelec, in compliance with current environmental regulations and in line with its sustainability policy have undergone environmental assessment projects or amendments thereto to the environmental authority through the Environmental Evaluation System (SEIA). To this end, several studies were conducted to substantiate the presentations have allowed environmental documents. These documents are an Environmental Impact Statement (EIS for Spanish acronym) or an environmental impact study concerned, met the requirements of Law No, 19,300 on General Environment, amended by Law No, 20,417, and its regulations of SEIA, For projects that have started their implementation the Company has been following the conditions and measures imposed by environmental authority in the respective resolutions of environmental qualification.

During for the years ended December 31, 2020 and 2019, the Company has made the following environmental disbursements:

Company making disbursement	Project	12/31/2020 ThCh$	12/31/2019 ThCh$
Transelec	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	962,155	1,701,397
Total		**962,155**	**1,701,397**

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

28. ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	December 31, 2020 Maturity less than 90 days ThCh$	December 31, 2020 Maturity more than 91 to 1 year ThCh$	December 31, 2019 Maturity less than 90 days ThCh$	December 31, 2019 Maturity more than 91 to 1 year ThCh$
Cash and cash equivalents	Dollars	CH$	2,282,670	-	4,021,429	-
	Other Currency	CH$	10,612	-	252,235	-

Current Liabilities	Foreign Currency	Functional Currency	December 31, 2020 Maturity less than 90 days ThCh$	December 31, 2020 Maturity more than 91 to 1 year ThCh$	December 31, 2019 Maturity less than 90 days ThCh$	December 31, 2019 Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	-	14,487,575	19,386,228	-

b) Activos y pasivos no corrientes

Non-Current Liabilities	Foreign Currency	Functional Currency	December 31, 2020 1 to 3 year ThCh$	December 31, 2020 3 to 5 year ThCh$	December 31, 2020 More than 5 year ThCh$	December 31, 2019 1 to 3 year ThCh$	December 31, 2019 3 to 5 year ThCh$	December 31, 2019 More than 5 year ThCh$
Other financial liabilities, non-current	Dollars	CH$	212,251,175	264,301,566	244,325,195	-	223,101,284	534,642,710

TRANSELEC S.A AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$)
(Translation of financial statements originally issued in Spanish-See Note 2.1)

29. SUBSEQUENT EVENTS

On January 07, 2021 the Company paid to ENEL Generación Chile S.A. an amount of ThCh$17.781.000 related to the purchase of the assets related to the San Luis – Quinteros Line made on December 31, 2020.

As of December 31, 2020, closing date of these consolidated financial statements and their issuance date, there has been no other significant financial and accounting events that may affect the equity of the Company or the interpretation of these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) OF THE CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC S.A AND SUBSIDIARY

Santiago, Chile
December 31, 2020

SUMMARY

As of December 31, 2020, revenues reached MCh$333,303 showing a decrease of 12.0% compared to the same period of 2019 (MCh$378,591). The decrease is mainly explained by a lower income provision associated with the effect that the entry into force of the new 2020-2023 tariff study would have (this tariff study is currently being prepared and it is expected to be issued the second semester of 202, nevertheless, it will have a retroactive effect on the company's incomes since January 1, 2020). This is partially offset by the entry into operation of new projects and the indexation adjustment effect applied to our sales.

As of December 31, 2020, Transelec obtained an EBITDA[1] of MCh$275,978, an 16.1% lower than the one obtained in the same period of 2019 (MCh$329,066), with an EBITDA Margin[2] of 82.8%. The EBITDA decrease is mainly due to the drop in income explained above.

The loss in Non-Operating Income as of December 2020 was MCh$83,660, representing a rise of 10.7% compared to the same period of 2019 (MCh$75,566). This increase is mostly explained by higher Financial Costs and lower Financial Income.

Net Income recorded by the Company as of December 31, 2020, was MCh$96,266, which is 31.5% less compared to the same period of 2019, in which a Net Income of MCh$140,612 was registered.

In 2020, the Company has incorporated US$77.4 million of new facilities, which correspond to the commissioning of four expansion projects of the national system and a new national project, two expansions, and a new project of the Zonal Segment.

[1] EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization
[2] EBITDA Margin= EBITDA/Revenues

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

RELEVANT EVENTS OF THE PERIOD

- In January 2020, the international risk rating agency Fitch Ratings ratified Transelec's rating in BBB, Moody's, on the other hand, did so in July 2020, ratifying the classification in Baa1. Standard and Poor's ratified the classification BBB in September.

- During January 2020, the local risk rating agencies Humphreys and Fitch, ratified the classification in AA and AA- respectively.

- On January 17, 2019, the Superintendency of Electricity and Fuels (SEC) notified a penalty to Transelec for the failure on the 220kV Cóndores - Parinacota line for US$4.8 million. The failure was caused by the cut of a conductor that left the Arica zone without electricity for 21 hours. Transelec filed a legal claim which is still in process.

- 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 and since 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 completed (estimated within 2021), in order to advance the estimated reduction and not apply rises that are later reversed.

- On April 24th, 2020, the Ordinary Shareholder's Meeting agreed to distribute a final 2019 dividend amounting Ch$43,852 million, which was paid in May 2020.

- This year, the Board of Directors has defined not to carry out interim dividend distributions associated with the first and second quarters of 2020, in order to have greater liquidity due to the potential effects of Covid-19.

- In June, Transelec made the CET payment to the generation companies. This amount does not affect the Income Statement and for the free customers started to pay their corresponding CET in the third quarter of the year, for reclassified customers was recovered in December 2020, while the CET from regulated customers will be recovered when the new tariff decree comes into force.

- The next tariff studies for the National Interconnected System that regulate mostly the transmission rates in the country, are being prepared in accordance with the law and their results are expected to be published by the end of 2021. The applications of the new tariff studies will have a retroactive effect on the Company's revenues as of January 1, 2020, which implies that in the meantime, the previous tariff studies are transient until the new tariffs come into effect. At the closing of these financial statements, the Company continues to recognize revenues according to the previous tariff studies (DS23T and DS6T) pending the publication and the effective date of the new tariff study. Due to all mentioned above, the Company has made an estimate of the impact that would have the entry into force of the new tariff study on revenues for the year 2020 considering the best information available to date and has proceeded to make a provision of less income as of December 31, 2020.

- So far, the situation of COVID-19 has had a limited impact on our Company in operational and financial aspects. The Company has taken preventive actions that allow maintaining the continuity of its operations, considering the impact of this situation on the market.

- In March 2020, Transelec drew from its committed credit line an amount of US$ 100,0 million. The objective is to have additional liquidity to face the potential effects of the health crisis. On July 31, 2020, the Company entered into an agreement for a new committed revolving credit facility for an amount of US$250 million at a 3-month LIBOR rate, plus a margin of 150 basis points with maturity on July 31, 2021. This facility replaces the previous committed line, whose maturity was on August 3, 2020. The amount of US$100 million drawn in March 2020 was kept drawn when the line was renewed, and it was paid in December 2020.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

1. INCOME STATEMENT ANALYSIS

ITEMS	December 2020 MCh$	December 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Revenues	**333,303**	**378,591**	**-45,288**	**-12.0%**
Toll sales	317,562	364,626	-47,064	-12.9%
Services	15,741	13,966	1,775	12.7%
Operation Costs and Expenses	**-117,616**	**-111,269**	**-6,347**	**-5.7%**
Sales Costs	-39,546	-33,927	-5,619	-16.6%
Administrative Expenses	-20,216	-19,692	-524	-2.7%
Depreciation and Amortization	-57,854	-57,650	204	-0.4%
Operating Income	**215,687**	**267,322**	**-51,635**	**-19.3%**
Financial Income	11,130	13,588	-2,458	-18.1%
Financial Costs	-75,998	-73,454	-2,544	-3.5%
Foreign exchange differences	369	1,201	-832	-69.2%
Gain (loss) for indexed assets and liabilities	-20,473	-19,942	-531	-2.7%
Other income (Losses)	1,312	3,041	-1,729	-56.9%
Non-Operating Income	**-83,660**	**-75,566**	**-8,094**	**-10.7%**
Income before Taxes	**132,027**	**191,756**	**-59,729**	**-31.1%**
Income Tax	-35,761	-51,144	15,383	30.1%
Net Income	**96,266**	**140,612**	**-44,346**	**-31.5%**
EBITDA[1]	**275,978**	**329,066**	**-53,088**	**-16.1%**
EBITDA Margin[2]	**82.8%**	**86.9%**		

[1] EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization

[2] EBITDA Margin= EBITDA/Revenues

TRANSELEC S.A AND SUBSIDIARY

Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

a) Operating Income

During 2020, Revenues reached MCh$333,303 decreasing a 12.0% compared to the same period of 2019 (MCh$378,591). The decrease is mainly explained to a lower income provision associated with the impact that would have the entry into force of the new 2020-2023 tariff study that is currently being prepared and it will have a retroactive effect on the company's incomes as of January 1st, 2020. Specifically, the decrease in Revenues is mainly explained by lower revenues from Toll Sales (due to the provision) which as of December 2020, reached MCh$317,562, 12.9% lower than the obtained in the same period of 2019 (MCh$364,626). The Services revenues as of December 31, 2020 reached MCh$15,741, a 12.7% higher than the same period of 2019 (MCh$13,966), mostly explained by exceptional services with third parties (which are also presented as costs).

As a whole, the drop in Revenues is mainly explained by the recognition of the provision explained above, partially offset by new revenues in 2020 from projects commissioned in last 12 months, macroeconomic effects (mainly associated with exchange rate) and income from exceptional services to third parties.

Total Transelec Operational Costs and Expenses as of December 31, 2020 were MCh$117,616, a 5.7% higher than the comparison period in 2019 that reached MCh$111,269. Total Costs and Expenses are composed by the following main items.

The company made reclassifications among Costs, Expenses and Depreciation to balances affecting 2019. However, these reclassifications do not have a significant effect as they are made for comparison purposes only. These reclassifications are not considered for the 2019 covenant calculation.

Cost of sales during the analysis period totaled MCh$39,546, a 16.6% higher than the same period of 2019 (MCh$33,927). The increase is mainly explained by provision for fines, costs for exceptional services to third parties (amount also presented as income), higher costs for maintenance works, higher personnel costs, and higher insurance premiums, partly offset by lower travel expenses due to the health emergency.

Administrative Expenses amounted to MCh$20,216 in December 2020, 2.7% higher than those obtained in the same period in 2019 (MCh$19,692). The increase is mainly explained by higher personnel expenses and maintenance of software systems, which is partially offset by higher consulting fees in 2019.

Total Depreciation and Amortization as of December 31, 2020 reached MCh$57.854, a 0,4% higher than the same period in 2019 (MCh$57,650).

b) Non-Operating Income

The Non-Operating Income at the end of December 2020, was a loss of MCh$83,660, a 10.7% higher than the same period of 2019 (MCh$75,566). This is mainly explained by higher Financial Costs and lower financial income.

Financial Costs registered as of December 2020 reached MCh$75,998, increasing by 3.5% compared to the same period of 2019 (MCh73,454). The increase in mainly due to: (i) higher interest payments on USD and UF bonds, as the average exchange rate in 2020 increased by 12.64 % compared to the same period of 2019, also the average UF value of 2020 increased by 2.96% over the previous year, and (ii) the interests on the drawn of the committed line in 2020.

The Financial Income registered to December 2020 amounted to MCh$11,130, decreasing by 18.1% compared to the same period of 2019 (MCh$13,588). The drop is mainly due to the lower placement rates that are in force in the financial market.

Other Income, as of December 2020, were MCh$1,312, while in 2019 were (MCh$3.041). The difference is mainly explained by regularizations with suppliers that occurred in the previous period.

The Exchange Differences as of December 2020 reached MCh$369, while during the same period of 2019, the balance was MCh$1,201. The Exchange Differences remain limited, associated with the foreign currency hedging policy.

The loss for Indexed Assets and Liabilities was MCh$20,473 as of December 31, 2020. This is mainly due to a variation of 2,69% in the value of the UF during the year. In the same period of 2019, the loss was MCh$19,942.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

c) Income tax

Income Tax as of December 31, 2020 was MCh$35,761, decreasing by 30.1% in relation to the same period of 2019 (MCh$51,144). The decrease is mainly due to lower earnings before Taxes.

2. BALANCE SHEET ANALYSIS

ITEMS	December 2020 MCh$	December 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Current assets	238,530	222,198	16,332	7.4%
Non-current assets	2,505,486	2,390,537	114,949	4.8%
Total Assets	**2,744,016**	**2,612,735**	**131,281**	**5.0%**
Current liabilities	124,717	64,758	59,959	92.6%
Non current liabilities	1,726,208	1,701,027	25,181	1.5%
Equity	**893,090**	**846,950**	**46,140**	**5.4%**
Total Liabilities & Equity	**2,744,016**	**2,612,735**	**131,281**	**5.0%**

The increase in Assets between December 2019 and December 2020 is explained both by an increase in Non-Current Assets and Current Assets. The increase in Non-Current Assets is mostly due to a higher balance in property, plant and equipment, partially offset by lower accounts receivable from related companies. While higher Current Assets are mainly due to a higher balance of accounts receivable from customers, associated with the CET offset in part by lower accounts receivable from related companies.

The increase in Liabilities and Equity is due to an increase in all the items that make up this balance sheet. The increase in Current Liabilities is mainly due to accounts payable to related companies and higher accounts payable to third parties associated with the acquisition of some assets. The rise in Non-Current Liabilities is mainly due to higher deferred taxes partially offset by the revaluation of foreign currency debt. The increase in Equity is mainly due to higher accumulated profits and a lower negative balance in other reserves.

TRANSELEC S.A AND SUBSIDIARY

Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

Value of the Main PP&E in Operation

ASSETS	December 2020 MCh$	December 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Land	20,999	20,984	15	0.1%
Building, Infraestucture, works in progress	1,236,282	1,210,139	26,143	2.2%
Work in progress	252,586	135,552	117,034	86.3%
Machinery and equipment	778,738	726,472	52,266	7.2%
Other fixed assets	5,834	5,932	-98	-1.7%
Right of use	7,857	6,721	1,136	16.9%
Depreciation (less)	-610,019	-562,466	-47,553	-8.5%
Total	**2,302,295**	**2,105,801**	**196,494**	**9.3%**

Current Debt

					Amount in original currency (million) (unpaid capital)	
Debt	**Currency or index**	**Interest rate**	**Type of rate**	**Maturity Date**	**December 2020**	**December 2019**
Series D bond	UF	4.25%	Fixed	15-Dec-27	13.50	13.50
Series H bond	UF	4.80%	Fixed	01-Aug-31	3.00	3.00
Series K bond	UF	4.60%	Fixed	01-Sep-31	1.60	1.60
Series M bond	UF	4.05%	Fixed	15-Jun-32	3.40	3.40
Series N bond	UF	3.95%	Fixed	15-Dec-38	3.00	3.00
Series Q bond	UF	3.95%	Fixed	15-Oct-42	3.10	3.10
Series Senior Notes bond @2023	USD	4.625%	Fixed	26-Jul-23	300.00	300.00
Series Senior Notes bond @2025	USD	4.25%	Fixed	14-Jan-25	375.00	375.00
Series Senior Notes bond @2029	USD	3.875%	Fixed	12-Jan-29	350.00	350.00
Revolving Credit Facility[1]	USD	1.738%	Flotante	31-Jul-21	-	-

[1] Revolving Credit Facility of US$250 million: The floating rate of 1.738% breaks down in 3 months Libor rate plus a margin of 1.50%. As of December 31, 2020, the Company maintain this line fully available.

Although increases in inflation may have an impact on the costs of debt denominated in UF and therefore on the Company's finance expenses, these impacts are partially offset by inflation-indexed revenues.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

3. CASH FLOW ANALYSIS

ITEMS	December 2020 MM$	December 2019 MM$	Variation 2020/2019 MM$	Variation 2020/2019 %
Cash flows provided by (used in) operating activities	203,806	248,528	-44,722	-18.0%
Cash flows provided by (used in) investing activities	-166,157	-145,648	-20,509	-14.1%
Cash flows provided by (used in) financing activities	-42,664	-97,744	55,080	56.4%
Net increase (decrease) of cash and cash equivalent	**-5,015**	**5,136**	**-10,151**	**N/A**
Effect of changes in the exchanges rate	2,213	-553	2,766	N/A
Net increase (decrease) of cash and cash equivalent	**-2,802**	**4,583**	**-7,385**	**N/A**
Cash and cash equivalent at the begining of the period	108,642	104,059	4,583	4.4%
Cash and cash equivalent at the end of the period	**105,840**	**108,642**	**-2,802**	**-2.6%**

As of December 31, 2020, cash flow from activities of the operation reached MCh$203,806, which decreased by 18.0% compared to the same period of 2019 (MCh$248,528). The decrease is mainly due to higher payments to suppliers associated with the CET payment.

During the same period, cash flow used in investment activities was MCh$166,157, a 14.1% higher than the amount allocated as of December 31, 2019 (MCh$145,648). The increase is mainly due to higher investment in PP&E.

In December 2020, the cash flow from financing activities was MCh$42,664. In December 2019, the cash flow used in financing activities was MCh$97,744, for both periods the flows correspond almost entirely to the payment of dividends.

The Company made reclassifications to its cash flow statements regarding balances that affect the year 2019. However, these reclassifications do not have a significant effect as they are made for comparison purposes only. These reclassifications are not considered for the calculation of covenants reported in 2019.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of December 31, 2020 the company has the following committed line of credit (Revolving Credit Facility) which was renegotiated and extended during July 2020 for one year for US$ 250 million.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

Bank	Amount (up to)	Maturity	Type of Credit
Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR and Export Development Canada	US$250,000,000	31-Jul-2021	Working Capital

4. INDICATORS

Financial restrictions contained in local debt agreements are presented in the next table:

Covenants	Debt Contract	Limit	December 2020	December 2019
Capitalization Ratio[1]	All local Bonds	< 0.70	0.63	0.64
Shareholder's Equity[1] MMUF	D, H, K, M and N local Bonds	> 15.00	31.58	30.80
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	918,060	871,920
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	4.73	4.27

Test	Bonds	Limit	December 2020	December 2019
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	4.15	4.69

[1] Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and December 31, 2020 amounted to MCh $24,970.
[2] Test to distribute restricted payments such as dividends.
[3] FNO= Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.

TRANSELEC S.A AND SUBSIDIARY

Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

Rates of profitability, liquidity and indebtedness of the company are presented in the next table:

RATIOS		December 2020	December 2019	Variation 2020/2019
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	10.8%	16.6%	-580 pbs
Assets profitability[3]	(%)	3.5%	5.4%	-190 pbs
Operating assets profitability[4]	(%)	4.2%	6.7%	-250 pbs
Earnings per share[5]	($)	96,266	140,612	31.5%
Liquidity & Indebtedness				
Current Ratio	(times)	1.91	3.43	-44.3%
Acid-Test Ratio	(times)	1.91	3.43	-44.3%
Debt to Equity	(times)	2.07	2.08	-0.5%
Short term debt/Total debt	(%)	6.7%	3.7%	300 pbs
Log term debt/Total debt	(%)	93.3%	96.3%	-300 pbs
Financial expenses coverage	(times)	3.63	4.48	-19.0%

[1] Profitability ratios are presented under last twelve months criteria.
[2] Shareholders' Equity profitability is calculated as Net Income over Equity.
[3] Assets profitability is calculated as Net Income over Total Assets.
[4] Operating assets profitability is calculated as Net Income over total value of the Main PP&E.
[5] Earnings per share is calculated as Net Income over total shares.

The Company made reclassifications among Costs, Expenses and Depreciation to balances affecting 2019. However, these reclassifications do not have a significant effect as they are made for comparison purposes only. These reclassifications are not considered for the calculation of covenants and indicators of 2019.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

5. THE TRANSMISION MARKET

5.1. The transmission activity and its regulation

Transelec develops its activities in Chile in the electricity market, which has been divided into three sectors: generation, transmission and distribution. The generation sector includes companies that are dedicated to produce electricity that will subsequently be used throughout the country by end users. The purpose of the distribution sector is to carry electricity to the physical location where each end user will use this electricity. Finally, the primary goal of the transmission sector (the only sector in which it participates Transelec) is to transport the generated electricity from where it is produced (electrical power plants) to the 'points of entry' of the distribution companies' networks or of the large end users.

The transmission system of Transelec which stretches between 'Arica y Parinacota' Regions to 'Los Lagos' Region, encompasses the majority of the transmission lines and substations in the National Electrical System. This transmission system transports the electricity that supplies approximately 98.5% of Chile's population. The Company owns the 35% of all of the 500 kV electricity transport lines, 40% of the 220 kV lines, 83% of the 154 kV lines and 10% of the 110kV and 66kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) and its subsequent modifications, including Law 19,940 ('Ley Corta I') published on March 13, 2004, and the Law 20.936 issued on July 20, 2016, which stablishes a new electric transmission system and creates an independent coordinator of the National Electric System. Additionally, those who explodes and operates transmission facilities must follow at every time the Technical Standard on Reliability and Service Quality (Exempt Resolution No. 299 of April 26, 2018).

The last reform to the LGSE for the Transmission segment was the enactment of Law 20.936 / 2016, which introduced the following relevant modifications:

- A single Coordinator of the National Electric System independent of the market players, replacing the Economic Load Dispatch Centers.

- The redefinition of the transmission systems qualifying them as the National Transmission System (formerly trunk), the Zonal Transmission Systems (formerly sub-transmission), the Dedicated Systems (formerly additional), and will incorporate two new segments: Transmission Systems for Development Poles and International Interconnection Systems. Further.

- The incorporation of energy and transmission planning with a long-term horizon, which considers gaps in the systems and where it seeks to achieve a more robust and secure system.

- Preliminary definition of routes for new works, through a procedure of Strip Study by the Ministry for electrical transmission routes of public interest.

- Universal open access to regulated Transmission Systems and dedicated Transmission Systems when technical capacity is available.

- Regulates the pricing of National, Zonal Transmission Systems for Development Poles and payment for use of Dedicated Transmission System facilities by users subject to price regulation, among other matters.

Transelec's business is focused on the economic retribution that can obtain for tolls by use of the transport and transformation capacity of its facilities, aligned to the security and quality service standards. Transelec has the right to annually receive the annual transmission value (VATT) for its facilities belonging to the National and Zonal Transmission Systems, defined in the tariff processes or in the Decree for the award of expansion works, as the case may be. In the case of the installations of the Dedicated Transmission System, Transelec agrees private transport contracts with the respective users, to define the payment for the use of this type of facilities.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

5.2. Valuation and pricing of facilities

Prices associated to transmission activity are determined by the Commission every four years by conducting internationally tendered studies, and processes that include the participation of companies, users and interested institutions and the Panel of Experts in the event of any discrepancies.

Pricing of the existing facilities recognizes the efficient acquisition and installation costs according to market values, which are annualized considering the assets life determined every three tariff periods and whit a variable discount rate, which will not be less than 7% or higher than 10%. The owners of regulated transmission facilities must receive the Annual Transmission Value from the sum of the real tariff revenues and a single charge associated to each segment and applied directly to end users.

During 2014 and 2015 were developed the third trunk facilities tariff process in order to determinate the tariffs and indexation formulas corresponding to the period 2016 - 2019, that were fixed by Decree N° 23T by the Minister of Energy on February 3, 2016 and its application is retroactive from January 1, 2016. These regulations established the trunk transmission facilities and the new Investment Values (VI), the Annuity of the Investment Value (AVI) and the Operating, Maintenance and Administration Costs (COMA), plus the VATT of the trunk facilities, and the Indexation formulas applicable during that period.

The Transmission Law establishes a new payment regime for using national facilities that would become effective as of January 1, 2019 starting on that date and a transitory period that will extend until December 31, 2034, period during which the payments of the generating companies for the associated use to the supply agreements for free and regulated customers, concluded prior to the publication of enactment of this new law, will apply the same general rules for calculating the payment of the trunk transmission with some adjustments. These resulting injections tolls will be reduced year by year and the payment of the corresponding amounts will be transferred to a single charge of transmission paid by the demand.

In relation to the Zonal transmission system facilities (previously subtransmission), on April 9, 2013, the Supreme Decree No. 14 was published by the Ministry of Energy, setting subtransmission tariffs from January 2011 to December 2014. The difference between invoiced amounts using these provisional tariffs since January 2011 until the publishing date of this decree were reassessed by the CDEC based on the difference between the provisional tariff and the definitive values established by Decree No. 14. According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 7T of April 22, 2015, the validity of the Decree No. 121/2010, which fixes the tariffs of subtransmission facilities, and of the Exempt Decree No. 14/2013, which fixes the qualification of subtransmission facilities, is extended until December 31, 2015.

In accordance with the provisions of the eleventh transitory article of the Transmission Law, during the period between the January 1, 2016 and December 31, 2017, remain in force Decree No. 14 and subtransmission tariffs, excluding payment corresponding to the generating companies. The Ministry of Energy issued on May 27, 2017 the 1T Decree where the Decree No. 14 adjustments were defined to implement the exemption from power plants and for harmonious and consistent implementation with the application decree 23T. Because of this the subtransmission revenues that have been collected since is 1 January 2016 were reassessed under the provisions containing the decree.

On the other hand, in accordance with the provisions of the twelfth article of the Transmission Law, during the period of the extended term of Decree 14 or Decree 1T, continuity and termination of the process of setting the new subtransmission rates were given which will have valid from January 1, 2018 to December 31, 2019. Thus, on July 19, 2018, the CNE published Exempt Resolution No. 531 which replaces the technical report that defines the VATT of the Zonal Transmission Systems and the proportion of use of the dedicated transmission of users subject to price regulation in the 2018-2019 biennium, approved through CNE Exempt Resolution No. 414 of July 31, 2017, in accordance with the provisions of the new Transmission Law. This technical report served as the basis for the enactment of Decree 6T, published in the official gazette on October 5, 2018, which establishes annual value per tranche of the zonal and dedicated transmission facilities used by users subject to price regulation, their rates and indexation formulas for the 2018-2019 biennium.

TRANSELEC S.A AND SUBSIDIARY

Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

Through Exempt Resolution No. 815 of December 26, 2019, the CNE established that, from January 2020 and until such time as the final values that are established in the valorization decree of the facilities of National and Zonal transmission corresponding to the 2020-2023 four-year period, the Commission will fix the single charges for the use of the transmission based on those established in the semi-annual resolution in force in the second half of 2019 (stabilization of Transmission Charges). For the above, the CNE took into consideration that: i) the process of valorization of the transmission facilities that is currently underway will have a validity (retroactive) to January 1, 2020, and ii) that in said process a relevant reduction of charges, among other reasons, due to the decrease in the discount rate calculated in accordance with the provisions of article 118 of the General Law of Electric Services. In accordance with the provisions of Exempt Resolution No. 815, the CNE decided to make these adjustments to the charges transferable to final customers "in order to preserve the principle of procedural economy established in Article 9 of Law No. 19,880, according to the which, the Administration must respond to the maximum economy of means effectively, avoiding delaying procedures ", since not doing it" the charges to the final clients should suffer an increase, to later originate a reduction, giving rise to re-liquidations when they come into force the new process of valorization ". The CNE indicates that the above has the final objective of reducing the risk of affectation to end customers. Once the valorization decree for the period 2020-2023 has been published, the reassessments established in article 113 of the Law must be carried out and, therefore, the companies that own the transmission facilities will receive the remuneration (VATT) in accordance with the provisions of Article 114 of the same, in order to ensure that the transmission companies receive an annual value of the transmission per section (VATT) that constitutes the total of their remuneration.

Finally, in relation to the state of catastrophe due to COVID19, on August 8, Law 21,249 was published in the Official Gazette, which exceptionally provides for measures in favor of end users of health services, electricity and network gas (Basic Services Law).

The law stablishes the following:

- It prohibits the cut of basic services to a group of customers, including residential users, hospitals, prisons, etc., for late payment of this type of service during the ninety days following the publication of the law.

- For certain types of customers, such as customers who are within the 60% most vulnerable population, they may choose whether the debts generated between March 18, 2020 and up to ninety days after the publication of this law, will be prorated in a number of equal and successive monthly installments determined by the user, which may not exceed twelve and may not incorporate fines, interest or associated costs.

- During the ninety days following the publication of this law, the power generation and transmission companies shall continue to provide their services normally to the domestic energy distribution companies and to the electricity cooperatives.

- Within a period of thirty days prior to the publications of this law and ninety days thereafter, exceptionally, the payment by electric cooperatives to generating and transmission companies may be made in installments, in the same number of months in which the accounts of their beneficiaries will be prorated, without fines, interest or associated expenses.

In the case of electricity sector, this law directly affects the distribution companies with financial costs due to deferred payments, however, in practice it could affect the payment chain with the rest of the agents in the sector: generating companies and transmission companies.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

6. MARKET RISK FACTORS

Due to the characteristics of the Chilean electricity market and strict standards regulating the sector, Transelec S.A. is not exposed to substantial risk in the course of operating its main line of business.

Transelec manages its risks through a corporate program, including the vision and information from the board of directors and employees in direct contact with the risks, with in the company strategy, workshops are utilized to analyzed past and potential risks. Carrying out concrete actions to prevent and / or mitigate them, to lower their probability of occurrence or its impact.

At project level, the company develop the process of Stages and Decisions, which ensures that projects are guided by stablished protocols from develop of a business idea, going through the proposal presentation, adjudication and later construction or acquisition, even its launch, to ensure that the decision makers have the necessary information available and mitigate the risks in the different parts of the projects.

The main risks of the company are presented and discussed quarterly in the Board of Directors. However, the following risk factors should be mentioned and taken into consideration:

6.1. Regulatory Framework

Power transmission tariffs are established by law and include readjustments in order to guarantee actual annual profitability for operators. The nature of this industry means that power transmission company revenue is stable over the long term. This revenue is complemented by revenue from private contracts with large customers.

However, the fact that these tariffs are revised once every four years in the National and Zonal Power Transmission Studies could mean new tariffs that could be detrimental or less attractive for the Company in terms of investment made.

6.2. Operating Risks

Although the Company's management believes it has adequate risk coverage, in line with industry practices, it cannot guarantee the sufficiency of its insurance policy coverage for certain operating risks to which it is exposed, including forces of nature, damages to transmission facilities, on-the-job accidents and equipment failure. Any of these events could negatively affect the Company's financial statements.

6.3. Environmental Institutionalism and the Application of Environmental Standards and/or Policies

Transelec projects are subject to Law N° 19,300/1994 on General Environmental Guidelines ("Environmental Law") and its subsequent amendments. Transelec 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.

6.4. Construction Delays for New Transmission Facilities

Success of the upgrades and expansion program for the power transmission network will depend on several factors, including the cost and availability of financing. Although Transelec has experience with large-scale construction projects, the construction of new facilities could be hampered by factors commonly associated with projects, including delays for 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 taking out loans 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.

6.5. Technological Changes

Transelec is compensated for investments that makes in electrical transmission facilities through an annual valuation of the existing facilities (AVI), which is performed every four years using current market prices. Any significant technological advance in the equipment that are part of Transelec' facilities could lower this valuation, which would prevent partial recovery of the investments made.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

6.6. Foreign Exchange Risk

Transelec has Chilean peso as its functional currency, therefore the following factors expose Transelec to foreign exchange risk:

- Transactions in U.S. dollars (construction contracts, import purchases, etc.).
- Leasing contracts that generate income indexed to US dollars.
- Accounts payables in US dollars associated to debt issued in U.S. America.
- Accounts receivables in US dollars associated to intercompany loans.
- Cross Currency Swap contracts that compensates the risks of exchange rates on the international issuances.

Exchange rate exposure is managed using a policy that involves fully hedging the Company's net balance sheet exposure using diverse instruments such as foreign exchange forward contracts and cross currency swaps.

The following table details the amounts of monetary assets and liabilities denominated into dollar and Chilean pesos in the periods indicated below:

	December 2020		December 2019	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	733,240	729,075	773,997	774,341
Chilean peso	2,002,910	2,007,075	1,596,884	1,596,539

TRANSELEC S.A AND SUBSIDIARY

Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

Below are the exchange rates (Observed Dollar) in Chilean pesos to the United States dollar; in the periods indicated.

MONTH	Average 2020 ($)	Last Day 2020 ($)	Average 2019 ($)	Last Day 2019 ($)
January	772.65	799.11	677.06	657.81
February	796.38	818.32	656.30	651.79
March	839.38	852.03	667.68	678.53
April	853.39	837,92	667.40	678.71
May	821.81	806,32	692.00	709.80
June	793.72	821.23	692.41	679.15
July	784.73	757.06	686.06	700.82
August	784.66	776.46	713.70	720.20
September	773.40	788.15	718.44	728.21
October	788.27	771.92	721.03	735.05
November	762.88	767.29	776.53	812.13
December	734.73	710.95	770.39	748.74
Average of the period	**792.17**	**792.23**	**703.25**	**708.41**

The income that Transelec is entitled to receive for its facilities belonging to the national and zonal transmission systems (VATT) and for the installations of the dedicated systems (toll contracts), are indexed in order to maintain their real values during the period of validity of these rates or tolls. These revenues are expressed in accordance with their base value, in dollars, and are updated according to components whose cost variation over time correlates with national or international economic indicators, considering the availability and stability of the source that issues it.

6.7. 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.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

The following table shows the top five customers and their comparison with to the previous year:

BILLING	December 2020 MM$	December 2020 %	December 2019 MM$	December 2019 %
Enel Group	101,185	30.4%	132,055	34.9%
CGE Group	57,645	17.3%	60,554	16.0%
AES Gener Group	49,746	14.9%	51,259	13.5%
Colbún Group	34,327	10.3%	51,919	13.7%
Engie Group	26,967	8.1%	9,736	2.6%
Others	63,433	19.0%	73,067	19.3%
Total	**333,303**		**378,591**	
% Concentration	**80.97%**		**80.70%**	

The toll agreements signed with these clients, including its subsidiaries, will generate a large part of the Company's future cash flows and, therefore, a substantial change in their assets, financial condition and/or operating income could negatively affect the Company. This risk is compensated by the excellent credit level of these clients, together with the "take or pay" type of payment of the Transelec transmission income.

In terms of the Company's credit risk associated with financial assets (time deposits, fixed-return mutual funds and sell-back agreements), its treasury policy establishes certain limits on a particular institution's exposure; such limits depend on the risk rating and capital of each institution. Likewise, for investments in mutual funds, only funds with a risk rating qualify.

6.8. 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.

a) Risk associated to Company's Management

In order to guarantee that Transelec is able to quickly react financially to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed line of credit for working capital of US$250 million. This committed line of credit was first contracted on July 9, 2012, being renegotiated in 2014, 2017 and 2020. The last renovation was on July 31, 2020 modifying the total amount, eliminating the peso tranche, leaving only a unique amount available of US$250 million, between other improvements. Is granted for a period of one year by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi, BNP, Banco Santander, Bank of China, China Construction Bank y JP Morgan. This line does not include any material clause of adverse change.

The Company is exposed to risks associated with indebtedness, including refinancing risk when its debt matures. These risks are mitigated by using long-term debt and appropriately structuring maturities over time.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of December 31, 2020 and December 31, 2019.

Debt Maturity (capital and interests) MCh$	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
December 31, 2020	67,424	371,294	402,253	818,114	485,553	2,144,639
December 31, 2019	65,254	130,509	344,742	1,108,425	495,527	2,144,457

b) Risk associated to the settlement of trunk transmission system tariff revenues

According to Decree N°4/20,018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the Sistema Nacional (Ex Troncal) generated for every period.

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CEN (National Electrical Coordinator) through the collection or payment to the different companies, owners of generation facilities.

Transelec could face the risk of not timely collecting the IT that some of the companies owners of generation facilities should pay as determined in the energy balances prepared by CEN, what may temporarily affect the Company's liquidity position. In this sense, and in the opinion of the Company, the "clearing house" function that Transelec fulfills in the above-mentioned collection process, consists not of the collection of amounts for its own benefit, but it is merely collection and subsequent transfers to third parties of credits and debts that belong to the generating companies, with the exception of the expected IT.

6.9. 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.

The Company's assets are primarily fixed and long-lived intangible assets. Consequently, financial liabilities used to finance such assets consist primarily of long-term liabilities at fixed rates. This debt is recorded in the balance sheet at amortized cost.

The objective of interest rate risk management is to achieve a balanced debt structure, decrease the impact on costs due to interest rate variations and, reduce volatility in the income statement.

All the debt as of December 31, 2020, and as of December 31, 2019, was at a fixed rate. However, in the case of UF indexed debt, variations in inflation rates could potentially affect the Company's financial expenses.

TRANSELEC S.A AND SUBSIDIARY
Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements
Santiago, Chile
December 31, 2020

UF Values

MONTH	Average 2020 ($)	Last Day 2020 ($)	Average 2019 ($)	Last Day 2019 ($)
January	28,324.55	28,338.25	27,558.53	27,546.22
February	28,387.75	28,463.67	27,546.04	27,556.90
March	28,539.73	28,597.46	27,564.62	27,565.76
April	28,648.24	28,690.73	27,601.09	27,662.17
May	28,713.19	28,716.52	27,720.11	27,762.55
June	28,709.15	28,696.42	27,826.20	27,903.30
July	28,681.36	28,667.44	27,946.95	27,953.42
August	28,667.73	28,679.45	27,968.13	27,993.08
September	28,694.02	28,707.85	28,021.53	28,048.53
October	28,760.64	28,838.63	28,063.18	28,065.35
November	28,933.88	29,030.17	28,122.86	28,222.33
December	29,075.47	29,070.33	28,288.60	28,309.94
Average of the period	**28,677.98**	**28,708.08**	**27,852.32**	**27,882.46**

6.10. Other Risks

In addition to the aforementioned, the company faces other risks such as cybersecurity, legal, market, counterpart and reputational risks.

7. SUBSEQUENT EVENTS:

Since December 31, 2020, closing date of these Interim Consolidated Financial Statements, until their issuance date, there has been no significant financial and accounting events that may affect the equity of the Company or the interpretation of these Consolidated Financial Statements.

10. Statement of responsibility

Both the Directors and the CEO of Transelec S.A., which are signing this declaration, are responsible, under oath, regarding the accuracy of the information provided in this 2020 Annual Report, pursuant to General Norm No. 30, issued by the Superintendency of Securities and Insurance, today the Commission for the Financial Market.

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