Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements

TRANSELEC S.A AND SUBSIDIARY

Santiago, Chile
December 31, 2021

SUMMARY

As of December 31, 2021, revenues reached MCh$305,858 showing a decrease of 8.2% compared to the same period of 2020 (MCh$333,303). In the year 2021 and 2020, a provision of lower income was made associated with the entry into force of the new study for the valorization of transmission facilities 2020 – 2023, including the provision of 2021, as well as and adjustment to the 2020 provision. This decrease is mainly explained by the provision, which is partially offset by macroeconomic effects and new revenues from commissioning facilities.

As of December 31, 2021, Transelec obtained an EBITDA[1] of MCh$248,115, an 10.1% lower than the one obtained in the same period of 2020 (MCh$275,978), with an EBITDA Margin[2] of 81.1%. The EBITDA decrease is mainly due to the drop in income explained above.

The loss in Non-Operating Income as of December 2021 was MCh$109,999, representing a rise of 31.5% compared to the same period of 2020 (MCh$83,660). This increase is mostly explained by higher losses for indexed assets and Liabilities, partially offset by lower financial costs.

Net Income recorded by the Company as of December 31, 2021, was MCh$58,750, which is 39% less compared to the same period of 2020, in which a Net Income of MCh$96,266 was registered.

In 2021, the Company has incorporated the equivalent of US$105 million of new facilities, which correspond to the commissioning of three expansions of the Dedicated Segment, three upgrades and one expansion of the National System, two expansions and one upgrade of the Zonal system.

[1] EBITDA= Operating Revenues + Operating Costs + Administrative Expenses + Other Income (Losses) + Finance Leases Amortization. Operating Costs and Administrative Expenses do not include Depreciation and Amortization.

[2] EBITDA Margin= EBITDA/Revenues

Relevant events of the period:

- 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.

- The study of the transmission facilities valorization for the period 2020-2023 of the National Electric System that regulates mostly the transmission rates in the country, are being prepared in accordance with the law and their results are expected to be published in the first half of 2022. The application of the transmission facilities valorization study considers the Company's revenues from January 1st, 2020, which implies that in the meantime, the result of previous tariff studies shall be applied until the new tariffs enter into force. At the closing of these financial statements, the Company continues to recognize and receiving 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 2021 and 2020, considering the best information available to date and has proceeded to make a provision as of December 31, 2021 (which was also carried out in 2020).

- On April 30, 2021, the Ordinary Shareholders' Meeting agreed to distribute a definitive dividend for the results of the 2020 period for an amount of MCh$28,723, which was paid in May 2021.

- On May 28, 2021, Transelec renewed the revolving credit facility, maintaining the amount of USD 250 million, improving its terms and extending its maturity (May 2024).

- In September, the international risk rating agency Moody's ratified Transelec' s Baa1 rating.

- In December 2021, the following risk agencies ratified Transelec' s rating as follows:
  -Fitch Ratings ratified Transelec' s rating in BBB (international) and ratified the rating in AA- (national).
  -Humphreys ratified Transelec' s rating in AA- (national)
  -Feller ratified Transelec' s rating in AA (national) and improved its financial outlook from stable to positive.

- As a subsequent event after the end of the year, in January 2022 the opinion of the panel of experts was published, which is the input for drafting the Final Report of the new 2020-2023 transmission facility valuation study. Based on this opinion, the provision for lower income was estimated again, including at the end of 2021 an updated calculation of the year and also an adjustment to the 2020 provision.

1. INCOME STATEMENT ANALYSIS

ITEMS	December 2021 MCh$	December 2020 MCh$	Variation 2021/2020 MCh$	Variation 2021/2020 %
Revenues	**305.858**	**333.303**	**-27.445**	**-8,2%**
Sales	297.775	317.562	-19.787	-6,2%
Services	8.083	15.741	-7.658	-48,6%
Operation Costs and Expenses	**-114.690**	**-117.616**	**2.926**	**2,5%**
Sales Costs	-36.495	-39.546	3.051	7,7%
Administrative Expenses	-23.495	-20.216	-3.279	-16,2%
Depreciation and Amortization	-54.701	-57.854	3.153	5,5%
Operating Income	**191.168**	**215.687**	**-24.519**	**-11,4%**
Financial Income	10.647	11.130	-483	-4,3%
Financial Costs	-70.229	-75.998	5.769	7,6%
Foreign exchange differences	389	369	20	5,4%
Gain (loss) for indexed assets and liabilities	-51.560	-20.473	-31.087	-151,8%
Other income (Losses)	754	1.312	-558	-42,5%
Non-Operating Income	**-109.999**	**-83.660**	**-26.339**	**-31,5%**
Income before Taxes	**81.169**	**132.027**	**-50.858**	**-38,5%**
Income Tax	-22.419	-35.761	13.342	37,3%
Net Income	**58.750**	**96.266**	**-37.516**	**-39,0%**
EBITDA[1]	**248.115**	**275.978**	**-27.863**	**-10,1%**
EBITDA Margin[2]	**81,1%**	**82,8%**		

[1] EBITDA= Operating Revenues + Operating Costs + Administrative Expenses + Other Income (Losses) + Finance Leases Amortization. Operating Costs and Administrative Expenses do not include Depreciation and Amortization.
[2] EBITDA Margin= EBITDA/Revenues

a) Operating Income

During year 2021, Revenues reached MCh$305,858 decreasing a 8.2% compared to the same period of 2020 (MCh$333,303). The decrease is mainly explained by lower revenues from sales which as of December 2021, reached MCh$297,775, 6.2% lower compared to the same period of 2020 (MCh$317,562) and due to lower revenues from services to third parties that reached MCh$8,083 in December 2021, 48.6% lower compared to 2020 (MCh$15,741).

The Revenues decrease is mainly explained by a higher provision for lower income, which are offset by macroeconomic effects (mainly associated with the CPI) and by new revenues in 2021 from projects commissioned in last 12 months.

It should be noted that the provision of lower revenues associated with the effect that would have the entry into force of the new tariff study 2020 – 2023 (that is in the final stages of development and is expected to be issued in the first half of 2022, nevertheless, it considers the Company's revenues from January 1, 2020) continues in process but incorporates our estimate of the expert panel's opinion, recording an adjustment to the provision for 2021 and 2020.

Total Transelec Operational Costs and Expenses as of December 31, 2021, were MCh$114,691, a 2.5% lower than the comparison period in 2020 that reached MCh$117,616. Total Costs and Expenses are composed by the following main items.

Sales Costs during the analysis period amounted MCh$36,495, a 7.7% lower than the same period of 2020 (MCh$39,546). The decrease is explained by higher costs in 2020 associated with services with third parties and a provision for a higher fine; additionally, by lower maintenance costs in 2021, which is partially offset by higher personnel costs in 2021 associated with paying a Collective negotiation bonus with one of the unions of the company.

Administrative Expenses amounted to MCh$23,495 in December 2021, 16.2% higher than those obtained in the same period in 2020 (MCh$20,216). The increase is mainly explained by higher consultancy costs.

Total Depreciation and Amortization as of December 31, 2021, reached MCh$54,701, a 5.5% lower than the same period in 2020 (MCh$57,854).

b) Non-Operating Income

The Non-Operating Income at the end of December 2021, was a loss of MCh$109,999, a 31.5% higher than the same period of 2020 (MCh$83,660). This is mainly explained by higher losses for indexed Assets and Liabilities, lower Other Gains, and lower Financial Income, partially offset by lower Financial Costs.

The loss for Indexed Assets and Liabilities was MCh$51,560 as of December 31, 2021. This is mainly due to a variation of 6.61% in the value of the UF during 2021, which mainly affects our UF bonds. In the same period of 2020, the loss was MCh$20,473, associated to a 2.68% variation in UF value.

The Financial Income registered to December 2021 amounted to MCh$10,647, decreasing by 4.3% compared to the same period of 2020 (MCh$11,130). The drop is mainly due to lower commercial interests earned, lower interests accrued to related entities and lower bank interests earned in foreign currency.

The Exchange Differences as of December 2021 result a profit of MCh$389, while during the same period of 2020, the balance was a gain of MCh$369. The Exchange Differences remain limited, associated with the foreign currency hedging policy.

Financial Costs registered as of December 2021 reached MCh$70,229, decreasing by 7.6% compared to the same period of 2020 (MCh75,998). The drop is mainly due to lower interest payments on USD bonds, as the average exchange rate in 2021 decreased by 4.18% compared to the same period of 2020, and higher interests triggered by ongoing projects due to a higher number of projects in the portfolio with greater progress. This is partially offset by higher interest payments on UF bonds due to revalorization of that currency.

Other Income, as of December 2021, were MCh$754, while in 2020 were MCh$1,312. This difference is mainly explained by a reclassification to Miscellaneous Exceptional Losses in 2021 of a record made in Miscellaneous Exceptional Gains in 2020 and by revisioning of invoices receivable in 2020, partially offset by scrap sale in 2021.

c) Income tax

Income Tax as of December 31, 2021, was MCh$22,419, decreasing by 37.3% in relation to the same period of 2020 (MCh$35,761). The decrease is mainly due to the financial result of the Company, influenced by a higher financial burden and the adjustment of tariff income, this decrease directly affects the tax result by decreasing the provision for income tax by MCh$13,342.

2. BALANCE SHEET ANALYSIS

ITEMS	December 2021 MCh$	December 2020 MCh$	Variation 2021/2020 MCh$	Variation 2021/2020 %
Current assets	331.639	238.530	93.109	39,0%
Non-current assets	2.824.749	2.505.486	319.263	12,7%
Total Assets	**3.156.388**	**2.744.016**	**412.372**	**15,0%**
Current liabilities	233.561	124.717	108.844	87,3%
Non current liabilities	1.950.919	1.726.208	224.711	13,0%
Equity	971.908	893.090	78.818	8,8%
Total Liabilities & Equity	**3.156.388**	**2.744.016**	**412.372**	**15,0%**

The increase in Assets between December 2020 and December 2021 is explained 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 and financial assets associated with the revaluation of hedging instruments. While higher Current Assets are mainly explained by higher cash balance, offset in part by a lower balance of commercial debtors and other accounts receivable.

The increase in Liabilities and Equity is due to an increase in all the items that compose it. The rise in Non-Current Liabilities is explained by higher financial liabilities due to debt revalorization. The increase in Current Liabilities is mainly due to higher accounts payable to third parties. The increase in Equity is mainly due to higher accumulated profits and other reserves.

Value of the Main PP&E in Operation

ASSETS	December 2021 MCh$	December 2020 MCh$	Variation 2021/2020 MCh$	Variation 2021/2020 %
Land	22.071	20.999	1.072	5,1%
Building, Infraestucture, works in progress	1.270.052	1.236.282	33.770	2,7%
Work in progress	402.151	252.586	149.565	59,2%
Machinery and equipment	769.601	778.738	-9.137	-1,2%
Other fixed assets	5.812	5.834	-22	-0,4%
Right of use	7.857	7.857	0	0,0%
Depreciation (less)	-653.834	-606.781	-47.053	-7,8%
Total	**2.477.543**	**1.695.514**	**782.029**	**46,1%**

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital) December 2021	December 2020
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	1,209%	Floating	28-May-24	0,00	-

[1] Revolving Credit Facility of US$250 million: The floating rate of 1.209% breaks down in 3 months Libor rate plus a margin of 1.00%. As of December 31, 2021, the Company maintains 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 financial expenses, these impacts are partially offset by inflation-indexed revenues.

3. CASH FLOW ANALYSIS

ITEMS	December 2021 MM$	December 2020 MM$	Variation 2021/2020 MM$	Variation 2021/2020 %
Cash flows provided by (used in) operating activities	373.498	203.806	169.692	83,3%
Cash flows provided by (used in) investing activities	-215.657	-166.157	-49.500	-29,8%
Cash flows provided by (used in) financing activities	-30.179	-42.664	12.485	29,3%
Net increase (decrease) of cash and cash equivalent	**127.662**	**-5.015**	**132.677**	**N/A**
Effect of changes in the exchanges rate	1.017	2.213	-1.196	-54,0%
Net increase (decrease) of cash and cash equivalent	**128.679**	**-2.802**	**131.481**	**N/A**
Cash and cash equivalent at the begining of the period	105.840	108.642	-2.802	-2,6%
Cash and cash equivalent at the end of the period	**234.519**	**105.840**	**128.679**	**121,6%**

As of December 31, 2021, cash flow from activities of the operation reached MCh$373,498, which increased by 83.3% compared to the same period of 2020 (MCh$203,806). The increase is mainly due to higher collection and to lower payments to suppliers in 2021 due to the payment of the Transmission Equivalent Charge (CET by its acronym in Spanish) in 2020.

During the same period, cash flow used in investment activities was MCh$215,657. As of December 31, 2020, the cash flow used in investment activities was MCh$166,157. The increase is mainly because during 2020 we received net positive flows associated with loan to related entities.

As of December 2021, the cash flow from financing activities was MCh30.179, which is mainly explained by the payment of dividends. On the other hand, in December 2020, the cash flow used in financing activities was MCh$42,664, which is almost entirely explained by the payment of dividends and the payment of the revolving credit facility.

The Company made reclassifications to its cash flow statements regarding balances that affect the year 2020. However, these reclassifications are made for comparison purposes only and they are not considered for the calculation of covenants reported in 2020.

It should also be noted that, to ensure the immediate availability of funds to cover working capital needs, as of December 31, 2021, the company has the following revolving credit facility which was renegotiated and extended during May 2021 for three years in the amount of US$ 250 million.

Bank	Amount (up to)	Maturity	Type of Credit
The Bank of Nova Scotia, MUFG Bank Ltd, Banco Santander, Bank of China Ltd, Sumitomo Mitsui Banking Corporation, JP Morgan Chase Bank N.A. and China Construction Bank.	US$250,000,000	28-May-24	Working Capital

4. INDICATORS

Financial restrictions contained in debt agreements of the company are presented in the next table:

Covenants	Debt Contract	Limit	December 2021	December 2020
Capitalization Ratio[1]	All local Bonds	< 0.70	0,64	0,63
Shareholder's Equity[1] MMUF	D, H, K, M and N local Bonds	> 15.00	32,17	31,58
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	996.878	918.060
Net Debt/Ebitda	Revolving Credit Facility	< 8.0x[4]	5,26	5,02

Test	Bonds	Limit	December 2021	December 2020
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	6,64	4,15

[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, 2021, 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.

[4]Revolving Credit Facility Covenant Limit was renegotiated in May 2021, from 7.0x to 8.0x. As of December 2020, the limit considered is 7.0x.

Rates of profitability, liquidity and indebtedness of the company are presented in the next table:

RATIOS		December 2021	December 2020	Variation 2021/2020
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	10,6%	10,8%	-20 pbs
Assets profitability[3]	(%)	3,3%	3,5%	-20 pbs
Operating assets profitability[4]	(%)	4,2%	5,7%	-150 pbs
Earnings per share[5]	($)	58.750	96.266	-39,0%
Liquidity & Indebtedness				
Current Ratio	(times)	1,42	1,91	-25,7%
Acid-Test Ratio	(times)	1,42	1,91	-25,7%
Debt to Equity	(times)	2,25	2,07	8,7%
Short term debt/Total debt	(%)	10,7%	6,7%	400 pbs
Log term debt/Total debt	(%)	89,3%	93,3%	-400 pbs
Financial expenses coverage	(times)	3,53	3,63	-2,8%

[1] Profitability ratios are presented under last twelve months criteria.
[2] Shareholders' Equity profitability is calculated as Net Income over Equity.
[3] Asset's 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.

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. In the other hand, 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 most 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 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), hereafter LGSE, 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

"The Transmission Law". Additionally, those who explodes and operates transmission facilities must comply at every time with the provisions of the Regulations of Law N°20.936, and in its Technical Standards, highlighting the Current Technical Standard for Safety and Service Quality, as well as their respective Technical Annexes.

The last reform to the LGSE for the Transmission segment was the enactment of Law N°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, CDEC-SIC and CDEC- SING.
- 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 the routes of new power transmission works of public interest.
- Universal open access to regulated Transmission Systems and dedicated Transmission Systems when technical capacity is available.
- Regulates the pricing and remuneration 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.
- Establishes a scheme that regulates the definition, determination, and implementation of the Complementary Services that the electrical system requires to maintain the quality and safety of the electrical supply.

Additionally, to date, various regulations associated with Act No. 20.936 have been published, stablishing the necessary provisions for the regulation of issues related to: (i) The National Electrical Coordinator, (ii) Panel of Experts, (iii) energy planning, (iv) preliminary strips, (v) international exchanges, (vi)compensation for supply unavailability, (vii) the issuance of Technical Standards (viii) Coordination and Operation of the National Electrical System; (ix) Qualification, Valuation, Tariff and Remuneration of transmission facilities, (x) Transmission and Transmission Planning Systems; (xi) Facilities safety; (xii) Complementary services; (xiii) Distributed generation for self-consumption; (xiv) small-scale generating facilities.

Regarding Transelec' s business, it is mainly focused on the economic retribution for the transport service delivered by its facilities, aligned to the security and quality service standards previously established by the regulations in force. 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.

5.2. Valuation and pricing of facilities

Revenues associated to transmission activity are determined by the Commission every four years by conducting internationally tendered studies for transmission assets valuation, and processes that include the participation of companies, users and interested institutions and the Panel of Experts in the event of any discrepancies.

The owners of regulated transmission facilities must receive the Annual Value of Transmission per Section (VATT), made up of the sum of the real tariff income and the single charge associated with the section, which will depend on the transmission segment to which the installation belongs, the latter applied directly to the corresponding end users. VATT of the existing facilities is calculated on an Annuity of the Value of Investment (AVI) that 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%, plus the Costs of Operation, Maintenance and Administration (COMA), adjusted by income taxes.

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.

For the National System, Decree 23T of the Ministry of Energy is issued on February 3, 2016, and for the Zonal system, Decree 6T is issued on October 5, 2018, both decrees end their validity on December 31, 2019. However, until the Decree of the valuation process of the 2020-2023 process is issued, they continue to apply, and the corresponding differences must be incorporated in the determination of the Single Charge of the corresponding semester.

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 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 calculations for the corresponding Single Charge, established in article 113 and 115 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.

The tariff valuation process 2020 – 2023 has been delayed by over 2 years and it is expected that the corresponding decree will be published in *El Diario Oficial* (Official Gazette) in March 2022. Companies affected by regulated tariffs in the National and Zonal Systems, will receive the new tariff from the next semester as the decree that sanctions it is published, and at that time, the amount to be redistributed among the transmission companies (for or against) will be calculated from the differences between the tariff currently in force and the new 2020 – 2023 tariff, according to the procedures applied by the National Electrical Coordinator.

The National Energy Commission issued the exempt Resolution No. 251 dated August 2, 2021, with the estimate of the valorization of transmission systems facilities for the quadrennium 2020-2023, on August 17,2021 the companies presented their observations to this report to the Honorable Panel of Electrical Experts, who issued its opinion N°12 on January 12, 2022. The issuance of the final technical report incorporating the opinions of the Panel was published on March 2, 2022, and the revision of the Office of the General Comptroller of the Republic and the issuance of the decree.

In the other hand, in relation to the state of catastrophe due to COVID19, on August 8, 2020, 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 past due 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.

Then, on January 5, 2021, Law No. 21,301 was published in the Official Gazette, by means of which the effects of Law No. 21,249 were extended, increasing the scope for suspension of payment of basic services affected from 90 days from its publication to 270 days and extending the proration months for the payment of debts from 12 months to 36 months.

Subsequently, on May 22, 2021, Law No. 21,340 was published in the Official Gazette, by means of which the measure of not cutting off supply due to debts and the possibility of postponing the payment of debts until December 31, 2021. The number of installments to pay the debt is extended from 36 to 48, and the reach of vulnerable users is increased from 60% to 80%, for the purpose of postponing the payment of debts.

Finally, on January 28, 2022, the Senate sent the Executive for signature and enactment of the Bill that regulates the apportionment and payment of debts for sanitary and electrical services generated during the COVID-19 pandemic and establishes subsidies vulnerable customers to pay them. Said fiscal charge subsidies will be to contribute to the payment of debts for drinking water consumption and for the payment of debts for electricity consumption. The benefited users will correspond to those who are delinquent in the debt generated by the postponement in the payment of basic services and have an average electricity consumption of no more than 250 kilowatt hours per month. The subsidies will be deducted monthly by the sanitation service companies and the electricity distribution companies and cooperatives to the beneficiary users.

On the other hand, the debts contracted will be paid in 48 monthly installments, counted from the month of entry into force of this law, where each installment may not exceed 15% of the collection associated with the average consumption of the year 2021. Once the 48 installments, if there is a balance of the debt, it will be extinguished through agreements entered by the Ministry of Energy with the electric companies and cooperatives, respectively, which must be approved by the corresponding administrative act.

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 while 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 for 4-year periods and include a six-monthly indexation 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. There is no guarantee that the previous tariff level will be maintained in subsequent tariff cycles.

6.2. Operating Risks

Although the Company's management believes it has adequate risk coverage, in line with industry practices, including a full annual exercise of Enterprise Risk Management, it is not possible to ensure that the preventive actions and mitigations implemented (asset management, safety fringe management, insurance policies, etc.) will be sufficient to cover certain operating risks, including forces of nature, damages to transmission facilities, on-the-job accidents and equipment failure.

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.
Preventive and mitigative measures have been identified and defined for all risks related to the environment and communities surrounding the company's facilities.

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 and periodically recalculated according to the process established in the current regulation. 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.

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 compensate 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 2021		December 2020	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	868.719	875.783	733.240	729.075
Chilean peso	2.282.636	2.275.571	2.002.910	2.007.075

Below are the exchange rates (Observed Dollar) in Chilean pesos to the United States dollar; in the periods indicated.

MONTH	Average 2021 ($)	Last Day 2021 ($)	Average 2020 ($)	Last Day 2020 ($)
January	723,56	734,62	772,65	799,11
February	722,63	719,91	796,38	818,32
March	726,37	721,82	839,38	852,03
April	707,85	711,06	853,38	837,92
May	712,26	722,11	821,81	806,32
June	726,54	727,76	793,72	821,23
July	750,44	760,20	784,73	757,06
August	779,83	775,14	784,66	776,46
September	783,63	811,90	773,40	788,15
October	813,95	810,91	788,27	771,92
November	812,62	837,55	762,88	767,29
December	849,12	844,69	734,73	710,95
Average of the period	**759,07**	**764,81**	**792,17**	**792,23**

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 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.

However, it cannot be ensured that Transelec will be fully protected by maintaining hedging contracts for the exchange rate. In addition, cross currency swaps and forwards contain counterparty credit risk, cash requirements on maturity dates or recouponing clauses (if any) and other associated risks.

6.7. Credit Risk

Regarding the credit risk associated with accounts receivable from the electricity transmission business, this risk is systematically incredibly low given the limited number of customers, their risk classification, and the short collection period.

However, revenues are highly concentrated on few customers that make up a large part of Transelec’ s future cash flow. A substantial change to the assets, financial condition and/or operating results of these particular companies could adversely affect the Company.

The following table shows the top five customers and their comparison with to the previous year:

REVENUES	December 2021 MM$	December 2021 %	December 2020 MM$	December 2020 %
Enel Group	95.576	31,2%	101.185	30,4%
AES Gener Group	45.861	15,0%	57.645	17,3%
CGE Group	42.745	14,0%	49.746	14,9%
Colbún Group	33.265	10,9%	34.327	10,3%
Engie Group	24.813	8,1%	26.967	8,1%
Others	32.022	10,5%	63.433	19,0%
Total	**305.858**		**333.303**	
% Concentration	**79,21%**		**80,97%**	

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 those that have a risk classification and are bank subsidiaries.

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.

To guarantee that Transelec can quickly react financially to investment opportunities and pay its obligations by their maturity dates, the company has a stable and predictable remuneration over time, associated with the "take or pay" income, i.e., the company has income associated with its installed capacity of assets, and not with the volume transported. in addition, it has short-term receivables and a 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, and extended in 2014, 2017, 2020 and 2021. The last renovation was on May 28, 2021, maintaining only a dollar tranche of US$250 million and other improvements for the company. Is granted for a period of 3 years by a bank syndicate consisting of The Bank of Nova Scotia, MUFG Bank Ltd, Bank of China Ltd, Banco Santander, Sumitomo Mitsui Banking Corporation and JP Morgan Chase Bank N.A. In July 2021, China Construction Bank incorporated to the bank syndicate. This line does not include any material clause of adverse change.

The Company is exposed to risks associated with its 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 corresponding to the Company's financial liabilities, according to their maturity date, as of December 31, 2021, and December 31, 2020.

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, 2021	67.424	360.358	389.692	923.181	336.558	2.077.215
December 31, 2020	67.424	371.294	402.253	818.114	485.553	2.144.639

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, 2021, and as of December 31, 2020, 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.

UF Values

MONTH	Average 2021 ($)	Last Day 2021 ($)	Average 2020 ($)	Last Day 2020 ($)
January	29.085,91	29.123,74	28.324,55	28.338,25
February	29.194,81	29.287,38	28.387,75	28.463,67
March	29.360,08	29.394,77	28.539,73	28.597,46
April	29.439,72	29.494,13	28.648,24	28.690,73
May	29.555,98	29.613,26	28.713,19	28.716,52
June	29.665,83	29.709,83	28.709,15	28.696,42
July	29.740,92	29.757,64	28.681,36	28.667,44
August	29.827,73	29.935,08	28.667,73	28.679,45
September	30.025,93	30.088,37	28.694,02	28.707,85
October	30.214,65	30.380,53	28.760,64	28.838,63
November	30.573,24	30.762,80	28.933,88	29.030,17
December	30.907,42	30.991,74	29.075,47	29.070,33
Average of the period	**29.799,35**	**29.878,27**	**28.677,98**	**28.708,08**

6.10. Other Risks

In addition to the previously mentioned, the company faces other risks such as cybersecurity, legal, market, counterpart, and reputational risks.

7. SUBSEQUENT EVENTS:

- As a subsequent event after the end of the year, in January 2022 the opinion of the panel of experts was published, which is the input for drafting the Final Report of the new 2020-2023 transmission facility valuation study. Based on this opinion, the provision for lower income was estimated again, including at the end of 2021 an updated calculation of the year and an adjustment to the 2020 provision.

- In March 2022, the Final Report was published with which the tariffs for the 2020-2023 period will be established. Based on this document, the decree to be published by the General Comptroller of the Republic will be drawn up.