

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

TRANSELEC S.A AND SUBSIDIARY

*Santiago, Chile
March 31, 2021*



SUMMARY

As of March 31, 2021, revenues reached MCh\$79,036 showing a decrease of 18.5% compared to the same period of 2020 (MCh\$96,970). The decrease is mainly explained by a lower income provision associated with the effect that would have the entry into force of the new 2020-2023 tariff study (this tariff study is currently being prepared and it is expected to be issued at the beginning of 2022, but it will consider the company's incomes since January 1, 2020). This provision started to be made from second quarter of 2020, so as of March 2020 the provision had not been made, which explains the difference compared to the first quarter of 2021.

As of March 31, 2021, Transelec obtained an EBITDA¹ of MCh\$67,009, an 19.8% lower than the one obtained in the same period of 2020 (MCh\$83,545), with an EBITDA Margin² of 84.8%. The EBITDA decrease is mainly due to the drop in income explained above.

The loss in Non-Operating Income as of March 2021 was MCh\$23,526, representing a rise of 21.1% compared to the same period of 2020 (MCh\$23,043). This increase is mostly explained by higher losses for indexed assets and Liabilities and lower Financial Incomes, partially offset by lower financial costs.

8

Net Income recorded by the Company as of March 31, 2021, was MCh\$21,844, which is 34.5% less compared to the same period of 2020, in which a Net Income of MCh\$33,329 was registered.

In 2021, the Company has incorporated US\$41.8 million of new facilities, which correspond to the commissioning of two expansion of the Dedicated Segment. Likewise, in the 12-month mobile period ending in March 2021, facilities for US\$116.6 million were added.

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 regulate mostly the transmission rates in the country, are being prepared in accordance with the law and their results are expected to be published between the last quarter of 2021 and the first quarter 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, whose effects are reflected in the applicable single charge. 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 2021 and 2020, considering the best information available to date and has proceeded to make a provision of less income as of March 31, 2021 and as of December 31, 2020.
- In January 2021, the international risk rating agency Fitch Ratings ratified Transelec's rating in BBB (international) and ratified the classification in AA- (national).

1. INCOME STATEMENT ANALYSIS

ITEMS	March 2021 MCh\$	March 2020 MCh\$	Variation 2021/2020 MCh\$	Variation 2021/2020 %
Revenues	79,036	96,970	-17,934	-18.5%
Sales	77,001	93,681	-16,680	-17.8%
Services	2,035	3,289	-1,254	-38.1%
Operation Costs and Expenses	-25,747	-27,677	1,930	7.0%
Sales Costs	-8,011	-7,719	-292	-3.8%
Administrative Expenses	-4,663	-6,517	1,854	28.4%
Depreciation and Amortization	-13,073	-13,441	-368	2.7%
Operating Income	53,289	69,294	-16,005	-23.1%
Financial Income	2,091	3,062	-971	-31.7%
Financial Costs	-17,310	-18,943	1,633	8.6%
Foreign exchange differences	-46	77	-123	N/A
Gain (loss) for indexed assets and liabilities	-8,683	-7,719	-964	-12.5%
Other income (Losses)	422	480	-58	-11.9%
Non-Operating Income	-23,526	-23,043	-483	-2.1%
Income before Taxes	29,763	46,250	-16,487	-35.6%
Income Tax	-7,920	-12,921	5,001	38.7%
Net Income	21,844	33,329	-11,485	-34.5%
EBITDA¹	67,009	83,545	-16,536	-19.8%
EBITDA Margin²	84.8%	86.2%		

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 2021, Revenues reached MCh\$79,036 decreasing a 18.5% compared to the same period of 2020 (MCh\$96,970). The decrease is mainly explained to a lower income provision associated to Company estimations of 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 1, 2020. Specifically, the decrease in Revenues is mainly explained by lower revenues from Sales (due to the provision) which as of March 2021, reached MCh\$77,001, 17.8% lower than the obtained in the same period of 2020 (MCh\$93,681).

As a whole, the drop in Revenues is mainly explained by the recognition of the provision explained above, lower revenues from services, and macroeconomic effects (mainly associated with foreign exchange) partially offset by new revenues in 2020 from projects commissioned in last 12 months.

Total Transelec Operational Costs and Expenses as of March 31, 2021 were MCh\$25,747, a 7.0% lower than the comparison period in 2020 that reached MCh\$27,677. Total Costs and Expenses are composed by the following main items.

Sales Costs during the analysis period totaled MCh\$8,011, a 3.8% higher than the same period of 2020 (MCh\$7,719). The increase is mainly explained by higher insurance premiums, partly offset by lower maintenance costs.



Administrative Expenses amounted to MCh\$4,663 in March 2021, 28.4% lower than those obtained in the same period in 2020 (MCh\$6,517). The decrease is mainly explained due to a fine provision in 2020.

Total Depreciation and Amortization as of March 31, 2021 reached MCh\$13,073, a 2.7% lower than the same period in 2020 (MCh\$13,441).

b) Non-Operating Income

The Non-Operating Income at the end of March 2021, was a loss of MCh\$23,526, a 2.1% higher than the same period of 2020 (MCh\$23,043). This is mainly explained by higher losses for indexed Assets and Liabilities and lower Financial Income, partially offset by lower Financial Costs.

Financial Costs registered as of March 2021 reached MCh\$17,310, decreasing by 2.1% compared to the same period of 2020 (MCh\$23,043). The drop is mainly due to lower interest payments on USD bonds, as the average exchange rate in the first quarter of 2021 decreased by 9.8% compared to the same period of 2020.

The Financial Income registered to March 2021 amounted to MCh\$2,091, decreasing by 31.7% compared to the same period of 2020 (MCh\$3,062). The drop is mainly due to the lower placement rates that are in force in the financial market.

The loss for Indexed Assets and Liabilities was MCh\$8,683 as of March 31, 2021. This is mainly due to a variation of 1.12% in the value of the UF during the first quarter of the year. In the same period of 2020, the loss was MCh\$7,719.

The Exchange Differences as of March 2021 result a loss of MCh\$46, while during the same period of 2020, the balance was a gain of MCh\$77. The Exchange Differences remain limited, associated with the foreign currency hedging policy.

Other Income, as of March 2021, were MCh\$422, while in 2020 were MCh\$480. In 2021 the balance is explained mainly by scrap sales, while in 2020 the amount is mainly explained by regularizations with suppliers.

c) Income tax

Income Tax as of March 31, 2021 was MCh\$7,920, decreasing by 38.7% in relation to the same period of 2020 (MCh\$12,921). 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 2020 and March 2021 is explained by an increase in Non-Current Assets, partially offset by a drop in Current Assets. The increase in Non-Current Assets is mostly due to a higher balance in property, plant and equipment. While lower Current Assets are mainly due to a lower balance of accounts receivable from customers offset in part by higher cash balance.

The increase in Liabilities and Equity is due to an increase in Non-Current Liabilities and Equity, partially offset by lower Current Liabilities. The rise in Non-Current Liabilities is explained by higher financial liabilities due to debt revalorization. The decrease in Current Liabilities is mainly due to lower accounts payable to third parties. The increase in Equity is mainly due to higher accumulated profits.

Value of the Main PP&E in Operation

ASSETS	March 2021 MCh\$	December 2020 MCh\$	Variation 2021/2020 MCh\$	Variation 2021/2020 %
Land	20,999	20,999	0	0.0%
Building, Infraestructure, works in progress	1,236,282	1,236,282	0	0.0%
Work in progress	288,116	252,586	35,530	14.1%
Machinery and equipment	778,844	778,738	106	0.0%
Other fixed assets	5,870	5,834	36	0.6%
Right of use	7,857	7,857	0	0.0%
Depreciation (less)	-622,261	-610,019	-12,242	-2.0%
Total	1,715,706	1,692,276	23,430	1.4%

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital)	
					March 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	1.694%	Floating	31-Jul-21	0.00	-

¹ Revolving Credit Facility of US\$250 million: The floating rate of 1.694% breaks down in 3 months Libor rate plus a margin of 1.50%. As of March 31, 2021, 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.

3. CASH FLOW ANALYSIS

ITEMS	March 2021 MM\$	March 2020 MM\$	Variation 2021/2020 MM\$	Variation 2021/2020 %
Cash flows provided by (used in) operating activities	87,595	47,535	40,060	84.3%
Cash flows provided by (used in) investing activities	-60,216	-16,278	-43,938	-269.9%
Cash flows provided by (used in) financing activities	-357	83,246	-83,603	N/A
Net increase (decrease) of cash and cash equivalent	27,022	114,503	-87,481	-76.4%
Effect of changes in the exchanges rate	319	434	-115	-26.6%
Net increase (decrease) of cash and cash equivalent	27,340	114,937	-87,597	-76.2%
Cash and cash equivalent at the beginning of the period	105,840	108,642	-2,802	-2.6%
Cash and cash equivalent at the end of the period	133,181	223,579	-90,398	-40.4%

As of March 31, 2021, cash flow from activities of the operation reached MCh\$87,595, which increased by 84.3% compared to the same period of 2020 (MCh\$47,535). The increase is mainly due to the fact that in 2020 there were some outstanding amounts due for the start-up of the one-time fee collection and in 2021 for collection flows associated with the return of the CET paid in 2020.

During the same period, cash flow used in investment activities was MCh\$60,216. As of March 31, 2020, the cash flow used in investment activities was MCh\$16,278. The increase is mainly due to the fact that in the first quarter of 2020 we received flows associated with loan payments to related entities, and higher investment in PP&E in 2021 mainly explained by the payment of Enel's asset acquisition made at the end of 2020.



In March 2021, the cash flow from financing activities was MCh357. In March 2020, the cash flow used in financing activities was MCh\$83,246. As of March 2020, the flow is almost entirely explained by the line of credit committed used to face the pandemic with greater liquidity (which was repaid in December 2020)

The Company made reclassifications to its cash flow statements regarding balances that affect the year 2020. 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 2020.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of March 31, 2021 the company has the following committed line of credit (Revolving Credit Facility) which was renegotiated and extended during July 2020 for one year in the amount of US\$ 250 million.

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-21	Working Capital

4. INDICATORS

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

Covenants	Debt Contract	Limit	March 2021	December 2020
Capitalization Ratio ¹	All local Bonds	< 0.70	0.63	0.63
Shareholder's Equity ¹ MMUF	D, H, K, M and N local Bonds	> 15.00	31.87	31.58
Shareholder's Equity ¹ MCh\$	Q local Bond and Revolving Credit Facility	> 350,000	936,946	918,060
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	4.73	4.27

Test	Bonds	Limit	March 2021	December 2020
Distribution Test ²	D, H, K, M and N local Series	> 1.50	4.7	4.15
FNO ³ /Financial Expenses				

¹Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and March 31, 2021 amounted to MCh\$24.970.

²Test to distribute restricted payments such as dividends.

³FNO= Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.



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

RATIOS		March 2021	December 2020	Variation 2021/2020
Profitability¹				
Shareholders' Equity profitability ²	(%)	14.2%	10.8%	340 pbs
Assets profitability ³	(%)	4.7%	3.5%	120 pbs
Operating assets profitability ⁴	(%)	7.5%	5.7%	180 pbs
Earnings per share ⁵	(\$)	84,780	96,266	-11.9%
Liquidity & Indebtedness				
Current Ratio	(times)	2.29	1.91	19.9%
Acid-Test Ratio	(times)	2.29	1.91	19.9%
Debt to Equity	(times)	2.03	2.07	-1.9%
Short term debt/Total debt	(%)	5.4%	6.7%	-130 pbs
Log term debt/Total debt	(%)	94.6%	93.3%	130 pbs
Financial expenses coverage	(times)	3.87	3.63	6.6%

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.



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), 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 establishes a new electric transmission system and creates an independent coordinator of the National Electric System "The Transmission Law". Additionally, those who explores and operates transmission facilities must comply at every time with the provisions of the Regulations of Law N°20.936, and the Technical Standard for Safety and Service Quality (Exempt Resolution No. 299 of April 26, 2018), as well as their respective Technical Annexes.

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 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 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.

To the date, various regulations associated with Act No. 20.936 have been published, establishing 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 interconnections, (vi) compensation for supply interruptions, (vii) the issuance of Technical Standards and Complementary Services (viii) Coordination and Operation of the National Electrical System; (ix) Qualification, Valuation, Tariff and Remuneration of transmission 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

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 with 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.

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 re-liquidations 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.

The tariff valuation process 2020 – 2023 has been delayed by approximately 24 months and it is expected that the corresponding decree will be published in *El Diario Oficial* (Official Journal) not before 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

that would have had to be published at the beginning of last year, according to the procedures applied by the National Electrical Coordinator.

Finally, in relation to the state of catastrophe due to COVID19, on August 8th, 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 establishes 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.

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.



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:

In million pesos	March 2021		December 2020	
	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	744,790	740,452	733,240	729,075
Chilean peso	2,010,708	2,015,046	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
Average of the period	724.19	725.45	802.80	823.15

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.



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

REVENUES	March 2021 MM\$	March 2021 %	March 2020 MM\$	March 2020 %
Enel Group	26,299	33.3%	27,397	28.3%
CGE Group	16,940	21.4%	9,662	10.0%
AES Gener Group	14,210	18.0%	15,744	16.2%
Colbún Group	10,685	13.5%	7,581	7.8%
Engie Group	6,986	8.8%	6,527	6.7%
Others	3,917	5.0%	30,059	31.0%
Total	79,036		96,970	
% Concentration	95.04%		69.00%	

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.

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.



The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of March 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
March 31, 2021	67,424	365,826	395,973	812,769	482,466	2,124,459
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 June 30, 2020, and as of December 31, 2019, was at a fixed rate, with the exception of the amount drawn on the committed line, which is at a variable 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
Average of the period	29,213.60	29,268.63	28,417.34	28,466.46



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:

- On April 30, 2021, the Ordinary Shareholders meeting of the company was celebrated, where they agreed to distribute a 2020 final dividend, amounting of MCh\$28,723, equivalent to a 30% of such period Net Income, which will be paid during May 2021.
- In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10, on May 17, 2021, the Chairman of the board of Transelec S.A. became aware of and accepted the resignation presented by Mrs. Patricia Núñez Figueroa to her position as director of the company, with immediate effect.

Since March 31, 2021, closing date of these Interim 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 Interim consolidated financial statements.