

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

TRANSELEC S.A AND SUBSIDIARY

*Santiago, Chile
September 30, 2022*



SUMMARY

As of September 30, 2022, revenues reached MCh\$281,290 showing an increase of 14.5% compared to the same period of 2021 (MCh\$245,614). In September 2022, as has been done in 2021, 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. For September 2022 Financial Statements, as was done for the end of 2021, the provision was determined according to our interpretation of the Expert Panel's opinion prior to the Final Technical Report (ITD). These revenues increase in the first three quarters of 2022 compared to the same period of 2021, is mainly explained by macroeconomic effects and by revenues from new commissioned facilities, partially offset by the provision.

As of September 30, 2022, Transelec obtained an EBITDA¹ of MCh\$228,176, an 10.7% higher than the one obtained in the same period of 2021 (MCh\$206,060), with an EBITDA Margin² of 81,1%. The EBITDA increase is mainly due to the increase in income explained above.

The loss in Non-Operating Income as of September 2022 was MCh\$121,017, representing a rise of 70.6% compared to the same period of 2021 (MCh\$70,930). This increase is mostly explained by higher losses for indexed assets and Liabilities, associated with the effect of higher inflation on our UF-denominated bonds this year, partially offset by higher financial income.

Net Income recorded by the Company as of September 30, 2022, was MCh\$47,772, which is 28.7% less compared to the same period of 2021, in which a Net Income of MCh\$67,048 was registered.

During the first nine months of 2022, the Company has incorporated the equivalent of US\$58 million of new facilities, which correspond to the commissioning of two expansions of the National System, two new projects in the Zonal system and one dedicated project.

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 CNE (National Energy Commission) has issued the final technical report of 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 and has sent the report to the Ministry of Energy in accordance with the law and it is expected that the decree with the tariff will be published in 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, considering the opinion of the panel of experts prior to the Final Technical Report, and has proceeded to make a provision as of September 30, 2022 (which was also carried out at the end of 2021).
- On April 29, 2021, the Ordinary Shareholder's Meeting agreed to distribute a definitive dividend for the results of the 2021 period for an amount of MCh\$17,404, which will be paid in May 2022.
- On April 29, 2022, the Extraordinary Shareholder's Meeting authorized the completion of all the necessary procedures for the issuance of bonds for a total amount equivalent to USD 500 million.
- On July 14, 2022, the Extraordinary Shareholders' Meeting authorized all the necessary procedures for the issuance of bonds or loans in the local and/or international market in foreign and/or local currency, for a total equivalent amount up to USD 500 million.

1. INCOME STATEMENT ANALYSIS

ITEMS	September 2022 MCh\$	September 2021 MCh\$	Variation 2022/2021 MCh\$	Variation 2022/2021 %
Revenues	281.290	245.614	35.676	14,5%
Sales	275.837	238.994	36.843	15,4%
Services	5.453	6.620	-1.167	-17,6%
Operation Costs and Expenses	-94.856	-82.094	-12.762	-15,5%
Sales Costs	-33.491	-25.814	-7.677	-29,7%
Administrative Expenses	-21.212	-16.082	-5.130	-31,9%
Depreciation and Amortization	-40.153	-40.198	44	0,1%
Operating Income	186.434	163.520	22.914	14,0%
Financial Income	23.545	6.639	16.906	254,6%
Financial Costs	-56.981	-51.898	-5.083	-9,8%
Foreign exchange differences	-142	332	-474	N/A
Gain (loss) for indexed assets and liabilities	-87.618	-27.280	-60.338	-221,2%
Other income (Losses)	180	1.277	-1.097	-85,9%
Non-Operating Income	-121.017	-70.930	-50.087	-70,6%
Income before Taxes	65.417	92.590	-27.173	-29,3%
Income Tax	-17.645	-25.543	7.898	30,9%
Net Income	47.772	67.048	-19.276	-28,7%
EBITDA¹	228.176	206.060	22.116	10,7%
EBITDA Margin²	81,1%	83,9%		

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 the first nine months of 2022, Revenues reached MCh\$281,290 increasing a 14.5% compared to the same period of 2021 (MCh\$245,614). The increase is mainly explained by higher revenues from sales which as of September 2022, reached MCh\$275,837, 15.4% higher compared to September, 2021 (MCh\$238,994) and due to lower revenues from services to third parties that reached MCh\$5,453 in September 2022, 17.6% lower than the same period of 2021 (MCh\$6,620).

Overall, higher revenues are mainly due to macroeconomic effects (mainly associated with the exchange rate) and new revenues from facilities commissioned in the last 12 months, partially offset by the provision for lower revenues mentioned above.

It should be noted that the provision of lower revenues associated with the effect of the entry into force of the new tariff study 2020 – 2023 (is expected to be issued during 2022, nevertheless, it considers the Company's revenues from January 1, 2020) continues in process and incorporates our assessment of early 2022 expert panel's opinion, which differs partially from the provision recorded in September 2021.

Total Transelec Operational Costs and Expenses as of September 30, 2022, were MCh\$94,856, a 15.5% higher than the comparison period in 2021 that reached MCh\$82,094. Total Costs and Expenses are composed by the following main items.



Sales Costs during the analysis period amounted MCh\$33,491, a 29.7% higher than the same period of 2021 (MCh\$25,814). The increase is explained by higher costs associated with higher provisions for fines and higher costs for projects not awarded which is partially offset by a higher cost for other services hired in 2021.

Administrative Expenses amounted to MCh\$21,212 in September 2022, 31.9% higher than those obtained in the same period in 2021 (MCh\$16,082). The increase is mainly explained by higher personnel costs and higher costs for projects not awarded.

Total Depreciation and Amortization as of September 30, 2022, reached MCh\$40,153, a 0.1% lower than the same period in 2021 (MCh\$40,198).

b) Non-Operating Income

The Non-Operating Income at the end of September 2022, was a loss of MCh\$121,017, a 70.6% higher than the same period of 2021 (MCh\$70,930). This is mainly explained by higher losses for indexed Assets and Liabilities, lower Other Gains and higher financial costs, partially offset by higher financial income.

The loss for Indexed Assets and Liabilities was MCh\$87,618 as of September 30, 2022. This is mainly due to a variation of 10.54% in the value of the UF during the first nine months of 2022, which mainly affects our UF bonds. In the same period of 2021, the loss was MCh\$27,280, associated to a 3.5% variation in UF value.

The Financial Income registered to September 2022 amounted to MCh\$23,545. The amount registered in the same period of 2021 was MCh\$6,639. This increase is mainly due to higher bank interests earned in local currency.

The Exchange Differences as of September 2022 result in a loss of MCh\$142, while during the same period of 2021, the balance was a profit of MCh\$332. The Exchange Differences remain limited, associated with the foreign currency hedging policy.

Financial Costs registered as of September 2022 reached MCh\$56,981, increasing by 9.8% compared to the same period of 2021 (MCh\$51,898). The increase is mainly due to higher interest payments on USD and UF bonds, and partially offset by higher interest earned on ongoing projects, due to a high number of projects in the portfolio.

Other Income, as of September 2022, were MCh\$180, while in September 2021 were MCh\$1,277. This difference is mainly explained by a higher exceptional gain due to the renewal of a swap in 2021.

c) Income tax

Income Tax as of September 30, 2022, was MCh\$17,645, decreasing by 30.9% in relation to the same period of 2021 (MCh\$25,543). This decrease in income tax expenditure is mainly explained by a decline in the company's Income before Taxes in MCh\$27,173, which directly impact on lower tax expenditure.

2. BALANCE SHEET ANALYSIS

ITEMS	September 2022 MCh\$	December 2021 MCh\$	Variation 2022/2021 MCh\$	Variation 2022/2021 %
Current assets	482.537	331.639	150.898	45,5%
Non-current assets	3.001.493	2.824.749	176.744	6,3%
Total Assets	3.484.029	3.156.388	327.641	10,4%
Current liabilities	606.271	233.561	372.710	159,6%
Non current liabilities	1.878.681	1.950.919	-72.238	-3,7%
Equity	999.077	971.908	27.169	2,8%
Total Liabilities & Equity	3.484.029	3.156.388	327.641	10,4%

The increase in Assets between December 2021 and September 2022 is explained by an increase in Current and Non-Current Assets. This increase is mostly due to higher balance in cash and cash equivalent, other financial assets non-current and Property, Plant and Equipment.

The increase in Liabilities and Equity is due to an increase in Non-Current Liabilities, which corresponds mainly to higher other financial liabilities.

Value of the Main PP&E in Operation

ASSETS	September 2022 MCh\$	December 2021 MCh\$	Variation 2022/2021 MCh\$	Variation 2022/2021 %
Land	22.071	22.071	0	0,0%
Building, Infraestructure, works in progress	1.272.611	1.270.052	2.559	0,2%
Work in progress	510.903	402.151	108.752	27,0%
Machinery and equipment	772.413	769.601	2.812	0,4%
Other fixed assets	6.173	5.812	361	6,2%
Right of use	7.857	7.857	0	0,0%
Depreciation (less)	-697.281	-658.652	-38.629	-5,9%
Total	2.592.028	1.818.892	773.136	42,5%

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million)	
					(unpaid capital)	
					September 2022	December 2021
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	4,755%	Floating	28-May-24	0,00	-

¹ Revolving Credit Facility of US\$250 million: The floating rate of 1.9616% breaks down in 3 months Libor rate plus a margin of 1.00%. As of September 30, 2022, 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	September 2022 MM\$	September 2021 MM\$	Variation 2022/2021 MM\$	Variation 2022/2021 %
Cash flows provided by (used in) operating activities	293.698	266.922	26.776	10,0%
Cash flows provided by (used in) investing activities	-169.563	-161.284	-8.279	-5,1%
Cash flows provided by (used in) financing activities	-18.808	-29.805	10.997	36,9%
Net increase (decrease) of cash and cash equivalent	105.326	75.833	29.493	38,9%
Effect of changes in the exchanges rate	1.116	1.009	107	10,6%
Net increase (decrease) of cash and cash equivalent	106.443	76.842	29.601	38,5%
Cash and cash equivalent at the beginning of the period	234.519	105.840	128.679	121,6%
Cash and cash equivalent at the end of the period	340.962	182.682	158.280	86,6%

As of September 30, 2022, cash flow from activities of the operation reached MCh\$293,698, which increased by 10% compared to the same period of 2021 (MCh\$266,922). The increase is mainly due to higher collection from sales and lower payments to suppliers.



During the same period, cash flow used in investment activities was MCh\$169,563. As of September 30, 2021, the cash flow used in investment activities was MCh\$161,284. The increase is due to higher disbursements for property, plant and equipment.

As of September 2022, the cash flow from financing activities was MCh\$18,808, while as of September 2021 it was MCh\$29,805. In both cases, it is mainly explained by the payments of dividends.

It should also be noted that, to ensure the immediate availability of funds to cover working capital needs, as of September 30, 2022, 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	September 2022	December 2021
Capitalization Ratio ¹	All local Bonds	< 0.70	0,65	0,64
Shareholder's Equity ¹ MMUF	D, H, K, M and N local Bonds	> 15.00	29,89	32,17
Shareholder's Equity ¹ MCh\$	Q local Bond and Revolving Credit Facility	> 350,000	1.024.047	996.878
Net Debt/Ebitda	Revolving Credit Facility	< 8.0x ⁴	4,99	5,26

Test	Bonds	Limit	September 2022	December 2021
Distribution Test ² FNO ³ /Financial Expenses	D, H, K, M and N local Series	> 1.50	6,51	6,64

¹Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006, and September 30, 2022, 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.

⁴Revolving Credit Facility Covenant Limit was renegotiated in May 2021, from 7.0x to 8.0x.

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

RATIOS		September 2022	December 2021	Variation 2022/2021
Profitability¹				
Shareholders' Equity profitability ²	(%)	12,1%	10,6%	150 pbs
Assets profitability ³	(%)	3,5%	3,3%	20 pbs
Operating assets profitability ⁴	(%)	4,7%	5,7%	-100 pbs
Earnings per share ⁵	(\$)	39.474	58.750	-32,8%
Liquidity & Indebtedness				
Current Ratio	(times)	0,80	1,42	-43,7%
Acid-Test Ratio	(times)	0,79	1,42	-44,4%
Debt to Equity	(times)	2,49	2,25	10,7%
Short term debt/Total debt	(%)	24,4%	10,7%	1370 pbs
Log term debt/Total debt	(%)	75,6%	89,3%	-1370 pbs
Financial expenses coverage	(times)	4,00	3,53	13,3%

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 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. Finally, the purpose of the distribution sector is to carry electricity to the physical location where each end user will use this electricity.

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 28% of all the 500 kV electricity transport lines, 40% of the 220 kV lines, 90% 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 explore and operate 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.
- 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, 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 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 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 (except land-use rights, expenses and compensation, which recognize what has actually been paid), 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%, plus the Costs of Operation, Maintenance and Administration (COMA), adjusted by income taxes.

The Transmission Law establishes a transitory 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 and that were concluded prior to the publication of enactment of the law N°20.936, year 2016, will apply the same general rules for calculating the payment of the trunk transmission with some adjustments. These adjustments provide for a progressive reduction in the injection tolls paid by generators to the transmission companies, according to a proportion defined in the Transitional Article 25 of the Transmission Law, with the aim that these amounts will gradually be transferred to the single charge of transmission, which is paid by the end customers of the system.

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 four-year period 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 the third quarter of 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. 199 dated March 25, 2022, approving the Final Technical Report with the valorization of transmission systems facilities for the quadrennium 2020-2023, now it remains to wait for the review of the Office of the General Comptroller of the Republic, so that the Ministry can subsequently promulgate the corresponding Decree.

In the other hand, in relation to the state of catastrophe due to COVID19, on Saturday, 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 establishes 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 February 11, 2022, Law 21.423 was published, regulating the apportionment and payment of debts for health and electrical services generated during the pandemic by COVID-19 and providing for subsidies to 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:

In million pesos	September 2022		December 2021	
	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	983.094	986.164	868.719	875.783
Chilean peso	2.495.387	2.492.316	2.282.636	2.275.571

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

MONTH	Average 2022 (\$)	Last Day 2022 (\$)	Average 2021 (\$)	Last Day 2021 (\$)
January	822,05	810,12	723,56	734,62
February	807,07	805,25	722,63	719,91
March	799,19	787,16	726,37	721,82
April	815,12	856,58	707,85	711,06
May	849,39	826,26	712,26	722,11
June	857,77	919,97	726,54	727,76
July	953,71	911,42	750,44	760,20
August	904,35	882,11	779,83	775,14
September	921,01	966,00	783,63	811,90
Average of the period	858,85	862,76	737,01	742,72

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 recouping 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	September	September	September	September
	2022	2022	2021	2021
	MM\$	%	MM\$	%
Enel Group	65.415	23,3%	53.590	21,8%
AES Gener Group	23.230	8,3%	31.258	12,7%
CGE Group	22.006	7,8%	25.984	10,6%
Colbún Group	19.633	7,0%	20.326	8,3%
Engie Group	16.123	5,7%	14.374	5,9%
Others	32.815	11,7%	13.391	5,5%
Total	281.290		245.614	
% Concentration	52,05%		59,25%	

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 September 30, 2022, and December 31, 2021.

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
September 30, 2022	303.869	402.253	87.556	995.774	233.570	2.023.022
December 31, 2021	67.424	360.358	389.692	923.181	336.558	2.077.215

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 September 30, 2022, and as of December 31, 2021, 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 2022 (\$)	Last Day 2022 (\$)	Average 2021 (\$)	Last Day 2021 (\$)
January	31.212,65	31.212,65	29.085,91	29.123,74
February	31.365,30	31.539,20	29.194,81	29.287,38
March	31.669,70	31.727,74	29.360,08	29.394,77
April	31.905,76	32.176,49	29.439,72	29.494,13
May	32.453,99	32.679,54	29.555,98	29.613,26
June	32.894,82	33.086,83	29.665,83	29.709,83
July	33.268,63	33.417,26	29.740,92	29.757,64
August	33.616,11	33.836,51	29.827,73	29.935,08
September	34.059,41	34.258,23	30.025,93	30.088,37
Average of the period	32.494,04	32.659,38	29.544,10	29.600,47



6.10. Other Risks

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