

Celeo Redes Operación Chile S.A.

Presale Report

Ratings

USD Senior Secured Notes	BBB-(EXP)
UF Senior Secured Notes	A+(cl)
UF Line	A+(cl)

Rating Outlook

Stable

Ratings Rationale

Summary: Fitch Ratings expects to assign a 'BBB-' rating to the Senior Secured Notes of Celeo Redes Operación Chile S.A. (Celeo) for up to USD359.2 million, due in 2047. The Rating Outlook is Stable. The Notes are supported by the cash flow generation of three electric transmission line decrees. The International Notes will coexist in a pari passu basis with the Chilean Local Senior Secured Notes for up to UF5.4 million (rated A+(cl)/Stable) that will be placed in the local market.

The rating reflects Celeo's mixed revenue profile, which is predominantly availability-based and with a strong pool of off-takers with fixed prices during the first 20 years of two decrees, followed by a second phase of regulated tariffs. These are recalculated every four years, somewhat exposing the transaction to price risk. Off-take risk is favorably viewed as a systemic risk and commensurate with Chile's sovereign rating (A+/Negative). Operations are performed by an experienced operator, while cost is highly predictable and represents a relatively small portion of revenues.

All-cost break-even, expressed as a multiple of a minimum realistic outside cost (ROC) of 5% (applied to stronger projects in the absence of detailed analysis by the technical advisor) is 34x, deemed very strong for this type of project. Fitch's rating case shows stable debt coverages, with minimum and average debt service coverage ratios (DSCR) of 1.19x and 1.25x, respectively. These metrics, when considered in light of the project's hybrid revenue profile, are consistent with Fitch's applicable criteria. Break-even runs with respect to the underlying assumptions, which will drive the calculation of future readjusted tariffs, show the project can withstand significant stresses in future investment values, providing additional comfort to the ratings.

Key Rating Drivers

Completion Risk Not a Concern (Completion Risk: Stronger): The construction of Charrúa Transmisora de Energía S.A. (Chate), the only one out of the three transmission lines that is not yet operational, is currently 95% complete, with mostly construction and installation activities of the line remaining. The independent engineer (IE), Black & Veatch, believes the current expected commercial operation date (COD) of September 2017 is reasonable and does not expect further delays or budget overruns. Fitch's view that the likelihood of the engineering, procurement and construction (EPC) contractor stopping operations within this timeframe is remote should alleviate concerns with respect to EPC contractor's unknown credit quality. Additional comfort is provided by available liquidity within the project.

Mixed Revenue Profile, Strong Counterparty (Revenue Risk: Midrange): Alto Jahuel Transmisora de Energía S.A. Circuit 1 (AJTE C1) and Chate benefit from 20 years of fixed prices and tariffs indexed to inflation until 2036 and mid-2037, respectively. They will then join Alto Jahuel Transmisora de Energía S.A. Circuit 2 (AJTE C2) into a tariff readjustment mechanism, where the tariff values will be reset every four years according to the results of an independent trunk transmission study. At every reset date, tariffs will be set according to the estimated costs of building and operating a new transmission line in that point in time. Although some price risk is present, the calculation of future tariffs will depend mostly on inflation-linked components and, on a more limited basis, on volatile commodity prices. Off-takers comprise a

Related Criteria

[Rating Criteria for Availability-Based Projects \(July 2016\)](#)

[Rating Criteria for Infrastructure and Project Finance \(July 2016\)](#)

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large pool of generators and distributors in the Chilean energy market. Off-take risk is favorably viewed as a systemic risk, commensurate with Chile's sovereign risk.

Cost Risk — Stronger: Cost risk was assessed as 'Stronger' based on the following cost-risk sub-factors:

Low Complexity Operations (Scope Risk: Stronger): The level of complexity of operations is considered low, with mostly minor maintenance and simple operational activities. Similarly, life-cycle costs (LCC) are expected to be low and evenly spread throughout the debt's term, given the assets' estimated long life.

Experienced Operator (Cost Predictability: Stronger): The operator has a successful track record in the development, construction and operation of transmission lines. The IE, Black & Veatch, provided a detailed cost analysis report, including adequate benchmark and replacement analysis.

Fixed-Price O&M Contract (Cost Volatility and Structural Protections: Midrange): Operating expenses are managed through a fixed-price O&M contract, with inflation-linked fees and limited deduction pass-through. The structure provides additional protection through a three-month O&M reserve.

Mostly Flat DSCRs (Debt Structure: Midrange): Notes are senior, fully amortizing and benefit from robust lock up requirements, that accelerate deleveraging of the project in a downside tariff reset scenario. Issuance comprises two different notes, one denominated in USD and the other in Unidades de Fomento (UF). High visibility of revenues and operating expenses allow for each instrument to be sized according to expected denomination proportions of cash available for debt service (CFADS). Notes benefit from a six-month debt service reserve account (DSRA). A tailored amortization schedule yields mostly flat DSCRs, slightly decreasing in the last 10 years as consequence of the severe stress applied to regulated tariffs.

Metrics: Fitch's rating case shows minimum and average DSCRs of 1.19x and 1.25x, respectively. Although metrics could be in line with a higher rating according to applicable criteria, the rating is constrained to 'BBB-' due to the transaction's exposure to tariff resets.

Peers: There are no local transactions rated by Fitch comparable to Celeo. Celeo's closest peer in the region is ABY Transmission Sur (ABYTS), a Peruvian transmission line rated 'BBB+' ROS. Celeo's rating case average DSCR of 1.25x is weaker than ABYTS's 1.44x. Both projects have midrange assessments for revenue risk, although ABYTS revenue profile is more predictable. Celeo has a stronger cost risk profile, while ABYTS's debt structure is stronger than Celeo's.

Rating Sensitivities

Positive rating action could occur if there is a reduction in Fitch's perception of risk associated with future tariff readjustments. However, a negative rating action could result from underperformance due to unavailability penalties or costs overruns, causing DSCR coverage levels below base case projections.

Project Overview

Celeo Redes, S.L. (Sponsor) is the platform through which Elecnor S.A. owns and operates its transmission systems. Celeo Redes, S.L. has been active in Brazil and Chile for 14 and six years, respectively.

The purpose of the issuance is mainly to refinance the issuer's existing debt at the project levels of a portfolio of transmission line assets, which will extend the issuer's maturity profile and support future transmission investments. The transaction includes protections that are typically seen in project finance, including excess cash flow distribution restrictions and additional indebtedness.

The portfolio consists of 454km of regulated trunk transmission lines located in the Central Interconnected System (SIC) of Chile. The assets were part of awarded decrees, designed to provide stable, regulated, inflation-adjusted cash flows, to facilitate and ensure the construction and operation of a critical component of the electricity sector.

Celeo is based in Chile and owns three subsidiaries: AJTE C1 and AJTE C2, Chate, and Diego de Almagro Transmisora de Energia S.A. (DATE), through two different formats: restricted and unrestricted subsidiaries. Only the restricted subsidiaries (AJTE and Chate) are part of the security package for the rated notes. AJTE C1 and AJTE C2 are already in operational stage, while Chate has its first circuit currently in advanced stage of completion (95%) and is expected to reach COD in September 2017.

DATE is currently not included in the security package, as it is an unrestricted subsidiary with the purpose of protecting the structure from additional construction risks. Once DATE starts operations (possibly in 2019) it could be converted to a restricted subsidiary and incorporated into the package. Additional cash flows from DATE could support additional debt, subject to certain conditions, including the affirmation of existing ratings by Fitch.

Project Summary

Project Summary Data		Financial Summary Data	
Project Type	Energy	Instruments	UF Line for up to UF8.0m. UF Senior Secured Notes for up to UF5.4m due 2047. USD Senior Secured Notes for up to USD359.2m due 2047.
Location	Chile	Amortization Profile	Amortizes completely with a fixed mandatory schedule.
Status	Availability	Dividend Distribution Triggers	From 2017 to 2035: DSCR greater than 1.15x during 12 historical and projected months. From 2036 to 2047: DSCR greater than 1.15x during 12 historical months and greater than 1.20x during 12 projected months.
Decree Maturity	Indefinite		
Grantor	Ministerio de Energía		
Applicable Regulation	Chilean Law		
Off-taker	Pool of Distributors and Generators		
Contractor (Chate)	Elecnor Chile, S.A. (Parent guarantee from Elecnor S.A.)		
Operator	Celeo Redes Chile Limitada		
Sponsor	Celeo Redes, S.L.		
Independent Engineer	Black & Veatch		
Auditor	KPMG		

DSCR – Debt service coverage ratio.
Source: Fitch, with information provided by Celeo Redes Operación Chile.

Project Analysis

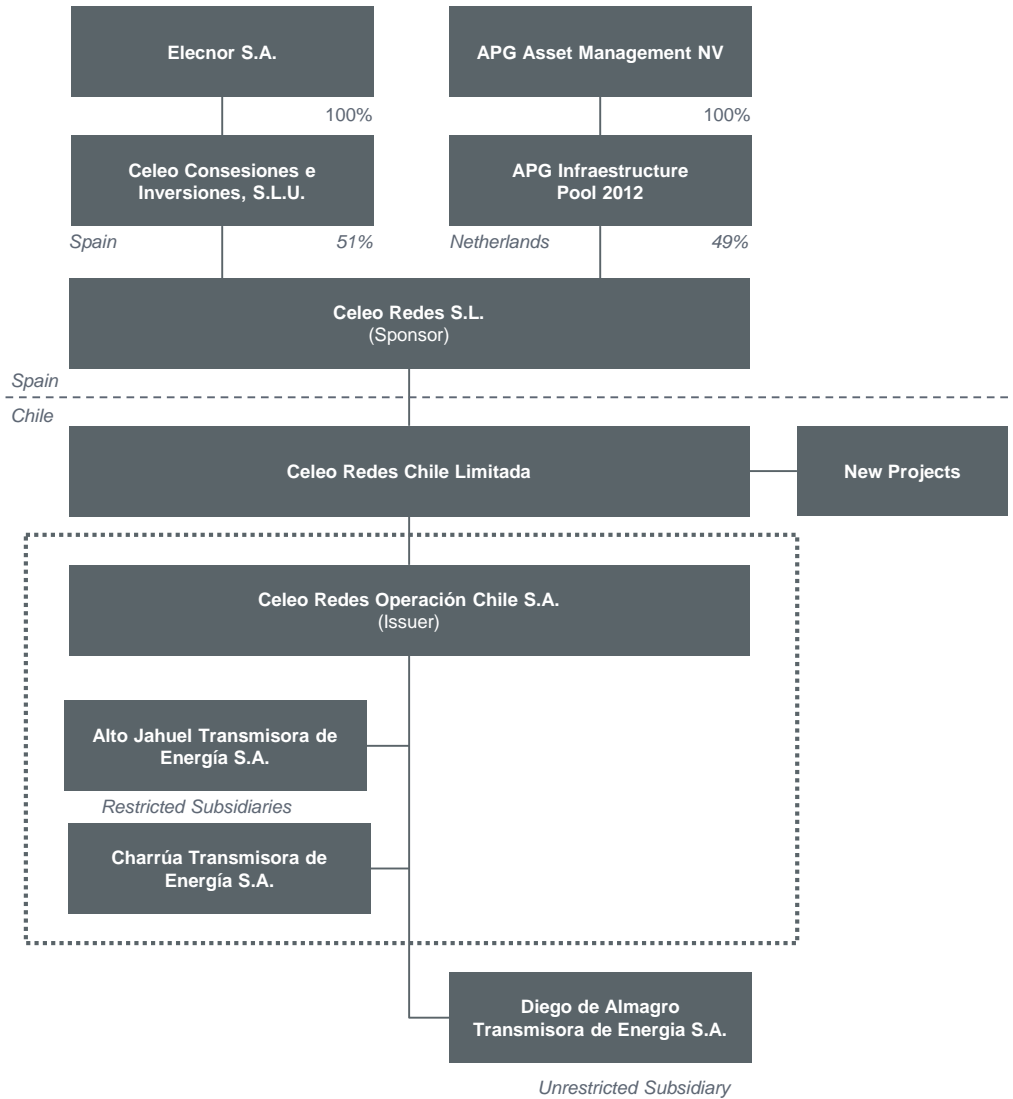
Ownership and Sponsors

Celeo is a company indirectly owned by Celeo Redes, created in June 2011 by Elecnor. APG Asset Management NV (APG) acquired its participation in September 2014.

Elecnor is a Spanish global corporation with presence in 53 countries worldwide, and is one of the leading companies in electricity generation, transportation, telecom, gas, facilities and other infrastructure sectors. Through the subsidiary Celeo Redes S.L. and together with partners APG, they are amongst the leading developers of electricity transmission projects in Brazil and Chile.

APG Asset Management NV (APG) is a Dutch pension capital investor responsible for over 400 billion euros, focusing on long-term, stable investments in tangible assets located in regulated infrastructure sectors.

Organizational Chart — Celeo Redes Operación Chile S.A.



Source: Celeo Redes.

Assets' Characteristics

The project will receive revenues generated from the operation of the following two transmission lines, one of which is composed of two circuits:

AJTE C1

In April 2010 Celeo Redes was awarded a decree, through a public tender process, for the financing, construction, and operation of a 500kV trunk transmission line in the SIC of Chile, connecting the Alto Jahuel and Ancoa substations. The 256km line had a construction cost of USD229.7 million and began operations in September 2015.

AJTE C2

In August 2013 the Energy Ministry adjudicated to Celeo Redes the mandatory expansion of the Alto Jahuel-Ancoa transmission line. The construction cost was USD92 million and it was completed in January 2016.

Chate

In February 2013 Celeo Redes was awarded a decree, through a public tender process, for the financing, construction and operation of a 500kV trunk transmission line in the SIC of Chile, connecting the Charrúa and Ancoa substations. The 198km line has an estimated construction cost of USD158 million, excluding development and financial costs. According to Black & Veatch, the construction had a 95% advance as of March 2017. It is estimated the line will reach COD in September 2017, five months before the contractual deadline. The decree does not include the construction of the second circuit of Chate; however, the grantor could adjudicate it to Celeo Redes in a similar way as AJTE C2.

Counterparty Risk

The source of debt service payments will be composed by the revenues generated by the operation of the described assets, and will be provided by a large pool of off-takers, including generation and distribution companies in the electric market of Chile. Counterparty risk is viewed favorably by Fitch as a systemic risk, since the default by any given individual buyer would represent its removal from the pool, and the rest of the pool members would assume its responsibilities and obligations.

Construction Risk

Fitch believes the advanced stage of completion of the construction project, the short period of time remaining until expected COD (less than six months), as well as implicit embedded liquidity in the revenue stream of the already operational projects, all contribute to the view completion risk should not constrain the achievable rating level.

Cost Risk

Cost risk is limited due to the presence of an O&M contract with Celeo Redes Chile Limitada, with a fixed price adjustable by inflation that covers operation and preventive maintenance activities of the assets. The contract's term is five years and has automatic renewals.

Chilean regulation establishes a minimum availability level of 99.85% of the lines. If the operator fails to maintain operational availability, a discount will be applied to the O&M fee

equivalent to any lost revenues incurred by the project. The discount will have a cap of 50% of a monthly fee, and any excess discount will be passed over to the subsequent period. The limit of discounts will be 12.5% of the annual O&M fee.

Black & Veatch believes the O&M activities identified in the O&M Plan appear typical for transmission projects of this type, and if implemented as planned, the O&M Plan should ensure that the portfolio will operate safely and reliably and within applicable codes and standards

Fitch believes cost risk is low due to the minor complexity of operational activities, as well as low maintenance requirements of the assets. Additionally, the IE report provides a thorough benchmark and operator replacement analysis.

Revenue Risk

The transmission projects follow an availability-based revenue framework, where payments are received without considering actual electrical volume throughput. The projects will receive monthly tariff revenues as compensation for asset construction and operation. The tariff is composed of two elements. The first is called the investment value annuity (AVI) and the second the operating, maintenance and administrative expenses (COMA). Both are indexed to inflation and are determined based on the investment value (VI) of the project, which represents the incurred cost of construction.

The tariffs can either be paid through a structure of 20 years of fixed prices, or through a resettable tariff structure. In the resettable tariff structure, the value for the AVI and COMA is recalculated every four years based on the results of a trunk transmission infrastructure study made by the regulator, which aims to estimate the cost of constructing a new transmission line in that point in time.

Tariffs can be calculated according to two different modes. They can be fixed for a period of 20 years (fixed-price mode) or they can be fixed for four-year periods (resettable price mode). With both modes, tariffs are adjusted regularly with inflation.

The fixed-price mode is adjudicated during the initial bidding process of the decree. The VI, AVI and COMA are auctioned, determined and fixed for 20 years. Since the VI is determined through a competitive process, it is possible that in the fixed price mode the VI ends up being different from actual construction costs.

In the resettable price mode, the AVI and COMA are fixed for an initial four-year period. Afterwards, tariffs are re-calculated according to the results of an independent transmission study that tries to determine the cost of constructing and operating a transmission line, if it needed to be rebuilt in that point in time. The main factor that affects the tariff value is inflation, and in a lower degree, the prices of commodities such as aluminum, copper, zinc and steel. The fact tariffs will be re-calculated every four years according to unknown factors elevates revenue risk for transmission lines that operate under this mode.

The AVI payment component can be denominated either in Chilean pesos, U.S. dollars or a mix of both, depending on how it is determined during the decrees' bidding process. The COMA component is only denominated in pesos.

AJTE C1 and Chate will begin under the fixed-price mode, and once the 20-year period is over, they will pass on to the resettable price mode. AJTE C2 will only operate under the resettable price mode.

Chilean regulation establishes a minimum availability requirement of 99.85%. AJTE C1 and C2 have historical availability levels that exceed the requirements, and the main reason for unavailability periods is due to external causes.

Infrastructure Development and Renewal

Transmission line equipment can be expected to have useful lives of 40 years (for equipment subject to changes in loading and frequency of operations, such as circuit breakers, transformers and switched) and 60 years (for equipment more static in nature, such as steel structures, conductors or foundations) if properly maintained and operated. The equipment that has a shorter life of about 3–5 years is generally limited to lower cost items, such as batteries and intelligent electronic devices. Black & Veatch believes the portfolio should be able to achieve a service life of 60 years or longer. Maintenance procedures will be re-evaluated by the operator on an annual basis and scheduled on a monthly basis.

Mandatory Capex

The decrees allow the grantor to adjudicate mandatory capex directly to Celeo Redes, without going through a competitive bidding process. Mandatory investments are usually small in size (less than USD10 million), simple, and are usually related to expansions of the original assets.

However, in decrees where a line with capacity for two circuits is installed, the second circuit can get adjudicated by means of mandatory capex. AJTE C2 was adjudicated by this manner, and there is a possibility Chate's second circuit is requested by the grantor in the future. In case of being adjudicated mandatory capex of significant size, Celeo Redes has the option of financing the works with additional debt, which is subject to additional indebtedness conditions detailed in the debt structure section.

Early Termination Risk

The Energy Ministry has the faculty to terminate any decree based on investigations performed by the Independent Coordinator of the National Electric System. The termination should be justified by a breach in a decree obligation, and not arbitrary. There is no precedent for decree termination by the Energy Ministry in Chile. The termination of any given decree would not affect the other decrees.

Debt Structure

Notes Structure

Legal Seniority	Senior
Amount	USD Notes: Up to USD359.2 million/UF Notes: Up to UF5.4 million
Legal Maturity	June 2047
Term	30 Years
Interest Payments	USD Notes: Biannual fixed rate in USD/UF Notes: Biannual fixed rate in UF
Principal Amortizations	Biannual with mandatory fixed schedule

Source: Information from the entity, Fitch calculations.

Main Terms and Conditions

Issuances: Both the USD denominated notes and the UF denominated notes will coexist in a pari-passu basis.

Waterfall: The cash waterfall begins with the payments to the trustee and debt agents; the funding of the O&M reserve account; general and administrative expenses; interest and principal payments; funding of the debt service reserve account; and distributions.

Debt Service Reserve Account: Six months of interest and principal.

Operation and Maintenance (O&M) Reserve Account: Three months of expenses.

Cash Distribution: Excess cash can be distributed if the DSCR is higher than 1.15x during 12 historical and projected months from 2017 to 2035. From 2036 to 2047, cash can be distributed if the 12-month historical DSCR is higher than 1.15x and the 12-month projected DSCR is higher than 1.20x.

Additional Indebtedness: Additional debt can only be used for mandatory capex related to a decree, or in case that DATE (or any other operational asset) is converted into a restricted subsidiary. In both cases, a series of conditions must be met. A rating reaffirmation from Fitch considering the effects of the additional leverage is required when additional debt exceeds USD25 million.

Mandatory Prepayments: Trapped cash that remains inside the structure for two consecutive years must be used to prepay debt. Starting from 2036, the condition is reduced to only one year.

Use of Proceeds: The proceeds from the issuance of both tranches will be used primarily for the refinancing of existing debt, to fund the reserves, and to cover placement costs. Remaining cash will be distributed to the sponsor by the issuer.

Financial Analysis

Fitch's base case assumes Chilean inflation at 2.9% in 2017 and 3.00% onwards, and U.S. inflation at 2.30% in 2017, 2.40% in 2018 and 2.50% onwards, throughout the life of the Senior Secured Notes. It also considers opex as proposed in the issuer's model. Additionally, it assumes an 8% stress applied to sponsor's investment values used to project regulated tariff levels, as well as no unavailability penalties nor a delay in Chate's construction. The results of Fitch's base case show minimum and average DSCRs of 1.22x and 1.28x, respectively, and a loan life coverage ratio (LLCR) of 1.30x.

Fitch's rating case assumes the same inflation levels as the base case. It considers opex as proposed in the issuer's model, plus a 5% stress, assumed as ROC. Additionally, it assumes a 15% stress applied to sponsor's investment values used to project regulated tariff levels, as well as 1% of unavailability penalties and no delay in Chate's construction. The results of Fitch's base case show minimum and average DSCRs of 1.19x and 1.25x, respectively, and a LLCR of 1.26x.

Fitch's break-even scenarios show an all-cost break-even of 169%, reflecting strong resilience to cost increases. The structure can also withstand, in independent scenarios, 16 months of delay in Chate's construction, 21% of unavailability penalties per year and a stress of 25% stress applied to sponsor's investment values used to project regulated the tariff levels. Overall, the structure is strong enough to withstand significant stresses to key variables.

Appendix A: Fitch Base Case

Min DSCR	1.22	LLCR	1.30	WACC (%)	5.90		
Avg DSCR	1.28	Debt/CFADS	13.32	Cash Deficit	—	First Phase	Second Phase
						Min DSCR	1.22
						Avg. DSCR	1.28
						Debt/EBITDA	13.32
						Min DSCR	1.28
						Avg. DSCR	1.29
						Debt/EBITDA	5.58

Fitch Base Case	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
AJTE Revenues	31,629	27,201	27,845	35,127	36,008	36,911	37,836	30,602	31,216	32,003	32,809	33,377	34,218	33,707	28,279
Chate Revenues	3,530	23,307	15,594	16,003	16,450	16,861	17,262	17,600	18,042	18,495	18,960	19,436	19,924	20,425	20,937
Total Revenues	35,158	50,508	43,439	51,130	52,458	53,771	55,098	48,202	49,258	50,498	51,769	52,814	54,143	54,131	49,217
Opex	(454)	(450)	(436)	(447)	(458)	(470)	(482)	(494)	(506)	(519)	(532)	(545)	(558)	(572)	(587)
VAT Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CFADS	34,694	50,034	42,978	50,658	51,974	53,275	54,590	47,680	48,724	49,951	51,208	52,239	53,553	53,527	48,597
Interests and WHT	(18,484)	(28,549)	(28,202)	(28,094)	(27,832)	(27,507)	(27,118)	(26,710)	(26,398)	(26,032)	(25,599)	(25,094)	(24,511)	(23,845)	(23,139)
Amortization	(0)	(10,211)	(5,986)	(11,562)	(12,783)	(14,065)	(15,435)	(10,462)	(11,490)	(12,746)	(14,088)	(15,524)	(17,060)	(18,700)	(15,278)
Total Debt Service	(18,484)	(38,760)	(34,189)	(39,656)	(40,614)	(41,572)	(42,552)	(37,172)	(37,888)	(38,777)	(39,687)	(40,618)	(41,571)	(42,545)	(38,417)
Prepayments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash Deficit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	(3,700)	(13,493)	(14,986)	(10,675)	(11,931)	(13,345)	(14,802)	(16,123)	(17,659)	(18,988)	(20,426)
DSCR	—	1.29	1.26	1.28	1.28	1.28	1.28	1.28	1.29	1.29	1.29	1.29	1.29	1.26	1.26
LLCR	1.30	1.31	1.31	1.32	1.32	1.32	1.33	1.32	1.32	1.33	1.33	1.33	1.33	1.34	1.34
Debt/EBITDA	26.73	13.77	13.32	11.29	10.88	10.48	10.06	11.30	10.95	10.55	10.13	9.75	9.31	8.86	8.39
Debt/CFADS	16.58	11.55	13.32	11.29	10.89	10.48	10.07	11.31	10.95	10.55	10.14	9.76	9.32	9.09	9.72
USD Debt Init. Bal.	359,150	359,150	353,082	351,277	349,626	347,336	344,387	340,727	336,351	331,308	325,392	318,539	310,679	301,739	291,640
USD Debt End Bal.	359,150	353,082	351,277	349,626	347,336	344,387	340,727	336,351	331,308	325,392	318,539	310,679	301,739	291,640	282,465
UF Debt Init. Bal.	216,077	218,547	219,515	220,686	216,231	211,080	205,174	198,456	197,294	195,739	193,761	191,325	188,397	184,938	180,908
UF Debt End Bal.	218,547	219,515	220,686	216,231	211,080	205,174	198,456	197,294	195,739	193,761	191,325	188,397	184,938	180,908	179,286
USD DSRA															
Init. Bal.	11,421	11,421	11,361	11,229	11,491	11,748	12,011	12,280	12,554	12,835	13,122	13,416	13,716	14,022	13,409
UF DSRA Init. Bal.	3,589	5,747	5,691	8,500	8,709	8,927	9,150	6,269	6,426	6,587	6,751	6,920	7,093	7,270	6,222

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LLCR – Loan life coverage ratio. DSCR – Debt service coverage ratios. CFADS – Cash available for debt service. WACC – Weighted average cost of capital. AJTE – Alto Jahuel Transmisora de Energía S.A. Circuit 1. VAT – Value-added tax. Chate – Charrúa Transmisora de Energía S.A. WHT – Withholding tax.

Source: Fitch, based on financial model.

Appendix A: Fitch Base Case (Continued)

Fitch Base Case	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
AJTE Revenues	28,696	29,322	29,970	32,809	39,608	40,511	41,443	42,399	43,385	44,387	45,420	46,480	47,571	48,682	49,826	51,000
Chate Revenues	17,304	17,209	17,577	17,954	18,342	19,263	21,491	21,970	22,462	22,967	23,486	24,018	24,565	25,126	25,702	26,293
Total Revenues	46,000	46,531	47,546	50,763	57,950	59,774	62,935	64,370	65,847	67,354	68,906	70,498	72,136	73,808	75,528	77,294
Opex	(601)	(616)	(632)	(648)	(664)	(680)	(697)	(715)	(733)	(751)	(770)	(789)	(809)	(829)	(850)	(593)
VAT Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Taxes	—	—	—	—	—	—	—	—	—	(218)	(670)	(1,205)	(1,792)	(2,424)	(3,114)	(3,937)
CFADS	45,365	45,880	46,879	50,079	57,250	59,056	62,198	63,615	65,074	66,343	67,423	68,460	69,489	70,509	71,518	72,740
Interests and WHT	(22,543)	(22,009)	(21,501)	(20,926)	(20,130)	(19,096)	(17,943)	(16,605)	(15,126)	(13,506)	(11,749)	(9,849)	(7,800)	(5,592)	(3,217)	(665)
Amortization	(14,749)	(13,628)	(14,854)	(17,958)	(24,728)	(26,705)	(30,231)	(33,068)	(35,617)	(38,138)	(40,677)	(43,333)	(46,131)	(49,079)	(52,184)	(27,438)
Total Debt Service	(37,291)	(35,637)	(36,355)	(38,884)	(44,858)	(45,800)	(48,174)	(49,673)	(50,743)	(51,645)	(52,426)	(53,182)	(53,931)	(54,671)	(55,401)	(28,103)
Prepayments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash Deficit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	(19,982)	(20,184)	(20,455)	(17,610)	(22,084)	(22,320)	(22,852)	(22,975)	(23,124)	(23,252)	(23,438)	(23,723)	(24,007)	(24,292)	(24,577)	(83,060)
DSCR	1.22	1.29	1.29	1.29	1.28	1.29	1.29	1.28	1.28	1.28	1.29	1.29	1.29	1.29	1.29	2.59
LLCR	1.34	1.35	1.35	1.36	1.37	1.38	1.39	1.40	1.42	1.45	1.48	1.52	1.60	1.73	2.03	3.54
Debt/EBITDA	8.03	7.66	7.32	6.65	5.58	5.13	4.58	4.15	3.70	3.24	2.77	2.29	1.80	1.30	0.79	0.27
Debt/CFADS	10.18	9.84	9.43	8.62	7.30	6.73	6.02	5.47	4.90	4.31	3.72	3.10	2.46	1.80	1.10	0.38
USD Debt Init. Bal.	282,465	273,703	266,528	258,474	248,873	236,434	222,709	206,823	189,128	169,760	148,720	125,985	101,468	75,071	46,684	16,198
USD Debt End Bal.	273,703	266,528	258,474	248,873	236,434	222,709	206,823	189,128	169,760	148,720	125,985	101,468	75,071	46,684	16,198	—
UF Debt Init. Bal.	179,286	177,746	175,696	173,248	169,177	161,043	152,009	141,378	129,446	116,334	102,038	86,537	69,768	51,658	32,130	11,102
UF Debt End Bal.	177,746	175,696	173,248	169,177	161,043	152,009	141,378	129,446	116,334	102,038	86,537	69,768	51,658	32,130	11,102	—
USD DSRA Init. Bal.	13,324	11,703	11,924	12,151	13,544	13,808	14,334	14,879	15,180	15,452	15,672	15,879	16,083	16,284	16,482	16,676
UF DSRA Init. Bal.	5,866	6,100	6,235	6,373	8,792	8,992	9,405	9,830	10,060	10,270	10,448	10,618	10,788	10,956	11,122	11,287

AJTE – Alto Jahuel Transmisora de Energía S.A. Circuit 1. Chate – Charrúa Transmisora de Energía S.A. VAT – Value-added tax. CFADS – Cash available for debt service. WHT – Withholding tax. DSCR – Debt service coverage ratios. LLCR – Loan life coverage ratio.
Source: Fitch, based on financial model.

Appendix B: Fitch Rating Case

Min DSCR	1.19	LLCR	1.26	WACC (%)	5.90	First Phase			Second Phase		
Avg DSCR	1.25	Debt/CFADS	13.45	Cash Deficit	—	Min DSCR	1.21	Min DSCR	1.19		
						Avg. DSCR	1.26	Avg. DSCR	1.22		
						Debt/EBITDA	13.44	Debt/EBITDA	5.99		

Fitch Base Case	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
AJTE Revenues	31,403	26,970	27,608	34,819	35,692	36,587	37,504	30,140	30,743	31,518	32,312	32,646	33,469	34,311	28,148
Chate Revenues	3,496	23,171	15,453	15,860	16,303	16,710	17,108	17,442	17,880	18,329	18,790	19,261	19,745	20,241	20,749
Total Revenues	34,898	50,140	43,061	50,679	51,995	53,297	54,612	47,581	48,622	49,847	51,101	51,908	53,214	54,552	48,897
Opex	(467)	(463)	(450)	(461)	(473)	(484)	(497)	(509)	(522)	(535)	(548)	(562)	(576)	(590)	(605)
VAT Account Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CFADS	34,420	49,653	42,586	50,191	51,495	52,785	54,087	47,044	48,071	49,282	50,522	51,314	52,605	53,929	48,258
Interests and WHT	(18,484)	(28,549)	(28,202)	(28,094)	(27,832)	(27,507)	(27,118)	(26,710)	(26,398)	(26,032)	(25,599)	(25,094)	(24,511)	(23,845)	(23,139)
Amortization	(0)	(10,211)	(5,986)	(11,562)	(12,783)	(14,065)	(15,435)	(10,462)	(11,490)	(12,746)	(14,088)	(15,524)	(17,060)	(18,700)	(15,278)
Total Debt Service	(18,484)	(38,760)	(34,189)	(39,656)	(40,614)	(41,572)	(42,552)	(37,172)	(37,888)	(38,777)	(39,687)	(40,618)	(41,571)	(42,545)	(38,417)
Prepayments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash Deficit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	(1,987)	(13,104)	(14,583)	(10,167)	(11,404)	(12,797)	(14,234)	(15,371)	(16,877)	(18,438)	(18,753)
DSCR	—	1.28	1.25	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.26	1.27	1.27	1.26
LLCR	1.26	1.27	1.27	1.27	1.27	1.27	1.27	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.25
Debt/EBITDA	27.07	13.90	13.44	11.39	10.98	10.57	10.16	11.45	11.09	10.69	10.27	9.93	9.48	9.02	8.54
Debt/CFADS	16.71	11.63	13.45	11.40	10.99	10.58	10.16	11.46	11.10	10.69	10.28	9.94	9.49	9.02	9.79

USD Debt Init. Bal.	359,150	359,150	353,082	351,277	349,626	347,336	344,387	340,727	336,351	331,308	325,392	318,539	310,679	301,739	291,640
USD Debt End Bal.	359,150	353,082	351,277	349,626	347,336	344,387	340,727	336,351	331,308	325,392	318,539	310,679	301,739	291,640	282,465
UF Debt Init. Bal.	216,077	218,547	219,515	220,686	216,231	211,080	205,174	198,456	197,294	195,739	193,761	191,325	188,397	184,938	180,908
UF Debt End Bal.	218,547	219,515	220,686	216,231	211,080	205,174	198,456	197,294	195,739	193,761	191,325	188,397	184,938	180,908	179,286
USD DSRA Init. Bal.	11,421	11,421	11,361	11,229	11,491	11,748	12,011	12,280	12,554	12,835	13,122	13,416	13,716	14,022	13,409
UF DSRA Init. Bal.	3,589	5,747	5,691	8,500	8,709	8,927	9,150	6,269	6,426	6,587	6,751	6,920	7,093	7,270	6,222

Continued on next page.

LLCR – Loan life coverage ratio. DSCR – Debt service coverage ratios. CFADS – Cash available for debt service. WACC – Weighted average cost of capital.. AJTE – Alto Jahuel Transmisora de Energía S.A. Circuit 1. VAT – Value-added tax. Chate – Charrúa Transmisora de Energía S.A. WHT – Withholding tax.

Source: Fitch, based on financial model.

Appendix B: Fitch Rating Case (Continued)

Fitch Base Case	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
AJTE Revenues	27,927	28,533	29,162	31,347	36,099	36,915	37,756	38,620	39,511	40,417	41,350	42,308	43,295	44,299	45,334	46,395
Chate Revenues	17,865	17,065	17,428	17,802	18,186	18,664	19,522	19,952	20,393	20,846	21,312	21,790	22,281	22,785	23,302	23,833
Total Revenues	45,792	45,598	46,590	49,150	54,285	55,578	57,279	58,572	59,904	61,263	62,662	64,098	65,575	67,084	68,636	70,229
Opex	(620)	(636)	(651)	(668)	(684)	(702)	(719)	(737)	(756)	(774)	(794)	(814)	(834)	(855)	(876)	(609)
VAT Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Taxes	—	—	—	—	—	—	—	(62)	(293)	(699)	(1,155)	(1,655)	(2,205)	(2,796)	(3,443)	(4,223)
CFADS	45,137	44,927	45,902	48,444	53,562	54,837	56,519	57,731	58,813	59,745	60,668	61,583	62,489	63,384	64,267	65,372
Interests and WHT	(22,543)	(22,009)	(21,501)	(20,926)	(20,130)	(18,596)	(17,474)	(15,680)	(14,283)	(12,754)	(11,094)	(9,301)	(7,365)	(5,280)	(3,038)	(628)
Amortization	(14,749)	(13,628)	(14,854)	(17,958)	(24,728)	(26,006)	(29,440)	(31,226)	(33,633)	(36,014)	(38,411)	(40,919)	(43,561)	(46,345)	(49,277)	(25,909)
Total Debt Service	(37,291)	(35,637)	(36,355)	(38,884)	(44,858)	(44,603)	(46,914)	(46,906)	(47,916)	(48,768)	(49,506)	(50,220)	(50,927)	(51,625)	(52,315)	(26,537)
Prepayments	—	—	—	—	(10,395)	—	(10,291)	—	—	—	—	—	—	—	—	—
Cash Deficit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	(19,962)	(19,106)	(19,448)	(15,920)	—	(19,572)	—	(20,483)	(20,300)	(20,450)	(20,655)	(20,859)	(21,062)	(21,264)	(21,463)	(76,812)
DSCR	1.21	1.26	1.26	1.25	1.19	1.23	1.20	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	2.46
LLCR	1.25	1.25	1.24	1.24	1.25	1.28	1.29	1.34	1.36	1.38	1.41	1.46	1.53	1.65	1.95	3.42
Debt/EBITDA	8.21	7.83	7.48	6.88	5.99	5.40	4.92	4.33	3.86	3.38	2.89	2.39	1.88	1.36	0.82	0.28
Debt/CFADS	10.23	10.05	9.63	8.91	7.80	7.06	6.46	5.70	5.11	4.52	3.90	3.26	2.59	1.89	1.16	0.39
USD Debt Init. Bal.	282,465	273,703	266,528	258,474	248,873	230,251	216,885	195,301	178,592	160,303	140,435	118,966	95,816	70,889	44,084	15,295
USD Debt End Bal.	273,703	266,528	258,474	248,873	230,251	216,885	195,301	178,592	160,303	140,435	118,966	95,816	70,889	44,084	15,295	—
UF Debt Init. Bal.	179,286	177,746	175,696	173,248	169,177	156,831	148,034	133,503	122,235	109,853	96,354	81,716	65,882	48,780	30,340	10,484
UF Debt End Bal.	177,746	175,696	173,248	169,177	156,831	148,034	133,503	122,235	109,853	96,354	81,716	65,882	48,780	30,340	10,484	—
USD DSRA Init. Bal.	13,324	11,703	11,924	12,151	13,544	13,447	13,959	14,050	14,334	14,591	14,799	14,995	15,187	15,377	15,564	15,747
UF DSRA Init. Bal.	5,866	6,100	6,235	6,373	8,792	8,757	9,159	9,283	9,500	9,698	9,866	10,027	10,187	10,345	10,503	10,658

AJTE – Alto Jahuel Transmisora de Energía S.A. Circuit 1. Chate – Charrúa Transmisora de Energía S.A. VAT – Value-added tax. CFADS – Cash available for debt service. WHT – Withholding tax. DSCR – Debt service coverage ratios. LLCR – Loan life coverage ratio.
Source: Fitch, based on financial model.

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