Consolidated Financial Statements

TRANSELEC S.A. Y FILIALES

Santiago, Chile
December 31, 2013

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2013 and December 31, 2012

(Translation of the Financial Statements originally issued in Spanish)

US$	:	US Dollars
ThUS$	:	Thousands of US Dollars
$	:	Chilean Pesos
UF	:	Unidades de Fomento
ThCh$	:	Thousands of Chilean Pesos

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Independent Auditor's Report

(Translation of the report originally issued in Spanish)

Shareholders and Directors
Transelec S.A.

We have audited the accompanying consolidated financial statements of Transelec S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transelec S.A. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Oscar Gálvez R.

ERNST & YOUNG LTDA.

Santiago, Chile
February 26, 2014

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
As of December 31, 2013 and 2012
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	December 31, 2013 ThCh$	December 31, 2012 ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	52,421,991	37,955,954
Other financial assets	(9)	846,299	669,329
Other non-financial assets		8,992,031	8,566,618
Trade and other receivables	(6)	62,150,784	49,387,085
Receivables from related parties	(7)	84,160,856	92,649,357
Inventory	(8)	23,059	28,301
Current tax assets		855,741	142,823
Total current assets		209,450,761	189,399,467
NON-CURRENT ASSETS			
Other financial assets	(9)	11,021,506	10,552,218
Other non-financial assets		36,655,699	26,429,971
Receivables from related parties	(7)	163,321,244	69,581,888
Intangible assets other than goodwill	(10)	159,218,351	153,819,655
Goodwill	(10)	342,214,791	341,932,540
Property, plant and equipment	(11)	1,255,377,289	1,192,304,899
Deferred tax assets	(12)	2,121,696	15,608,137
Total non-current assets		1,969,930,576	1,810,229,308
Total Assets		2,179,381,337	1,999,628,775

The accompanying notes number 1 to 30 form an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
As of December 31, 2013 and 2012
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	Note	December 31, 2013 ThCh$	December 31, 2012 ThCh$
CURRENT LIABILITIES			
Other financial liabilities	(13)	167,464,383	66,944,053
Trade and other payables	(14)	72,573,645	89,427,302
Current provisions for employee benefits	(17)	7,683,227	6,833,923
Other non-financial liabilities		1,117,476	15,014,843
Total current liabilities		248,838,731	178,220,121
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	983,286,832	892,127,370
Payables to related parties	(7)	40,343,274	36,947,376
Deferred tax liabilities	(12)	9,257,520	8,199,053
Non-current provisions for employee benefits	(17)	3,491,273	3,237,935
Other non-financial liabilities		7,068,059	3,925,430
Total non-current liabilities		1,043,446,958	944,437,164
Total liabilities		1,292,285,689	1,122,657,285
EQUITY			
Paid-in capital	(19)	857,944,548	857,944,548
Retained earnings		22,367,938	17,200,259
Other reserves	(19)	6,779,254	1,823,280
Total equity attributable to owners of the parent		887,091,740	876,968,087
Non-controlling interest		3,908	3,403
Total equity		887,095,648	876,971,490
Total Equity and Liabilities		2,179,381,337	1,999,628,775

The accompanying notes number 1 to 30 form an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	2013 ThCh$	2012 ThCh$
Consolidated statement of comprehensive income by function			
Operating revenues	(20)	219,948,737	213,492,394
Cost of sales	(21)	(71,986,332)	(82,065,448)
GROSS MARGIN		147,962,405	131,426,946
Administrative expenses	(21)	(14,742,036)	(13,560,853)
Other gains (losses), net	(20)	3,616,801	3,779,694
Financial income	(20)	10,868,623	5,044,168
Financial expenses	(21)	(48,473,429)	(37,252,682)
Foreign exchange differences, net	(21)	(2,945,257)	(380,033)
Gain (loss) for indexed assets and liabilities	(21)	(17,256,864)	(18,799,768)
Profit Before Income Taxes		79,030,243	70,257,472
Income tax expense	(22)	(14,422,841)	(8,508,157)
Profit from continuing operations		64,607,402	61,749,315
Profit (loss) from discontinued operations		-	-
Profit (loss)		64,607,402	61,749,315
PROFIT (LOSS) ATTRIBUTABLE TO:			
Profit attributable to owners of the parent		64,606,859	61,749,093
Profit (loss) attributable to non – controlling interest		543	222
PROFIT		64,607,402	61,749,315
EARNINGS PER SHARE			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations	(23)	64,607	61,749
Basic earnings (loss) per share/diluted from discontinued operations		-	-
Basic earnings per share/diluted	(23)	64,607	61,749

The accompanying notes number 1 to 30 form an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	2013	2012
	ThCh$	ThCh$
PROFIT (LOSS)	64,607,402	61,749,315
Components of other comprehensive income, before taxes		
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	3,249,083	856,318
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	2,945,885	31,083
Income taxes related to components of other comprehensive income		
Income taxes related to components of net investment hedge	(649,817)	(217,971)
Income taxes related to components of cash flow hedge	(589,177)	(1,260)
Other comprehensive income	4,955,974	668,170
Total comprehensive income	69,563,376	62,417,485
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	69,562,833	62,417,263
Comprehensive income attributable to non-controlling interest	543	222
Total comprehensive income	69,563,376	62,417,485

The accompanying notes number 1 to 30 form an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the year ended December 31, 2013
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2013	857,944,548	1,930,573	(107,293)	1,823,280	17,200,259	876,968,087	3,403	876,971,490
Changes in equity:								
Comprehensive income:	-	-	-	-	-	-	-	-
Profit	-	-	-	-	64,606,859	64,606,859	543	64,607,402
Other comprehensive income	-	2,599,267	2,356,707	4,955,974	-	4,955,974	-	4,955,974
Total comprehensive income	-	2,599,267	2,356,707	4,955,974	64,606,859	69,562,833	543	69,563,376
Dividends	-	-	-	-	(59,064,477)	(59,064,477)	-	(59,064,477)
Increase (decrease) from transfers and other changes	-	-	-	-	(374,703)	(374,703)	(38)	(374,741)
Total changes in equity	-	2,599,267	2,356,707	4,955,974	5,167,679	10,123,653	505	10,124,158
Closing balance as of December 31, 2013 (Note 19)	857,944,548	4,529,840	2,249,414	6,779,254	22,367,938	887,091,740	3,908	887,095,648

The accompanying notes number 1 to 30 form an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the year ended December 31, 2012
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2012	857,944,548	1,292,225	(137,115)	1,155,110	61,938,528	921,038,186	3,633	921.041.819
Changes in equity:								
Comprehensive income:	-	-	-	-	-	-	-	-
Profit	-	-	-	-	61,749,093	61,749,093	222	61,749,315
Other comprehensive income	-	638,348	29,822	668,170	-	668,170	-	668,170
Total comprehensive income	-	638,348	29,822	668,170	61,749,093	62,417,263	222	62,417,485
Dividends	-	-	-	-	(106,805,778)	(106,805,778)	-	(106,805,778)
Increase (decrease) from transfers and other changes	-	-	-	-	318,416	318,416	(452)	317,964
Total changes in equity	-	638,348	29,822	668,170	(44,738,269)	(44,070,099)	(230)	(44,070,329)
Closing balance as of December 31, 2012 (Note 19)	857,944,548	1,930,573	(107,293)	1,823,280	17,200,259	876,968,087	3,403	876,971,490

The accompanying notes number 1 to 30 form an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	2013 ThCh$	2012 ThCh$
Cash flows provided by (used in) operating activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	265,198,808	273,222,873
Other proceeds from operating activities	10,219,015	2,296,943
Classes of payments		
Payments to suppliers for goods and services	(83,080,094)	(57,781,924)
Payments to employees	(15,535,356)	(16,506,327)
Other payments for operating activities	-	(12,760,980)
Interest paid	(40,683,436)	(36,212,662)
Income taxes paid	(932,667)	(654,893)
Net cash flows provided by operating activities	135,186,270	151,603,030
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	-	(22,266,784)
Additions of property, plant and equipment	77,465,769	16,368,120
Additions of property, plant and equipment	(98,222,861)	(102,798,093)
Cash advances and loans to third parties	(23,150,123)	(15,488,100)
Loans to related parties	(171,465,339)	-
Net cash flows used in investing activities	(215,372,554)	(124,184,857)
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from short and long term loans	339,508,871	57,002,400
Loans paid	(185,628,451)	-
Dividends paid	(59,064,700)	(106,805,778)
Payment of loans to related parties	-	(3,870,835)
Other paid	(163,399)	-
Net cash flows used in financing activities	94,652,321	(53,674,213)
Net Increase (Decrease) in Cash and Cash Equivalents	14,466,037	(26,256,040)
Cash and Cash Equivalents, at the beginning of the year (Note 5)	37,955,954	64,211,994
Cash and Cash Equivalents, at the ending of the year (Note 5)	52,421,991	37,955,954

NOTE 1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. On March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation. According to public deed dated May 9, 2007, the Company acquired 100 shares owned by Transelec Holdings Rentas Limitada, corresponding to 0.01% of the share capital of Transelec S.A. (formerly Nueva Transelec S.A.), leaving the Company with 100% ownership. Thus, the merger took place by absorption, and the assets, liabilities, rights and obligations of Transelec S.A. (formerly Nueva Transelec S.A.) passed to the Company. In this way, the Company directly assumed operation of the electricity transmission business previously conducted by the aforementioned subsidiary. On June 30, 2007, Rentas Eléctricas III S.A. changed its name to its current name, Transelec S.A. (here and after “the Company” or “Transelec”).

On May 16, 2007, the Company was listed under number 974 in the Securities Registry of the Chilean Superintendency of Securities and Insurance (SVS) and is subject to the supervision of the SVS. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

The Company is domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile. Its subsidiary, Transelec Norte S.A., is a corporation domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile. The subsidiary is registered in the Securities Register of the Superintendency of Securities and Insurance (SVS) under No. 939.

The Company’s another subsidiary Inversiones Eléctricas Transam Chile Ltda. is a limited liability company that has three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda., and Transmisora Araucana de Electricidad Ltda. The rights in Inversiones Eléctricas Transam Chile Ltda. were acquired in December 2012. The subsidiary is domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile.

The Company has the exclusive objective of operating and developing electricity systems owned by the Company or by third parties designed to transport or transmit electricity and may, for these purposes, obtain, acquire and use the respective concessions and permits and exercise all of the rights and powers that current legislation confers on electric companies. Its line of business includes: commercializing the transport capacity of lines and transformation capacity of substations and equipment associated with them so that generating plants, both Chilean and foreign, may transmit the electricity they produce to their consumption centers; providing engineering or management consulting services related to the company’s line of business; and developing other business and industrial activities to use electricity transmission facilities. The Company may act directly or through subsidiaries or affiliates, both in Chile and abroad.

The Company is controlled directly by Transelec Holdings Rentas Limitada and indirectly by ETC Holdings Ltd.

These consolidated financial statements were approved by the Board of Directors in Ordinary Meeting No.105 held on February 27, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing these consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of December 31, 2013 and applied uniformly for the years presented.

2.1 Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), considering the presentation requirements of the SVS, which are not in conflict with IFRS.

The figures in these financial statements and their notes are expressed in thousands of Chilean pesos, which is the functional currency of the Company.

For the convenience of the reader, these consolidated financial statements and their accompanying notes have been translated from Spanish to English.

In preparing these financial statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. Management was also required to exercise judgment in applying Transelec's accounting policies. Areas involving a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for these financial statements are described in Note 4.

The information contained in these financial statements is the responsibility of the Company's management.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Company for the year ended December 31, 2012, except for the adoption of new standards and interpretations in effect as of January 1, 2013.

The Group applies, for the first time, certain standards and amendments that require – in principle – restatement of previous financial statements. These include IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IAS 19 (Revised 2011) "Employee Benefits", etc. In the Company´s case these new rules had no impact requiring the restatement of the previously issued financial statements. Several other new standards and amendments apply for the first time in 2013, however they do not impact the previously issued annual consolidated financial statements of the Company or these consolidated financial statements. The nature and the impact of those changes are described below.

2.1 Basis of preparation of the consolidated financial statements (continued)

IAS 1 - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss in the future (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale investments) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the financial position of the Company, in which case all items presented in other comprehensive income could be reclassified to income in the future.

IAS 1 - Clarification of the requirement for comparative information

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes.

This amendment did not have impact on the Company's financial statements.

IAS 32 - Tax effects of distributions to holders of equity instruments

The amendment to IAS 32 "Financial Instruments: Presentation" clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 "Income Taxes". The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the Company's financial statements.

IAS 19 "Employee Benefits" (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including (1) that actuarial gains and losses are now recognized in other comprehensive income and permanently excluded from profit and loss; (2) that expected returns on plan assets are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, etc. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

2.1 Basis of preparation of the consolidated financial statements (continued)

In the case of the Company, changes had no impact on prior financial statements or the financial statements as in recent years no actuarial gain or loss were recognized in income and previous accumulated effect was reclassified to retained earnings in accordance with paragraph 122 of IAS 19R. In the future actuarial gains and losses will be recognized in other comprehensive income.

IFRS 10 "Consolidated Financial Statements" and IAS 27 "Separate Financial Statements"

IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

IFRS 10 replaces the parts of previously existing IAS 27 "Consolidated and Separate Financial Statements" that dealt with consolidated financial statements and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

IFRS 11 "Joint Arrangements" and IAS 28 "Investment in Associates and Joint Ventures"

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-controlled Entities — Non-monetary Contributions by Venture's". IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of IFRS 11 had no impact on the Company's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The information about interest in other entities is disclosed in Note 2.3.

IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 "Financial Instruments: Disclosures". These disclosures are found in Note 15.

2.2 New standards and interpretations issued but not yet effective

Below is a summary of new standards and amendments to IFRS issued by the IASB that are not yet effective as of December 31, 2013.

New standards

IFRS 9 “Financial Instruments”

This standard introduces new requirements for classifying and measuring financial assets, allowing early application. It requires all financial assets to be classified in its entirety on the basis of the business model of the entity for the management of financial assets and characteristics of the contractual cash flows of financial assets.

Financial assets under this standard are either measured at amortized cost or fair value. Only assets classified as measured at amortized cost shall be tested for impairment. The effective date for IFRS 9 is not defined, although early adoption is permitted.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IFRIC 21 “Levies”

IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and was issued in May 2013. IAS 37 establishes criteria for the recognition of a liability, one of which is the requirement that the entity must have a present obligation as a result of a past event. The interpretation clarifies that this past event that gives rise to the obligation to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

The Company is currently evaluating the potential impact that the adoption of IFRIC 21 will have on its consolidated financial statements.

Improvements and modifications

IAS 32 “Financial Instruments: Presentation”

In December 2011 the IASB issued amendments to IAS 32. These amendments are intended to clarify differences in the application relating to offsetting and reduce the level of diversity in current practice. The standard is applicable for the periods beginning on or after January 1, 2014 and early adoption is permitted.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 27 “Separate Financial Statements”

The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" come from the project "Investment Entities" published in 2012. The amendments define an investment entity and introduce an exception to consolidate certain subsidiaries owned investment entities. These amendments require an investment entity to record these subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements related to investment entities in IFRS 12 and IAS 27. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IAS 36 “Impairment of Assets”

The amendments to IAS 36, issued in May 2013, are intended for the disclosure of information about the recoverable amount of impaired assets, if this amount is based on fair value less costs to sell. These changes are related to the issuance of IFRS 13 "Fair Value Measurement". The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted when the entity has applied IFRS 13.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IAS 39 “Financial Instruments: Recognition and Measurement”

The amendments to IAS 39, issued in June 2013, provide an exception to the requirement to discontinue hedge accounting in situations in which derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations.

Entities are required to apply the amendments for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IAS 19 “Employee Benefits”

The modifications to IAS 19, issued in November 2013, are applied to employee or third party contributions to defined benefit plans. The objective of the amendments is to simplify the accounting of contributions that are independent of the employee’s years of service; for example, employee contributions that are calculated according to a fixed percentage of their salary. The modification is applicable for the periods beginning on or after July 1, 2014. Its early application is permitted.

The Company is still evaluating the impact that could be generated by this modification on the financial statements.

IFRS 3 “Business Combinations”

“Annual Improvements cycle 2010–2012”, issued in December 2013, clarifies some aspects of the accounting of contingent considerations in a business combination. The IASB notes that IFRS 3 “Business Combinations” requires that the subsequent measurement of a contingent consideration be done at fair value and therefore eliminates the references to IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRS that potentially have another basis for valuation that does not constitute fair value. The reference to IFRS 9 Financial Instruments remains; however, IFRS 9 Financial Instruments is modified clarifying that a contingent consideration, whether it is a financial asset or liability, is measured at fair value with effects on income or other comprehensive income depending on the requirements of IFRS 9 “Financial Instruments”. The modification is applicable for the periods beginning on or after July 1, 2014. Its early application is permitted.

The Company is still evaluating the impact that could be generated by this modification on the financial statements.

IAS 40 "Investment Property"

"Annual Improvements cycle 2011–2013", issued in December 2013, clarifies that a judgment is required to determine whether or not the acquisition of an investment property is the acquisition of an asset, a group of assets or a business combination within the scope of IFRS 3 Business Combinations ("IFRS 3") and that this judgment is based on the guidance of IFRS 3. The IASB also concludes that IFRS 3 and IAS 40 Investment Property are not mutually exclusive and require judgment to determine whether the transaction is only the acquisition of an investment property or the acquisition of a group of assets or a business combination that includes an investment property. The modification is applicable for the periods beginning on or after July 1, 2014. Its early application is permitted.

The Company is still evaluating the impact that could be generated by this modification on the financial statements.

2.3 Basis of consolidation and business combinations

Under IFRS 10, subsidiaries are all entities over which Transelec has control. An investor controls an investee when the investor (1) has the power over the investee, (2) is exposed, or has rights, to variable returns from its involvement with the investee, and (3) has the ability to affect those returns through its power over the investee. It is considered that an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. In case of the Company, in general, the power over its subsidiaries is derived from possession of majority of the voting rights granted by equity instruments of the subsidiaries.

Subsidiaries are consolidated from the date on which control is acquired and are excluded from consolidation from the date that control ceases.

Business combinations are accounted for by applying the acquisition method. At the date of acquisition, the assets, liabilities and contingent liabilities of the subsidiary are recorded at fair value. In the event that there is a positive difference between the acquisition cost and the fair value of the assets and liabilities of the acquired entity, including contingent liabilities, corresponding to the parent's share, this difference is recorded as goodwill (see also Note 2.7.1). In the event that the difference is negative, it is recorded with a credit to income.

Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

2.3 Basis of consolidation and Business Combination (continued)

The value of non-controlling interest in equity and the results of the consolidated subsidiary are presented, respectively, under the headings "Profit (loss) attributable to non-controlling interest" in the consolidated statement of comprehensive income.

All balances and transactions between consolidated companies have been eliminated upon consolidation.

The consolidated financial statements include balances and transactions of the parent Transelec S.A. and its following subsidiaries:

Subsidiary	Country	Functional Currency	Tax ID number	Percentage of interest held December 31, 2013		Percentage of Interest held December 31, 2012	
				Direct	Indirect	Direct	Indirect
Transelec Norte S.A.	Chile	US Dollars	99.521.950-6	99.99%	-	99.99%	-
Inversiones Eléctricas Transam Chile Ltda.	Chile	US Dollars	76.384.810-8	0.101%	99.899%	0.101%	99.899%
Transmisora Huepil Ltda.	Chile	US Dollars	99.508.750-2	-	100%	-	100%
Transmisora Abenor Ltda.	Chile	US Dollars	96.728.120-4	-	100%	-	100%
Transmisora Araucana de Electricidad Ltda.	Chile	US Dollars	96.710.940-1	-	100%	-	100%

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The Company's functional currency is the Chilean peso, while the functional currency of its all subsidiaries the US dollar. These consolidated financial statements are presented in Chilean pesos.

2.4.2 Transactions and balances

Transactions carried out by each company in a currency other than its functional currency are recorded using the exchange rates in effect as of the date of each transaction. During the period, any differences that arise between the exchange rate recorded in accounting and the rate prevailing as of the date of collection or payment are recorded as exchange differences in the income statement. Likewise, as of each period end, balances receivable or payable in a currency other than each company's functional currency are converted using the period-end exchange rate. Losses and gains in foreign currency arising from settling these transactions and from converting monetary assets and liabilities denominated in foreign currency using period-end exchange rates are recorded in the income statement, except when they should be deferred in equity, such as the case of cash flow and net investment hedges.

Transelec has established a cash flow hedge policy for part of its revenues indexed to U.S. dollars. It also has a net investment hedge for its net investment in subsidiary Transelec Norte.

2.4 Foreign currency translation (continued)

2.4.3 Subsidiary conversion with functional currency other than the Chilean Peso

The conversion of the financial statements of the subsidiaries with functional currency other than the Chilean peso is performed as follows:

a) For assets and liabilities, the prevailing exchange rate on the closing date of the financial statements is used.

b) For items in the income statement, the average exchange rate for the period is used that approximates exchange rates at the dates of the transactions.

Foreign currency translation produced in the conversion of the financial statements is registered under the heading "Reserve for foreign currency translation adjustment" within Equity (see Note 19).

2.4.4 Exchange rates

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

Currency	Pesos per unit	
	December 31, 2013	December 31, 2012
Unidad de Fomento	23,309.56	22,840.75
US$	524.61	479.96
Euro	724.30	634.45

2.5 Segments reporting

The Company manages its operations based on one sole operating segment: transmission of electricity.

2.6 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost, net of accumulated depreciation and any impairment losses it may have experienced. In addition to the price paid to acquire each item, the cost also includes, where appropriate, the following concepts:

a) All costs directly related to placing the asset in the location and condition that enables it to be used in the manner intended by management.

b) Borrowing costs incurred during the construction period that are directly attributable to the acquisition, construction or production of qualified assets, which require a substantial period of time before being ready for use are capitalized. The interest rate used is that of the specific financing or, if none exists, the average financing rate of the company carrying out the investment.

c) Future disbursements that Transelec S.A. and its subsidiary must make to close their facilities are incorporated into the value of the asset at present value, recording the corresponding provision. On an annual basis both existence of such obligations as well as estimate of future disbursements are reviewed, increasing or decreasing the value of the asset based on the results of this estimate.

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

Expansion, modernization and improvement costs that represent an increase in productivity, capacity or efficiency or an extension of useful life are capitalized as a greater cost of the corresponding assets. Replacement or overhauls of whole components that increase the asset's useful life, or its economic capacity, are recorded as an increase in value for the respective assets, derecognizing the replaced or overhauled components. Periodic maintenance, conservation and repair expenses are recorded directly in income as an expense for the period in which they are incurred.

Property, plant and equipment, net of its residual value, is depreciated by distributing the cost of its different components on a straight-line basis over its estimated useful life, which is the period during which the companies expect to use them. The useful lives and residual values of fixed assets are reviewed on a yearly basis. The land has an indefinite useful life and is not depreciated. The following table details the ranges of useful lives periods applied to principal classes of assets and used to determine depreciation expense:

	Range of estimated useful life	
	Minimum	Maximum
Buildings and infrastructure	20	50
Machinery and equipment	15	40
Other assets	3	15

2.7 Intangible assets

2.7.1 Goodwill

The goodwill represents the difference between the acquisition cost and the fair value of the net assets acquired in a business combination. Goodwill is not amortized; instead, at each year end and if there are indications of impairment, the Company estimates whether any impairment has reduced its recoverable value to an amount less than the carrying amount and, if appropriate, adjusts for impairment.

For impairment testing purposes, goodwill acquired in a business combination is allocated from the date of acquisition to the cash generating units that are expected to benefit from this combination.

During the periods covered by those financial statements, there were no impairment losses of goodwill.

2.7.2 Rights of way

Rights of way are presented at historical cost. These rights have no defined useful life and, therefore, are not amortized. However, these indefinite useful lives are reviewed during each reporting year to determine if they remain indefinite. These assets are tested for impairment at each year end and if there are indicator of impairment.

2.7.3 Computer software

Purchased software licenses are capitalized based on the costs incurred to purchase them and prepare them for use. These costs are amortized on a straight-line basis over their estimated useful lives that range from three to five years.

Expenses for developing or maintaining computer software are expensed when incurred. Costs directly related to creating unique, identifiable computer software controlled by the Company that is likely to generate economic benefits in excess of its costs during more than one year are recognized as intangible assets, and its amortization is included in the income statement under costs of sales.

2.8 Impairment of non-financial assets

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

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

2.8 Impairment of non-financial assets (continued)

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

In order to assess impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Impairment losses from continuing operations are recognized in the income statement in the expenses categories in accordance with the function of the impaired assets. Non-financial assets other than goodwill that suffered an impairment loss are reviewed at each reporting date for possible reversal of the impairment, in which case the reversal may not exceed the amount originally impaired. Reversals are included in the income statement.

Impairment of goodwill is not reversed.

Impairment testing of goodwill and intangible assets with indefinite useful lives is performed at September 30 of each year.

2.9 Financial assets

Upon initial recognition, the Company and its subsidiary classifies its financial assets, excluding equity method investments and investments held for sale, into four categories:

- Trade and other receivables, including Receivables from related parties: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method.

- Investments held to maturity: non derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold and is capable of holding until their maturity. After initial recognition these assets are valued at its amortized cost as defined in the preceding paragraph.

- Financial assets at fair value through profit or loss: This includes the trading portfolio and those financial assets that have been designated as such upon initial recognition and those are managed and evaluated using fair value criteria. They are valued at its fair value in the statement of consolidated financial position, with changes in value recorded directly in income when they occur.

2.9 Financial assets (continued)

- Available-for-sale investments: These are financial assets specifically designated as available for sale or that do not fit within any of the three preceding categories and consist almost entirely of financial investments in shares/equity instruments. These investments are recorded in the statement of consolidated financial position at fair value when it can be reliably determined. In the case of interests in unlisted companies, normally the market value cannot be reliably determined and, thus, when this occurs, they are valued at acquisition cost or a lower amount if evidence of impairment exists. Changes in fair value, net of taxes, are recorded with a charge or credit to an Equity Reserve known as "Available-for-sale financial assets" until the investment is disposed of, at which time the amount accumulated in this account for that investment is fully charged to the income statement. Should the fair value be lower than the acquisition cost, if there is objective evidence that the asset has been more than temporarily impaired, the difference is recorded directly in the income statement.

Purchases and sales of financial assets are accounted for using their trade date.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, for example delayed payments.

In the case of financial assets valued at amortized cost, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of the future estimated cash flows. The carrying amount is reduced using a provision account and the loss is recognized in the income statement. If in a later period the amount of the expected loss increases or decreases as a consequence of an event occurred after the recognition of the impairment, the impairment loss previously recognized is increased or reduced adjusting the provision account. If the write off is later recovered, this reversal is recognized in the income statement.

2.9 Financial assets (continued)

In the case of financial assets classified at available-for-sale, in order to determine if the assets have been impaired, it will be considered if a significant or prolonged decrease in fair value of the assets below cost has occurred. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is reclassified from equity and recognized in the income statement. Impairment losses recognized in the income statement for equity instruments are not reversed in the income statement.

2.10 Financial instruments and hedge activities

The Company selectively uses derivative and non-derivative instruments, to manage its exposure to exchange rate risk (See Note 15).

Derivatives are initially recognized at fair value as of the date the derivative contract is signed and are subsequently re-measured at fair value as of each year end. Any gains or losses from variations in these fair values are recognized in the statement of comprehensive income unless the derivative is designated as a hedge instrument, in which case recognition of the gain or loss depends on the nature of the hedge relationship.

The types of hedges are as follows:

- Fair value hedge.
- Cash flow hedge.
- Hedges for a net investment in a foreign entity (net investment hedge).

At the inception of the transaction, the Company documents the relationship existing between the hedge instruments and the hedged items, as well as its risk management objectives and its strategy for handling various hedge transactions. The Company also documents its assessment, both at inception and subsequently on an ongoing basis, of the effectiveness of the hedge instruments in offsetting movements in the fair values or cash flows of the hedged items.

A derivative is presented as a non-current asset or liability if its maturity is greater than 12 months and it is not expected to be realized within 12 months. Other derivatives are presented as current assets or liabilities.

2.10.1 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The Company has not used fair value hedges during the years presented.

2.10 Financial instruments and hedge activities (continued)

2.10.2 Cash flow hedges

Changes in the fair value of the effective portion of derivatives are recorded in equity account "Reserve for cash flow hedges". The cumulative loss or gain in this account is transferred to the income statement to the extent that the underlying item impacts the income statement because of the hedged risk, netting the effect in the same income statement account. Gains or losses from the ineffective portion of the hedge are recorded directly in the income statement. A hedge is considered highly effective when changes in the fair value or the cash flows of the underlying item directly attributable to the hedged risk are offset by changes in the fair value or the cash flows of the hedging instrument, with effectiveness ranging from 80% to 125%.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedged item expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity is retained and is recognized when the forecasted transaction is ultimately recognized in the income statement.

2.10.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under “Other reserves” heading) until the investment's disposal. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”. The Company applies this policy for the hedge of its investment in the subsidiary Transelec Norte S.A., which is not a foreign operation but has a different functional currency than the Parent Company (US Dollars).

2.10.4 Derivatives not recorded as hedge accounting

Certain derivatives are not recorded as hedge accounting and are recognized as instruments in the fair value through profit or loss category. Changes in the fair value of any derivative instrument recorded like this are recognized immediately in the income statement within “Financial expense/income”.

2.10.5 Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as derivatives when their risks and characteristics are not closely related to the principal contracts and the principal contracts are not measured at fair value through profit and loss. In the case that they are not closely related, they are recorded separately, and any changes in value are recognized in the income statement.

In the periods presented in these financial statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

2.11 Inventory

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

2.12 Cash and cash equivalents

Cash and cash equivalents presented in the statement of consolidated financial position includes cash, time deposits and other highly-liquid, short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of this account does not differ from that presented in the statement of cash flows.

2.13 Paid-in capital

Paid-in capital is represented by one class of ordinary shares with one vote per share. Incremental costs directly attributable to new share issuances are presented in equity as a deduction, net of taxes, from issuance proceeds.

2.14 Financial liabilities

All financial liabilities are initially recognized at its fair value. In the case of loans they also include the direct transactions costs.

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Loans, bonds payable and financial liabilities of a similar nature are initially recognized at fair value, net of costs incurred in the transaction. Subsequently, they are valued at amortized cost and any difference between the funds obtained (net of costs to obtain them) and repayment value are recognized in the income statement over the life of the debt using the effective interest rate method.

2.15 Income tax and deferred taxes

The result for income tax for the year is determined as the sum of the current tax arising from the application of the tax rate on taxable income, after allowed deductions, plus the change in assets and liabilities for deferred tax and tax credits, both for tax losses and other deductions.

Differences between the book value and tax base of assets and liabilities generate deferred tax asset and liability balances, which are calculated using tax rates expected to be in effect when the assets and liabilities are realized.

2.15 Income tax and deferred taxes (continued)

Current taxes and changes in deferred tax assets and liabilities not from business combinations are recorded in income or in equity accounts in the statement of financial position, depending on where the gains or losses originating them were recorded.

Deferred tax assets and tax credits are recognized only when it is likely that there are future tax profits sufficient enough to recover deductions for temporary differences and make use of tax losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of goodwill and those that arose from valuing investments in subsidiaries, associates and jointly-controlled companies in which Transelec can control their reversal and where it is likely that they are not reversed in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.16 Employee benefits

2.16.1 Employee vacation

The Company recognizes personnel vacation expenses on an accrual basis. This benefit is provided to all personnel and is a fixed amount based on each employee's particular contract.

This benefit is recorded at nominal value.

2.16.2 Staff severance indemnity

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

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

2.16 Employee benefits (continued)

2.16.2 Staff severance indemnity

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

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

2.16.3 Profit sharing

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

2.17 Provisions

Provisions for environmental restoration, asset retirement, restructuring costs, onerous contracts, lawsuits and other contingencies are recognized when:

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

Provisions are measured at the present value of management’s best estimate of the expenditures required to settle the obligation. The discount rate used to determine the present value reflects current market assessments, as of the reporting date, of the time value of money, as well as the specific risk related to the particular liability, if appropriate. Increases in provisions due to the passage of time are recognized in interest expense.

As of the date of issuance of these financial statements, Transelec and subsidiaries have no obligation to establish provision for environmental restoration and similar expenses.

2.18 Classification of current and non-current balances

In the consolidated statement of financial position, balances are classified based on maturity i.e., current balances mature in no more than twelve months and non-current balances in more than twelve months.

Should the Company have any obligations that mature in less than twelve months but can be refinanced over the long term at the Company's discretion, through unconditionally available credit agreements with long-term maturities, such obligations may be classified as non-current liabilities.

2.19 Revenue recognition

The regulatory framework that governs electrical transmission activity in Chile comes from the by - Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19.940 (called also the “Short Law”) enacted on March 13, 2004. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto.

The Company’s revenues correspond mainly to remuneration from the use of its electricity transmission facilities. This remuneration is earned in part from arrangements subject to the tariff regulation and in part from contractual arrangements with the users of the transmission facilities. The total remuneration for the use of the transmission facilities for both regulated and contractual arrangements includes in general two components: i) the AVI, which is the annuity of the Investment Value (VI), calculated in such a way that the present value of these annuities, using an annual real discount rate and the economic useful life of each of the facilities equals the cost of replacing the existing transmission facilities with new facilities with similar characteristics at current market prices, plus, ii) the COMA, which corresponds to the cost required to operate, maintain and administrate the corresponding transmission facilities.

Revenues from both regulatory and contractual arrangements are recognized and invoiced on a monthly basis, using fixed monthly amounts resulting from the application of the AVI and COMA values stipulated in the contracts or resulting from the regulated tariffs and indexed as applicable. The transmission service is invoiced usually at the beginning of the month following the month when the service was rendered and thus the revenue recognized each month includes transmission service provided but not invoiced up to the month end.

2.20 Leases

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

Leases in which substantially all risks and benefits inherent to the property are transferred to the lessee are classified as finance leases. Other leases that do not meet this criterion are classified as operating leases.

2.20.1 The Company as lessor

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

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

2.20.2 The Company as lessee

Finance leases in which Transelec acts as lessee are recognized when the agreement begins, recording an asset based on the nature of the lease and a liability for the same amount, equal to the lesser of the fair value of the leased asset or the present value of the minimum lease payments. Subsequently, the minimum lease payments are divided between finance expense and reducing the debt. The finance expense is recorded in the income statement and distributed over the period of the lease term so as to obtain a constant interest rate for each period over the balance of the debt pending amortization. The asset is amortized in the same terms as other similar depreciable assets, as long as there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If no such certainty exists, the asset will be amortized over the lesser term between the useful life of the asset and the term of the lease.

Operating lease payments are expensed on a straight-line basis over the term of the lease unless another type of systematic basis of distribution is deemed more representative.

2.21 Distribution of dividends

Dividends payable to the Company’s shareholders are recognized as a liability in the financial statements in the period in which they are approved by the Company’s shareholders.

2.21 Distribution of dividends (continued)

Company makes a provision at the end of each year for the 30% of the profit of the year, in accordance with Law N° 18.046.

On the Company's Board meeting No. 57 held on September 30, 2010, the policy used for the determination of distributable net profit was approved. This policy does not contemplate adjustments to the profit attributable to owners of the parent.

NOTE 3 - RISK MANAGEMENT POLICY

3.1 Financial risk

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

3.1.1 Market risk

Market risk is defined for these purposes as the risk of changes in the fair value or future cash flows of a financial instrument as a result of changes in market prices. Market risk includes the risk of changes in interest and exchange rates, inflation rates and variations in market prices due to factors other than interest or exchange rates such as commodity prices or credit spread differentials, among others.

Company policy regulates investments and indebtedness, in an attempt to limit the impact of changes in the value of currencies and interest rates on the Company's net results by:

a) Investing cash surpluses in instruments maturing within no more than 90 days.

b) Entering into forward contracts and other instruments to maintain a balanced foreign exchange position.

c) Entering into long-term fixed rate indebtedness thus limiting risk from variable interest rates.

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk

Significant changes in fair values and future cash flows of financial instruments that can be directly attributable to interest rate risks include changes in the net proceeds from financial instruments whose cash flows are determined in reference to floating interest rates and changes in the value of financial instruments with fixed cash flows.

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

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

The table below compares the debts of the Company and shows that majority of the debt as of December 31, 2013 and December 31, 2012 were at fixed rate. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand) December 31, 2013	December 31, 2012
Bono Series C	UF	3.50%	Fixed	6,000	6,000
Bono Series D	UF	4.25%	Fixed	13,500	13,500
Bono Series E	UF	3.90%	Fixed	3,300	3,300
Bono Series F	CH$	5.70%	Fixed	33,600,000	33,600,000
Bono Series H	UF	4.80%	Fixed	3,000	3,000
Bono Series I	UF	3.50%	Fixed	1,500	1,500
Bono Series K	UF	4.60%	Fixed	1,600	1,600
Bono Series L	UF	3.65%	Fixed	2,500	2,500
Bono Series M	UF	4.05%	Fixed	3,400	3,400
Bono Series N	UF	3.95%	Fixed	3,000	3,000
Bono Series Q	UF	3.95%	Fixed	3,100	-
Senior Notes	USD	4.625%	Fixed	300,000	-
Revolving Credit Facility	USD	2.62%	Variable (*)	-	120,000
Huepil Loan	USD	1.77%	Variable (**)	21,200	23,056

(*) The floating rate of the Revolving credit facility corresponds to 3M LIBOR plus a margin of 2.35%. At December 31, 2013, the Company the Company did not utilize this line and currently is paying a commission of 0.6% per annum of the amount committed by the banks.

(**) The floating interest rate is based on 3M LIBOR plus a margin of 1.5%. In this case the 3M LIBOR was set for the current period at 0.2686%.

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

The Company has mercantile current accounts with related companies denominated in US dollars that have a variable interest rate. Given the fact that the Company's net assets with variable interest rates are an insignificant portion of its total assets, the Company believes that its income is not exposed to significant risk from changes in market interest rates.

However, increases in inflation could impact the cost of UF-denominated debt and, therefore, the Company's financial expenses. These impacts are to some extent offset by the mechanism of indexation of the Company's revenues, which are also adjusted for inflation using indexation formulas.

3.1.1.2 Exchange rate risk

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

- The revenues of its subsidiary Transelec Norte are denominated in U.S. dollars.
- Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).
- Transelec uses forward contracts to sell U.S. dollars to hedge future revenues denominated in the U.S. dollars. Transelec also uses a currency forward contract with its parent; this allows it to finance U.S. dollar-denominated assets of its subsidiary.

Exchange rate exposure is managed using an approved policy that involves:

a) Fully hedging 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 as of December 31, 2013 and December 31, 2012:

	Liabilities		Assets	
	December 31, 2013 ThCh$	December 31, 2012 ThCh$	December 31, 2013 ThCh$	December 31, 2012 ThCh$
U.S. dollar (amounts associated with balance sheet items)	217,253.76	102,918.40	218,691.03	75,915.84
U.S. dollar (amounts associated with income statement items)	36,512.86	31,389.40	-	-
Chilean peso	1,072,254.18	974,211.20	1,958,392.41	1,878,851.70

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

b) Polynomials indexing of the Company´s revenues contain formulas for setting these revenues in the short term, differ from the long-term indexing. In order that the short-term indexing is consistent with long-term indexing, the Company, periodically (every six months) sell a percentage of their semi-annual fixed dollar income using currency forwards. These forwards are considered as cash flow hedges and therefore changes in fair value, while not realized are included in other comprehensive income.

3.1.1.2.1 Sensitivity analysis

The following chart shows the sensitivity analysis of various items to a 10% increase or decrease in exchange rates (US Dollar) and their effect on income or equity. This exchange rate sensitivity (10%) is used to internally report the Company's foreign exchange risk to key management personnel and represents management's valuation of the possible change in US Dollar exchange rate. The sensitivity analysis includes asset and liability balances in currencies other than the Company's functional currency. A positive number indicates an increase in income or other comprehensive income when the Chilean peso is strengthened with respect to the foreign currency. A negative percentage implies a weakening of the Chilean peso with respect to the foreign currency, which negatively impacts the income statement or in other comprehensive income.

Item (Currency)	Position ThCh$ Long / (Short)	Net income (gain)/loss ThCh$ Change (-10%)	Net income (gain)/loss ThCh$ Change (+10%)	Position ThCh$ Long / (Short)	OCI (gain)/loss ThCh$ Change (-10%)	OCI (gain)/loss ThCh$ Change (+10%)
Receivables (US$)	9,732	885	(973)	-	-	-
Payables (US$)	(6,639)	(604)	664	-	-	-
Cash (US$)	34,825	3,166	(3,482)	-	-	-
Forwards (assets) (US$)	-	-	-	(45,379)	(4,125)	4,538
Forwards (income)	-	-	-	(36,513)	(3,319)	3,651
Senior Notes and Huepil Credit (US$)	(165,200)	(15,018)	16,520	-	-	-
Intercompany loan (US$)	80,705	7,337	(8,071)	-	-	-
PPE (US$)	-	-	-	117,296	10,663	(11,730)
Other (US$)	(28,389)	(2,581)	2,839	-	-	-
Total	(74,966)	(6,815)	7,497	35,404	3,219	(3,541)

3.1 Financial risk (continued)

3.1.2 Credit risk

With respect to credit risk related to accounts receivable from the electricity transmission activity, this risk is historically very low in the industry given the nature of business of the Company's customers and the short-term period of collection of receivables from clients leads to the situation in which they do not accumulate very significant amounts

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

Revenues	For the year ended December 31, 2013 ThCh$	For the year ended December 31, 2012 ThCh$
Endesa Group	71,491,627	72,245,825
Colbún Group	60,905,616	17,305,911
Pacific Hydro-LH-LC Group	30,446,275	21,685,279
AES Gener Group	27,614,592	25,769,694
Others	29,490,627	76,485,685
Total	219,948,737	213,492,394
% of concentration of 4 top customers	86.59%	64.17%

The toll agreements signed with these clients, including its subsidiaries will generate a large part of the Company's future cash flows. Therefore, a substantial change in their assets, financial condition or operating income could negatively affect the Company.

In terms of the Company's credit risk associated with other financial assets (time deposits, fixed-return mutual funds and reverse repurchase agreements, net asset position from derivative contracts), the 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.

3.1 Financial risk (continued)

3.1.3 Liquidity risk

a) Risk associated to Company's management

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 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, equivalent to Ch$126,050 millions. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR.

The Company is exposed to risks associated with indebtedness, including refinancing risk when its debt matures.

These risks are mitigated by using long-term debt and appropriately structuring maturities over time.

The following table presents the capital amortizations and estimated interest payments corresponding to the Company's financial liabilities (debt), according to their maturity date, as of December 31, 2013 and 2012.

Debt maturity	Less than 1 Years	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
December 31, 2013	194,098,128	281,307,373	71,734,841	333,619,056	858,362,572	1,739,121,970
December 31, 2012	95,591,711	286,450,680	208,260,633	165,746,431	803,109,861	1,559,159,316

The maturity of derivatives is presented Note 15.3.

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period. In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective

CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies, owners of generation facilities.

3.1 Financial risk (continued)

3.1.3 Liquidity risk

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

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

NOTE 4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT

The estimates and criteria used by the Company are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable based on the circumstances.

The Company makes estimates and assumptions about the future. By definition, the resulting accounting estimates will rarely be equal to the real outcomes. Estimates and assumptions with a significant risk of causing a material adjustment to the balances of assets and liabilities during the upcoming year are detailed below:

- The estimates of recoverable values of assets and goodwill to determine potential existence of impairment losses;
- Useful lives of property, plant and equipment and intangible assets;
- The assumptions used to calculate the fair value of financial instruments;
- The actuarial assumptions used to calculate obligations with employees;
- Future tax results for the purposes of determining the recoverability of deferred tax assets.
- Determination of existence and classification of financial or operating leases based on the transfer of risks and rewards of the leased assets.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of December 31, 2013 and December 31, 2012, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of December 31, 2013 ThCh$	Balance as of December 31, 2012 ThCh$
Bank and cash balances	5,766,585	33,614,700
Short-term deposits	24,701,289	3,044,660
Reverse repurchase agreements and mutual funds	21,954,117	1,296,594
Total	52,421,991	37,955,954

Cash and cash equivalents included in the statement of financial position as of December 31, 2013 and December 31, 2012, does not differ from those presented in the statement of cash flows.

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

Detail of Cash and Cash Equivalents	Currency	Balance as of December 31, 2013 ThCh$	Balance as of December 31, 2012 ThCh$
Amount of cash and cash equivalents	U.S. dollars	34,432,628	19,820,861
Amount of cash and cash equivalents	Euros	12,284	-
Amount of cash and cash equivalents	Chilean pesos	17,977,079	18,135,093
Total		52,421,991	37,955,954

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

NOTE 6 - TRADE AND OTHER RECEIVABLES

As of December 31, 2013 and December 31, 2012, this account is detailed as follows:

Item	Balance as of December 31, 2013 Current ThCh$	Balance as of December 31, 2012 Current ThCh$
Trade receivables	62,864,300	50,217,018
Miscellaneous receivables	678,867	566,552
Total trade and other receivables	63,543,167	50,783,570
Provision for uncollectible amount (*)	(1,392,383)	(1,396,485)
Total trade and other receivables (net)	62,150,784	49,387,085

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of December 31, 2013 and December 31, 2012, the aging of trade and other receivables is as follows:

	Balance as of	
	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Maturing in less than 30 days	44,465,546	27,777,749
Maturing in more than 30 days up to 1 year	17,685,238	21,609,336
Total	62,150,784	49,387,085

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

(*) On September 13, 2011 the company Campanario Generación S.A. was declared bankrupt and stopped paying Transelec SA the amount of ThCh$ 6,345,762 (as of September 30, 2011) from tolls and tariff revenue. Based on the legal and regulatory history, the Company estimated that there are no indications to attest that the accounts receivable outstanding from tariff revenues, are impaired. Therefore, Transelec S.A. recorded a provision for uncollectible amount of ThCh$ 1,392,383 relating to accounts receivable for items other than tariff revenues for which - at the date of the presentation of these financial statements - there is no certainty that the Company will recover.

The movement of the provision for uncollectible amount is presented for the years ended December 31, 2013 and 2012:

	ThCh$
Balance as of January 1, 2012	1,026,284
Increase charged to the current period	370,201
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of December 31, 2012	1,396,485
Increase charged to the current period	366,099
Decrease due to utilization	-
Decrease due to reversals and receivables	(370,201)
Balance as of December 31, 2013	1,392,383

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

Transactions between the Company and its subsidiaries consist of customary transactions in terms of their objective and conditions. These transactions have been eliminated in the consolidation process and are not presented in this Note.

Balances of receivables and payables between the company and its unconsolidated related companies are detailed as follows:

Receivables from related parties

							Balance as of			
							Current		Non-current	
Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	December 31, 2013 ThCh$	December 31, 2012 ThCh$	December 31, 2013 ThCh$	December 31, 2012 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Forward	6 months	Direct parent	CH$	25,835	6,059,980	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	Not defined	Direct parent	CH$	465,018	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	6 months	Direct parent	UF	552,842	57,860	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	6 years	Direct parent	UF	-	-	71,004,772	69,581,888
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH$	-	-	75,901,840	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	CH$	3,455,390	-	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	US$	7,869	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH$	-	-	16,414,632	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	US$	78,683,631	-	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Mercantile current account	Not defined	Indirect parent	US$	26,130	-	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Sale of project	Not defined	Indirect parent	US$	944,141	86,531,517	-	-
	Total						84,160,856	92,649,357	163,321,244	69,581,888

7.1 Balances and transactions with related parties (continued)

Payables to related parties

Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	Balance as of: Current December 31.2013 ThCh$	Current December 31.2012 ThCh$	Non-current December 31.2013 ThCh$	Non-current December 31.2012 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	5 Years, 7 months	Direct Parent	US$	-	-	40,343,274	36,947,376
	Totals						-	-	40,343,274	36,947,376

a) Most significant transactions and their effect on income

Transactions with unconsolidated related parties had the following effects on the income statement for the years December 31, 2013 and December 31, 2012:

Tax ID Number	Company	Country	Relation	Description of the transaction	December 31, 2013 Amount ThCh$	December 31, 2013 Effect on Income ThCh$	December 31, 2012 Amount ThCh$	December 31, 2012 Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	171,970,103	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	-	-	3,870,835	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest earned	8,882,575	8,882,575	2,648,059	2,648,059
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest accrued	1,633,684	(1,633,684)	1,586,062	(1,586,062)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	8,882,575	-	4,494,218	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Indirect parent	Loans granted	3,166,728	-	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Indirect	Sale of project	1,576,134	1,328,647	102,899,637	2,538,189

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

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors of Transelec is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on April 26, 2012. The current Chairman of the Board was elected at Board meeting dated May 23, 2013.

7.2.1 Board of Directors' compensation

As established in Article No. 33 of Law No. 18,046 on Corporations, on the Second Ordinary Shareholders' Meeting of Transelec S.A., held on June 21, 2013, shareholders established annual gross compensation for the Company's Directors of the equivalent of US$ 90,000, regardless of the number of sessions actually attended or held. Allowances are paid on a quarterly basis.

Directors Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived their respective allowances. Accordingly, the following compensation was received by directors during the years 2013 and 2012:

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Blas Tomic Errázuriz	39,415	34,689
José Ramón Valente Vias	39,415	34,689
Alejandro Jadresic Marinovic	39,415	34,689
Mario Alejandro Valcarce Duran	39,415	34,689
Bruno Pedro Philippi Irarrazabal	39,415	34,689

As established in article 8 of its by-laws, the Directors of the Company's subsidiary, Transelec Norte, S.A. do not receive compensation for their services.

7.3 Board expenses

During 2013 payments amounting to ThCh$ 35,225 associated with the expenditures of Directors were made. During 2012 there were no such payments.

7.4 Audit committee

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other financial statements and internal systems. Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company. Committee members are appointed by the Board of Directors. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman-from among its members-and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Audit Committee held four meetings in the year 2013 and four meetings in the year 2012.

As of December 31, 2013, the Audit Committee members included Chairman Mario Valcarce Duran, Directors Patrick Charbonneau, José Ramón Valente Vías and Brenda Eaton and Secretary Arturo Le Blanc Cerda. The Committee members are entitled to receive compensation as determined by shareholders at the Ordinary Shareholders' Meeting.

On the Quarter Ordinary Shareholders' Meeting of Transelec S.A., held on April 27, 2012, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

The following compensation was received by members of the Audit Committee during 2013 and 2012:

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Mario Alejandro Valcarce Duran	4,800	5,192
José Ramón Valente	4,800	5,192

7.5 Compensation of key management that are not Directors

Members of Key Management

Andrés Kuhlmann Jahn	Chief Executive Officer
Eric Ahumada Gomez	Vice-President of Business Development
Francisco Castro Crichton	Vice-President of Finance
Alexandros Semertzakis Pandolfi	Vice-President of Engineering and Construction
Claudio Aravena Vallejo	Vice-President of Human Resources
Arturo Le Blanc Cerda	Vice-President of Legal Matters
Rodrigo Lopéz Vergara	Vice-President of Operations
Jorge Lagos Rodríguez	Corporate Affairs Manager
Juan Carlos Araneda Tapia	Electrical Development Manager

7.5 Compensation of key management that are not Directors (continued)

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

Compensation of key management personnel by concept for the years 2013 and 2012 is detailed as follows:

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Salaries	1,420,489	1,479,038
Short-term employee benefits	576,394	560,708
Long-term employee benefits	232,598	908,633
Total compensation received by key management personnel	2,229,481	2,948,379

NOTE 8 - INVENTORY

As of December 31, 2013 and December 31, 2012, this account is detailed as follows:

Classes of inventory	Balance as of December 31, 2013 ThCh$	Balance as of December 31, 2012 ThCh$
Safety equipment	23,059	28,301
Total	23,059	28,301

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of December 31, 2013 and December 31, 2012, this account is detailed as follows:

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Finance lease receivables current	513,049	669,329
Forward agreement	333,250	-
Sub-total Other financial assets current	846,299	669,329
Finance lease receivables non-current	10,742,658	10,248,263
Other financial assets	278,848	303,955
Sub-total Other financial assets non-current	11,021,506	10,552,218
Total	11,867,805	11,221,547

9.1 Finance lease receivables

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

December 31, 2013

Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	513,049	564,484	1,077,533
1-5	2,274,092	2,036,038	4,310,130
Over 5	8,468,566	3,442,115	11,910,681
Total	11,255,707	6,042,637	17,298,344

December 31, 2012

Period in years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	669,329	2,855,370	3,524,699
1-5	3,235,803	11,634,743	14,870,546
Over 5	7,012,460	9,030,503	16,042,963
Total	10,917,592	23,520,616	34,438,208

9.2 Operating leases payable

The Company has operating leases contract in which it acts as lessee. Payments under those contracts are recognized in administrative expenses as follows:

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Real estate lease	661,844	561,026
Other leases	662,242	561,101
Total operating leases	1,324,086	1,122,127

The following table details the amounts payable based on the maturity of each agreement.

	Up to 1 year ThCh$	1 to 5 years ThCh$	More than 5 Years ThCh$
Real estate lease	661,844	2,647,376	-
Other leases	662,242	2,648,968	-
Total operating leases	1,324,086	5,296,344	-

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of December 3,, 2013 and December 31, 2012:

Intangible assets, net	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Rights of way	157,570,262	152,969,673
Software	1,648,089	849,982
Goodwill	342,214,791	341,932,540
Total intangible assets, net	501,433,142	495,752,195

Intangible assets, gross	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Rights of way	157,570,262	152,969,673
Software	5,361,050	4,127,431
Goodwill	342,214,791	341,932,540
Total intangible assets	505,146,103	499,029,644

Accumulated amortization and impairment	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Software	(3,712,961)	(3,277,449)
Total accumulated amortization	(3,712,961)	(3,277,449)

The composition and movements of intangible assets during the years 2013 and 2012 are the following:

Year 2013

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2013	152,969,812	849,982	341,932,401	495,752,195
Movements in intangible assets				
Additions	4,114,969	1,233,619	-	5,348,588
Amortization	-	(435,512)	-	(435,512)
Translation difference	485,481	-	282,390	767,871
Ending balance of intangible assets as of December 31 , 2013	157,570,262	1,648,089	342,214,791	501,433,142

Year 2012

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2012	148,448,704	815,158	338,897,614	488,161,476
Movements in intangible assets				
Additions	4,897,068	352,349	3,034,787	8,284,204
Amortization	-	(309,913)	-	(309,913)
Translation difference	(376,960)	(7,612)	-	(383,572)
Ending balance of intangible assets as of December 31 , 2012	152,969,812	849,982	341,932,401	495,752,195

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of December 31, 2013 and December 31, 2012, to be recovered.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Land	19,776,629	20,983,480
Buildings and infrastructure	769,961,825	767,858,239
Work in progress	89,680,293	47,554,608
Machinery and equipment	371,698,132	351,440,492
Other property, plant and equipment	4,260,410	4,468,080
Property, plant and equipment, net	1,255,377,289	1,192,304,899

Property, plant and equipment, gross	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Land	19,776,629	20,983,480
Buildings and infrastructure	938,651,484	915,732,664
Work in progress	89,680,293	47,554,608
Machinery and equipment	498,519,217	458,330,044
Other property, plant and equipment	4,260,410	4,468,080
Total property, plant and equipment, gross	1,550,888,033	1,447,068,876

Total accumulated depreciation and impairment, property, plant and equipment, net	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Buildings and infrastructure	(168,689,659)	(147,874,425)
Machinery and equipment	(126,821,085)	(106,889,552)
Total accumulated depreciation and impairment, property, plant and equipment	(295,510,744)	(254,763,977)

11.2 Reconciliation of changes in property, plant and equipment

The following table details the reconciliation of changes in property, plant and equipment by class during the years ended December 31, 2013 and December 31, 2012:

	Year 2013	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Property, plant and equipment, net
	Opening balance January 1, 2013	20,983,480	767,868,239	351,440,492	47,544,608	4,468,080	1,192,304,899
Movement	Additions	-	1,640,077	-	110,214,012	-	111,854,089
	Retirements	-	(706,199)	(2,885,305)	(550,576)	-	(4,142,080)
	Transfer to operating assets	(1,338,862)	12,048,128	43,501,558	(67,779,040)	-	(13,568,216)
	Depreciation	-	(21,103,883)	(21,046,636)	-	-	(42,150,519)
	Translation adjustment	132,011	4,236,139	688,023	251,289	24,985	5,332,447
	Other increases (decreases)	-	5,979,324	-	-	(232,655)	5,746,669
	Ending balance as of December 31, 2013	19,776,629	769,961,825	371,698,132	89,680,293	4.260.410	1.255.377.289

	Year 2012	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Property, plant and equipment, net
	Opening balance January 1, 2012	20,668,591	700,934,240	349,626,007	79,963,717	1,852,680	1,153,045,235
Movement	Additions	-	82,666,447	3,026,907	131,926,626	263,705	217,883,685
	Retirements	-	32,761,110	-	-	-	32,761,110
	Transfer to operating assets	-	(84,445,437)	(1,868,540)	(85,491,363)	-	(171,805,340)
	Depreciation	430,904	50,615,801	22,384,623	(78.731,426)	-	(5,300,098)
	Translation adjustment	-	(24,869,011)	(21,026,175)	-	-	(45,895,186)
	Other increases (decreases)	(116,015)	(4,104,258)	(702,330)	(122,946)	(517)	(5,046,066)
	Ending balance as of December 31, 2012	20,983,480	767,868,239	351,440,492	47,544,608	4,468,080	1,192,304.899

11.3 Additional information on property, plant and equipment

Transelec has taken out insurance policies to cover possible risks related to its tangible assets as well as possible claims related to its activities that may arise. These policies are understood to sufficiently cover the risks to which the Company is exposed.

As of December 31, 2013 and December 31, 2012, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totaling ThCh$ 139,685,214 and ThCh$ 117,294,073, respectively.

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

	December 31, 2013	December 31, 2012
Capitalization rate (Annual basis)	6.28%	6.90%
Capitalized interest costs (ThCh$)	920,078	2,483,031

Work in progress balances amounts to ThCh$ 89,680,293 and ThCh$ 47,544,608 and as of December 31, 2013, and 2012, respectively.

NOTE 12 - DEFERRED TAXES

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of December 31, 2013 and December 31, 2012, is detailed as follows:

Temporary differences	Net deferred taxes	
	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Depreciable fixed assets	(21,309,368)	4,753,965
Prepaid bond expenses	(1,060,025)	(1,216,263)
Leased assets	(390,702)	(4,272,499)
Materials and spare parts	440,814	411,803
Tax losses	23,866,034	17,297,470
Staff severance indemnities provision	(17,952)	(21,849)
Deferred income	1,014,223	690,539
Investment value provision	9,596	9,596
Lawsuit provision	46,353	45,345
Obsolescence provision	20	20
Work in progress	544,211	497,907
Vacation provisions	276,318	255,443
Intangible assets	(9,148,007)	(10,031,296)
Adjustment of effective interest rate of bonds	(1,787,011)	(1,508,789)
Land	122,546	218,395
Allowance for doubtful receivables	278,477	279,297
Prepaid expenses	(21,351)	-
Net deferred tax assets/(liabilities)	(7,135,824)	7,409,084
Reflected in the statement financial position as follows:		
Deferred tax assets	2,121,696	15,608,137
Deferred tax liabilities	(9,257,520)	(8,199,053)
Net deferred tax assets/(liabilities)	(7,135,824)	7,409,084

12.2 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the consolidated statement of financial position for the years 2013 and 2012 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2012	23,689,884	3,502,644
Increase (decrease)	(8,081,747)	2,745,067
Translation adjustment	-	(137,444)
Balance as of December 31, 2012	15,608,137	6,110,267
Increase (decrease)	(13,486,441)	2,578,267
Translation adjustment	-	568,986
Balance as of December 31, 2013	2,121,696	9,257,520

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

NOTE 13 - FINANCIAL LIABILITIES

13.1 Other financial liabilities

The current and non-current portion of this account as of December 31, 2013 and December 31, 2012 is as follows:

Interest bearing loans	December 31, 2013		December 31, 2012	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	166,512,944	973,524,772	7,917,373	883,196,168
Total bonds payable	166,512,944	973,524,772	7,917,373	883,196,168
Bank loans payable	951,439	9,762,060	58,691,914	8,931,202
Forward contract	-	-	334,766	-
Total obligations with banks	951,439	9,762,060	59,026,680	8,931,202
Total	167,464,383	983,286,832	66,944,053	892,127,370

13.2 Detail of other financial liabilities

a) Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of December 31, 2013 and 2012 are shown below:

Taxpayer ID number	Debtor name	Country	Placement in Chile or abroad	Instrument registration number	Series	Indexation unit	Nominal interest rate	Effective interest rate	Periodicity principal payments	Final maturity	December 31, 2013 ThCh$	December 31, 2012 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile	481	C	UF	4.03%	3.50%	Semiannually	9-01-2016	139,651,617	136,221,544
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	Semiannually	12-15-2027	311,425,417	304,971,025
76.555.400-4	Transelec S.A	Chile	Chile	598	E	UF	3.82%	3.90%	Semiannually	8-01-2014	78,192,761	76,677,462
76.555.400-4	Transelec S.A	Chile	Chile	598	F	$	5.79%	5.70%	Semiannually	8-01-2014	34,369,281	33,758,796
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	Semiannually	8-01-2031	71,339,989	69,088,970
76.555.400-4	Transelec S.A	Chile	Chile	598	I	UF	3.79%	3.50%	Semiannually	9-01-2014	35,302,123	35,083,357
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	Semiannually	9-01-2031	37,825,185	37,880,696
76.555.400-4	Transelec S.A	Chile	Chile	598	L	UF	3.92%	3.65%	Semiannually	12-15-2015	58,078,820	56,775,071
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	Semiannually	6-15-2032	34,113,910	33,397,248
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	Semiannually	6-15-2032	43,103,961	42,194,740
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	Semiannually	12-15-2038	66,477,516	65,064,632
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	Semiannually	10-15-2042	72,145,072	-
76.555.400-4	Transelec S.A	Chile	Foreign	601	Sr N	US$	5.10%	4.625%	Semiannually	7-26-2023	158,012,064	-
										Total	1,140,037,716	891,113,541

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$ 973,524,772 and ThCh$ 954,575,550 as of December 31, 2013 and December 31, 2012, respectively (it does not include other current and non-current liabilities such as swap or forwards agreements which are presented in the financial statements at fair value).

The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities.

13.2 Detail of other financial liabilities (continued)

			Current			Non-current			
Debtor taxpayer ID number	Debtor name	Instrument registration number	Maturity less than 90 days	Maturity more than 90 days	December 31, 2013 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity more than 5 years	December 31, 2013 Non-current
			ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
76.555.400-4	Transelec S.A	481	1,826,730	-	1,826,730	137,824,887	-	-	137,824,887
76.555.400-4	Transelec S.A	480	6,752,409	-	6,752,409	-	-	304,673,008	304,673,008
76.555.400-4	Transelec S.A	598	1,211,403	76,981,358	78,192,761	-	-	-	-
76.555.400-4	Transelec S.A	598	796,069	33,573,212	34,369,281	-	-	-	-
76.555.400-4	Transelec S.A	599	1,379,014	-	1,379,014	-	-	69,960,975	69,960,975
76.555.400-4	Transelec S.A	598	435,345	34,866,778	35,302,123	-	-	-	-
76.555.400-4	Transelec S.A	599	563,767	-	563,767	-	-	37,261,418	37,261,418
76.555.400-4	Transelec S.A	598	-	1,133,014	1,133,014	56,945,806	-	-	56,945,806
76.555.400-4	Transelec S.A	599	-	722,612	722,612	-	-	33,391,298	33,391,298
76.555.400-4	Transelec S.A	599	-	917,183	917,183	-	-	42,186,778	42,186,778
76.555.400-4	Transelec S.A	599	-	1,418,357	1,418,357	-	-	65,059,159	65,059,159
76.555.400-4	Transelec S.A	744	-	605,872	605,872	-	-	71,539,200	71,539,200
76.555.400-4	Transelec S.A	601	3,329,821	-	3,329,821	-	-	154,682,243	154,682,243
		Total	16,294,558	150,218,386	166,512,944	194,770,693	-	778,754,079	973,524,772

Debtor taxpayer ID number	Debtor name	Instrument registration number	Current			Non-current			
			Maturity less than 90 days	Maturity more than 90 days	December 31, 2012 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity more than 5 years	December 31, 2012 Non-current
			ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
76.555.400-4	Transelec S.A	481	1,781,859	-	1,781,859	-	134,439,685	-	134,439,685
76.555.400-4	Transelec S.A	480	1,131,935	-	1,131,935	-	-	303,839,090	303,839,090
76.555.400-4	Transelec S.A	598	1,187,926	-	1,187,926	75,489,536	-	-	75,489,536
76.555.400-4	Transelec S.A	598	795,468	-	795,468	32,963,328	-	-	32,963,328
76.555.400-4	Transelec S.A	599	1,351,300	-	1,351,300	-	-	67,737,670	67,737,670
76.555.400-4	Transelec S.A	598	425,437	-	425,437	34,657,920	-	-	34,657,920
76.555.400-4	Transelec S.A	599	552,413	-	552,413	-	-	37,328,283	37,328,283
76.555.400-4	Transelec S.A	598	-	186,671	186,671	56,588,400	-	-	56,588,400
76.555.400-4	Transelec S.A	599	-	119,189	119,189	-	-	33,278,059	33,278,059
76.555.400-4	Transelec S.A	599	-	151,273	151,273	-	-	42,043,467	42,043,467
76.555.400-4	Transelec S.A	599	-	233,902	233,902	-	-	64,830,730	64830,730
76.555.400-4	Transelec S.A	744	-	-	-	-	-	-	-
76.555.400-4	Transelec S.A	601	-	-	-	-	-	-	-
		Total	7,226,338	691,035	7,917,373	199,699,184	134,439,685	549,057,299	883,196,168

b) Bank loans

The bank loans are presented below by financial institution, currency, effective rate and expiration as of December 31, 2013 and 2012:

Debtor taxpayer ID number	Debtor name	Country	Creditor ID Number	Creditor institution name	Country	Currency	Periodicity principal payments	Effective interest rate	Nominal interest rate	Maturity	December 31, 2013 ThCh$	December 31, 2012 ThCh$
99.508.750-2	Transmisora Huepil Ltda.	Chile	N/A	Portigon-WestLB.	Germany	US$	Quarterly	3.5947%	1.7436%	2021	10,517,997	9,983,275
76.555.400-4	Transelec S.A.	Chile	N/A	Scotiabank	Canada	US$	Quarterly	2.66%	2.66%	2015	195,502	57,974,607
										Total	10,713,499	67,957,882

Debtor taxpayer ID number	Debtor name	Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	Current: December 31, 2013 Current ThCh$	Non-Current: Maturity 1 to 3 years ThCh$	Non-Current: Maturity 3 to 5 years ThCh$	Non-Current: Maturity more than 5 years ThCh$	Non-Current: December 31, 2013 Non-current ThCh$
99.508.750.-2	Trasmisora Huepil Ltda.	Portigon-WestLB.	324,209	431,728	755,937	3,827,555	4,801,231	1,133,274	9,762,060
76.555.400-4	Transelec S.A.	Scotiabank	195,502	-	195,502	-	-	-	-
		Total	519,711	431,728	951,439	3,827,555	4,801,231	1,133,274	9,762,060

Debtor taxpayer ID number	Debtor name	Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	Current: December 31, 2012 Current ThCh$	Non-Current: Maturity 1 to 3 years ThCh$	Non-Current: Maturity 3 to 5 years ThCh$	Non-Current: Maturity more than 5 years ThCh$	Non-Current: December 31, 2012 Non-current ThCh$
76.555.400.4	Transelec S.A.	Scotiabank	-	57,974,607	57,974,607	-	-	-	-
99.508.750-2	Trasmisora Huepil Ltda.	Portigon-WestLB.	324,804	727,268	1,052,072	3,034,027	4,700,651	1,196,522	8,931,200
		Total	324,804	58,701,875	59,026,679	3,034,027	4,700,651	1,196,522	8,931,200

13.3 Other aspects

As of December 31, 2013, Transelec had available a credit line of US$ 250 million which at the balance sheet date it did not have any drawn pending and as of December 31, 2012 this was credit line of US$250 million available, US$120 million were drawn in December 2012, remaining available US$130 million equivalents to ThCh$ 62,394,800.

Many of the Company's debt agreements include an obligation to comply with certain covenants, including certain financial ratios (see Note 18), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

NOTE 14 - TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2013 and December 31, 2012, are detailed as follows:

Trade and other payables	Current		Non- current	
	December 31, 2013 ThCh$	December 31, 2012 ThCh$	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Trade and other payables	72,573,645	89,427,302	-	-
Total	72,573,645	89,427,302	-	-

The average payment period for suppliers in 2013 and 2012 was 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

NOTE 15 - DERIVATIVE INSTRUMENTS

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

- Cash flow hedging instruments: Those that hedge the cash flows of the hedged underlying item,
- Net investment hedge.

In addition, the Company uses certain non-hedging derivatives: the instruments that do not meet the requirements of IFRS and thus do not qualify for hedge accounting.

15.1 Hedge assets and liabilities

	December 31, 2013				December 31, 2012			
	Asset		Liability		Asset		Liability	
	Current	Non – current	Current	Non - current	Current	Non - current	Current	Non – current
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash flow hedge forwards (revenue)	333,250	-	-	-	-	-	134,116	-
Net investment hedge forward	25,835	-	-	-	6,059,980	-	-	-
Non-hedge forwards	-	-	-	-	-	-	200,650	-
Total	359,085	-	-	-	6,059,980	-	334,766	-

15.2 Other Information

The following table details Transelec's derivatives as of December 31, 2013 and December 31, 2012, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh$	Maturity: Before 1 year ThCh$	Maturity: 2014 ThCh$	Maturity: 2015 ThCh$	Maturity: 2016 ThCh$	Maturity: 2017 ThCh$	Maturity: Subsequent years ThCh$	December 31, 2013 Total ThCh$
Cash flow hedge forwards (revenues)	333,250	333,250	-	-	-	-	-	333,250
Net investment hedge forward	25,835	25,835	-	-	-	-	-	25,835
Non-hedge forwards	-	-	-	-	-	-	-	-

15.2 Other Information (continued)

Financial derivatives	Fair value ThCh$	Maturity: Before 1 year ThCh$	Maturity: 2013 ThCh$	Maturity: 2014 ThCh$	Maturity: 2015 ThCh$	Maturity: 2016 ThCh$	Maturity: 2017 ThCh$	Maturity: Subsequent years ThCh$	December 31, 2012 Total ThCh$
Cash flow hedge forwards	(134,116)	(134,116)	-	-	-	-	-	-	(134,116)
Net investment hedge forward	6,059,980	6,059,980	-	-	-	-	-	-	6,059,980
Non-hedge forwards	(200,650)	(200,650)	-	-	-	-	-	-	(200,650)

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the years presented, December 31, 2013 and December 31, 2012, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

Derivatives are valued considering valuation techniques which include observable data, the most commonly used valuation techniques include forward pricing and swap valuation models using present value calculations. The models include several inputs including the credit risk of the counterparty, foreign exchange spot rate, forward rates and interest rate curves.

15.3 Fair value hierarchies

Financial instruments recognized at fair value in the statement of financial position are classified based on the following hierarchies: (a) Level 1: Quoted (unadjusted) price in an active market for identical assets and liabilities, (b) Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i,e,, as a price) or indirectly (i.e., as a derivative of a price); and (c) Level 3: Inputs for assets or liabilities that are not based on observable market information (non-observable inputs).

The following table details financial assets and liabilities measured at fair value as of December 31, 2013.

Financial instrumental measured at fair value		Fair value measured at the end of the reporting period using		
	December 31, 2013	Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Cash flow hedges (revenues)	333,250	-	333,250	-
Net investment hedge	25,835	-	25,835	-
Non-hedge forwards	-	-	-	-
Total, net	359,085	-	359,085	-

15.3 Fair value hierarchies (continued)

The following table details financial assets and liabilities measured at fair value as of December 31, 2012.

Financial instruments measured at fair value	December 31, 2012	Fair value measured at the end of the reporting period using Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Cash flow hedge	(134,116)	-	(134,116)	-
Net investment hedge	6,059,980	-	6,059,980	-
Non-hedge	(200,650)	-	(200,650)	-
Total, net	5,725,214	-	5,725,214	-

NOTE 16 – FINANCIAL INSTRUMENTS

The classification of financial assets in the categories described in Note 2.10 is shown below:

December 31, 2013	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	52,421,991	-	-	-	-	52,421,991
Other financial assets, current	-	513,048	-	333,250	-	846,298
Trade and other receivables	-	62,150,784	-	-	-	62,150,784
Other financial assets, non-current	-	10,742,658	-	-	278,848	11,021,506
Receivables from related parties, current	-	84,135,021	-	25,835	-	84,160,856
Receivables from related parties, non-current	-	163,321,244	-	-	-	163,321,244
Total	52,421,991	320,862,755	-	359,085	278,848	373,922,679

December 31, 2012	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	37,955,954	-	-	-	-	37,955,954
Other financial assets, current	-	669,329	-	-	-	669,329
Trade and other receivables	-	49,387,085	-	-	-	49,387,085
Other financial assets, non-current	-	10,248,263	-	-	303,955	10,552,218
Receivables from related parties, current	-	86,589,377	-	6,059,980	-	92,649,357
Receivables from related parties, non-current	-	69,581,888	-	-	-	69,581,888
Total	37,955,954	216,475,942	-	6,059,980	303,955	260,795,831

The classification of financial liabilities in the categories described in Note 2.10 is shown below:

December 31, 2013	Other financial liabilities ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Total ThCh$
Other financial liabilities, current	167,464,383	-	-	167,464,383
Trade and other payables	72,573,645	-	-	72,573,645
Other financial liabilities, non-current	983,286,832	-	-	983,286,832
Payables to related parties, non-current	40,343,274	-	-	40,343,274
Total	1.263.668.134	-	-	1.263.668.134

December 31, 2012	Other financial liabilities ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Total ThCh$
Other financial liabilities, current	66,609,287	200,650	134,116	66,944,053
Trade and other payables	89,427,302	-	-	89,427,302
Other financial liabilities, non-current	892,127,370	-	-	892,127,370
Payables to related parties, non-current	36,947,376	-	-	36,947,376
Total	1,085,111,335	200,650	134,116	1.085,446,101

NOTE 17 -- PROVISIONS

17.1 Detail of provisions

As of December 31, 2013 and December 31, 2012, this account is detailed as follows:

Detail	Current		Non-current	
	December 31, 2013 ThCh$	December 31, 2012 ThCh$	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Staff severance indemnities (Note 17)	262,894	690,072	3,481,743	3,228,405
Accrued vacations	1,381,592	1,277,215	-	-
Profit sharing benefits	5,449,355	4,351,884	9,530	9,530
Other provisions	589,386	514,752	-	-
Total	7,683,227	6,833,923	3,491,273	3,237,935

17.2 Provision movements

In 2013 and 2012, provision movements were the following:

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Beginning balance as of January 1, 2013	3,918,477	4,361,414	1,277,215	514,752	10,071,858
Movements in provisions:	463,270	4,893,386	1,039,501	74,634	6,470,791
Provisions during the year	-	-	-	-	-
Payments	(637,110)	(3.795,915)	(935,124)	-	(5,368,149)
Ending balance as of December 31, 2013	3,744,637	5,458,885	1,381,592	589,386	11,174,500

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other Provisions ThCh$	Total ThCh$
Beginning balance as of January 1, 2012	3,856,383	3,014,310	1,300,932	439,330	8,610,955
Movements in provisions:					
Provisions during the year	460,810	4,575,494	1,152,116	107,973	6,296,393
Payments	(398,716)	(3,228,390)	(1,175,833)	(32,551)	(4,835,490)
Ending balance as of December 31, 2012	3,918,477	4,361,414	1,277,215	514,752	10,071,858

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

As of December 31, 2013

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities	262,894	642,001	582,997	2,256,745
Accrued vacations	1,381,592	-	-	-
Profit sharing benefits	5,449,355	9,530	-	-
Other provisions	589,386	-	-	-
Total	7,683,227	651,531	582,997	2,256,745

As of December 31, 2012

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 3 years	More than 5 years
Staff severance indemnities	690,072	388,664	582,997	2,256,744
Accrued vacations	1,277,215	-	-	-
Profit sharing benefits	4,351,884	9,530	-	-
Other provisions	514,752	-	-	-
Total	6,833,923	398,194	582,997	2,256,744

Severance pay for years of service

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

Vacation accrual

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

Annual benefits

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

Other provisions

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

17.3 Lawsuits and arbitration proceedings

Transelec S.A.

1. Charges presented by the Superintendency of Electricity and Fuels (SEC), <u>for failure on March 14, 2010</u>. <u>Fine applied</u>: UTA 1,645 (one thousand six hundred forty-five units per year tax) equal to ThCh$ 804,839 as of December 31, 2013. <u>Current status</u>: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 3385-12). By decision dated January 18, 2013, the judicial claim was rejected. Additional Company's appeal has not been resolved on December 31, 2013.

   <u>Probable outcome</u>: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

2. Regarding the delay in commissioning the Rodeo-Chena project, and in accordance with the bidding terms and conditions, which stipulate a fine of US$30,000 per day of delay with a maximum of 60 days, the Company paid the fine amounting to US$ 1,800,000. Collection of a stand-by letter amounting to US$ 313,500 by authority is pending.

3. Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on July 28, 2010 (S/E Polpaico). Fine applied: UTA 400 (four hundred tax units) equal to ThCh$ 195,706 as of December 31, 2013.

   Current status: As the motion for reconsideration filed with the SEC was rejected. Transelec filed an appeal before the Santiago Court of Appeals (Rol 5824-12). On January 3, 2013, the Court of Appeals rejected the claim and additional Company's appeal has not been resolved on December 31, 2013. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

4. Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on July 27, 2010 (S/E Polpaico). Fine applied: UTA 560 (five hundred sixty tax units) equal ThCh$ 273,987 as of December 31, 2013. Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Court of Appeals of Santiago (Rol 5949-12), which by judgment dated January 28, 2013, upheld the claim and released Transelec from obligation to pay the fine. The SEC filed an appeal, which at December 31, 2013 has not been resolved by the Supreme Court. Probable outcome: It is expected that the Supreme Court will confirm the previous instance decision.

5. Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on September 24, 2011 (S/E Ancoa). Fine applied: UTA 1,300 (one thousand three hundred tax units) equal to ThCh$ 636,043 as of December 31, 2013, Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 2266-13) that has not been resolved to date. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

6. Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on November 28, 2011 (Polpaico-Cerro Navia line). Fine applied: UTA 100 (one hundred tax units) equal to ThCh$ 48,926 as of December 31, 2013, Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 2476-13) that has not been resolved to date. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

7. Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on December 13, 2011 (Itahue-Parral congestion). Fine applied: UTA 300 (three hundred tax units) equal to ThCh$ 146,779 as of December 31, 2013, Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 2519-13) that has not been resolved to date. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

As of December 31, 2013 the Company has established a provision for these contingent liabilities totaling to ThCh$ 1,110,450 considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC. In addition, there are cases with appeals before the SEC and for which the body normally and to some extent has kept the fine charged.

8. As of December 31, 2013, the company Campanario Generación S,A, has not fulfilled its obligation to pay invoices issued by Transelec for the injection and withdrawal balances issued by the CDEC-SIC in June, July, August and September 2011. On August 3, 2011, Transelec notified the SEC of this company's failure to comply with its obligation so it could adopt legally appropriate measures.

   In order to collect the funds owed by Campanario Generación S.A., on August 12, 2011, Transelec S.A. filed a preparatory invoice notification measure against that company before the 5th Civil Court of Santiago for unpaid invoices totaling ThCh$ 6,285,171, This judicial management was presented to the 5th Civil Court of Santiago,

   On September 13, 2011, Campanario Generación S.A. was declared bankrupt by the 6th Civil Court of Santiago, In this bankruptcy proceeding, Transelec claimed $ 14,688,235,160, which includes VAT of ThCh$ 2,345,064, plus principal, interest, indexation adjustments and costs.

   By Exempt Resolution No, 2288 dated August 26, 2011, the SEC ordered the CDEC-SIC to exclude the Company from the Balance of Energy and Power which is made to calculate tariff revenues (IT). In compliance with the order, CDEC-SIC issued a new procedure, which was approved by the National Energy Commission (CNE), Transelec S,A, impugned the proceedings before the Panel of Experts, which in Opinion No, 24-2011 ordered the issuance of a new procedure by the CDEC-SIC that still requires an approval by the CNE.

   In relation with the final tolls and IT for 2011, the CDEC-SIC issued the corresponding settlement, which was also impugned by Transelec before the Panel of Experts, which through Opinion No, 2-2012 ordered CDEC-SIC to determine new settlements of tolls and final IT for 2011, declaring that Transelec S,A, is not responsible for the payments of amounts owed by Campanario Generación S.A. to generators, and also that they must pay the IT related to Campanario Generación S,A, to Transelec S.A. This new settlement issued was objected by Endesa through discrepancy filed with the Panel of Experts, which to date did not issue a final resolution. The distribution of the amount already recovered by Transelec in bankruptcy proceeding (ThCh$ 3,161,082) depends on the final settlement mechanism.

   In the bankruptcy proceedings the assets of Campanario Generación S.A. were liquidated and an amount of US$ 86,6 million was recovered.

   According to the opinion of our external lawyers (Philippi), those proceeds will be sufficient to cover approximately 40,86% of the verified debt of Campanario Generación S.A. This percentage may vary depending on the price obtained from the sale of water rights, In addition, efforts are being made to recover an amount paid in respect of VAT and related relating to the amounts billed, The total amount of the VAT to recover is ThCh$ 2,345,054, has been already fully recovered.

In connection with this case, the SEC presented charges against Transelec S.A., accusing it of having broken the chain of payments in the system. Transelec responded the charges and after obtaining a favorable opinion from the Panel of Experts, made a presentation to the SEC requesting to set aside the punitive process. The SEC rejected this request and fined Transelec of 600 UTA, equivalent as of December 31, 2013 to ThCh$ 293,558. An appeal for reconsideration was filed, which was also rejected. Current status: Transelec filed an appeal before the Honorable Court of Appeals of Santiago (Rol 3718-13), which to date has not been resolved. Probable outcome: given the background information supporting the appeal, it is estimated that the Court of Appeals should accept it.

In relation with this case (Campanario Generación S.A.), on May 29, 2012, Transelec was notified of the lawsuit filed by a group of generators, led by Colbún S.A. seeking the recovery of ThCh$ 1,374,898 from Transelec S.A. which corresponds to a debt of Campanario Generación S,A, consequence of its default, Transelec S.A. defense is to show that, as stated by the Panel of Experts in its Opinion No, 2-2012 cited above, it does not assume the payment of an obligation to a third party, in this case Campanario Generación S.A., as Transelec S.A. did not participate as a debtor in the "Balance of Injections and Withdrawals of Energy and Power" prepared by the CDEC-SIC, and only acts as collector of such settlements. Finally, the parties clarified their differences and proceeded to set off outstanding balances between them, and after that the plaintiffs withdrew their demand.

Transelec Norte S.A. and subsidiaries

As of December 31, 2013 there are no administrative sanctions

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

18.1 Detail of account

Post-employment and other benefit obligations	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Staff severance indemnity provision – current	262,894	690,072
Staff severance indemnity provision non – current	3,481,743	3,228,405
Total current and non-current obligations for post-employment benefits	3,744,637	3,918,477

18.2 Detail of post-employment and other similar obligations

As of December 31, 2013 and December 31, 2012, this account is detailed as follows:

Post-employment and other benefits obligations	Staff severance indemnity December 31, 2013 ThCh$	December 31, 2012 ThCh$
Present value of defined benefit plan obligations opening balance	3,918,477	3,856,893
Current service cost of defined benefit plan obligations	196,659	200,047
Interest cost of defined benefit plan obligations	266,611	260,253
Payments	(637,110)	(398,716)
Present value of defined benefit obligations ending balance	3,744,637	3,981,477

18.3 Balance of post-employment and other similar obligations

	Staff severance indemnity December 31, 2013 ThCh$	December 31, 2012 ThCh$
Present value of defined benefit obligations, ending balance	3,744,637	3,918,477
Present obligation with defined benefit plan funds	3,744,637	3,918,477
Fair value of defined benefit plan assets, ending balance	-	-
Balance of defined benefit obligations, ending balance	3,744,637	3,918,477

18.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2013 to December 31, 2013 ThCh$	January 1, 2012 to December 30, 2012 ThCh$	
Current service cost of defined benefit plan	196,659	200,047	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	266,611	260,253	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	463,270	460,300	

18.5 Actuarial hypothesis

Detail	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Discount rate used	3.2%	3.2%
Inflation rate	4%	4%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

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

18.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of December 31, 2013:

Nivel of Sensitivity	Discount rate used		Inflation rate		Future salary increase	
	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)
Impact on current and non-current of employment benefit obligation	(129,720)	470,853	198,792	(40,081)	421,858	(89,940)

To evaluate impact, the sensitivity analysis has been determined based on the extrapolation method obtaining reasonable results in terms of the changes in the significant hypotheses used as of December 31, 2013.

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

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
During the upcoming 12 month	262,894	690,072
Between 2 to 5 years	1,121,222	1,039,640
Between 5 to 10 years	1,011,877	938,251
More than 10 years	1,348,644	1,250,514
Total Payments Expected	3,744,637	3,918,477

NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of December 31, 2013 and December 31, 2012, authorized, subscribed and paid share capital amounts to ThCh$857,944,548.

19.2 Number of subscribed and paid shares

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

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

19.3 Dividends

On April 27, 2012, the Company held its ordinary meeting of shareholders, in which it was agreed to unanimously approve a final dividend for the year 2011 for the sum of Ch$ 20,789,620,729, It was also agreed to distribute a dividend corresponding to retained earnings for 2008 for Ch$ 41,148,907,284, As of December 31, 2012 this dividend is fully paid.

On the Board of Directors meeting held on November 21, 2012, it was agreed to distribute an interim dividend for the financial year 2012, amounting to the sum of Ch$ 44,867,250,000, As of December 31, 2012 this dividend is fully paid.

On April 26, 2013, the ordinary shareholders meeting of the Company was celebrated, on which it was unanimously agreed to approve a final dividend for the year 2012, amounting to $ 16,882,000,000. As of December 31, 2013 this dividend is fully paid.

On August 21, 2013, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a provisional dividend with debit to 2013 income, in the amount of Ch$31,871,411,198. As of December 31, 2013, this dividend has been paid in full.

On November 20, 2013, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a provisional dividend with debit to 2013 income, in the amount of Ch$10,311,065,696. As of December 31, 2013, this dividend has been paid in full.

19.4 Other reserves

Other reserves as of December 31, 2013 and December 31, 2012 are detailed as follows:

Description	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Translation adjustment	309,624	(29,911)
Net investment hedge	5,352,676	2,443,127
Cash flow hedge (revenue)	333,250	(134,116)
Cash flow hedge (base interest rate)	2,478,518	-
Deferred taxes	(1,694,814)	(455,820)
Total	6,779,254	1,823,280

The Movement and reclassifications of other comprehensive income for the year 2013 are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Total ThCh$
Opening balance as of January 1, 2013	1,930,573	(107,293)	1,823,280
Translation adjustment	3,249,083	-	3,249,083
Valuation of derivatives	-	2,945,885	2,945,885
Deferred tax	(649,817)	(589,177)	(1.238,994)
Closing balance as of December 31, 2013	4,529,839	2,249,415	6,779,254

19.5 Capital management

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

The capital management policy of Transelec S.A. and subsidiary is aimed at maintaining adequate capitalization levels to sustain operations and provide sensible leverage, thus optimizing shareholder returns and maintaining a solid financial position.

Capital requirements are determined based on the Company’s financing needs, taking care to maintain an adequate level of liquidity and complying with financial covenants established in current debt contracts. The Company manages its capital structure and makes adjustments based on prevailing economic conditions in order to mitigate risks from adverse market conditions and take advantage of any opportunities that may arise to improve its liquidity position.

The principal financial covenants established in current debt contracts related to capital requirements are:

- Maintain individual and consolidated indebtedness levels (Total debt / Total capitalization ratio) no greater than 0.7 based on the definitions of these terms in the respective prospectuses.
- Maintain minimum individual and consolidated equity of fifteen million UF equivalents to ThCh$349,643,400 as of December 31, 2013.

The following tables present – as of December 31, 2013 and December 31, 2012 - the calculation of the two covenants mentioned above and also a calculation of a third ratio that the Company has to comply, which does not depend on capital (equity) amount.

Covenant 1	Total debt / Total capitalization ratio Lower or equal to 0,70	December 31, 2013 ThCh$	December 31, 2012 ThCh$
A	Other financial liabilities, current	167,464	66,944
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	983,287	892,127
D	Payables to related parties, non-current	40,343	36,947
E=A+B+C+D	Covenants debt	1,191,094	996,018
G	Debt with guarantees (1)	32,316	19,621
DT=E+G	Total debt	1,223,410	1,015,639
H	Non-controlling interest	4	3
P	Equity attributable to owners of the parent	887,092	876,968
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	Total capitalization	2,135,476	1,917,580
DT/CT	Total debt / Total capitalization ratio	0.57	0.53

(1) Amount of the debt with guarantees corresponds to a guarantee issued by Transmisora Huepil Limitada, indirect subsidiary of Transelec S.A.

Covenant 2	Minimum equity Greater than or equal to UF 15 million	December 31, 2013 ThCh$	December 31, 2012 ThCh$
P	Equity attributable to owners of the parent	887,092	876,968
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	Equity (in ThCh$)	912,062	901,938
UF	UF value	23,309.56	22,840.75
(I+P)/UF	Equity (in UF millions)	39.13	39.49

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1,5	December 31, 2013 ThCh$	December 31, 2012 ThCh$
FO	Cash flow from operations	135,186	151,603
CF	Financial costs	48,473	37,253
IG	Income tax expense	14,423	8,508
FNO=FO+CF+IG	Funds from operations	190,083	197,364
FNO/CF	Funds from operations / Financial costs	4.09	5.30

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

NOTE 20 - INCOME

20.1 Revenue

The following table details revenue for the years ended December 31, 2013 and 2012:

Revenue	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Revenues from regulated transmission services	97,760,148	88,103,722
Revenues from contractual transmission services	119,926,630	123,307,041
Leases revenue	395,846	686,375
Revenue from lease indexation	1,866,113	1,395,256
Total revenues	219,948,737	213,492,394

20.2 Other operating income

The following table details operating income for the years ended December 31, 2013 and 2012:

Other operating income	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Financial income (Note 21.4)	10,868,623	5,044,168
Other gains (losses), net	3,616,801	3,779,694
Total other operating income	14,485,424	8,823,862

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the years ended December 31, 2013 and 2012 is as follows:

Detail	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Personnel expenses	17,597,688	16,506,327
Operating expenses	14,444,402	23,111,060
Maintenance expenses	5,412,955	4,723,102
Depreciation and write-offs	44,687,762	48,338,494
Other	4,585,561	2,947,318
Total	86,728,368	95,626,301

21.2 Personnel expenses

As of December 31, 2013 and 2012, this account is detailed as follows:

Detail	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Salaries and wages	14,831,230	15,489,748
Short-term employee benefits	684,118	1,008,502
Staff severance indemnity	721,352	672,070
Other long-term benefits	976,718	1,139,635
Other personnel expenses	5,894,879	5,325,520
Expenses capitalized on construction in progress	(5,510,609)	(7,129,148)
Total	17,597,688	16,506,327

21.3 Depreciation and amortization

The following table details depreciation and amortization for the years ended December 31, 2013 and 2012:

Detail	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Depreciation	42,141,086	45,895,186
Amortization	435,512	309,913
Losses from damages	2,111,164	2,133,395
Total	44,687,762	48,338,494

21.4 Financial results

The Company's financial result for the years ended December 31, 2013 and 2012, is detailed as follows:

Detail	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Financial income:	10,868,623	5,044,168
Commercial interest earned	359,706	2,747,225
Bank interest earned	1,745,336	2,296,943
Interest earned from related parties	8,553,264	-
Other income	210,317	-
Financial expenses:	(48,473,429)	(37,252,682)
Interest on bonds	(42,278,186)	(36,771,785)
Interest on bank loans	(3,653,925)	-
Commercial interest incurred	(517,545)	-
Interest costs on related parties transactions	(1,633,684)	-
Other expenses	(390,089)	(480,897)
Gain (loss) from indexation of UF	(17,256,864)	(18,799,768)
Foreign exchange gains (losses), net	(2,945,257)	(380,033)
Positive	13,030,821	2,395,452
Negative	(15,976,078)	(2,775,485)
Total financial result, net	(58,806,927)	(51,388,315)

NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Current tax expense	1,118,385	924,423
Tax benefit arising from previously unrecognized tax assets used to reduce current tax expenses	-	-
Adjustments to current tax of prior period	-	-
Other current tax expenses	-	-
Current tax expense, net, total	1,118,385	924,423
Deferred tax expense relating to origination and reversal of temporary differences	13,304,456	7,583,734
Other deferred tax expense	-.-	-.-
Deferred tax expense, net, total	13,304,456	7,583,734
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	14,422,841	8,508,157

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense

The following table reconciles income taxes resulting from applying statutory tax rate to the "Profit Before Taxes" to the income tax expense recorded in the consolidated income statement for the years 2013 and 2012:

Using Effective Rate	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Tax expense at statutory rate	(15,806,049)	(14,051,494)
Price level restatement of equity	2,595,436	2,751,670
Fines	(177,158)	-
Prior year adjustments	-	4,217,881
Other differences increase (decrease)	(1,035,070)	(1,426,214)
Total adjustments to tax expense using statutory rate	1,383,208	5,543,337
Tax Expense at effective Rate	(14,422,841)	(8,508,157)

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Statutory Tax Rate	20.00%	20.00%
Price level restatement of equity	(3.28)%	(3.92)%
Fines	0.22%	-
Prior year adjustments	-	(6.00)%
Other differences increase (decrease)	1.31%	2.03%
Adjustments to Statutory Tax Rate, Total	(1.75)%	(7.89)%
Effective Tax Rate	18.25%	12.11%

The tax rate used for the year 2013 and 2012 reconciliations corresponds to 20%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations.

NOTE 23 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit attributable to the Company's shareholders by the weighted average number of common shares in circulation during the year excluding, if any, common shares purchased by the Company and maintained as treasury shares.

Basic Earnings per Share	December 31, 2013	December 31, 2012
Profit attributable to equity holders of parent (ThCh$)	64,607,402	61,749,315
Earnings available to common shareholders, basic (ThCh$)	64,607,402	61,749,315
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	64,607	61,749

There are no transactions or concepts that create a dilutive effect.

NOTE 24 - SEGMENT REPORTING

The Company and its subsidiary engage exclusively in providing services related to electricity transmission. To provide such services, they possess assets throughout the country that form the Transelec transmission system, stretching 3,168 kilometers from the Arica y Parinacota Region to the Los Lagos Region.

Electricity transmission service falls under the legal framework that governs the electricity sector in Chile. This framework defines transmission systems and classifies transmission facilities into three categories (the trunk transmission system, the subtransmission system and additional systems), establishing an open access scheme for the first two systems and allowing additional lines that use rights of way and have national assets for public use along their paths to be used by third parties under non-discriminatory technical and economic conditions. The law also sets criteria and procedures for determining compensation that transmission facility owners are entitled to receive.

Transelec's revenue from the trunk system consists of the "annual transmission value per segment" (VATT for its Spanish acronym), which is calculated every 4 years based on the "annual investment value" (AVI for its Spanish acronym), plus "operating, maintenance and administrative costs" (COMA for its Spanish acronym) for each trunk system segment.

The annual subtransmission system value (VASTX for its Spanish acronym) is calculated every four years. It is based on the valuation of facilities that are economically adapted to demand and consists of standard investment, maintenance, operating and administrative costs, plus average energy and capacity losses of the adapted facilities.

Revenue from additional systems is established in private contracts with third parties, which are principally generators and users that are not subject to price regulation. The main objective of the additional systems is to enable generators to inject their production into the electricity system and to allow large customers to make withdrawals.

The law distinguishes between the different systems in order to ensure that tariffs are appropriate for each case, Nevertheless, facilities of a given voltage (220 KV, for example) are identical, whether trunk, subtransmission or additional, Thus, a 220 KV facility requires a given type of maintenance, fundamentally because of its geographic location, its proximity to the ocean, the climate, etc., but in no case does this maintenance depend on whether that 220 KV facility is trunk, subtransmission or additional, Precisely the same happens with operating costs: operations are executed by the corresponding CDEC regardless of whether that 220 KV facility is trunk, subtransmission or additional, Thus, for Transelec this classification into trunk, subtransmission or additional systems is merely for tariff purposes and has no other consequences.

The Company's management analyzes its business as a set of transmission assets that enables it to provide services to its customers. As a result, resource allocation and performance measurements are analyzed in aggregate.

Internal management takes into account this classification criterion for revenue and costs merely for descriptive purposes but in no case for business segmentation.

As a result, for the purposes of applying IFRS 8, all of the businesses described above are defined as one sole operating segment for Transelec S.A.

Information about products and services

	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Revenues from regulated transmission services	97,760,148	89,498,978
Revenues from contractual transmission services and others	122,188,589	123,993,416
Total revenues	219,948,737	213,492,394

Information about sales and principal customers

The Company has four customers that individually represent more than 10% of total revenues for the year ended on December 31, 2013. The amounts of revenues recognized from these customers were: ThCh$ 71,491,627, ThCh$ 60,905,616, ThCh$ 30,446,275 and ThCh$ 27,614,592, respectively., For the year ended December 31, 2012 the Company had four customers that individually exceeded 10% of total revenues. The amounts of revenues recognized from these customers were: ThCh$ 72,245,825, ThCh$25,769,694 and ThCh$21,685,279, respectively.

NOTE 25 - BUSINESS COMBINATION

On December 27, 2012, the subsidiary Transelec Norte acquired 99.99% of Inversiones Eléctricas Transam Chile Ltda., thus obtaining control of the Transam Group which also includes three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda. and Transmisora Araucana de Electricidad Ltda, in each of which Inversiones Eléctricas Transam Chile Ltda. owns 99% of shares.

The following tables summarize the amount of consideration paid for the Transam Group and the fair values of the assets acquired, the liabilities assumed and the non-controlling interest in the Transam Group at the date of acquisition:

	ThCh$
Consideration paid in cash to Abengoa Chile S.A.	5,907,348
Consideration paid in cash to Inversiones Eléctricas GE Ltda.	19,219,038
Total price paid	25,126,386

	Fair value December 27,2012 (Updated) ThCh$
Assets acquired:	
Property, plant and equipment	32,761,110
Other assets	5,015,582
Liabilities assumed:	
Short term bank loans	(1,052,072)
Long term bank loans	(8,931,096)
Deferred tax liabilities	(4,684,410)
Other Liabilities	(886,966)
Net identifiable assets at fair value	22,222,148
Non-controlling interest	(130,549)
Goodwill acquired (Note 10)	3,034,787
Total	25,126,386

The net assets recognized as of December 31, 2012 have been determined using the provisional valuation method at their fair values. Final valuation had not been completed before the date on which the financial statements for the year 2012 were approved by the Board of Directors for issue.

In December 2013 the Company completed the final valuation. The value of assets acquired has increased by ThCh$ 6,438,663 in comparison to their provisional value. As a result, there was an increase in deferred taxes of ThCh$ 2,088,786. And goodwill has decreased by ThCh$ 6,223,780, as a result of the increase in net assets from the acquisition.

Goodwill as of December 31, 2013 amounts to ThCh$ 3,249,809, and corresponds to the synergies expected from the operations and contracts of the acquiree.

It is not expected that the goodwill recognized in the acquisition will be tax deductible.

NOTE 26 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

As of December 31, 2013, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$ 36,498,486 (ThCh$ 31,542,290 as of December 31, 2012), In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favor of the Company.

In addition, indirect subsidiary Transmisora Huepil Limitada, has guaranteed its debt amounting to ThUS$ 18,608.

NOTE 27 - DISTRIBUTION OF PERSONNEL (UNAUDITED)

As of December 31, 2013 and December 31, 2012, personnel employed by Transelec S.A. are detailed as follows:

	December 31, 2013				
	Manager and executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	16	333	158	507	508.6

	December 31, 2012				
	Manager and executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	14	328	168	510	491,.1

NOTE 28 - ENVIRONMENT

Transelec and its subsidiaries, in compliance with current environmental regulations and in line with its sustainability policy have undergone environmental assessment projects or amendments thereto to the environmental authority through the Environmental Evaluation System (SEIA). To this end, several studies were conducted to substantiate the presentations have allowed environmental documents. These documents are an Environmental Impact Statement (EIS for Spanish acronym) or an environmental impact study concerned, met the requirements of Law No, 19,300 on General Environment, amended by Law No, 20,417, and its regulations of SEIA. For projects that have started their implementation the Company has been following the conditions and measures imposed by environmental authority in the respective resolutions of environmental qualification.

During for the years ended December 31, 2013 and 2012, the Company has not made the following environmental disbursements:

Company making disbursement	Project	December 31, 2013 ThCh$	December 31, 2012 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors	659,303	1,009,944
Transelec Norte S.A	Preparation, processing and implementation of DIA and EIA	87,610	-
Total		746,913	1,009,944

NOTE 29 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY (UNAUDITED)

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	December 31, 2013 Maturity less than 90 days ThCh$	December 31, 2013 Maturity more than 91 to 1 year ThCh$	December 31, 20132 Maturity less than 90 days ThCh$	December 31, 20132 Maturity more than 91 to 1 year ThCh$
Cash and cash equivalents	Dollars	CH$	34,432,628	-	19,820,861	-
	Chilean Pesos	CH$	17,977,079	-	18,135,093	-
	Other Currency	CH$	12,284	-	-	-
Trade and other receivables	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	47,389,169	13,453,127	-	-
	Other Currency	CH$	-	-	-	-
Receivables from related parties, Current	Dollars	CH$	79,661,771	-	-	86.531.517
	Chilean Pesos	CH$	4,499,085	-	-	6.117.840
	Other Currency	CH$	-	-	-	-

			December 31, 2013		December 31, 2012	
Current Liabilities	Foreign Currency	Functional Currency	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	3,849,532	431,728	275,017	58,590,396
	Chilean Pesos	CH$	12,964,737	150,218,.386	7,226,338	691,035
	Other Currency	CH$	-	-	-	-
Trade payables and other payables	Dollars	CH$	910,968	-	3,217,147	-
	Chilean Pesos	CH$	53,426.584	18,803,961	56,554,318	29,655,837
	Other Currency	CH$	-	-	-	-
Current provisions for employee benefits	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	5,449,355	2,233,872	4,351,884	2,482,039
	Other Currency	CH$	-	-	-	-

b) Non-Current assets and liabilities

Non-Current Assets	Foreign Currency	Functional Currency	December 31, 2013 1 to 3 year ThCh$	December 31, 2013 3 to 5 year ThCh$	December 31, 2013 More than 5 year ThCh$	December 31, 2012 1 to 3 year ThCh$	December 31, 2012 3 to 5 year ThCh$	December 31, 2012 More than 5 year ThCh$
Trade and other receivables	Dollar	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH$	-		111,011,395	-	-	59,505,087
	Chilean Pesos	CH$	-		1,144,365,894	-	-	1,100,038,702
	Other Currency	CH$	-		-	-	-	-
Deferred tax assets	Dollars	CH$	-	57,998	-	-	-	-
	Chilean Pesos	CH$	-	2,063,698	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-

			December 31, 2013			December 31, 2012		
Non-Current Liabilities	Foreign Currency	Functional Currency	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$
Other financial liabilities, non-current	Dollars	CH$	3,827,555	4,801,231	155,815,517	3,202,293	4,961,347	1,262,881
	Chilean Pesos	CH$	194,770,693	-	624,071,836	199,699,184	134,439,685	549,057,298
	Other Currency	CH$	-	-	-	-	-	-
Other liabilities, non-current	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Non-current provisions for employee benefits	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	651,531	582,997	2.256,745	388,664	582,997	2,256,744
	Other Currency	CH$	-	-	-	-	-	-

NOTE 30 - SUBSEQUENT EVENTS

On January 23, 2014, the Superintendencia de Valores y Seguros was informed that an Extraordinary Shareholders' Meeting for Transelec S.A. was held on January 22, 2014, where they agreed on the following:

1. To ratify the agreement adopted by the Company's Board of Directors at Ordinary Meeting No. 101 held on November 20, 2013, where they approved short-term intercompany loans under market conditions, which were paid on December 26th of the same year.

2. To approve a decrease in the Company's capital, from an amount of Ch$857,944,547,865, divided among 1,000,000 ordinary, nominative shares with no nominal value, to the amount of Ch$776,355,047,865, divided among 1,000,000 shares with the same characteristics as above. This modification supposes a capital decrease of Ch$81,589,500,000, equivalent to US$150,000,000, according to the exchange rate published in the Official Gazette on January 22, 2014.

3. Finally, they approved that payment obligations derived from the agreed-upon capital decrease and the ratified short-term intercompany loans shall be extinguished by compensation between both debts once all applicable legal formalities are met.

Between December 31, 2013, closing date of these consolidated financial statements and the date of issuance, there have been no significant financial and accounting events that may affect the equity of the Company or the interpretation of these financial statements.

TRANSELEC S.A. AND SUBISIDIARIES

REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

INTRODUCTION

During the year 2013, Transelec S.A. and subsidiaries recorded a net income of MCh$64,607 (MCh$61,749 in the same period 2012) which is 4.6% higher than the same period in 2012. This increase is mainly due to higher operating incomes (MCh$133,220 in 2013 and MCh$117,866 in 2012), mainly explained by lower operating costs (12% decrease) and higher operating revenues (3% increase). This higher Operating income is partially offset by higher loss on non-operating incomes (MCh$54,190 in 2013 and MCh$47,609 in 2012) and higher income taxes (MCh$14,423 in 2013 and MCh$8,508 in 2012). The EBITDA* for the period was MCh$181,525, which is 6.8% higher than the same period in 2012 (MCh$169,984) with an EBITDA over revenues of 82.5% (79.6% in 2012).

During the year 2013, Transelec S.A. placed a UF 3.1 million bond (serie Q) in the Public Chilean bond market and a US$300 million bond (senior Notes) in the an international market. In addition, there were US$177.4 million commissioned of new assets and the project finance Caserones was sold to a related party.

Transelec S.A. and its subsidiary Transelec Norte S.A. have prepared their financial statements as of December 31, 2013, in conformity with International Financial Reporting Standards (IFRS) and correspond to the comprehensive, explicit and non-reserved adoption of the above mentioned international standard. The figures of this ratio analysis are expressed in million of Chilean pesos (MCh$) as the Chilean peso is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

Items	December 2013 MCh$	December 2012 MCh$	Variation 2013/2012 %
Operating Revenues	219.949	213.492	3,0%
Toll sales	213.897	198.173	7,9%
Work and services	6.051	15.319	-60,5%
Operating costs	-71.986	-82.065	-12,3%
Fixed costs	-29.279	-35.734	-18,1%
Depreciation	-42.708	-46.332	-7,8%
Administraton and sales expenses	-14.742	-13.561	8,7%
Fixed costs	-12.762	-11.554	10,5%
Depreciation	-1.980	-2.007	-1,3%
Operating Income	**133.220**	**117.866**	**13,0%**
Other Financial Income	10.869	5.044	115,5%
Financial Costs	-48.473	-37.253	30,1%
Foreign exchange differences, net	-2.945	-380	675,0%
Gain (loss) for indexed assets and liabilities	-17.257	-18.800	-8,2%
Other income	3.617	3.780	-4,3%
Non-Operating Income	**-54.190**	**-47.609**	**13,8%**
Income before Income Taxes	**79.030**	**70.257**	**12,5%**
Income tax	-14.423	-8.508	69,5%
Net Income	**64.607**	**61.749**	**4,6%**
EBITDA	**181.525**	**169.984**	**6,8%**

(*) EBITDA= Net income +abs(Income tax)+abs(Depreciation)+abs(Non-operating income)+abs(Other gains)+Lease financial income.

a) Operating income

During the year 2013, operating revenues reached MCh$219,949, which is 3.0% higher compared with the same period in 2012 (MCh$213,492). This increase is mainly explained by higher Toll sales revenues that reached MCh$213,897 during 2013, 7.9% higher than 2012 (MCh$198.173). This increase is mainly due to new commissioned projects during 2013, that resulted in MCh$13,479 of revenues, which includes MCh$3,621 from the Transam S.A acquisition by Transelec Norte S.A. Retroactive tariff adjustments related to subtransmission have a negative impact of MCh$3,020 in Toll sales revenues. These higher operating revenues are partially offset by lower engineering services revenues that reached MCh$6,051 in 2013 and MCh$15,319 in 2012. During 2013, these engineering services resulted in 2.8% of the total revenues and 7.2% during the same period in 2012.

During this period, the operating costs reached MCh$71,986 (MCh$82,065 in 2012). These costs are mainly related to the maintenance and operation of the Company's facilities and, in percentage terms, 59.3% of the company's costs correspond to property, plant and equipment depreciation (56.5% in 2012). This decrease in the depreciation is mainly explained by adjustments on the life of the assets. The remaining 40.7% (43.5% in the comparison period) correspond to personnel, supplies and contracted services. The decrease in the operating costs, compared to the same period of 2012, is mainly due to lower engineering services hired that amounted MCh$577 as of December 2013, 94.2% lower than the same period of 2012 (MCh$9,892).

Administrative and selling expenses amounted MCh$14,742 (MCh$13,560 during the same period of 2012) and primarily consist in 86.6% (85.2% in 2012) of personnel and work expenses, supplies and services contracted, and 13.4% of depreciation (14.8% in 2012). The increase in administrative and selling expenses is mainly due to higher feasibility studies costs and the TTS 2014 costs (MCh$1,067).

b) Non-operating income

Net income for the year 2013, was negatively impacted by the non-operating loss of MCh$54,190 (MCh$47,609 in the same period of 2012), mainly generated by higher financial costs that reached MCh$48,473 (MCh$37,253 in 2012). This higher Financial Costs are mostly explained by short and long terms loans obtained from the Revolving Credit Facility (RCF), the Q series and Senior Notes bonds issuance, and the non-committed line of credit. The interests paid due to these liabilities reached MM$7,984 during the year 2013. The remaining higher financial costs in 2013 compared with the same period of 2012 correspond mainly to a lower capitalized interest (MCh$1,562).

Loss from Foreign exchange differences amounted MCh$2,945, which is 675% higher in comparison with the same period of 2012 (MCh$380). This loss is mainly explained by the increase of the exchange rate, that comparing the second semester of 2013 and 2012 had 6.6% of variation, and had an impact on the use of the RCF (MM$7,417) and the Senior Note bonds (MCh$5,754). This negative impact, is partially offset by accounts receivable to related companies accrued, that reached MM$7,141 and other capital market transactions in US dollars (MM$ 3,784).

The negative impact on the non-operating income previously explained, is partially offset by higher financial costs that reached MCh$10,860 in 2013 (MCh$5,044 in 2012). This increase is mainly due to loans to related parties, principally to Transelec Holding Rentas Ltda. for MCh$ 92,316 that generated accrued interests for MCh$6,247.

2. BALANCE SHEET ANALYSIS

The increase in current assets between December 2013 and December 2012 is explained by an increase in cash and cash equivalents. The increase in non-current assets is due to an increase in accounts receivable to related parties, mainly to Transelec Holdings Rentas Ltda, and due to an increase in fixed assets from the commissioning of 14 projects during 2013.

The increment in equity and liabilities is mainly explained by the increase in current and non-current liabilities mostly generated by the national Q series bond and the international Senior Notes bond issued during the second and third quarter respectively.

Items	December 2013 MCh$	December 2012 MCh$	Variation 2013/2012 %
Current assets	209,451	189,399	10.6%
Non-current assets	1,969,931	1,810,229	8.8%
Total Assets	**2,179,381**	**1,999,629**	**9.0%**
Current liabilities	248,839	178,220	39.6%
Non current liabilities	1,043,447	944,437	10.5%
Equity	887,096	876,971	1.2%
Total liabilities & Equity	**2,179,381**	**1,999,629**	**9.0%**

VALUE OF THE MAIN PP&E IN OPERATION

Assets	December 2013 MCh$	December 2012 MCh$	Variation 2013/2012 %
Land	19,777	20,983	-5.8%
Building, Infraestucture, works in progress	938,651	767,858	22.2%
Work in progress	89,680	47,555	88.6%
Machinery and equipment	498,519	351,440	41.9%
Other fixed assets	4,260	4,468	-4.6%
Depreciation (less)	-295,511	-254,764	16.0%
Total	**1,255,377**	**937,541**	**33.9%**

CURRENT DEBT

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) Unpaid capital December 2013	December 2012
Series C bond	UF	3.50%	Fixed	Sep 1st, 2016	6.0	6.0
Series D bond	UF	4.25%	Fixed	Dec 15 th, 2027	13.5	13.5
Series E bond	UF	3.90%	Fixed	Aug 1st, 2014	3.3	3.3
Series F bond	CLP	5.70%	Fixed	Aug 1st, 2014	33,600.0	33,600.0
Series H bond	UF	4.80%	Fixed	Aug 1st, 2031	3.0	3.0
Series I bond	UF	3.50%	Fixed	Sep 1st, 2014	1.5	1.5
Series K bond	UF	4.60%	Fixed	Sep 1st, 2031	1.6	1.6
Series L bond	UF	3.65%	Fixed	Dec 15 th, 2015	2.5	2.5
Series M bond	UF	4.05%	Fixed	Jun 15 th, 2032	3.4	3.4
Series N bond	UF	3.95%	Fixed	Dec 15 th, 2038	3.0	3.0
Series Q bond	UF	3.95%	Fixed	Oct 15 th, 2042	3.1	-
Series Senior Notes bond	USD	4.63%	Fixed	Jul 26 th, 2023	300.0	-
Revolving Credit Facility	USD	2.76%	Variable		-	120.0
Huepil Loan	USD	1.88%	Variable	Oct 10 th, 2023	21.2	23.1

3. MAIN CASH FLOWS DURING THE YEAR

Items	December 2013 MCh$	December 2012 MCh$	Variation 2013/2012 %
Cash flows provided by (used in) operating activities	135,186	151,603	-11%
Cash flows provided by (used in) investing activities	-215,373	-124,185	73%
Cash flows provided by (used in) financing activities	94,652	-53,674	-276%
Net increase (decrease) of cash and cash equivalent	**14,466**	**-26,256**	**-155%**
Cash and cash equivalent at the begining of the period	37,956	64,212	-41%
Cash and cash equivalent at the end of the period	**52,422**	**37,956**	**38%**

During the year 2013, cash flows from operating activities reached MCh$135,186 (MCh$151,603 in the same period of 2012), which represent a decrease of 11%, mainly explained by higher payments to suppliers of goods and services, that reached MCh$83,080 as of December 31, 2013, in comparison to MCh$57,781 reached in the same period of 2012. This was partially offset by other payments for operating activities that did not recorded disbursements for the 2013 period, compared with MCh$12,761 recorded for 2012.

During this period, investing activities generated a negative cash flow for an amount of MCh$215,373 (Mch$124,185 in 2012), mainly due to loans to related parties (MCh$171,465). This negative impact was partially offset by higher Additions of property, plant and equipment that reached MCh $77,466 during 2013, compared with MCh$16,368 reached in the same period in 2012.

During the same period, financing activities generated a positive net cash flows of MCh$94,652 (Mch$-53,674 in 2012), mainly due to higher Proceeds from short and long term loans that reached MCh$339,509 during 2013 (MCh$57,002 in 2012). This is partially offset by Loans paid in 2013 for an amount of MCh$185,628.

In addition, the Company has secured the following committed credit line to ensure funds are immediately available to cover working capital needs:

Bank	Amount (up to)	Maturity	Type of Credit
Scotiabank, Bank of Tokyo-Mitsubishi y DnB NOR	US$250,000,000	Jul 9th, 2015	Working Capital

4. INDICATORS

Bonds	Covenant	Limit	December 2013	December 2012
All local Series	Distribution Test (**)	FNO/Financial Expenses > 1,5	4.09	5.30
	Capitalization Ratio (***)	< 0,7	0.57	0.53
	Shareholder's Equity (million UF)	> ThUF15.000	39.13	39.49

(*) FNO = Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.
(**) This is only a test to distribute restricted payments such as dividends.
(***) Equity = Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and December 31, 2013 amounted to MCh$24.970.

Ratios *Figures as of June are annualized	December 2013	December 2012	Variation 2013/2012
Profitability			
Shareholders' Equity profitability *	7.28%	7.04%	3.4%
Assets profitability *	2.96%	3.09%	-4.2%
Operating assets profitability *	4.57%	5.66%	-19.3%
Earnings per share ($) *	64,607.40	61,749.32	4.6%
Liquidity & Indebtedness			
Current Ratio	0.84	1.06	-20.8%
Acid-Test Ratio	0.84	1.06	-20.8%
Debt to Equity	1.46	1.28	14.1%
% Short term debt	19.26	15.87	21.3%
% Log term debt	80.74	84.13	-4.0%
Financial expenses coverage	3.74	4.56	-17.9%

5. THE MARKET

Transelec S.A. carries out its activities in the electricity market, which has been divided into three sectors: generation, transmission and distribution. The generation sector includes companies that are dedicated to generating 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 the electricity. Lastly, the primary goal of the transmission sector is to transport the generated electricity from where it is produced (electrical power plants) to the "points of entry" of the distribution company networks or those of large end users.

Transelec's business mainly focuses on commercializing the capacity of its facilities to transport and transform electricity, in accordance with established quality standards. The transmission system of Transelec S.A. and its subsidiary, which stretches between "Arica y Parinacota" Region to "Los Lagos" Region, encompasses the majority of the trunk transmission lines and substations in the Central Interconnected System (SIC) and the Great North Interconnected System (SING). This transmission system transports the electricity that supplies approximately 98.5% of Chile's population. The Company owns all of the 500 kV electricity transport lines, approximately 51% of the 220 kV lines and 86% of the 154 kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) and its subsequent modifications, including Law 19,940 ("Ley Corta I") published on March 13, 2004, Law 20,018 ("Ley Corta II") published on May 19, 2005, Law 20,257 (Generation with Non-Conventional Renewable Energy Resources) published April 1, 2008, Law 20,701 (Procedure to grant Electrical Concessions) published on October 14, 2013, and Law 20,698 (Contribute with the Generation mix expansion through Non-Conventional Renewable Energy) published on October 22, 2013 and the Law 20,726 (that promote the interconnection of independents electrical systems), published on February 7, 2014. These standards are complemented by the Regulations of the General Electricity Services Law of 1997 (Supreme Decree No. 327/97 from the Ministry of Mining) and its respective modifications; the Regulations to Establish the Structure, Functioning and Financing of Load Dispatch Centers (Supreme Decree No. 291/2007), the Regulations of Complementary Services in 2012 (Supreme Decree No. 130, Ministry of Energy) and also the Technical Standard on Reliability and Service Quality (Exempt Ministerial Resolution No. 40 of May 16, 2005) and its subsequent modifications.

Law 19,940, also called “Ley Corta I”, modified the General Electricity Services Law of 1982 in matters relating to electricity transmission activity, subdividing the transmission network into three types of systems: trunk transmission, sub-transmission and additional transmission. It also establishes that electricity transmission – both by trunk transmission as well as sub-transmission systems – is considered a public service and is subject to regulated tariffs.

Finally, Law 19,940 established that the new payment regime for using trunk facilities would become effective as of March 13, 2004 and determined a transitory period that was in effect until the first trunk transmission decree was issued. Thus, from 2004 to 2007, collection and payment for using transmission facilities was carried out provisionally using subsequent recalculations in accordance with legal and regulatory standards in effect until “Ley Corta I” was published.

On January 15, 2008, a decree from the Ministry of Economy, Development and Reconstruction was published and set the new Investment Value (VI), the Annuity of the Investment Value (AVI), the Operation, Maintenance and Administration Costs (COMA) and the Annual Transmission Value per Segment (VATT) for trunk facilities for the period from March 14, 2004 to December 31, 2010, as well as the indexation formulas applicable during that period. New rates for the trunk transmission system began being applied in April 2008 and during 2008 trunk income was recalculated for the period from March 13, 2004 to December 31, 2007. The determination of trunk facilities and their Annual Transmission Value (VATT) is updated every four years using an internationally-tendered study. During 2010, the second Trunk Transmission Study was conducted which will allow setting the tariffs and the corresponding indexation formulas for the period 2011-2014.

Decree 61, published on November 17, 2011 contains the tariffs that will be retroactively applicable from January 1, 2011. During 2012 and 2013 the new tariffs have been applied and particularly the assessment process form 2011 was published on March and April for SING and SIC respectively. The SIC assessment for 2011 was modified on December 2012 according to the Expert Panel Report N°2-2012.

Decree No. 320 from the Ministry of Economy, Development and Reconstruction, which sets tariffs for subtransmission facilities, was published in the Official Gazette on January 9, 2009 and the new tariffs begin to be applied on January 14, 2009 and will be in effect until December 31, 2010. On April 9, 2013, the Supreme Decree N°14 was published by the Ministry of Energy, setting subtransmission tariffs from January 2011 to December 2014 has been issued. The difference between amounts invoiced using these provisional tariffs since January 2011 to the decree publish date will be reassessment by the CDEC based on the difference between the provisional tariff and the definitive values on decree N°14.

6. MARKET RISK FACTORS

Due to the nature of the electrical market and the legislation and standards that regulate this sector, the Company is not exposed to significant risks in developing its principal business. However, the following risk factors should be mentioned and considered:

6.1 Regulatory Framework

Electricity transmission tariffs are set by law and are indexed in order to guarantee real annual returns for the operator. The nature of the industry enables transmission income to be stable over time. In addition, this income is complemented with income obtained from private contracts with large clients.

However, the fact that these tariffs are revised every four years in Trunk Transmission and Subtransmission Studies could place the Company at risk of new tariffs that are detrimental or less attractive given the investments it has made.

The Company cannot guarantee that other regulatory changes will not negatively affect it or its clients or creditors, thus compromising Transelec's income.

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 Application of regulations and / or Environmental Law

The operations of Transelec are subject to Law No. 19.300, on Chilean environment ("Environmental Law"), enacted in 1994. According to its recent modification, through Law N° 20.417 which was published in the official journal on January 26, 2010, created, among others, new institutions consisting of: (i) the Ministry of Environmental Affairs; (ii) the Minister Council for Sustainability; (iii) the Environmental Evaluation Service; and (iv) the Superintendence of Environmental Affairs; these institutions are in charge of the regulation, evaluation and inspection of the activities involving environmental impacts. These new institutions replaced the National Commission of Environmental Affairs ("CONAMA") and the Regional Commissions of Environmental Affairs and are fully operative through the enactment of an updated regulation, that is under review by the Comptroller General of the Republic.

Law No. 20.600 of the official journal was published on June 28, 2012 that creates the environmental courts, last step so the Superintendence of Environmental Affairs (SMA) can begin to implement in full its powers of control and sanction. On December 28 with the implementation of the Environmental Court (Second Environmental Court in Santiago) the SMA assumes the full monitoring and control of the Environmental Qualification Resolution (RCA) among other matters.

Notwithstanding that Transelec meets the environmental requirements of the environmental law, it is not possible to assure that these filings (EIA o DIA) before the environmental authority will be approved by government authorities, neither that the possible opposition of public opinion will not generate delays or changes in the proposed projects, nor that the laws and regulations will not change or will be interpreted in a way that may adversely affect the company's operations and plans, as the new institutional structure is just in progress.

6.4 Delays in the Construction of New Transmission Facilities

The success of the program for extending the trunk transmission network and building new facilities will depend on numerous factors, including financing cost and availability. Although Transelec has experience with large-scale construction projects, the construction of new facilities could be negatively affected by factors commonly associated with such projects including delays in obtaining regulatory authorizations, scarcity of equipment, materials or labor, etc. Any of these factors could cause delays in the partial or total completion of the capital investment program, and could increase the costs of the projects.

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 important technological changes in the equipment at its facilities could lower this valuation, which would prevent partial recovery of the investments made.

6.6 Foreign Exchange Risk

The following factors expose Transelec to foreign exchange risk:

- The revenues of its subsidiary Transelec Norte are denominated in U.S. dollars.
- Transelec carries out several types of transactions in U.S. dollars (construction contracts, import purchases, etc.).
- Transelec uses forward contracts to sell U.S. dollars to hedge future revenues denominated in the U.S. dollars. Transelec also uses a currency forward contract with its parent; this allows it to finance U.S. dollar-denominated assets of its subsidiary.

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 as of December 31, 2013 and December 31, 2012:

	December 2013		December 2012	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	218,691	217,254	75,916	102,918
Dollar (amounts associated with income statement items)	-	36,513	-	31,389
Chilean peso	1,958,392	1,072,254	1,878,852	974,211

(*) Indexing polynomials of the Company's revenues contain formulas for setting these revenues in the short term, differing from the long-term indexing. In order that the short-term indexing is consistent with long-term indexing, the Company, periodically (every six months) sell a percentage of their semi-annual fixed dollar income using currency forwards. These forwards are considered as cash flow hedges and therefore changes in fair value, meanwhile they are not done, are included in other comprehensive income.

EXCHANGE RATES (Observed exchange rates)

Month	Average 2013 ($)	Last Day 2013 ($)	Average 2012 ($)	Last Day 2012 ($)
January	472.67	471.44	501.34	488.75
February	472.34	472.96	481.49	476.27
March	472.48	472.03	485.40	487.44
April	472.14	471.31	486.00	484.87
May	479.58	499.78	497.09	519.69
June	502.89	507.16	505.63	501.84
July	504.96	515.42	491.93	481.94
Agoust	512.59	509.74	480.99	480.25
September	504.57	504.2	474.97	473.77
Octubre	500.81	507.64	475.36	480.59
Noviembre	519.25	529.64	480.57	480.39
Diciembre	529.45	524.61	477.13	479.96
Average of the period	**495.31**	**498.83**	**486.49**	**486.31**

The indexation formulas, updated semiannually for toll contracts and sub-transmission fees and updated monthly for regulated trunk income, take into account variations in the value of the facilities and operating costs, maintenance and administrative costs. In general, those indexation formulas take into consideration variations in the international prices of equipment, materials and local labor.

6.7 Credit Risk

Credit risk corresponding to receivables from commercial activities, is historically very low due to the nature of the business of the Company's clients and the short term of collection to clients, which explain the fact of not having large accumulated amounts

As of December 31, 2013, the company has four main clients which represent individually more than 10% of the total revenues. These are Endesa Group (MCh$71,492), Colbún Group (MCh$60,906), Pacific Hydro-LH-LC (MCh$30,446) and AES Gener Group (MCh$27,614). The total revenues recognized for these clients represent an 86.6% of the total revenues of the company. In the period of comparison, the company had the same structure of clients which represent individually more than 10% of the total revenues, whose amounts reached to MCh$72,246, MCh$17,306, MCh$21,685 and MCh$25,799 respectively, with a percentage of the total incomes of 64.4%.

Income from these companies 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. In the year 2011, it's observed some punctual problems insolvency of some integrants of CDEC-SIC.

In terms of the Company's credit risk associated with financial assets (time deposits, fixed-return mutual funds and sell-back agreements), its treasury policy establishes certain limits on a particular institution's exposure; such limits depend on the risk rating and capital of each institution. Likewise, for investments in mutual funds, only funds with a risk rating qualify.

6.8 Liquidity Risk

Liquidity risk is the risk of the Company not satisfying a need for cash or debt payment upon maturity. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

a) Risk from Company's Management Processes

In order to guarantee that Transelec is able to quickly react 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, equivalent to MCh$126,050. Until now this line doesn´t file a utilized amount. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR.

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 December 31, 2013 and December 31, 2012.

Debt Maturity (Capital) MCh$	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
December 30, 2013	194,098	281,307	71,735	333,619	858,363	1,739,122
December 31, 2012	95,592	286,451	208,261	165,746	803,110	1,559,159

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period. In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies, owners of generation facilities.

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

6.9 Interest Rate Risks

Significant changes in fair values and future cash flows of financial instruments that can be directly attributable to interest rate risks include changes in the net proceeds from financial instruments whose cash flows are determined in reference to floating interest rates and changes in the value of financial instruments with fixed cash flows.

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

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

The majority of the debt as of December 31, 2013, and as of December 31, 2012, was at a fixed rate of 99.04% y 92.9% respectively. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

UF Values

Month	Average 2013 ($)	Last Day 2013 ($)	Average 2012 ($)	Last Day 2012 ($)
January	22,811.83	22,807.54	22,346.12	22,408.36
February	22,818.59	22,838.48	22,447.54	22,462.79
March	22,857.28	22,869.38	22,492.50	22,533.51
April	22,898.59	22,940.02	22,567.73	22,591.21
May	22,933.69	22,885.95	22,608.96	22,620.80
June	22,857.11	22,852.67	22,626.49	22,627.36
July	22,949.89	22,888.71	22,609.47	22,579.16
Agoust	23,002.78	23,038.71	22,562.02	22,559.48
September	23,067.92	23,091.03	22,571.05	22,591.05
Octubre	23,133.47	23,186.81	22,650.36	22,732.79
Noviembre	23,221.88	23,236.65	22,813.45	22,881.05
Diciembre	23,267.17	23,309.56	22,886.63	22,840.75
Average of the period	**22,985.02**	**22,995.46**	**22,598.53**	**22,619.03**

CONSOLIDATED MATERIAL FACTS

TRANSELEC S.A.

1) On January 23, 2013 and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

The Company's shareholders agreed on calling to an extraordinary shareholders meeting to be held on January 25, 2013. This meeting aims to inform shareholders and request their approval for the following matters:

1. Approving to request a line of credit up to US$ 150 million, and

2. Authorizing and conferring the necessary powers of attorney for drafts from this or these uncommitted line of credits.

2) On January 28, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

On January 25 2013, an extraordinary shareholders' meeting was held and the following was agreed:

1. Approving the execution of one or several contracts of Line of Credit with one or more banks operating in the country, for an amount up to 150,000,000 USD dollars, or its equivalent in national currency at the exchange rate published at the Central Bank of Chile at the time of the extraordinary shareholders meeting was held, at a maximum term of 180 days; and

2. Conferring powers of attorney to execute the Contract (s) of Line of Credit with one or more Banks operating in Chile and specifically to sign the documents related to such credits and to the payments related to such contracts, and for the signature of the pertinent promissory notes.

3) On March 21, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

Transelec S.A.'s Board of Directors, at the meeting held on March 20 2013, agreed on calling to a Shareholders' Regular Meeting to be held on April 26th 2013, in order to inform the shareholders and request their approval for the following matters:

1. Annual Report, General Sheet, Financing Statement and Report from the External Auditors, corresponding to the period finished on December 31 2012.
2. Definitive dividend distribution.
3. Dividend policy and information about the payment procedures.
4. Fees to be paid to the Board of Directors and the Audit Committee
5. Appointment of External Auditors.
6. Newspaper to be used for the Shareholders Meeting call.
7. Agreements of the Board of Director on matters contained in articles 146 et. seq. of the Corporations Law
8. Other matters of interest for the company and within the Shareholders' competency.

4) On March 22, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the material fact reported on March 21 2013 was complemented, regarding the Regular Shareholders Meeting to be held on April 26 of the same year.

This complement was carried out in order to specify the following:

1. The Company will make available from April 2, 2013 for the company's shareholders at its web site www.transelec.cl, a full copy of the general sheet, financial statements and the annual report of the exercise finished on December 31 2012, as well as the external audit report.

2. The external auditors' alternatives grounds to be proposed to the shareholders meeting will be available for the shareholders at the web site of the company, www.transelec.cl.

3. It was set that shareholders registered at the Company's Shareholders Registrar at least five business days before the meeting date, this is April 19 2013 midnight, will be entitled to attend, speak and vote at the Meeting.

4. The verification of proxies, if applicable, will be carried out on the date of the meeting is held, and up to the beginning of the session.

5) On April 30, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

On April 26, 2013, the regular shareholders' meeting was held, where the following matters were agreed:

1. Approving the Annual Report, General Sheet, Financing Statement and Report from the External Auditors, corresponding to the period finished on December 31 2012.

2. Approving the definitive dividend distribution for 2012, for the amount $16,882,000,000, which will be paid from May, 26 2013 to the shareholders registered in the pertinent Registrar on May, 18 2013.

3. The dividend distribution policy was approved for year 2013.

4. The Board of directors was renewed as follows: Mr. Richard Legault as director and Mr. Felipe Pinel as his alternate director; Mr. Bruce Hogg as director and Mr. Etienne Middleton as his alternate director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his alternate director; Mrs. Brenda Eaton as director and Mr. Jerry Divoky as his alternate director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his alternate director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his alternate director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as alternate director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his alterante director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his alternate director.

5. Fees for the Board of directors and the audit committee were set down.

6. Ernst & Young was appointed as the Company's external auditors for the 2013 period.

7. The "*Diario Financiero*" newspaper was chosen to publish the general shareholders meetings call's notices.

8. The agreements of the board of directors on matters contained in articles 146 et.subseq. of the Corporations Law were informed.

6) On May 3, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

The Company's shareholders agreed on calling to an extraordinary shareholders meeting to be held on May 7 2013. This meeting aims to inform shareholders and request their approval for the following matter:

- Ratification of the agreements adopted by the Board of directors in its meeting No 92, according to Article Twenty Eight of the bylaws.

7) On May 3, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

On that same date, Transelec S.A. placed bonds of Q series at the local market, to be charged on the bonds line under a 30 years term, registered under number No 744 of securities Registrar for 3,100,000 Unidades de Fomento.

Such bonds were placed at a 29,5 year term, at 3,9500% compound annual rate, this is 1,9559% biannual, a TIR of 3,99 % and a spread of 127 basic points.

The placement agents in this operation were *Banchile Corredores de Bolsa S.A*. and *Larraín Vial S.A. Corredora de Bolsa*.

8) On May 9, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

On May 7, 2013, an extraordinary shareholders meeting was held and the following was agreed:

- Ratifying the agreements adopted by the Company's board of directors at the Meeting No 92, held on March 20, 2013, regarding the authorizations of all the necessary procedures for preparing the requested documents for the debt issuance in the international markets, for a total amount of at least 200,000,000 USD dollars, at a 10 years as minimum term from the respective issuance date.

- Additionally, the shareholders meeting ratified unanimously the powers of attorney granted by the company's board of directors for the preparation and execution of the acts and contracts necessary for that purpose.

9) On May 24, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

At the regular meeting of Transelec S.A.'s board of directors, held on May 23 2013, Mr. Richard Legault was appointed as the Chairman of the board of directors.

10) On June 19, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

Transelec S.A.'s shareholders agreed on calling to a extraordinary shareholders meeting for Friday 21 June 2013. This meeting aims to inform and request approval from shareholders for the following matter:

- Increase the fees for the company's directors.

11) On June 24, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

On June 21, 2013, an extraordinary shareholders was held, where the following was agreed:

- Increasing the directors' fees, from the fixed amount of US$70.000 annually to US$ 90.000, gross value.

12) On July 23, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

On July 23 2013, Transelec S.A. placed bonds at the international markets under 144A rule, S regulation of the United States Securities Act de 1933, for un amount of 300,000,000 USD dollars. The bonds term is 10 years, and a nominal annual rate of 4,625% will be paid. The effective rate of placement was 4,709%, spread on the US Treasury bond is 2,20%, at a 10 years term. Interests will be paid biannually, and capital will be amortized in a single installment at maturity. In this placement, J.P. Morgan Securities LLC and Scotia Capital (USA) Inc. were the placement agents.

13) On July 24, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

Transelec S.A.'s shareholders agreed on calling to a extraordinary shareholders meeting for July 26 2013. This meeting aims to inform and request approval from shareholders for the following matter:

- Ratification of the agreements adopted by the Board of directors in its extraordinary meeting No 96, according to article Twenty Eight of the bylaws.

14) On July, 25 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210, the material fact informed by Transelec S.A. on July 23 2013 was complemented, by the "Formulario Hecho Esencial Colocación de Bonos en el Extranjero" (Material Fact Form for Bond Placement in a Foreign Country), according to the instructions given in the Circular resolution No 1072.

On July 26, 2013, the original document of the "Formulario Hecho Esencial Colocación de Bonos en el Extranjero" was filed before the Superintendence.

15) On July 29, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

On July 26, 2013, an extraordinary shareholders meeting was held, where the following was agreed:

- Ratifying the agreements adopted by the Company's board of directors at the Extraordinary Meeting No 96, held on July 22 2013, regarding the authorization of the issuance in USD in the international markets for a total amount of USD$ 300,000,000.

- Ratifying expressly the company's indebtedness, and all the acts and signature of public and private documents necessary to carry out the said issuance in the international markets, executed by the company's attorneys-in-fact.

16) On August 22, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 and Circular resolution No 660 of the Securities Market Superintendence, the following material fact was reported:

At the regular board of directors meeting held on August 21 2013, it was agreed the distribution of an interim dividend to be charged at the exercise 2013 for an amount of $31,871,411,198, to be paid from September 25 2013, to shareholders registered at the Registrar up to September 13 2013.

17) On November 21, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

Transelec S.A.'s board of directors, at the meeting held on November 20 2013, was notified of Mr. Bruce Hogg's waiver to his director position in the company. Therefore, the Board of Directors, agreed on appointing Mr. Alfredo Ergas as a regular director of the company and Mr. Etienne Middleton, as his alternate director.

18) On November 21, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 and Circular resolution No 660 of the Securities Market Superintendence, the following material fact was reported:

Transelec S.A.'s board of directors at its regular meeting held on November 20, 2013, agreed on the distribution on an interim dividend to be charged to 2013 period, for an amount of $10,311,065,696, to be paid from December 19, 2013 to shareholders registered at the Registrar up to December 12 2013.

The Form No 1 on dividend distribution was attached, according to the mentioned Circular resolution.

19) On November 22, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

    Rectification of the material fact reported through SEIL to that Superintendence, on November 21 2013, under identification code given by the SVS No 2013110109836.

    In this way, it was informed that Transelec S.A.'s Board of Directors at the meeting held on November 20 2013 was notified of Mr. Bruce Hogg's waiver to his regular Director position in the company, as well as Mr. Etienne Middleton's waiver to his alternate director position.

    Additionally, it was informed to that Superintendence that at the same meeting, the Board of directors agreed on appointing Mr. Alfredo Ergas as interim director up to next ordinary shareholders meeting where all the Board of directors shall be renewed.

20) On November 25, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

    Rectification of the material fact reported through SEIL to that Superintendence, on November 21 2013, under identification code given by the SVS N°2013110109958.

    In this way, it was informed that Transelec S.A.'s Board of Directors at the meeting held on November 20 2013, agreed on a distribution of interim dividend to be charged to 2013 period, for an amount up to $10,311,065,696, to be paid from December 19, 2013 to shareholders registered at the Registrar up to December 13 2013.

The Form No 1 on dividend distribution was attached, according to the mentioned Circular resolution.

21) On December 27, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

    Transelec S.A.'s shareholders have agreed on calling to an extraordinary shareholders meeting to be held on Wednesday 22 January 2014, at 9:00 hrs., at the company's headquarters located at Av. Apoquindo 3721, sixth floor, Las Condes.

This meeting aims to inform the shareholders and request their approval for the following matter:

- Decide about the Company's capital reduction for the amount equivalent in Chilean pesos of USD $150,000,000, in order to deliver and ratify on the agreements adopted by Transelec S.A.'s Board of directors at their Meeting No 101 held on November 20 2013.

CONSOLIDATED MATERIAL FACTS

TRANSELEC NORTE S.A.

1) On March 21, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

Transelec Norte S.A.'s Board of Directors, at the meeting held on March 20 2013, agreed on calling to a Shareholders' Regular Meeting to be held on April 26th 2013, in order to inform the shareholders and request their approval for the following matters:

1) Annual Report, General Sheet, Financing Statement and Report from the External Auditors, corresponding to the period finished on December 31 2012.

1) Definitive dividend distribution.
2) Appointment of External Auditors.
3) Dividend policy and information about the payment procedures.
4) Newspaper to be used for the Shareholders Meeting call.
6) Other matters of interest for the company and within the Shareholders' competency.

2) On March 22, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the material fact informed on March 21 2013 was complemented, regarding the Regular Shareholders Meeting.

This complement was carried out in order to specify the following:

1. The Company will make available from April 2 2013 for the company's shareholders at its web site www.transelec.cl, a full copy of the general sheet, financial statements and the annual report of the exercise finished on December 31 2012, as well as the external audit report.

2. The external auditors' alternatives grounds to be proposed to the shareholders meeting will be available for the shareholders at the web site of the company, www.transelec.cl.

3. It was set that shareholders registered at the Company's Shareholders Registrar at least five business days before the meeting date, this is April 19, 2013 midnight, will be entitled to attend, speak and vote at the Meeting.

4. The verification of proxies, if applicable, will be carried out on the date of the meeting is held, and up to the beginning of the session.

3) On April 30, 2013, according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was informed:

On April 26, 2013, the regular shareholders' meeting was held, where the following was agreed:

1. Approving the Annual Report, General Sheet, Financing Statement and Report from the External Auditors, corresponding to the period finished on December 31 2012.

2. Approving the distribution of definitive dividend for 2012, for the amount of US$4,570,608,39, which will be paid from May 26, 2013 to the shareholders registered in the pertinent Registrar on May 18, 2013.

3. The dividend distribution policy was approved for year 2013.

4. The Board of directors was renewed as follows: Mr. Richard Legault as director and Mr. Felipe Pinel as his alternate director; Mr. Bruce Hogg as director and Mr. Etienne Middleton as his alternate director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his alternate director; Mrs. Brenda Eaton as director and Mr. Jerry Divoky as his alternate director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his alternate director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his alternate director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as alternate director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his alterante director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his alternate director.

5. Ernst & Young was appointed as the Company's external auditors for the 2013 period.

6. The "*Diario Financiero*" newspaper was chosen to publish the general shareholders meetings call's notices.

4) On May 23, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was informed:

At the regular meeting of Transelec Norte S.A.'s board of directors, held on May 23 2013, Mr. Richard Legault was appointed as the Chairman of the board of directors.

5) On November 21, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

Transelec Norte S.A.'s board of directors, at the meeting held on November 20 2013, was notified of Mr. Bruce Hogg's waiver to his Director position in the company. Therefore, the Board of Directors, agreed on appointing Mr. Alfredo Ergas as a regular director of the company and Mr. Etienne Middleton, as his alternate director.

6) On November 22, 2013, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the General Rules No 30 and No 210 of such Superintendence, the following material fact was reported:

Rectification of the material fact reported through SEIL to that Superintendence, on November 21 2013, under identification code given by the SVS No 2013110109847.

In this way, it was informed that Transelec Norte S.A.'s Board of Directors at the meeting held on November 20, 2013 was notified of Mr. Bruce Hogg's waiver to his regular director position in the company, as well as Mr. Etienne Middleton's waiver to his alternate director position.

Additionally, it was informed to that Superintendence that at the same meeting, the Board of directors agreed on appointing Mr. Alfredo Ergas as interim director up to next ordinary shareholders meeting where all the Board of directors shall be renewed.