Unaudited Interim Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARIES

Santiago, Chile
March 31, 2014

TRANSELEC S.A. AND SUBSIDIARIES

Unaudited Interim Consolidated Financial Statements

March 31, 2014

(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

INDEX

INDEX

INDEX

INDEX

Page

TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
As of March 31, 2014 and December 2013
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	March 31, 2014 (Unaudited) ThCh$	December 31, 2013 (Audited) ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	52,715,193	52,421,991
Other financial assets	(9)	560,918	846,299
Other non-financial assets		8,101,265	8,992,031
Trade and other receivables	(6)	59,562,123	62,150,784
Receivables from related parties	(7)	86,034,621	84,160,856
Inventory	(8)	23,059	23,059
Current tax assets		773,784	855,741
Total current assets		207,770,963	209,450,761
NON-CURRENT ASSETS			
Other financial assets	(9)	11,645,858	11,021,506
Other non-financial assets		36,640,722	36,655,699
Receivables from related parties	(7)	163,077,778	163,321,244
Intangible assets other than goodwill	(10)	168,823,078	159,218,351
Goodwill	(10)	342,382,796	342,214,791
Property, plant and equipment	(11)	1,281,647,412	1,255,377,289
Deferred tax assets	(12)	1,196,805	2,121,696
Total non-current assets		2,005,414,449	1,969,930,576
Total Assets		2,213,185,412	2,179,381,337

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 March 31, 2014 and December 2013
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	**Note**	**March 31, 2014 (Unaudited) ThCh$**	**December 31, 2013 (Audited) ThCh$**
CURRENT LIABILITIES			
Other financial liabilities	(13)	158,909,110	167,464,383
Trade and other payables	(14)	66,952,691	72,573,645
Payables to related parties		1,280,785	-
Current provisions for employee benefits	(17)	4,764,840	7,683,227
Other non-financial liabilities		3,279,478	1,117,476
Total current liabilities		235,186,904	248,838,731
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	1,015,779,135	983,286,832
Payables to related parties	(7)	42,440,860	40,343,274
Deferred tax liabilities	(12)	9,755,394	9,257,520
Non-current provisions for employee benefits	(17)	3,491,273	3,491,273
Other non-financial liabilities		5,713,456	7,068,059
Total non-current liabilities		1,077,180,118	1,043,446,958
Total liabilities		1,312,367,022	1,292,285,689
EQUITY			
Paid-in capital	(19)	857,944,548	857,944,548
Retained earnings		36,610,427	22,367,938
Other reserves	(19)	6,259,155	6,779,254
Total equity attributable to owners of the parent		900,814,130	887,091,740
Non-controlling interest		4,260	3,908
Total equity		900,818,390	887,095,648
Total Equity and Liabilities		2,213,185,412	2,179,381,337

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 by function
For the three-month periods ended March 31, 2014 and 2013
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	March 31, 2014 (Unaudited) ThCh$	March 31, 2013 (Unaudited) ThCh$
Consolidated statement of comprehensive income by function			
Operating revenues	(20)	61,277,844	54,258,693
Cost of sales	(21)	(17.363.554)	(17,653,029)
GROSS MARGIN		40,623,926	36,605,664
Administrative expenses	(21)	(3.290.364	(2,710,352)
Other gains (losses), net	(20)	720,130	2,021,510
Financial income	(20)	2,892,468	2,289,059
Financial expenses	(21)	(13,133,785)	(10,548,713)
Foreign exchange differences, net	(21)	(4,711,407)	(160,903)
Gain (loss) for indexed assets and liabilities	(21)	(11,166,927)	(1,075,339)
Profit Before Income Taxes		15,224,405	26,420,926
Income tax expense	(22)	(1,863,830)	(5,680,414)
Profit from continuing operations		13,360,575	20,740,512
Profit (loss) from discontinued operations		-	-
Profit (loss)		13,360,575	20,740,512
PROFIT (LOSS) ATTRIBUTABLE TO:			
Profit attributable to owners of the parent		13,360,427	20,740,430
Profit (loss) attributable to non – controlling interest		148	82
PROFIT		13,360,575	20,740,512
EARNINGS PER SHARE			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations	(23)	13,361	20,741
Basic earnings (loss) per share/diluted from discontinued operations		-	-
Basic earnings per share/diluted	(23)	13,361	20,741

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 by function
For the three-month periods ended March 31, 2014 and 2013
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	March 31, 2014 (Unaudited) ThCh$	March 31, 2013 (Unaudited) ThCh$
PROFIT (LOSS)	13,360,575	20,740,512
Components of other comprehensive income, before taxes		
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	(2,132,367)	202,944
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	1,482,243	417,659
Income taxes related to components of other comprehensive income		
Income taxes related to components of net investment hedge	426,473	(40,589)
Income taxes related to components of cash flow hedge	(296,448)	(83,532)
Other comprehensive income	(520,099)	496,482
Total comprehensive income	12,840,476	21,236,994
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	12,840,328	21,236,912
Comprehensive income attributable to non-controlling interest	148	82
Total comprehensive income	12,840,476	21,236,994

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 three-month periods ended March 31, 2014
(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, 2014	857,944,548	4,529,840	2,249,414	6,779,254	22,367,938	887,091,740	3,908	887,095,648
Changes in equity:								
Comprehensive income:	-	-	-	-	-	-	-	-
Profit	-	-	-	-	13,360,427	13,360,427	148	13,360,575
Other comprehensive income	-	(1,705,894)	1,185,795	(520,099)	-	(520,099)	-	(520,099)
Total comprehensive income	-	(1,705,894)	1,185,795	(520,099)	13,360,427	12,840,328	148	12,840,476
Dividends	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes	-	-	-	-	882,062	882,062	204	882,266
Total changes in equity	-	(1,705,894)	1,185,795	(520,099)	14,242,489	13,722,390	352	13,722,742
Closing balance as of March 31, 2014 (Unaudited) (Note 19)	857,944,548	2,823,946	3,435,209	6,259,155	36,610,427	900,814,130	4,260	900,818,390

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 three-month periods ended March 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	-	-	-	-	20.740.430	20.740.430	82	20.740.512
Other comprehensive income	-	162,355	334,127	496,482	-	496,482	-	496,482
Total comprehensive income	-	162,355	334,127	496,482	20,740,430	21,236,912	82	21,236,994
Dividends	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes	-	-	-	-	139,441	139,441	(22)	139,419
Total changes in equity	-	162,355	334,127	496,482	20,879,871	21,376,353	60	21,376,413
Closing balance as of March 31, 2013 (Unaudited) (Note 19)	857,944,548	2,092,928	226,834	2,319,762	38,080,130	898,344,440	3,463	898,347,903

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 three-month periods ended March 31, 2014 and 2013
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	**March 31, 2014 (Unaudited) ThCh$**	**March 31, 2013 (Unaudited) ThCh$**
Cash flows provided by (used in) operating activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	97,993,515	71,035,230
Other proceeds from operating activities	1,411,218	8,218,416
Classes of payments		
Payments to suppliers for goods and services	(31,981,575)	(46,351,306)
Payments to employees	(6,118,343)	(6,225,259)
Other payments for operating activities	(1,547,571)	(585,989)
Interest paid	(12,019,589)	(8,978,083)
Income taxes paid	-	-
Net cash flows provided by operating activities	47,737,655	17,113,009
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	-	-
Additions of property, plant and equipment	(50,174,052)	(18,737,869)
Additions of property, plant and equipment	-	(3,533,988)
Cash advances and loans to third parties	-	(94,672,384)
Loans to related parties	3,014,008	-
Net cash flows used in investing activities	(47,160,044)	(133,990,877)
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from short and long term loans	-	116,651,100
Loans paid	(284,409)	(219,020)
Dividends paid	-	-
Payment of loans to related parties	-	-
Other paid	-	-
Net cash flows used in financing activities	(284,409)	116,432,080
Net Increase (Decrease) in Cash and Cash Equivalents	293,202	(445,788)
Cash and Cash Equivalents, at the beginning of the year (Note 5)	52,421,991	37,955,954
Cash and Cash Equivalents, at the ending of the year (Note 5)	52,715,193	37,510,166

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 Orinoco No. 90, floor 14, Las Condes, Santiago, Chile. Its subsidiary, Transelec Norte S.A., is a corporation domiciled at Orinoco No. 90, floor 14, 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 Orinoco No. 90, floor 14, 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.107 held on May 7, 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 March 31, 2014 and applied uniformly for the periods 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, 2013, except for the adoption of new standards and interpretations in effect as of January 1, 2014.

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 March 31, 2014.

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 March 31, 2014		Percentage of Interest held December 31, 2013	
				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	
	March 31, 2014	December 31, 2013
Unidad de Fomento	23,606.97	23,309.56
US$	551.18	524.61
Euro	759.10	724.30

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 March 31, 2014 and December 31, 2013 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) March 31, 2014	December 31, 2013
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	3,100
Senior Notes	USD	4.625%	Fixed	300,000	300,000
Revolving Credit Facility	USD	2.62%	Variable (*)	-	-
Huepil Loan	USD	1.77%	Variable (**)	20,684	21,200

(*) The floating rate of the Revolving credit facility corresponds to 3M LIBOR plus a margin of 2.35%. At March 31, 2014, 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 0.2436%.

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 March 31, 2014 and December 31, 2013:

	Liabilities		Assets	
	March 31, 2014 MCh$	December 31, 2013 MCh$	March 31, 2014 MCh$	December 31, 2013 MCh$
U.S. dollar (amounts associated with balance sheet items)	200,354	217,253.76	195,011	218,691.03
U.S. dollar (amounts associated with income statement items)	19,181	36,512.86	-	-
Chilean peso	2,016,272	1,072,254.18	2,010,930	1,958,392.41

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 MCh$ Long /(Short)	Net income (gain)/loss MCh$ Change (-10%)	Net income (gain)/loss MCh$ Change (+10%)	Position MCh$ Long /(Short)	OCI (gain)/loss MCh$ Change (-10%)	OCI (gain)/loss MCh$ Change (+10%)
Receivables (US$)	6,597	(13)	13	-	-	-
Payables (US$)	(4,841)	10	(10)	-	-	-
Cash (US$)	3,296	(7)	7	-	-	-
Forwards (assets) (US$)	-	-	-	-	-	-
Forwards (income)	-	-	-	(19,181)	39	(39)
Senior Notes and Huepil Credit (US$)	(129,078)	260	(260)	-	-	-
Intercompany loan (US$)	187,089	(377)	377	-	-	-
PPE (US$)	-	-	-	113,072	(228)	228
Other (US$)	4,648	(9)	9	47,677	(96)	96
Total	67,711	(136)	136	141,568	(285)	285

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 three-month periods ended March 31, 2014 ThCh$	For the three-month periods ended March 31, 2013 ThCh$
Endesa Group	31,661,931	25,729,130
Colbún Group	8,984,414	5,459,696
Pacific Hydro-LH-LC Group	7,513,137	5,935,636
AES Gener Group	4,112,052	3,604,581
Others	9,006,310	13,529,650
Total	61,277,844	54,258,693
% of concentration of 4 top customers	85.30%	75.06%

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 MCh$126,050. 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 March 31, 2014 and December 31, 2013.

Debt maturity	Less than 1 Years	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
March 31, 2014	193,355,415	283,081,853	73,346,002	341,093,174	866,551,707	1,757,428,151
December 31, 2013	194,098,128	281,307,373	71,734,841	333,619,056	858,362,572	1,739,121,970

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.

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 March 31, 2014 and December 31, 2013, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of March 31, 2014 ThCh$	Balance as of December 31, 2013 ThCh$
Bank and cash balances	4,493,005	5,766,585
Short-term deposits	44,364	24,701,289
Reverse repurchase agreements and mutual funds	48,177,824	21,954,117
Total	52,715,193	52,421,991

Cash and cash equivalents included in the statement of financial position as of March 31, 2014 and December 31, 2013 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 March 31, 2014 ThCh$	Balance as of December 31, 2013 ThCh$
Amount of cash and cash equivalents	U.S. dollars	2,694,057	34,432,628
Amount of cash and cash equivalents	Euros	21,240	12,284
Amount of cash and cash equivalents	Chilean pesos	49,999,896	17,977,079
Total		52,715,193	52,421,991

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 MArch 31, 2014 and December 31, 2013, this account is detailed as follows:

Item	Balance as of March 31, 2014 ThCh$	Balance as of December 31, 2013 ThCh$
Trade receivables	60,238,777	62,864,300
Miscellaneous receivables	715,729	678,867
Total trade and other receivables	60,954,506	63,543,167
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	59,562,123	62,150,784

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of March 31, 2014 and December 31, 2013, the aging of trade and other receivables is as follows:

	Balance as of	
	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Maturing in less than 30 days	40,358,638	44,465,546
Maturing in more than 30 days up to 1 year	19,203,485	17,685,238
Total	59,562,123	62,150,784

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 three-month periods ended March 31, 2014 and for the year ended December 31, 2013:

	ThCh$
Balance as of January 1, 2013	**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**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of March 31, 2014	**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	March 31, 2014 ThCh$	December 31, 2013 ThCh$	March 31, 2014 ThCh$	December 31, 2013 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Forward	6 months	Direct parent	CH$	-	25,835	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	Not defined	Direct parent	CH$	468,320	465,018	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	6 months	Direct parent	UF	676,013	552,842	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	6 years	Direct parent	UF	-	-	-	71,004,772
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH$	-	-	71,509,866	75,901,840
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	CH$	-	3,455,390	75,153,280	-
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$	83,920,017	78,683,631	16,414,632	-
76.248.725-K	CyT Operaciones SpA	Chile	Mercantile current account	Not defined	Indirect parent	US$	26,130	26,130	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Sale of project	Not defined	Indirect parent	US$	944,141	944,141	-	-
	Total						86,034,621	84,160,856	163,077,778	163,321,244

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 — March 31, 2014 ThCh$	December 31, 2013 ThCh$	Non-current — March 31, 2014 ThCh$	December 31, 2013 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	5 Years, 7 months	Direct Parent	US$	1,280,785	-	42,440,860	40,343,274
	Totals						1,280,785	-	42,440,860	40,343,274

a) Most significant transactions and their effect on income

Transactions with unconsolidated related parties had the following effects on the income statement:

Tax ID Number	Company	Country	Relation	Description of the transaction	March 31, 2014 Amount ThCh$	March 31, 2014 Effect on Income ThCh$	March 31, 2013 Amount ThCh$	March 31, 2013 Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	-	-	92,316,472	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	25,835	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest earned	2,316,979	2,316,979	1,823,155	1,823,155
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest accrued	447,476	(447,476)	385,078	(385,078)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	2,316,979	-	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Indirect parent	Loans granted	3,463,259	-	2,282,897	-
76.248.725-K	CyT Operaciones SpA	Chile	Indirect	Sale of project	-	-	-	-

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, 2013. 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 Richard Legault, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived their respective allowances. Accordingly, the following compensation was received by directors during the periods 2014 and 2013:

	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Blas Tomic Errázuriz	11,804	8,399
José Ramón Valente Vias	11,804	8,399
Alejandro Jadresic Marinovic	11,804	8,399
Mario Alejandro Valcarce Duran	11,804	8,399
Bruno Pedro Philippi Irarrazabal	11,804	8,399

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 a meeting in the periods 2014 and a meeting in the year 2013.

As of March 31, 2014, 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 2014 and 2013:

	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Mario Alejandro Valcarce Duran	5,246	4,320
José Ramón Valente	5,246	4,320

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 periods 2014 and 2013 is detailed as follows:

	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Salaries	361,066	345,412
Short-term employee benefits	152,033	142,834
Long-term employee benefits	60,239	57,518
Total compensation received by key management personnel	573,338	545,764

NOTE 8 - INVENTORY

As of March 31, 2014 and December 31, 2013, this account is detailed as follows:

	Balance as of	
Classes of inventory	**March 31, 2014 ThCh$**	**December 31, 2013 ThCh$**
Safety equipment	23,059	23,059
Total	23,059	23,059

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of March 31, 2014 and December 31, 2013, this account is detailed as follows:

	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Finance lease receivables current	560,918	513,049
Forward agreement	-	333,250
Sub-total Other financial assets current	560,918	846,299
Finance lease receivables non-current	11,367,010	10,742,658
Other financial assets	278,848	278,848
Sub-total Other financial assets non-current	11,645,858	11,021,506
Total	12,206,776	11,867,805

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:

March 31, 2014

Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	560,918	580,056	1,140,974
1-5	2,479,778	2,084,117	4,563,895
Over 5	8,887,232	3,445,327	12,332,559
Total	11,927,928	6,109,500	18,037,428

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

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:

	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Real estate lease	217,419	135,751
Other leases	231,135	104,086
Total operating leases	448,554	239,837

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	869,676	3,478,704	-
Other leases	924,540	3,698,160	-
Total operating leases	1,794,216	7,176,864	-

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of March 31, 2014 and December 31, 2013:

Intangible assets, net	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Rights of way	167,041,891	157,570,262
Software	1,781,187	1,648,089
Total intangible assets	168,823,078	159,218,351
Goodwill	342,382,796	342,214,791
Total intangible assets, net	511,205,874	501,433,142

Intangible assets, gross	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Rights of way	167,041,891	157,570,262
Software	5,635,300	5,361,050
Goodwill	342,382,796	342,214,791
Total intangible assets	515,059,987	505,146,103

Accumulated amortization and impairment	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Software	(3,854,113)	(3,712,961)
Total accumulated amortization	(3,854,113)	(3,712,961)

The composition and movements of intangible assets during the periods 2014 and 2013 are the following:

Period 2014

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2014	157,570,262	1,648,089	342,214,791	501,433,142
Movements in intangible assets	9,182,610	269,096	-	9,451,706
Additions	-	(135,998)	-	(135,998)
Amortization	289,019	-	168,005	457,024
Translation difference	-	-	-	-
Ending balance of intangible assets as of March 31 , 2014	167,041,891	1,781,187	342,382,796	511,205,874

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	152,969,673	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

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of March 31, 2014 and December 31, 2013, 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	**March 31, 2014 ThCh$**	**December 31, 2013 ThCh$**
Land	19,899,369	19,776,629
Buildings and infrastructure	790,389,503	769,961,825
Work in progress	77,521,621	89,680,293
Machinery and equipment	389,335,492	371,698,132
Other property, plant and equipment	4,501,427	4,260,410
Property, plant and equipment, net	1,281,647,412	1,255,377,289

Property, plant and equipment, gross	**March 31, 2014 ThCh$**	**December 31, 2013 ThCh$**
Land	19,899,369	19,776,629
Buildings and infrastructure	965,307,997	938,651,484
Work in progress	77,521,621	89,680,293
Machinery and equipment	521,780,515	498,519,217
Other property, plant and equipment	4,501,427	4,260,410
Total property, plant and equipment, gross	1,589,010,929	1,550,888,033

Total accumulated depreciation and impairment, property, plant and equipment, net	**March 31, 2014 ThCh$**	**December 31, 2013 ThCh$**
Buildings and infrastructure	(174,918,494)	(168,689,659)
Machinery and equipment	(132,445,023)	(126,821,085)
Total accumulated depreciation and impairment, property, plant and equipment	(307,363,517)	(295,510,744)

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 periods ended March 31, 2014 and March 31, 2013:

	Periods 2014	Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
	Opening balance January 1, 2014	19,776,629	769,961,825	371,698,132	89,680,293	4,260,410	1,255,377,289
Movement	Additions	-	-	0	41,038,952	236,414	41,275,366
	Retirements	-	-	(12,010)	(31,849)	-	(43,859)
	Transfer to operating assets	44,224	21,612,423	22,622,423	(53,730,774)	-	(9,451,704)
	Depreciation	-	(5,437,408)	(5,387,111)		-	(10,824,519)
	Translation adjustment	78,516	4,560,234	414,058	564,999	4,603	5,622,410
	Other increases (decreases)	-	(307,571)	-	-	-	(307,571)
	Balance as of March 31, 2014	19,899,369	790,389,503	389,335,492	77,521,621	4,501,427	1,281,647,412

	Year 2013	Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
	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
	Balance as of March 31, 2013	19,776,629	769,961,825	371,698,132	89,680,293	4,260.410	1,255,377,289

	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
M	Additions	-	1,640,077	-	110,214,01	-	111,854,089

				2		
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

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 March 31, 2014 and December 31, 2013, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totaling ThCh$ 133,118,969 and ThCh$ 139,685,214, respectively.

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

	March 31, 2014	March 31, 2013
Capitalization rate (Annual basis)	9.60%	4.71%
Capitalized interest costs (ThCh$)	233,957	168,383

Work in progress balances amounts to ThCh$ 77,443,795 and ThCh$ 45,816,969 as of March 31, 2014, and December 31, 2013, respectively.

NOTE 12 - DEFERRED TAXES

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of March 31, 2014 and December 31, 2012, is detailed as follows:

Temporary differences	Net deferred taxes	
	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Depreciable fixed assets	(25,782,864)	(21,309,368)
Prepaid bond expenses	(1,026,845)	(1,060,025)
Leased assets	(485,718)	(390,702)
Materials and spare parts	510,483	440,814
Tax losses	26,780,161	23,866,034
Staff severance indemnities provision	(46,410)	(17,952)
Deferred income	1,117,001	1,014,223
Investment value provision	9,596	9,596
Lawsuit provision	46,899	46,353
Obsolescence provision	20	20
Work in progress	713,514	544,211
Vacation provisions	230,305	276,318
Intangible assets	(9,480,017)	(9,148,007)
Adjustment of effective interest rate of bonds	(1,721,742)	(1,787,011)
Land	314,191	122,546
Allowance for doubtful receivables	278,477	278,477
Prepaid expenses	(15,640)	(21,351)
Net deferred tax assets/(liabilities)	(8,558,589)	(7,135,824)
Reflected in the statement financial position as follows:		
Deferred tax assets	1,196,805	2,121,696
Deferred tax liabilities	(9,755,394)	(9,257,520)
Net deferred tax assets/(liabilities)	(8,558,589)	(7,135,824)

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 three-month periods ended March 31, 2014 and years ended 2013 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2013	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
Increase (decrease)	(924,891)	(67,845)
Translation adjustment	-	565,719
Balance as of March 31, 2014	1,196,805	9,755,394

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 March 31, 2014 and December 31, 2013 is as follows:

Interest bearing loans	March 31, 2014		December 31, 2013	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	157,282,420	1,003,388,444	166,512,944	973,524,772
Total bonds payable	157,282,420	1,003,388,444	166,512,944	973,524,772
Bank loans payable	963,665	9,999,607	951,439	9,762,060
Forward contract	663,025	-	-	-
Other financial liabilities	-	2,391,084	-	-
Total obligations with banks	1,626,690	12,390,691	951,439	9,762,060
Total	158,909,110	1,015,779,135	167,464,383	983,286,832

13.2 Detail of other financial liabilities

a) Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of March 31, 2014 and December 31, 2013 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	March 31, 2014 ThCh$	December 31, 2013 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile									
				481	C	UF	4.03%	3.50%	Semiannually	9-01-2016	140,370,453	139,651,617
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	Semiannually	12-15-2027	318,789,511	311,425,417
76.555.400-4	Transelec S.A	Chile	Chile	598	E	UF	3.82%	3.90%	Semiannually	8-01-2014	78,421,830	78,192,761
76.555.400-4	Transelec S.A	Chile	Chile	598	F	$	5.79%	5.70%	Semiannually	8-01-2014	33,902,733	34,369,281
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	Semiannually	8-01-2031	71,408,403	71,339,989
76.555.400-4	Transelec S.A	Chile	Chile	598	I	UF	3.79%	3.50%	Semiannually	9-01-2014	35,470,331	35,302,123
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	Semiannually	9-01-2031	37,879,068	37,825,185
76.555.400-4	Transelec S.A	Chile	Chile	598	L	UF	3.92%	3.65%	Semiannually	12-15-2015	59,379,978	58,078,820
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	Semiannually	6-15-2032	34,906,073	34,113,910
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	Semiannually	6-15-2032	44,106,937	43,103,961
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	Semiannually	12-15-2038	68,026,301	66,477,516
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	Semiannually	10-15-2042	73,776,743	72,145,072
76.555.400-4	Transelec S.A	Chile	Foreign	601	Sr N	US$	5.10%	4.625%	Semiannually	7-26-2023	164,232,503	158,012,064
										Total	1,160,670,864	1,140,037,716

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$ 1.232.066.292 and ThCh$ 973,524,772 as of March 31, 2014 and December 31, 2013, 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)

Debtor taxpayer ID number	Debtor name	Instrument registration number	Current			Non-current			
			Maturity less than 90 days	Maturity more than 90 days	March 31, 2014 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity more than 5 years	March 31, 2014 Non-current
			ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
76.555.400-4	Transelec S.A	481	476,652	-	476,652	139,893,800	-	-	139,893,800
76.555.400-4	Transelec S.A	480	-	3,390,572	3,390,572	-	-	315,398,939	315,398,939
76.555.400-4	Transelec S.A	598	78,421,830	-	78,421,830	-	-	-	-
76.555.400-4	Transelec S.A	598	33,902,733	-	33,902,733	-	-	-	-
76.555.400-4	Transelec S.A	599	555,370	-	555,370	-	-	70,853,033	70,853,033
76.555.400-4	Transelec S.A	598	35,470,331	-	35,470,331	-	-	-	-
76.555.400-4	Transelec S.A	599	146,660	-	146,660	-	-	37,732,407	37,732,407
76.555.400-4	Transelec S.A	598	-	560,123	560,123	58,819,856	-	-	58,819,856
76.555.400-4	Transelec S.A	599	-	356,899	356,899	-	-	34,549,174	34,549,174
76.555.400-4	Transelec S.A	599	-	453,007	453,007	-	-	43,653,930	43,653,930
76.555.400-4	Transelec S.A	599	-	700,589	700,589	-	-	67,325,712	67,325,712
76.555.400-4	Transelec S.A	744	1,314,331	-	1,314,331	-	-	72,462,412	72,462,412
76.555.400-4	Transelec S.A	601	-	1,533,325	1,533,325	-	-	162,699,179	162,699,179
		Total	**150,287,907**	**6,994,514**	**157,282,420**	**198,713,656**	**-**	**804,674,786**	**1,003,388,444**

Debtor taxpayer ID number	Debtor name	Instrument registration number	Current			Non-current			
			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**

b) Bank loans

The bank loans are presented below by financial institution, currency, effective rate and expiration as of March 31, 2014 and December 31, 2013:

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	March 31, 2014 ThCh$	March 31, 2014 ThCh$
99.508.750-2	Transmisora Huepil Ltda.	Chile	N/A	Portigon-WestLB.	Germany	US$	Quarterly	3.5947%	1.7436%	2021	12,351,692	12,084,320
76.555.400-4	Transelec S.A.	Chile	N/A	Scotiabank	Canada	US$	Quarterly	2.66%	2.66%	2015	207,513	57,974,607
										Total	**12,559,205**	**70,058,927**

Debtor taxpayer ID number	Debtor name	Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	Current: March 31, 2014 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: March 31, 2014 Non-current ThCh$
99.508.750.-2	Trasmisora Huepil Ltda.	Portigon-WestLB.	333,734	1,015,210	1,348,944	2,955,180	3,385,597	4,661,972	11,002,748
76.555.400-4	Transelec S.A.	Scotiabank	207,513	-	207,513	-	-	-	-
		Total	**541,247**	**1,015,210**	**951,439**	**2,955,180**	**3,385,597**	**4,661,972**	**11,002,748**

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**

13.3 Other aspects

As of March 31, 2014, 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, 2013 this was credit line of US$250 million available, at that time were no outstanding orders.

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 March 31, 2014 and December 31, 2013, are detailed as follows:

Trade and other payables	Current		Non- current	
	March 31, 2014 ThCh$	December 31, 2013 ThCh$	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Trade and other payables	66,952,691	72,573,645	-	-
Total	66,952,691	72,573,645	-	-

The average payment period for suppliers in the period 2014 and years ended 2013 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

	March 31, 2014				December 31, 2013			
	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)	-	-	663,024	-	333,250	-	-	-
Net investment hedge forward	-	-	1,280,786	-	25,835	-	-	-
Non-hedge forwards	-	-	-	-	-	-	-	-
Total	-	-	1,943,810	-	359,085	-	-	-

15.2 Other Information

The following table details Transelec's derivatives as of March 31, 2014 and December 31, 2013, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh$	Before 1 year ThCh$	Maturity 2014 ThCh$	2015 ThCh$	2016 ThCh$	2017 ThCh$	Subsequent years ThCh$	March 31, 2014 Total ThCh$
Cash flow hedge forwards (revenues)	663,024	663,024	-	-	-	-	-	663,024
Net investment hedge forward	1,280,786	1,280,786	-	-	-	-	-	1,280,786
Non-hedge forwards	-	-	-	-	-	-	-	-

15.2 Other Information (continued)

Financial derivatives	Fair value ThCh$	Before 1 year ThCh$	Maturity 2014 ThCh$	2015 ThCh$	2016 ThCh$	2017 ThCh$	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	-	-	-	-	-	-	-	-

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 periods presented, March 31, 2014 and December 31, 2013, 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 March 31, 2014.

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	March 31, 2014	Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Cash flow hedges (revenues)	(663,024)	-	(663,024)	-
Net investment hedge	(1,280,786)	-	(1,280,786)	-
Non-hedge forwards	-	-	-	-
Total, net	(1,943,810)	-	(1,943,810)	-

15.3 Fair value hierarchies (continued)

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	-

NOTE 16 – FINANCIAL INSTRUMENTS

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

March 31, 2014	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	52,715,193	-	-	-	-	52,421,991
Other financial assets, current	-	560,918	-	-	-	560,918
Trade and other receivables	-	59,562,123	-	-	-	59,562,123
Other financial assets, non-current	-	11,367,010	-	-	278,848	11, 645,858
Receivables from related parties, current	-	86,034,621	-	-	-	86,034,621
Receivables from related parties, non-current	-	163,077,778	-	-	-	163,077,778
Total	**52,715,193**	**320,602,450**	-	**-**	**278,848**	**373,596,491**

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**

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

March 31, 2014	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	158,909,110	-	-	158,909,110
Trade and other payables	66,952,691	-	-	66,952,691
Other financial liabilities, non-current	1,015,779,135	-	-	1,015,779,135
Payables to related parties, non-current	42,440,860	-	-	42,440,860
Total	**1,284,081,796**	-	-	**1,284,081,796**

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

NOTE 17 -- PROVISIONS

17.1 Detail of provisions

As of March 31, 2014 and December 31, 2013, this account is detailed as follows:

Detail	Current		Non-current	
	March 31, 2014 ThCh$	December 31, 2013 ThCh$	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Staff severance indemnities (Note 17)	357,430	262,894	3,481,743	3,481,743
Accrued vacations	1,151,523	1,381,592	-	-
Profit sharing benefits	2,649,871	5,449,355	9,530	9,530
Other provisions	606,016	589,386	-	-
Total	4,764,840	7,683,227	3,491,273	3,491,273

17.2 Provision movements

In 2014 and 2013, 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, 2014	3,744,637	5,458,885	1,381,592	589,386	11,174,500
Movements in provisions:					
Provisions during the year	193,435	955,449	299,017	16,630	1,464,531
Payments	(98,899)	(3,754,933)	(529,086)	-	(4,382,918)
Ending balance as of March 31, 2014	3,839,173	2,659,401	1,151,523	606,016	8,256,113

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

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

As of March 31, 2014

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	357,430	642,001	582,997	2,256,745
Accrued vacations	1,151,523	-	-	-
Profit sharing benefits	2,649,871	9,530	-	-
Other provisions	606,016	-	-	-
Total	4,764,840	651,531	582,997	2,256,745

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

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. 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.

2. 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 March 31, 2014, 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), which by judgment dated January 31, 2014 was rejected. Remedy of appeal was filed before the Supreme Court 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.

3. 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$ 148,547 as of March 31, 2014, 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) which by judgment dated January 31, 2014 was rejected. Remedy of appeal was filed before the Supreme Court 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 March 31, 2014 the Company has established a provision for these contingent liabilities totaling to ThCh$ 1,747,427 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.

4. As of March 31, 2014, 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 March 31, 2014 to ThCh$ 297,094. 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 by judgment dated January 24, 2014 was rejected. Remedy of appeal was filed before the Supreme Court that has not been resolved to date. Probable outcome: given the background information supporting the appeal, it is estimated that the Court of Appeals should reduce by 50% the fine.

Transelec Norte S.A. and subsidiaries

As of March 31, 2014 there are no administrative sanctions

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

18.1 Detail of account

Post-employment and other benefit obligations	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Staff severance indemnity provision – current	357,430	262,894
Staff severance indemnity provision non – current	3,481,743	3,481,743
Total current and non-current obligations for post-employment benefits	3,839,173	3,744,637

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 March 31, 2014 ThCh$	 December 31, 2013 ThCh$
Present value of defined benefit plan obligations opening balance	3,744,637	3,918,477
Current service cost of defined benefit plan obligations	52,629	196,659
Interest cost of defined benefit plan obligations	140,806	266,611
Payments	(98,899)	(637,110)
Present value of defined benefit obligations ending balance	3,839,173	3,744,637

18.3 Balance of post-employment and other similar obligations

	Staff severance indemnity March 31, 2014 ThCh$	 December 31, 2013 ThCh$
Present value of defined benefit obligations, ending balance	3,839,173	3,744,637
Present obligation with defined benefit plan funds	3,839,173	3,744,637
Fair value of defined benefit plan assets, ending balance	-	-
Balance of defined benefit obligations, ending balance	3,839,173	3,744,637

18.4 Expenses recognized in income statement

	Staff severance indemnity January 1, 2014 to March 31, 2014 ThCh$	 January 1, 2013 to March 31, 2013 ThCh$	Income statement line item where recognized
Current service cost of defined benefit plan	52,629	45,985	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	140,806	68,978	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	193,435	114,963	

18.5 Actuarial hypothesis

Detail	March 31, 2014 ThCh$	December 31, 2013 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 March 31, 2014:

	Discount rate used		Inflation rate		Future salary increase	
Nivel of Sensitivity	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	(296,620)	333,038	41,436	(38,472)	288,678	(261,259)

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 March 31, 2014.

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

	March 31, 2014 ThCh$	December 31, 2013 ThCh$
During the upcoming 12 month	560,249	262,894
Between 2 to 5 years	1,038,255	1,121,222
Between 5 to 10 years	1,250,365	1,011,877
More than 10 years	1,625,695	1,348,644
Total Payments Expected	**4,474,564**	**3,744,637**

NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of March 31, 2014 and December 31, 2013, 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 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 March 31, 2014 and December 31, 2013 are detailed as follows:

Description	March 31, 2014 ThCh$	December 31, 2013 ThCh$
Translation adjustment	2,786	309,624
Net investment hedge	3,527,147	5,352,676
Cash flow hedge (revenue)	1,815,493	333,250
Cash flow hedge (base interest rate)	2,478,518	2,478,518
Deferred taxes	(1,564,789)	(1,694,814)
Total	6,259,155	6,779,254

The Movement and reclassifications of other comprehensive income for the period 2014 are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Total ThCh$
Opening balance as of January 1, 2014	4,529,839	2,249,415	6,779,254
Translation adjustment	(2,132,366)	-	(2,132,366)
Valuation of derivatives	-	1,482,243	1,482,243
Deferred tax	426,473	(296,449)	130,024
Closing balance as of March 31, 2014	2,823,946	3,435,209	6,259,155

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 March 31, 2014 and December 31, 2013 - 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**	**March 31, 2014 ThCh$**	**December 31, 2013 ThCh$**
A	Other financial liabilities, current	158,909	167,464
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,015,779	983,287
D	Payables to related parties, non-current	42,441	40,343
E=A+B+C+D	**Covenants debt**	1,217,129	1,191,094
G	Debt with guarantees (1)	29,505	32,316
DT=E+G	**Total debt**	1,246,634	1,223,410
H	Non-controlling interest	4	4
P	Equity attributable to owners of the parent	899,686	887,092
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	2,171,294	2,135,476
DT/CT	**Total debt / Total capitalization ratio**	0.57	0.57

(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**	**March 31, 2014 ThCh$**	**December 31, 2013 ThCh$**
P	Equity attributable to owners of the parent	900,814	887,092
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	925,784	912,062
UF	UF value	23,606.97	23,309.56
(I+P)/UF	**Equity (in UF millions)**	39.22	39.13

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1,5	March 31, 2014 ThCh$	December 31, 2013 ThCh$
FO	Cash flow from operations	165,812	135,186
CF	Financial costs	51,059	48,473
IG	Income tax expense	10,606	14,423
FNO=FO+CF+IG	**Funds from operations**	227,476	190,083
FNO/CF	**Funds from operations / Financial costs**	4.46	4.09

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 three-month periods ended March 31, 2014 and 2013:

Revenue	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Revenues from regulated transmission services	29,523,883	25,117,611
Revenues from contractual transmission services	31,656,855	29.141,082
Leases revenue	97,106	977,605
Total revenues	61,277,844	55,236,298

20.2 Other operating income

The following table details operating income for the three-month periods ended March 31, 2014 and 2013:

Other operating income	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Financial income (Note 21.4)	2,892,468	1,311,454
Other gains (losses), net	720,130	2,021,510
Total other operating income	3,612,598	3,332,964

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the three-month periods ended March 31, 2014 and 2013:

Detail	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Personnel expenses	4,252,370	4,134,644
Operating expenses	3,146,676	3,227,218
Maintenance expenses	1,197,885	923,373
Depreciation and write-offs	10,962,713	11,668,132
Other	1,094,274	410,014
Total	20,653,918	20,363,381

21.2 Personnel expenses

As of March 31, 2014 and 2013, this account is detailed as follows:

Detail	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Salaries and wages	3,815,550	3,744,473
Short-term employee benefits	123,441	164,014
Staff severance indemnity	193,435	232,891
Other long-term benefits	299,017	305,723
Other personnel expenses	962,867	995,618
Expenses capitalized on construction in progress	(1,141,940)	(1,308,075)
Total	4,252,370	4,134,644

21.3 Depreciation and amortization

The following table details depreciation and amortization for the three-month periods ended March 31, 2014 and 2013:

Detail	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Depreciation	10,820,515	11,531,214
Amortization	141,152	87,292
Losses from damages	1,046	49,626
Total	10,962,713	11,668,132

21.4 Financial results

The Company's financial result for the three-month periods ended March 31, 2014 and 2013 is detailed as follows:

Detail	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Financial income:	**2,892,468**	**1,311,454**
Commercial interest earned	164,756	131,604
Bank interest earned	410,733	334,300
Interest earned from related parties	2,316,979	-
Other income	-	845,550
Financial expenses:	**(13,133,785)**	**(10,548,713)**
Interest on bonds	(12,284,384)	(10,329,995)
Interest on bank loans	(43,746)	-
Commercial interest incurred	(43,847)	-
Interest costs on related parties transactions	(447,476)	-
Other expenses	(314,332)	(218,718)
Gain (loss) from indexation of UF	**(11,166,927)**	**(1,075,339)**
Foreign exchange gains (losses), net	**(4,711,407)**	**(160,903)**
Positive	6,178,247	1,966,252
Negative	(10,889,654)	(2,127,155)
Total financial result, net	**(26,119,651)**	**(10,473,501)**

NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Current tax expense	300,742	310,262
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	300,742	310,262
Deferred tax expense relating to origination and reversal of temporary differences	1,563,088	5,370,152
Other deferred tax expense	-	-
Deferred tax expense, net, total	1,563,088	5,370,152
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	1,863,830	5,680,414

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	**March 31, 2014 ThCh$**	**March 31, 2013 ThCh$**
Tax expense at statutory rate	(3,044,881)	(5,284,185)
Price level restatement of equity	1,198,852	328,101
Prior year adjustments	-	(471,428)
Other differences increase (decrease)	(17,801)	(252,902)
Total adjustments to tax expense using statutory rate	1,181,051	(396,229)
Tax Expense at effective Rate	(1,863,830)	(5,680,414)

	March 31, 2014 ThCh$	**March 31, 2014 ThCh$**
Statutory Tax Rate	20,0%	20,0%
Price level restatement of equity	(7,9)%	(1,2)%
Prior year adjustments	-	1,8%
Other differences increase (decrease)	0, 1%	0,9%
Adjustments to Statutory Tax Rate, Total	(7,8%)	1,5%
Effective Tax Rate	12,2%	21,5%

The tax rate used for the period 2014 and year ended 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	**March 31, 2014**	**March 31, 2013**
Profit attributable to equity holders of parent (ThCh$)	13,360,575	20,740,512
Earnings available to common shareholders, basic (ThCh$)	13,360,575	20,740,512
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	13,361	20,741

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

	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Revenues from regulated transmission services	29,523,883	25,117,611
Revenues from contractual transmission services and others	31,753,961	29,141,082
Total revenues	61,277,844	54,258,693

Information about sales and principal customers

The Company has three customers that individually represent more than 10% of total revenues for the year ended on March 31, 2014. The amounts of revenues recognized from these customers were: ThCh$ 31,661,931, ThCh$ 8,984,414 and ThCh$ 7,513,137, respectively. For the three-month periods ended March 31, 2014 the Company had three customers that individually exceeded 10% of total revenues. The amounts of revenues recognized from these customers were: ThCh$ 26,141,532, ThCh$6,193,373 and ThCh$5,488,253, 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 March 31, 2014, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$ 36,677,159 (ThCh$ 36,498,486 as of December 31, 2013), 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 March 31, 2014 and December 31, 2013, personnel employed by Transelec S.A. are detailed as follows:

	March 31, 2014				
	Manager and executives	**Professionals and technical personnel**	**Other employees**	**Total**	**Average of the year**
Total	16	342	135	493	495

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

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 three month periods ended March 31, 2014 and 2013, the Company has not made the following environmental disbursements:

Company making disbursement	Project	March 31, 2014 ThCh$	March 31, 2013 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors	153,007	138,477
Transelec Norte S.A	Preparation, processing and implementation of DIA and EIA	-	-
Total		153,007	138,477

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

a) Current assets and liabilities

			March 31, 2014		December 31, 2013	
Current Assets	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$
Cash and cash equivalents	Dollars	CH$	2,648,860	-	34,432,628	-
	Chilean Pesos	CH$	50,042,754	-	17,977,079	-
	Other Currency	CH$	23,579	-	12,284	-
Trade and other receivables	Dollars	CH$	2,147	-	-	-
	Chilean Pesos	CH$	59,559,977	-	47,389,169	13,453,127
	Other Currency	CH$	-	-	-	-
Receivables from related parties, Current	Dollars	CH$	84,898,578	-	79,661,771	86,531,517
	Chilean Pesos	CH$		1,136,043	4,499,085	6,117,840
	Other Currency	CH$	-	-	-	-

Current Liabilities	Foreign Currency	Functional Currency	March 31, 2014 Maturity less than 90 days ThCh$	March 31, 2014 Maturity more than 91 to 1 year ThCh$	December 31, 2013 Maturity less than 90 days ThCh$	December 31, 2013 Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	663,024	2,496,990	3,849,532	431,728
	Chilean Pesos	CH$	150,287,907	5,461,189	12,964,737	150,218,386
	Other Currency	CH$	-	-	-	-
Trade payables and other payables	Dollars	CH$	-	-	910,968	-
	Chilean Pesos	CH$	58,014,553	8,938,138	53,426,584	18,803,961
	Other Currency	CH$			-	-
Current provisions for employee benefits	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	2,649,871	2,114,969	5,449,355	2,233,872
	Other Currency	CH$	-	-	-	-

b) Non-Current assets and liabilities

Non-Current Assets	Foreign Currency	Functional Currency	March 31, 2014 1 to 3 year ThCh$	March 31, 2014 3 to 5 year ThCh$	March 31, 2014 More than 5 year ThCh$	December 31, 2013 1 to 3 year ThCh$	December 31, 2013 3 to 5 year ThCh$	December 31, 2013 More than 5 year ThCh$
Trade and other receivables	Dollar	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH$	-	-	113,071,876	-		111,011,395
	Chilean Pesos	CH$	-	-	1,168,575,536	-		1,144,365,894
	Other Currency	CH$	-	-	-	-		-
Deferred tax assets	Dollars	CH$	-	80,377	-	-	57,998	-
	Chilean Pesos	CH$	-	1,116,428	-	-	2,063,698	-
	Other Currency	CH$	-	-	-	-	-	-

			March 31, 2014			December 31, 2013		
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$	-	-	162,699,179	3,827,555	4,801,231	155,815,517
	Chilean Pesos	CH$	211,104,349	-	641,975,607	194,770,693	-	624,071,836
	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	651,531	582,997	2,256,745
	Other Currency	CH$	-	-	-	-	-	-

NOTE 30 - SUBSEQUENT EVENTS

On April 21, 2014, the ordinary shareholders meeting of the company was celebrated, which agreed the following:

1) To approve the Annual Report, Balance Sheet, Financial Statements and Report of the External Auditors for the period ended December 31, 2013.
2) To approve the distribution of a final dividend for the year 2013, amounting to $21.109.661.795, which will be paid starting on May 23, 2014 to shareholders of record at the respective registry on May 16, 2014.
3) To approve the dividend distribution policy for 2014.
4) To renew members of the Board of Directors.
5) To set the remuneration of the Board and the Audit Committee.
6) To approve the appointment of Ernst & Young as the external auditors of the Company for the year.
7) 2014To designate “Diario Financiero” to publish notices of shareholder meetings.
8) Resolutions adopted by the Board on matters contained in Articles 146 and following of the Corporations Act were informed.

Transelec Norte S.A. y Filiales (Filial)

On April 21, 2014, the ordinary shareholders meeting of the company was celebrated, which agreed the following:

1) To approve the Annual Report, Balance Sheet, Financial Statements and Report of the External Auditors for the period ended December 31, 2013.
2) To approve the distribution of a final dividend for the year 2013, amounting to US$ 8,717,177.01, which will be paid starting on May 23, 2014 to shareholders of record at the respective registry on May 16, 2014.
3) To approve the dividend distribution policy for 2014..
4) To renew members of the Board of Directors.
5) To approve the appointment of Ernst & Young as the external auditors of the Company for the year 2014.
6) To designate “Diario Financiero” to publish notices of shareholder meetings.

Between March 31, 2014, 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

TRANSELEC S.A. AND SUBISIDIARIES

REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2014

INTRODUCTION

During the first quarter of 2014, Transelec S.A. and subsidiaries recorded a net income of MCh$13,361 (MCh$20,741 in the same period 2013) which is 35.6% lower than the same period in 2013. This decrease is mainly due to higher loss on non-operating incomes (MCh$25,400 in 2014 and MCh$8,452 in 2013), that is explained by higher loss on foreign exchange differences liabilities (MCh$4,711 in 2014 and MCh$161 in 2013) and indexed assets and liabilities (MCh$11,167 in 2014 and MCh$1,075 in 2013). This higher loss from indexed assets and liabilities is partially offset by higher operating incomes (MCh$40,624 in 2014 and MCh$34,873 in 2013) and lower income tax (MCh$1,864 in 2014 and MCh$5,680 in 2013).
During the first quarter of 2014, the company operated US$93.5 million of new facilities that correspond to: i) US$38.8 million of new trunk upgrades commissioned, and ii) the acquisition of the line belonging to the Trunk Transmission System "Maitencillo – Cardones 2x220 kV" to Guacolda S.A with a VI of US$54.7 million. This commissioning allowed the Company to obtain an EBITDA* of MCh$52,307, which is 7.7% higher than the same period in 2013 (MCh$48,563) with an EBITDA over revenues of 85.4% (87.9% in 2013).

Transelec S.A. and its subsidiary Transelec Norte S.A. have prepared their financial statements as of March 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	March 2014 MCh$	March 2013 MCh$	Variation 2014/2013 %
Operating Revenues	61,278	55,236	10.9%
Toll sales	60,080	53,468	12.4%
Work and services	1,198	1,769	-32.3%
Operating costs	-17,282	-17,653	-2.1%
Fixed costs	-6,501	-6,116	6.3%
Depreciation	-10,781	-11,537	-6.6%
Administraton and sales expenses	-3,372	-2,710	24.4%
Fixed costs	-3,190	-2,579	23.7%
Depreciation	-182	-131	38.6%
Operating Income	**40,624**	**34,873**	**16.5%**
Other Financial Income (*)	2,892	1,311	120.6%
Financial Costs	-13,134	-10,549	24.5%
Foreign exchange differences, net	-4,711	-161	2828.1%
Gain (loss) for indexed assets and liabilities	-11,167	-1,075	938.5%
Other income	720	2,022	-64.4%
Non-Operating Income	**-25,400**	**-8,452**	**200.5%**
Income before Income Taxes	**15,224**	**26,421**	**-42.4%**
Income tax	-1,864	-5,680	-67.2%
Net Income	**13,361**	**20,741**	**-35.6%**
EBITDA	**52,307**	**48,563**	**7.7%**

(*) EBITDA= Net income +abs(Income tax)+abs(Depreciation)+abs(Non-operating income)+abs(Other gains)+Lease financial income.
(*) In order to show a comparable presentation, MM$978 in 2013 balance have been reclassified from Other Financial Income to Toll sales, because they correspond to operational revenues resulting from leasing contracts.

a) Operating income

During the first quarter of 2014, operating revenues reached MCh$61,278, which is 10.9% higher compared with the same period in 2013 (MCh$55,236). This increase is mainly explained by higher Toll sales revenues that reached MCh$60,080 during 2014, 12.4% higher than 2013 (MCh$53.468). This increase is mainly due to new commissioned projects, that resulted in MCh$4,287 of additional revenues, including MCh$570 from the acquisition on the Maitencillo - Cardones line to Guacolda S.A., and due to macroeconomical effects that resulted in MCh$4,128 of higher revenues. Retroactive tariff adjustments related to subtransmission have a negative impact of MCh$807 in Toll sales revenues, besides MCh$953 of lower revenues due to FX hedges. These higher operating revenues are partially offset by lower engineering services revenues that reached MCh$1,198 in 2014 and MCh$1,769 in 2013, where MCh$241 correspond to Energía Austral. During the first quarter of 2014, these engineering services resulted in 2.0% of the total revenues and 3.2% during the same period in 2013.

During this period, the operating costs reached MCh$17,282 (MCh$17,653 in 2013). These costs are mainly related to the maintenance and operation of the Company's facilities and, in percentage terms, 62.4% of the company's costs correspond to property, plant and equipment depreciation (65.4% in 2013). This decrease in the depreciation is mainly explained by adjustments on the life of the assets, adjusted during the last quarter of 2013. The remaining 37.6% (34.6% in the comparison period) correspond to personnel, supplies and contracted services. This lower depreciation is partially offset by an increase of 6.3% in fixed costs, that is mainly explained by higher personnel costs that as March 31, 2014 reached MCh$2,931, an 11.1% higher than the same period of 2013 (MCh$2,638),.

Administrative and selling expenses amounted MCh$3,372 (MCh$2,710 during the same period of 2013) and primarily consist in 94.6% (95.2% in 2013) of personnel and work expenses, supplies and services contracted, and 5.4% of depreciation (4.8% in 2013). The increase in administrative and selling expenses is mainly explained by provisions that have been made as March 31, 2014, that unlike the year 2013, were made at the end of the year.

b) Non-operating income

Net income for the first quarter of 2014, was negatively impacted by the non-operating loss of MCh$25,400 (MCh$8,452 in the same period of 2013), mainly generated by higher loss from indexed assets and liabilities (MCh$11,167) and from foreign exchange differences (MCh$4,711), and due to higher financial costs that reached MCh$13,134 (MCh$10,549 in 2013). This higher Financial Costs are mostly explained by the Q series and Senior Notes bonds issuance on May 3 and July 23 of 2013 respectively. The interests paid due to these liabilities reached MCh$2,733 during the first quarter of 2014, besides MCh$267 of additional cost due to the existing bond structure in UF and CLP. This increase is partially offset by lower bank interests paid (MCh$456) mainly explained by the use of the Revolving Credit Facility (RCF), and the non-committed line of credit, that do not recorded movements as March 31, 2014.

Loss from indexed assets and liabilities amounted (MCh$11,167), which is 938.5% higher in comparison with the same period of 2013 (MCh$1,075) that is mainly explained by a higher variation of the UF. This variation corresponds to a 1.3% for the current period and 0.1% for the comparison period in 2013.

Loss from Foreign exchange differences amounted MCh$4,711, which is 2,828.1% higher in comparison with the same period of 2013 (MCh$161). This loss is mainly explained by the increase of the exchange rate, that comparing the first quarters of 2014 and 2013 had 16.8% of variation, causing a negative impact of MM$7,971 on the Senior Note bond issued in July 2013. In addition, as March 31, 2013 there were payments related to the use of the RCF (paid as June 2013) that recorded MM$1,402 of profits by foreign exchange differences. This negative impact, is partially offset by accounts receivable to related companies accrued, that reached MM$4,847.

The financial revenues as March 31, 2014 reached MCh$2,892 in 2014 (MCh$1,311 in 2013) and are mainly explained by accrued interest of loans to related parties (MCh$493), that includes the US$150 million loan made on December 26, 2013, that generated accrued interests for MCh$235 (MUS$424).

2. BALANCE SHEET ANALYSIS

The decrease in current assets between March 2014 and December 2013 is explained by a decrease in trade and other receivables. The increase in non-current assets is due to an increase in intangible assets other than goodwill and, mainly rights of way, and due to an increase in fixed assets from the commissioning of three trunk upgrade projects and the acquisition of the Maitencillo - Cardones line to Guacolda S.A during the first quarter of 2014.

The increment in equity and liabilities is mainly explained by the increase in non-current liabilities mostly generated by higher bonds payable and other financial liabilities, and by higher payables to related parties, mainly to Transelec Holding Rentas Ltda.

Items	March 2014 MCh$	December 2013 MCh$	Variation 2014/2013 %
Current assets	207,771	209,451	-0.8%
Non-current assets	2,005,414	1,969,931	1.8%
Total Assets	**2,213,185**	**2,179,381**	**1.6%**
Current liabilities	235,187	248,839	-5.5%
Non current liabilities	1,077,180	1,043,447	3.2%
Equity	900,818	887,096	1.5%
Total liabilities & Equity	**2,213,185**	**2,179,381**	**1.6%**

VALUE OF THE MAIN PP&E IN OPERATION

Assets	March 2014 MCh$	December 2013 MCh$	Variation 2014/2013 %
Land	19,899	19,777	0.6%
Building, Infraestucture, works in progress	965,308	938,651	2.8%
Work in progress	77,522	89,680	-13.6%
Machinery and equipment	521,781	498,519	4.7%
Other fixed assets	4,501	4,260	5.7%
Depreciation (less)	-307,364	-295,511	4.0%
Total	**1,281,647**	**1,255,377**	**2.1%**

transelec

CURRENT DEBT

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) Unpaid capital March 2014	December 2013
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	20.7	21.2

3. MAIN CASH FLOWS DURING THE YEAR

Items	March 2014 MCh$	March 2013 MCh$	Variation 2014/2013 %
Cash flows provided by (used in) operating activities	47,738	17,113	179%
Cash flows provided by (used in) investing activities	-47,160	-133,991	-65%
Cash flows provided by (used in) financing activities	-284	116,432	-100%
Net increase (decrease) of cash and cash equivalent	**293**	**-446**	**-166%**
Cash and cash equivalent at the begining of the period	52,422	37,956	38%
Cash and cash equivalent at the end of the period	**52,715**	**37,510**	**41%**

During the first quarter of 2014, cash flows from operating activities reached MCh$47,738 (MCh$17,113 in the same period of 2013), which represent an increase of 179%, mainly explained by higher cash receipts from sales of goods and services and lower payments to suppliers for goods and services that reached MCh$97,994 and MCh$31,982 as of March 31, 2014, in comparison to MCh$71,035 receipt and MCh$46,351 paid in the same period of 2013. This was partially offset by other payments for operating activities that reached MCh$1,411 for the 2014 period, compared with MCh$8,218 recorded for 2013.

During this period, investing activities generated a negative cash flow for an amount of MCh$47,160 (Mch$133,991 in 2013), mainly due to loans to related parties and other investing activity payments that as March 31, 2014 did not record disbursements in comparison to MCh$94,672 and MCh$17,047 reached respectively in the same period of 2013. As well, there were higher additions of property, plant and equipment that as March 31, 2014, reached MCh $50,174 during 2014, compared with MCh$18,738 reached in the same period in 2013.

During the same period, financing activities generated a negative net cash flow of MCh$284 (Mch$116,432 in 2013) that correspond only to loans paid (MCh$219 as March 31, 2013). Additionally, as March 31, 2014, there were not proceeds from short and long term loans recorded while as the same period of 2013 these proceeds reached MCh$116,432.

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	March 2014	December 2013
All local Series	Distribution Test (**)	FNO/Financial Expenses > 1,5	4.46	4.09
	Capitalization Ratio (***)	< 0,7	0.57	0.57
	Shareholder's Equity (million UF)	> ThUF15.000	39.22	39.13

(*) 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 March 31, 2014 amounted to MCh$24.970.

Ratios *Figures as of June are annualized	**March 2014**	**December 2013**	**Variation 2014/2013**
Profitability			
Shareholders' Equity profitability *	5.93%	7.28%	-18.5%
Assets profitability *	2.41%	2.96%	-18.6%
Operating assets profitability *	3.69%	4.57%	-19.3%
Earnings per share ($) *	53,442.3	64,607.4	-17.3%
Liquidity & Indebtedness			
Current Ratio	0.88	0.84	4.8%
Acid-Test Ratio	0.88	0.84	5.0%
Debt to Equity	1.46	1.46	0.0%
% Short term debt	17.92	19.26	-6.9%
% Log term debt	82.08	80.74	1.7%
Financial expenses coverage	3.98	3.74	6.3%

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 safety and 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 and to the open access regime.

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.

Since both trunk transmission and subtransmission systems are subject to the regime of unrestricted open access, as provided by the law that regulates our industry, there is a risk that the authority attempt to extend this access not only to the network connection - connecting a bay to a busbar of a substation - but also a physical access to the transmission facilities, meaning to force the transmitter, owner of such facilities, to share assets or areas inside some substations. The same may happen with additional systems that are subject to the open access regime when these facilities make use of ways of rights or national public goods in its layout and have available technical capacity.

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 March 31, 2014 and December 31, 2013:

	March 2014		December 2013	
In million pesos	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	195,011	200,354	218,691	217,254
Dollar (amounts associated with income statement items)	-	19,181	-	36,513
Chilean peso	2,010,930	2,016,272	1,958,392	1,072,254

(*) 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 2014 ($)	Last Day 2014 ($)	Average 2013 ($)	Last Day 2013 ($)
January	537.03	553.84	472.67	471.44
February	554.41	559.38	472.34	472.96
March	563.84	551.18	472.48	472.03
Average of the period	**551.76**	**554.80**	**472.50**	**472.14**

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 March 31, 2014, the company has four main clients which represent individually between 7% and 52% of the total revenues. These are Endesa Group (MCh$31,662), Colbún Group (MCh$8,984), AES Gener Group (MCh$7,513) and Pacific Hydro-LH-LC (MCh$4,112). The total revenues recognized for these clients represent an 85.3% of the total revenues of the company. In the period of comparison, the company had the same structure of clients which represent individually between 7% and 48% of the total revenues, whose amounts reached to MCh$25,729, MCh$5,460, MCh$5,935 and MCh$3,605 respectively, with a percentage of the total incomes of 75.1%.

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 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 March 31, 2014 and December 31, 2013.

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
March 31, 2014	193,355	283,082	73,346	341,093	866,552	1,757,428
December 31, 2013	194,098	281,307	71,735	333,619	858,363	1,739,122

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 March 31, 2014, and as of December 31, 2013, was at a fixed rate, corresponding to 98.4% y 99.04% 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	23,369.91	23,435.87	22,811.83	22,807.54
February	23,482.16	23,508.46	22,818.59	22,838.48
March	23,552.54	23,606.97	22,857.28	22,869.38
Average of the period	**23,468.20**	**23,517.10**	**22,829.23**	**22,838.47**

CONSOLIDATED MATERIAL FACTS

TRANSELEC S.A.

1) On January 23, 2014 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 22, 2014, an extraordinary shareholders meeting was held, and the following was agreed:

1. Ratifying the agreement adopted by the Company's Board of Directors at their Meeting No 101, held on November 20, 2013, regarding the approval of short-term intercompany loans at fair market values, which were granted on December 26 of the same year;

2. Approving an equity reduction, from the amount of $857,944,547,865, split in 1,000,000 ordinary, nominative and with no nominal value shares, at the amount of $776,355,047,865, split in 1,000,000 shares, of same indicated features. Such modification means a capital reduction of $81,589,500,000, equivalent to US$ 150,000,000, according to the exchange rate published in the Official Gazette on January 22 of year 2014;

3. Finally, approving that the obligation payment derived from the agreed stock reduction and the ratified short-term intercompany loans will be set off among both debts, once the applicable legal formalities are met.

2) On February 19 2014, 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 February 19 2014, Transelec S.A. acquired from *Empresa Eléctrica Guacolda S.A.* and *Compañía Transmisora del Norte Chico S.A.*, both circuits of the electric transmission line 2x220 kV Maitencillo-Cardones, of approximately 133 kms. of length, and all the supporting equipment that is part of them, which are located at the Atacama Region. The transaction price was US$ 54,720,000 dollars. This price encompasses the whole assets aforementioned, and also, the ownership of the agreements executed with third parties and other related flows. This transaction was timely analyzed and approved by the Company's Board of Directors.

3) On February 27 2014, and according the 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 its meeting held on February 26 2014, agreed on informing as a material fact the calling for the annual Shareholders Meeting to be held on April 21 2014, in order to inform and request approval from shareholders on the following matters:

1. Annual Report, General Balance Sheet, Financial Statements and External Auditors' Report, corresponding to the period ended on December 31, 2013.

2. Distribution of final dividends. On this matter, Transelec S.A.'s Board of directors agreed on requesting approval to the shareholders for the distribution of a final dividend for fiscal year 2013, for a total amount of $21,109,661,795, to be paid on the terms and conditions to be agreed by them.

3. Dividends Policy and information about the procedures to be used for their payment.

4. Remuneration of the Board of Directors and the Audit Committee.

5. Appointment of External Auditors.

6. Newspaper to call for Shareholders Meetings.

7. Resolutions adopted by the Board regarding matters contained in articles 146 et seq. of the Law on Stock Corporations.

8. Election of the Board.

9. Other matters of interest for the Company and of the Shareholders' competence.

4) On March 21 2014, and according the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

The new domicile of Transelec S.A., since March 24, 2014 is Orinoco 90, 14 floor, Las Condes, Santiago.

5) On April 22 2014, and according the article 9 and second paragraph of article 10 of the Law No 18,045 of Securities Market, the following material fact was reported:

That on April 21 2014, the Company's annual shareholders meeting was held, and the following was agreed:

1. Approval of the Annual Report, General Balance Sheet, Financial Statements and External Auditors' Report, corresponding to the period ended on December 31, 2013.

2. Approval of the distribution of final dividends for year 2013, for the amount of $21,109,661,795, to be paid from May 23 2014 to the shareholders registered at the corresponding registrar on May 16 2013.

3. The dividend distribution policy was approved for year 2014.

4. The Board of directors was renewed as follows: Mr. Richard Legault as director and Mr. Jeffrey Rosenthal 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. Alfredo Ergas Segal as director and Mr. Etienne Middleton as his alternate director; Mr. Bruno Philippi Irarrázabal as director and Mr. Paulo Montt Rettig as his alternate director; Mr. Mario Valcarce Durán as director and Mr. Patricio Leyton Flores as his alternate director; Mr. Blas Tomic Errázuriz as director and Mr. José Ignacio Concha Vial as his alternate director; Mr. José Ramón Valente Vias as director and Mrs. Stella Muñoz Sciattino as his alternate director, and Mr. Alejandro Jadresic Marinovic as director and Mrs. Valeria Ruz Hernández as his alternate director.

5. Fees of the Board of Directors and the Audit Committee were set down.

6. The company Ernst & Young was appointed as the Company's external auditors for exercise 2014.

7. The Diario Financiero was appointed to advertise the calling for the Shareholders Meetings.

8. Resolutions adopted by the Board regarding matters contained in articles 146 et seq. of the Law on Stock Corporations were informed

CONSOLIDATED MATERIAL FACTS

TRANSELEC NORTE S.A.

1) On February 27, 2014 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 its meeting held on February 26 2014, agreed on informing as a material fact the calling for the annual Shareholders Meeting to be held on April 21 2014, in order to inform and request approval from shareholders on the following matters:

1. Annual Report, General Balance Sheet, Financial Statements and External Auditors' Report, corresponding to the period ended on December 31, 2013.

2. Distribution of final dividends. On this matter, Transelec Norte S.A.'s Board of directors agreed on requesting approval to the shareholders for the distribution of final dividend for year 2013, for a total amount of US$ 8,717,177.01, to be paid on the terms and conditions to be agreed by them.

3. Dividends Policy for 2014 and information about the procedures to be used for their payment.

4. Appointment of External Auditors.

5. Newspaper to call for Shareholders Meetings.

6. Other matters of the company's interest on which the Shareholders are competent.

2) On March 21 2014, 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 new domicile of Transelec Norte S.A., since March 24, 2014 is Orinoco 90, 14 floor, Las Condes, Santiago.

3) On April 22 2014, 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:

That on April 21 2014, the annual shareholders meeting was held, where the following was agreed:

1. Approving the Annual Report, General Balance Sheet, Financial Statements and External Auditors' Report, corresponding to the period ended on December 31, 2013.

2. Approving the amount of US$ 8,717,177.01 as final dividend distribution for fiscal year 2013, which will be paid from May 23 2014 to the shareholders registered on May 16 2013.

3. The dividend distribution policy was approved for year 2014.

4. The Board of directors was renewed as follows: Mr. Richard Legault as director and Mr. Jeffrey Rosenthal 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. Alfredo Ergas Segal as director and Mr. Etienne Middleton as his alternate director; Mr. Bruno Philippi Irarrázabal as director and Mr. Paulo Montt Rettig as his alternate director; Mr. Mario Valcarce Durán as director and Mr. Patricio Leyton Flores as his alternate director; Mr. Blas Tomic Errázuriz as director and Mr. José Ignacio Concha Vial as his alternate director; Mr. José Ramón Valente Vias as director and Mrs. Stella Muñoz Sciattino as his alternate director, and Mr. Alejandro Jadresic Marinovic as director and Mrs. Valeria Ruz Hernández as his alternate director.

5. The company Ernst & Young was appointed as the Company's external auditors for exercise 2014.

6. The Diario Financiero was appointed to advertise the calling for the Shareholders Meetings.