

Unaudited Interim Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARIES

Santiago, Chile
June 30, 2014



Unaudited Interim Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARIES

June 30, 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

	Page
Report of Independent Auditors	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Comprehensive Income By Function.....	5
Consolidated Statements of Changes In Equity.....	7
Consolidated Statement of Cash Flows	9
Notes to The Interim Consolidated Financial Statements	10
 NOTE 1 - GENERAL INFORMATION	 10
 NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES	 11
2.1 Basis of preparation of the consolidated financial statements	11
2.2 New standards and interpretations issued but not yet effective	14
2.3 Basis of consolidation and business combinations	16
2.4 Foreign currency translation.....	17
2.5 Segments reporting	18
2.6 Property, plant and equipment	19
2.7 Intangible assets	20
2.8 Impairment of non-financial assets	20
2.9 Financial assets	21
2.10 Financial instruments and hedge activities	23
2.11 Inventory	25
2.12 Cash and cash equivalents	25
2.13 Paid-in capital.....	25
2.14 Financial liabilities	25
2.15 Income tax and deferred taxes.....	25
2.16 Employee benefits	26
2.17 Provisions	27
2.18 Classification of current and non-current balances	28
2.19 Revenue recognition	28
2.20 Leases	29
2.21 Distribution of dividends.....	29
 NOTE 3 - RISK MANAGEMENT POLICY	 30
3.1 Financial risk.....	30
 NOTE 4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT.....	 36
NOTE 5 - CASH AND CASH EQUIVALENTS	37
NOTE 6 - TRADE AND OTHER RECEIVABLES.....	37

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES	39
7.1 Balances and transactions with related parties.....	39
7.2 Board of Directors and management.....	41
7.3 Board expenses	41
7.4 Audit committee	42
7.5 Compensation of key management that are not Directors.....	42
NOTE 8 - INVENTORY	43
NOTE 9 - OTHER FINANCIAL ASSETS, LEASES	43
9.1 Finance lease receivables	44
9.2 Operating leases payable.....	44
NOTE 10 - INTANGIBLE ASSETS	45
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT	47
11.1 Detail of accounts.....	47
11.2 Reconciliation of changes in property, plant and equipment.....	48
11.3 Additional information on property, plant and equipment.....	48
NOTE 12 - DEFERRED TAXES	49
12.1 Detail of deferred tax assets and liabilities.....	49
12.2 Deferred tax movements in statement of financial position.....	50
NOTE 13 - FINANCIAL LIABILITIES	50
13.1 Other financial liabilities	50
13.2 Detail of other financial liabilities.....	51
13.3 Other aspects	56
NOTE 14 - TRADE AND OTHER PAYABLES	56
NOTE 15 - DERIVATIVE INSTRUMENTS	57
15.1 Hedge assets and liabilities	57
15.2 Other Information.....	58
15.3 Fair value hierarchies	59
NOTE 16 - FINANCIAL INSTRUMENTS	61
NOTE 17 - PROVISIONS	64
17.1 Detail of provisions.....	64
17.2 Provision movements.....	64
17.3 Lawsuits and arbitration proceedings.....	66

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS	68
18.1 Detail of account	68
18.2 Detail of post-employment and other similar obligations.....	69
18.3 Balance of post-employment and other similar obligations.....	69
18.4 Expenses recognized in income statement.....	69
18.5 Actuarial hypothesis	70
18.6 Sensitivity analysis.....	70
NOTE 19 - EQUITY.....	71
19.1 Subscribed and paid capital.....	71
19.2 Number of subscribed and paid shares	71
19.3 Dividends.....	71
19.4 Other reserves	72
19.5 Capital management.....	72
NOTE 20 - INCOME	74
20.1 Revenue	74
20.2 Other operating income	74
NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS.....	75
21.1 Expenses by nature.....	75
21.2 Personnel expenses	75
21.3 Depreciation and amortization.....	75
21.4 Financial results.....	76
NOTE 22 - INCOME TAX RESULT.....	76
NOTE 23 - EARNINGS PER SHARE	77
NOTE 24 - SEGMENT REPORTING	78
NOTE 25 - BUSINESS COMBINATION	80
NOTE 26 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS	81
NOTE 27 - DISTRIBUTION OF PERSONNEL (UNAUDITED).....	81
NOTE 28 - ENVIRONMENT	82
NOTE 29 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY (UNAUDITED)	83
NOTE 30 - SUBSEQUENT EVENTS	87

Independent Auditor's Review Report

(Translation of the Report originally issued in Spanish)

To
Shareholders and Directors of
Transelec S.A.

We have reviewed the interim consolidated statement of financial position of Transelec S.A. and subsidiaries as of June 30, 2014, and the interim consolidated statements of comprehensive income for the six- and three-month periods ended on June 30, 2014 and 2013, and the corresponding interim consolidated statements of cash flows and changes in equity for the six-month periods then ended.

Management's Responsibility

The management of Transelec S.A. is responsible for the preparation and fair presentation of the interim financial information in accordance with IAS 34 "Interim Financial Reporting" incorporated in the International Financial Reporting Standards (IFRS). This responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with the applicable financial reporting framework for preparation and presentation of financial information.

Auditor's Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in Chile applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Chile, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with IAS 34 "Interim Financial Reporting" incorporated in the International Financial Reporting Standards (IFRS).

Other matters, Report on the statement of financial position as of December 31, 2013

We expressed an unmodified audit opinion on the consolidated financial statements of Transelec S.A. and subsidiaries as of December 31, 2013 and 2012 in our report dated February 26, 2014, which include the consolidated statement of financial position as of December 31, 2013, that is presented – together with its corresponding notes – in the accompanying interim consolidated financial statements.

Marek Borowski

ERNST & YOUNG LTDA.

Santiago, September XX, 2014

TRANSELEC S.A. AND SUBSIDIARIES

Interim Consolidated Statements of Financial Position

As of June 30, 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	June 30, 2014 (Unaudited) ThCh\$	December 31, 2013 (Audited) ThCh\$
CURRENT ASSETS			
Cash and cash equivalents	(5)	32,923,354	52,421,991
Other financial assets	(9)	567,729	846,299
Other non-financial assets		7,900,973	8,992,031
Trade and other receivables	(6)	57,932,648	62,150,784
Receivables from related parties	(7)	4,922,921	84,160,856
Inventory	(8)	24,868	23,059
Current tax assets		350,197	855,741
Total current assets		104,622,690	209,450,761
NON-CURRENT ASSETS			
Other financial assets	(9)	11,533,686	11,021,506
Other non-financial assets		50,807,330	42,953,118
Receivables from related parties	(7)	164,934,935	163,321,244
Intangible assets other than goodwill	(10)	168,863,482	159,218,351
Goodwill	(10)	342,392,534	342,214,791
Property, plant and equipment	(11)	1,285,201,616	1,249,079,870
Deferred tax assets	(12)	64,899	2,121,696
Total non-current assets		2,023,798,482	1,969,930,576
Total Assets		2,128,421,172	2,179,381,337

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



TRANSELEC S.A. AND SUBSIDIARIES

Interim Consolidated Statements of Financial Position

As of June 30, 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	June 30, 2014 (Unaudited) ThCh\$	December 31, 2013 (Audited) ThCh\$
CURRENT LIABILITIES			
Other financial liabilities	(13)	163,211,223	157,383,356
Trade and other payables	(14)	69,524,610	72,573,645
Payables to related parties		3,787	-
Current provisions for employee benefits	(17)	6,310,364	7,683,227
Current tax liabilities		6,554	-
Other non-financial liabilities		2,290,353	1,117,476
Total current liabilities		<u>241,346,891</u>	<u>238,757,704</u>
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	1,029,659,277	993,367,859
Payables to related parties	(7)	42,559,440	40,343,274
Deferred tax liabilities	(12)	10,104,245	9,257,520
Non-current provisions for employee benefits	(17)	3,491,272	3,491,273
Other non-financial liabilities		6,035,644	7,068,059
Total non-current liabilities		<u>1,091,849,878</u>	<u>1,053,527,985</u>
Total liabilities		<u>1,333,196,769</u>	<u>1,292,285,689</u>
EQUITY			
Paid-in capital	(19)	776,355,048	857,944,548
Retained earnings		13,445,622	22,367,938
Other reserves	(19)	5,419,660	6,779,254
Total equity attributable to owners of the parent		<u>795,220,330</u>	<u>887,091,740</u>
Non-controlling interest		4,073	3,908
Total equity		<u>795,224,403</u>	<u>887,095,648</u>
Total Equity and Liabilities		<u>2,128,421,172</u>	<u>2,179,381,337</u>

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

Interim Consolidated Statements of Comprehensive Income by function
For the six-month periods ended June 30, 2014 and 2013
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) 01/01/2014 06/30/2014 ThCh\$	(Unaudited) 01/01/2013 06/30/2013 ThCh\$	(Unaudited) 04/01/2014 06/30/2014 ThCh\$	(Unaudited) 04/01/2013 06/30/2013 ThCh\$
Consolidated statement of comprehensive income by function					
Operating revenues	(20)	121,094,708	108,771,738	59,816,864	54,513,045
Cost of sales	(21)	(35,836,320)	(36,093,033)	(18,472,766)	(18,440,004)
Gross Margin		85,258,388	72,678,705	41,344,098	36,073,041
Administrative expenses	(21)	(6,713,158)	(6,946,911)	(3,422,794)	(4,236,559)
Other gains (losses), net	(20)	856,835	6,314,400	136,705	4,292,890
Financial income	(20)	5,078,488	5,170,444	2,186,020	2,881,385
Financial expenses	(21)	(25,315,479)	(22,869,033)	(12,181,694)	(12,320,320)
Foreing Exchange differences, net	(21)	(4,608,669)	(3,299,254)	102,738	(3,138,351)
Gain (loss) for indexed assets and liabilities	(21)	(26,532,763)	(119,285)	(15,365,836)	956,054
Profit before Income taxes		28,023,642	50,929,066	12,799,237	24,508,140
Income tax expense	(22)	(3,480,506)	(11,118,642)	(1,616,676)	(5,438,228)
Profit from continuing operations		24,543,136	39,810,424	11,182,561	19,069,912
Profit (loss) from discontinued operations		0	0	0	0
Profit (loss)		24,543,136	39,810,424	11,182,561	19,069,912
Profit (loss) attributable to:					
Profit attributable to owner of the parent		24,542,852	39,810,235	11,182,425	19,069,805
Profit (loss) attributable to non – controlling interest		284	189	136	107
Profit		24,543,136	39,810,424	11,182,561	19,069,912
Earnings per share					
Basis earning per share / diluted					
Basis earning per share / diluted from continuing (\$/a)	(23)	24,543	39,810	11,183	19,070
Basis earnings (loss) per share / diluted from Discontinued operations		-	-	-	-
Basis earnings per share / diluted (\$/a)	(23)	24,543	39,810	11,183	19,070

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



TRANSELEC S.A. AND SUBSIDIARIES

Interim Consolidated Statements of Comprehensive Income by function
For the six-month periods ended June 30, 2014 and 2013
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	(Unaudited) 01/01/2014 06/30/2014 ThCh\$	(Unaudited) 01/01/2013 06/30/2013 ThCh\$	(Unaudited) 04/01/2014 06/30/2014 ThCh\$	(Unaudited) 04/01/2013 06/30/2013 ThCh\$
PROFIT (LOSS)	24,543,136	39,810,424	11,182,561	19,069,912
Components of other comprehensive Income, before taxes				
Foreing Currency Translation				
Gains (losses) on foreing Currency translation differences, before taxes	<u>(2,065,918)</u>	<u>1,289,859</u>	<u>66,449</u>	<u>1,086,915</u>
Cash flow hedges				
Gains (losses) on cash hedges, before taxes	<u>366,425</u>	<u>2,394,841</u>	<u>(1,115,818)</u>	<u>1,977,182</u>
Income taxes related to components of other comprehensive income				
Income taxes related to components of net investment hedge	413,184	(257,972)	(13,289)	(217,383)
Income taxes related to components of cash flow hedge	<u>(73,285)</u>	<u>(478,968)</u>	<u>223,163</u>	<u>(395,436)</u>
Other comprehensive income	<u>(1,359,594)</u>	<u>2,947,760</u>	<u>(839,495)</u>	<u>2,451,278</u>
Total comprehensive income	<u>23,183,542</u>	<u>42,758,184</u>	<u>10,343,066</u>	<u>21,521,190</u>
Comprehensive Income attributable to:				
Comprehensive income attributable to owners of the parent	<u>23,183,258</u>	<u>42,757,995</u>	<u>10,342,930</u>	<u>21,521,083</u>
Comprehensive Income attributable to non-controlling interest	<u>284</u>	<u>189</u>	<u>136</u>	<u>107</u>
Total comprehensive income	<u>23,183,542</u>	<u>42,758,184</u>	<u>10,343,066</u>	<u>21,521,190</u>

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

TRANSELEC S.A. AND SUBSIDIARIES

Interim Consolidated Statement of Changes in Equity

For the six-month periods ended June 30, 2014

(Expressed in thousands of Chilean pesos (ThCh\$))

(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Total Other reserves	Retained Earnings	Equity attributable to owners of the parent	Non- controlling interest	Total equity
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance as of January 1, 2014 (Audited)	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	-	-	-	-	24,542,852	24,542,852	284	24,543,136
Other comprehensive income	-	(1,652,734)	293,140	(1,359,594)	-	(1,359,594)	-	(1,359,594)
Total comprehensive income	-	(1,652,734)	293,140	(1,359,594)	24,542,852	23,183,258	284	23,183,542
Dividends	-	-	-	-	(34,470,236)	(34,470,236)	-	(34,470,236)
Increase (decrease) from transfers and other changes	(81,589,500)	-	-	-	1,005,068	(80,584,432)	(119)	(80,584,551)
Total changes in equity	(81,589,500)	(1,652,734)	293,140	(1,359,594)	(8,922,316)	(91,871,410)	165	(91,871,245)
Closing balance as of June 30, 2014 (Unaudited) (Note 19)	776,355,048	2,877,106	2,542,554	5,419,660	13,445,622	795,220,330	4,073	795,224,403

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



TRANSELEC S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
 For the six-month periods ended June 30, 2013
 (Expressed in thousands of Chilean pesos (ThCh\$))
 (Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Total Other reserves	Retained Earnings	Equity attributable to owners of the parent	Non- controlling interest	Total equity
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance as of January 1, 2013 (Audited)	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	-	-	-	-	39,810,235	39,810,235	189	39,810,424
Other comprehensive income	-	1,031,887	1,915,873	2,947,760	-	2,947,760	-	2,947,760
Total comprehensive income	-	1,031,887	1,915,873	2,947,760	39,810,235	42,757,995	189	42,758,184
Dividends	-	-	-	-	(16,882,000)	(16,882,000)	-	(16,882,000)
Increase (decrease) from transfers and other changes	-	-	-	-	(284,185)	(284,185)	(30)	(284,215)
Total changes in equity	-	1,031,887	1,915,873	2,947,760	22,644,050	25,591,810	159	25,591,969
Closing balance as of June 30, 2013 (Unaudited) (Note 19)	857,944,548	2,962,460	1,808,580	4,771,040	39,844,309	902,559,897	3,562	902,563,459

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



TRANSELEC S.A. AND SUBSIDIARIES
Interim Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2014 and 2013
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	June 30, 2014 (Unaudited) ThCh\$	June 30, 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	205,793,516	155,756,641
Other proceeds from operating activities	2,225,563	1,433,995
Cash receipts from interest	479,972	625,793
Classes of payments		
Payments to suppliers for goods and services	(78,947,202)	(87,881,007)
Payments to employees	(442,887)	(636,531)
Other payments for operating activities	(11,063,886)	(9,741,392)
Interest paid	(25,333,277)	(19,168,995)
Income taxes paid	-	-
Net cash flows provided by operating activities	<u>92,711,799</u>	<u>40,388,504</u>
Cash Flows Provided by (Used in) Investing Activities		
Additions of property, plant and equipment	(53,728,311)	(42,278,381)
Cash advances and loans to third parties	(24,362,690)	(9,003,335)
Loans to related parties	(2,671,552)	(98,655,056)
Cash receipts from loans to related parties	9,332,971	3,602,034
Net cash flows used in investing activities	<u>(71,429,582)</u>	<u>(146,334,738)</u>
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from short and long term loans	-	118,449,751
Loans paid	(570,407)	(82,279,423)
Cash receipts from bonds	-	70,816,009
Dividends paid	(34,470,717)	(16,965,866)
Payment of loans to related parties	-	3,611,585
Other paid	(5,739,730)	(256,988)
Net cash flows used in financing activities	<u>(40,780,854)</u>	<u>93,375,068</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,498,637)	(12,571,166)
Cash and Cash Equivalents, at the beginning of the year (Note 5)	<u>52,421,991</u>	<u>37,955,954</u>
Cash and Cash Equivalents, at the ending of the year (Note 5)	<u>32,923,354</u>	<u>25,384,788</u>

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



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.105 held on August 06, 2014.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 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 2014, 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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 2014.

New standards

IFRS 9 “Financial Instruments”

This standard introduces new requirements for the classification and measurement of financial assets and liabilities and to hedge accounting. Originally, the IASB decided that the mandatory implementation date is 1 January 2015, however, the IASB noted that this date does not allow sufficient time for entities to prepare for implementation, so he decided to publish the actual date when the project is closer to completion. Therefore, your effective date is to be determined; immediate adoption permitted.

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

IFRS 14 “Regulatory Deferral Accounts”

IFRS 14, issued in January 2014, is an interim rule intended to improve the comparability of financial information of entities that are involved in activities with regulated prices. Many countries have industries that are subject to price regulation (e.g. gas, water and electricity), which can have a significant impact on revenue recognition (timing and amount) of the entity. This standard allows entities adopting IFRS for the first time continue to recognize amounts related to price regulation under the previous GAAP requirements, however, displaying them separately. An entity that presents financial statements under IFRS should not implement this standard. Its application is effective starting on January 1, 2016 and early adoption is permitted.

Since the Company adopted IFRS in the past and this new standard is not applicable for the Company.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 issued in May 2014, is a new standard that is applicable to all contracts with customers except leases, financial instruments and insurance contracts. It is a joint project with the FASB to eliminate differences in the recognition of income between IFRS and U.S. GAAP. This new standard provide an improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. Provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. It also requires more detailed disclosure. Its application is effective starting on January 1, 2017 and early adoption is permitted.

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 evaluated the impact that could be generated this modification, concluding that don’t significantly effect on the financial statements.

IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets"

IAS 16 and IAS 38 introduce the basic principle of depreciation and amortization to be the expected pattern of consumption of the future economic benefits of an asset. In its amendments to IAS 16 and IAS 38 issued in May 2014, the IASB clarified that the use of income-based to calculate depreciation of an asset method is not suitable because the revenue generated by an activity that involves the use of an active generally reflect factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that income generally has an inadequate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, this presumption may be rebutted in certain limited circumstances. The amendments apply starting on January 1, 2016. Earlier application is permitted

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

IAS 16 "Property, Plant and Equipment", IAS 41 "Agriculture"

The amendments to IAS 16 and IAS 41 require that the accounting treatment of host plants must be equal to property, plant and equipment, because their operations are similar to manufacturing operations. The amendments apply starting on January 1, 2016. Earlier application is permitted.

The Company evaluated the impact that could be generated this modification, concluding that don't significantly effect on the financial statements.

IFRS 11 "Joint Arrangements"

The amendments to IFRS 11, issued in May 2014, apply to the acquisition of an interest in a joint operation constitutes a business. The amendments clarify that the buyers of these parts must apply all the principles of accounting for business combinations IFRS 3 Business Combinations and other rules that do not conflict with the guidelines of IFRS 11 Joint Arrangements. The amendments apply starting on January 1, 2016. Earlier 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.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 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.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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	
	June 30, 2014	December 31, 2013
Unidad de Fomento	24,023.61	23,309.56
US\$	552.72	524.61
Euro	756.84	724.30

2.5 Segments reporting

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 less accumulated depreciation. 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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 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)	
				June 30, 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	1.74%	Variable (**)	20,168	21,200

(*) The floating rate of the Revolving credit facility corresponds to 3M LIBOR plus a margin of 2.35%. At June 30, 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.

(**) 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 0.2404%. There are also derivatives Cap executable structured credit LIBOR 3 months 5%.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 Chilean pesos, US dollars and unidades de fomento that have a fixed 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 June 30, 2014 and December 31, 2013:

	Liabilities		Assets	
	June 30, 2014 MCh\$	December 31, 2013 MCh\$	June 30, 2014 MCh\$	December 31, 2013 MCh\$
U.S. dollar (amounts associated with balance sheet items)	169,568	217,254	168,475	218,691
U.S. dollar (amounts associated with income statement items)	38,138	36,513	-	-
Chilean peso	1,850,492	1,072,254	1,889,722	1,958,392

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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\$		Net income (gain)/loss MCh\$		Position MCh\$		OCI (gain)/loss MCh\$	
	Long / (Short)	Change (-10%)	Change (+10%)	Long / (Short)	Change (-10%)	Change (+10%)		
Receivables (US\$)	-	-	-	-	-	-	-	-
Payables (US\$)	-	-	-	-	-	-	-	-
Cash (US\$)	5,526	(11)	11	-	-	-	-	-
Forwards (assets) (US\$)	7,282	(15)	15	-	-	-	-	-
Forwards (income)	-	-	-	(38,138)	77	(77)		
Senior Notes and Huepil Credit (US\$)	(121,758)	245	(245)	(47,810)	96	(96)		
Intercompany loan (US\$)	104,991	(211)	211	-	-	-		
PPE (US\$)	-	-	-	-	-	-		
Other (US\$)	3,124	(6)	6	47.810	(96)	96		
Total	(835)	2	(2)	(38,138)	77	(77)		



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 six-month periods ended June 30, 2014 ThCh\$	For the six-month periods ended June 30, 2013 ThCh\$
Endesa Group	58,662,009	52,188,459
Colbún Group	20,202,136	11,893,902
AES Gener Group	17,329,987	16,069,539
Pacific Hydro-LH-LC Group	8,389,107	7,799,276
Others	16,511,469	20,820,562
Total	121,094,708	108,771,738
% of concentration of 4 top customers	86.36%	80.86%

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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\$138,180. 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 June 30, 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
June 30, 2014	196,039,381	286,781,000	74,404,027	343,630,189	870,521,574	1,771,376,171
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 S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of June 30, 2014 and December 31, 2013, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of	
	June 30,	December 31,
	2014	2013
	ThCh\$	ThCh\$
Bank and cash balances	6,225,017	5,766,585
Short-term deposits	44,379	24,701,289
Reverse repurchase agreements and mutual funds	26,653,958	21,954,117
Total	32,923,354	52,421,991

Cash and cash equivalents included in the statement of financial position as of June 30, 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	
		June 30,	December 31,
		2014	2013
		ThCh\$	ThCh\$
Amount of cash and cash equivalents	U.S. dollars	3,102,398	34,432,628
Amount of cash and cash equivalents	Euros	258	12,284
Amount of cash and cash equivalents	Chilean pesos	29,820,698	17,977,079
Total		32,923,354	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 June 30, 2014 and December 31, 2013, this account is detailed as follows:

Item	Balance as of	
	June 30,	December 31,
	2014	2013
	ThCh\$	ThCh\$
Trade receivables	58,540,243	62,864,300
Miscellaneous receivables	784,788	678,867
Total trade and other receivables	59,325,031	63,543,167
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	57,932,648	62,150,784



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Interim Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of June 30, 2014 and December 31, 2013, the aging of trade and other receivables is as follows:

	Balance as of	
	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Maturing in less than 30 days	34,419,381	44,465,546
Maturing in more than 30 days up to 1 year	23,513,267	17,685,238
Total	57,932,648	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 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 as of June 30, 2014 for 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 six-month periods ended June 30, 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 June 30, 2014	1,392,383



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	Balance as of			
							Current		Non-current	
							June 30, 2014 ThCh\$	December 31, 2013 ThCh\$	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Forward Mercantile	6 months	Direct parent	CH\$	-	25,835	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	current account Mercantile	Not defined	Direct parent	CH\$	1,549,481	465,018	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	current account	6 months	Direct parent	UF	1,378,480	552,842	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	6 years	Direct parent	UF	-	-	73,157,045	71,004,772
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH\$	-	-	75,363,258	75,901,840
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	CH\$	-	3,455,390	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	US\$	-	7,869	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH\$	-	-	-	16,414,632
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan Mercantile	Not defined	Direct parent	US\$	1,023,843	78,683,631	16,414,632	-
76.248.725-K	CyT Operaciones SpA	Chile	current account	Not defined	Indirect parent	US\$	26,976	26,130	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Sale of project	Not defined	Indirect parent	US\$	944,141	944,141	-	-
Total							4,922,921	84,160,856	164,934,935	163,321,244

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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		Non-current	
							June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
							ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Forwards	July, 2014	Matriz	US\$	3,787	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	5 Years, 7 months	Direct Parent	US\$	-	-	42,559,440	40,343,274
Totals							3,787	-	42,559,440	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	June 30, 2014		June 30, 2013	
					Amount	Effect on Income	Amount	Effect on Income
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	6,388,862	-	93,286,472	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	85,066,511	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest earned	4,064,586	4,064,586	4,162,961	4,162,961
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest accrued	902,752	(902,752)	716,048	(716,048)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	-	-	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Indirect parent	Loans granted	8,159	-	3,158,859	-
76.248.725-K	CyT Operaciones SpA	Chile	Indirect	Sale of project	-	-	1,576,134	1,328,647

These operations are in accordance with the provisions of Articles No. 44 and 49 of Law No. 18.046, on Corporations.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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:

	June 30, 2014	June 30, 2013
	ThCh\$	ThCh\$
Blas Tomic Errázuriz	24,205	16,660
José Ramón Valente Vías	24,205	16,660
Alejandro Jadresic Marinovic	24,205	16,660
Mario Alejandro Valcarce Duran	24,205	16,660
Bruno Pedro Philippi Irarrazabal	24,205	16,660

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 2014 and 2013 there were no such payments associated with the expenditures of Directors.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 had two meeting in the periods 2014 and in the year 2013.

As of June 30, 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:

	June 30, 2014	June 30, 2013
	ThCh\$	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 Gómez	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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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:

	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Salaries	738,367	705,374
Short-term employee benefits	312,023	387,354
Long-term employee benefits	121,714	115,878
Total compensation received by key management personnel	<u>1,172,104</u>	<u>1,208,606</u>

NOTE 8 - INVENTORY

As of June 30, 2014 and December 31, 2013, this account is detailed as follows:

Classes of inventory	Balance as of	
	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Safety equipment	24,868	23,059
Total	<u>24,868</u>	<u>23,059</u>

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of June 30, 2014 and December 31, 2013, this account is detailed as follows:

	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Finance lease receivables current	567,729	513,049
Forward agreement	-	333,250
Sub-total Other financial assets current	<u>567,729</u>	<u>846,299</u>
Finance lease receivables non-current	11,254,838	10,742,658
Other financial assets	278,848	278,848
Sub-total Other financial assets non-current	<u>11,533,686</u>	<u>11,021,506</u>
Total	<u>12,101,415</u>	<u>11,867,805</u>

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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:

June 30, 2014			
Period in Years	Present Value (net investment) ThCh\$	Interest receivable ThCh\$	Nominal value (gross investment) ThCh\$
Less than 1	567,729	576,433	1,144,162
1-5	2,512,917	2,063,730	4,576,647
Over 5	8,741,921	3,339,054	12,080,975
Total	11,822,567	5,979,217	17,801,784

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:

	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Real estate lease	496,161	280,276
Other leases	304,172	304,002
Total operating leases	800,333	584,278

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

	Up to 1 year	1 to 5 years	More than 5 Years
	ThCh\$	ThCh\$	ThCh\$
Real estate lease	992,322	3,969,288	-
Other leases	608,344	2,433,376	-
Total operating leases	1,600,666	6,402,664	-

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of June 30, 2014 and December 31, 2013:

Intangible assets, net	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Rights of way	167,051,031	157,570,262
Software	1,812,451	1,648,089
Total intangible assets	168,863,482	159,218,351
Goodwill	342,392,534	342,214,791
Total intangible assets, net	511,256,016	501,433,142

Intangible assets, gross	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Rights of way	167,051,031	157,570,262
Software	5,815,850	5,361,050
Goodwill	342,392,534	342,214,791
Total intangible assets	515,259,415	505,146,103

Accumulated amortization and impairment	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Software	(4,003,399)	(3,712,961)
Total accumulated amortization	(4,003,399)	(3,712,961)

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Movements in intangible assets	Rights of way	Software	Goodwill	Net intangible assets
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance as of January 1, 2014	157,570,262	1,648,089	342,214,791	501,433,142
Movements in intangible assets	-	-	-	-
Additions	9,174,999	449,346	-	9,624,345
Amortization	-	(284,984)	-	(284,984)
Translation difference	305,770	-	177,743	483,513
Ending balance of intangible assets as of June 30, 2014	167,051,031	1,812,451	342,392,534	511,256,016

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

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of June 30, 2014 and December 31, 2013, to be recovered.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	Juno 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Land	19,903,919	19,776,629
Buildings and infrastructure	794,700,364	769,961,825
Work in progress	60,281,145	83,382,874
Machinery and equipment	405,313,999	371,698,132
Other property, plant and equipment	5,002,189	4,260,410
Property, plant and equipment, net	<u>1,285,201,616</u>	<u>1,249,079,870</u>
Property, plant and equipment, gross	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Land	19,903,919	19,776,629
Buildings and infrastructure	975,289,110	938,651,484
Work in progress	60,281,145	83,382,874
Machinery and equipment	542,171,169	498,519,217
Other property, plant and equipment	5,002,189	4,260,410
Total property, plant and equipment, gross	<u>1,602,647,532</u>	<u>1,544,590,614</u>
Total accumulated depreciation and impairment, property, plant and equipment, net	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Buildings and infrastructure	(180,588,746)	(168,689,659)
Machinery and equipment	(136,857,170)	(126,821,085)
Total accumulated depreciation and impairment, property, plant and equipment	<u>(317,445,916)</u>	<u>(295,510,744)</u>

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 2014 and June 30, 2013:

	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance January 1, 2014	19,776,629	769,961,825	371,698,132	83,382,874	4,260,410	1,249,079,870
Movement						
Additions	-	-	-	62,003,005	736,910	62,739,915
Retirements	-	(24,025)	(568,802)	(51,892)	-	(644,719)
Transfer to operating assets	44,224	31,236,108	44,745,914	(85,650,591)	-	(9,624,345)
Depreciation	-	(10,990,519)	(10,999,303)	-	-	(21,989,822)
Translation adjustment	83,066	4,824,545	438,058	597,749	4,869	5,948,287
Other increases (decreases)	-	(307,570)	-	-	-	(307,570)
Balance as of June 30, 2014	19,903,919	794,700,364	405,313,999	60,281,145	5,002,189	1,285,201,616

	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	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	-	103,916,593	-	105,556,670
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	5,332,557
Other increases (decreases)	-	5,979,324	-	-	(232,655)	5,746,669
Balance as of December 31, 2013	19,776,629	769,961,825	371,698,132	83,382,874	4,260,410	1,249,079,870

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 June 30, 2014 and December 31, 2013, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totaling ThCh\$ 180,417,641 and ThCh\$ 139,685,214, respectively.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

	June 30, 2014	June 30, 2013
Capitalization rate (Annual basis)	9.96%	4.20%
Capitalized interest costs (ThCh\$)	1,062,148	307,716

Work in progress balances amounts to ThCh\$ 60,281,145 and ThCh\$ 54,663,864 as of June 30, 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 June 30, 2014 and December 31, 2012, is detailed as follows:

Temporary differences

	Net deferred taxes	
	June 30, 2014	December 31, 2013
	ThCh\$	ThCh\$
Depreciable fixed assets	(29,698,479)	(21,309,368)
Financial expenses	(997,297)	(1,060,025)
Leased assets	(499,834)	(390,702)
Materials and spare parts	548,034	440,814
Tax losses	28,630,013	23,866,034
Staff severance indemnities provision	(43,511)	(17,952)
Deferred income	1,181,437	1,014,223
Investment value provision	-	9,596
Lawsuit provision	37,620	46,353
Obsolescence provision	-	20
Provision for decommissioning	34,126	32,610
Work in progress	652,991	544,211
Vacation provisions	251,434	276,318
Intangible assets	(9,040,178)	(9,180,617)
Adjustment of effective interest rate of bonds	(1,752,397)	(1,787,011)
Land	388,901	122,546
Allowance for doubtful receivables	278,477	278,477
Prepaid expenses	(10,683)	(21,351)
Net deferred tax assets/(liabilities)	(10,039,346)	(7,135,824)
Reflected in the statement financial position as follows:		
Deferred tax assets	64,899	2,121,696
Deferred tax liabilities	(10,104,245)	(9,257,520)
Net deferred tax assets/(liabilities)	(10,039,346)	(7,135,824)

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 six - month periods ended June 30, 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)	(2,052,560)	203,950
Translation adjustment	(4,237)	642,775
Balance as of June 30, 2014	64,899	10,104,245

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 June 30, 2014 and December 31, 2013 is as follows:

Interest bearing loans	June 30, 2014		December 31, 2013	
	Current ThCh\$	Non- current ThCh\$	Current ThCh\$	Non- current ThCh\$
Bonds payable	160,210,199	1,017,991,004	156,431,917	983,605,799
Total bonds payable	160,210,199	1,017,991,004	156,431,917	983,605,799
Bank loans payable	1,464,433	9,281,087	951,439	9,762,060
Forward contract (Note 15)	1,505,471	-	-	-
Other financial liabilities	31,120	2,387,186	-	-
Total obligations with banks	3,001,024	11,668,273	951,439	9,762,060
Total	163,211,223	1,029,659,277	157,383,356	993,367,859

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

13.2 Detail of other financial liabilities

a) Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of June 30, 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	June 30, 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	144,249,661	139,651,617
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	Semiannually	12-15-2027	321,030,528	311,425,417
76.555.400-4	Transelec S.A	Chile	Chile	598	E	UF	3.82%	3.90%	Semiannually	8-01-2014	80,548,669	78,192,761
76.555.400-4	Transelec S.A	Chile	Chile	598	F	\$	5.79%	5.70%	Semiannually	8-01-2014	34,377,428	34,369,281
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	Semiannually	8-01-2031	73,515,199	71,339,989
76.555.400-4	Transelec S.A	Chile	Chile	598	I	UF	3.79%	3.50%	Semiannually	9-01-2014	36,430,077	35,302,123
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	Semiannually	9-01-2031	38,979,316	37,825,185
76.555.400-4	Transelec S.A	Chile	Chile	598	L	UF	3.92%	3.65%	Semiannually	12-15-2015	59,921,893	58,078,820
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	Semiannually	6-15-2032	35,169,465	34,113,910
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	Semiannually	6-15-2032	44,439,659	43,103,961
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	Semiannually	12-15-2038	68,543,249	66,477,516
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	Semiannually	10-15-2042	74,254,892	72,145,072
76.555.400-4	Transelec S.A	Chile	Foreign	601	Sr N	US\$	5.10%	4.625%	Semiannually	7-26-2023	166,741,167	158,012,064
Total											1,178,201,203	1,140,037,716

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh\$ 1,261,126,326 and ThCh\$ 973,524,772 as of June 30, 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.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

13.2 Detail of other financial liabilities (continued)

Debtor taxpayer ID number	Debtor name	Instrument registration number	Current			Non-current			June 30, 2014 Non-current
			Maturity less than 90 days	Maturity more than 90 days	June 30, 2014 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity more than 5 years	
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
76.555.400-4	Transelec S.A	481	1,886,871	-	1,886,871	142,362,790	-	-	142,362,790
76.555.400-4	Transelec S.A	480	-	568,339	568,339	-	-	320,462,189	320,462,189
76.555.400-4	Transelec S.A	598	80,548,669	-	80,548,669	-	-	-	-
76.555.400-4	Transelec S.A	598	34,377,428	-	34,377,428	-	-	-	-
76.555.400-4	Transelec S.A	599	1,411,679	-	1,411,679	-	-	72,103,520	72,103,520
76.555.400-4	Transelec S.A	598	36,430,077	-	36,430,077	-	-	-	-
76.555.400-4	Transelec S.A	599	580,969	-	580,969	-	-	38,398,347	38,398,347
76.555.400-4	Transelec S.A	598	-	95,767	95,767	59,826,126	-	-	59,826,126
76.555.400-4	Transelec S.A	599	-	63,641	63,641	-	-	35,105,824	35,105,824
76.555.400-4	Transelec S.A	599	-	80,612	80,612	-	-	44,359,047	44,359,047
76.555.400-4	Transelec S.A	599	-	124,198	124,198	-	-	68,419,051	68,419,051
76.555.400-4	Transelec S.A	744	-	499,398	499,398	-	-	73,755,494	73,755,494
76.555.400-4	Transelec S.A	601	3,542,551	-	3,542,551	-	-	163,198,616	163,198,616
	Total		158,778,244	1,431,955	160,210,199	202,188,916	-	815,802,088	1,017,991,004



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Debtor taxpayer ID number	Debtor name	Instrument registration number	Current			Non-current			December 31, 2013
			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	
			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	551,446	-	551,446	-	-	310,873,971	310,873,971
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	-	92,921	92,921	57,985,899	-	-	57,985,899
76.555.400-4	Transelec S.A	599	-	61,749	61,749	-	-	34,052,161	34,052,161
76.555.400-4	Transelec S.A	599	-	78,216	78,216	-	-	43,025,745	43,025,745
76.555.400-4	Transelec S.A	599	-	78,216	78,216	-	-	66,399,300	66,399,300
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			10,093,595	146,338,322	156,431,917	195,810,786	-	787,795,013	983,605,799

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

b) Bank loans

The bank loans are presented below by financial institution, currency, effective rate and expiration as of June 30, 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	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
99.508.750-2	Transmisora Huepil Ltda.	Chile	N/A	Portigon-WestLB.	Germany	US\$	Quarterly	3.5947%	1.7436%	2021	10,535,920	10,517,997
76.555.400-4	Transelec S.A.	Chile	N/A	Scotiabank	Canada	US\$	Quarterly	2.66%	2.66%	2015	209,600	195,502
Total											10,745,520	10,713,499

Debtor taxpayer ID number	Debtor name	Creditor institution	Current			Non-Current			
			Maturity less than 90 days	Maturity more than 90 days	June 30, 2014 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity more than 5 years	June 30, 2014 Non-current
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
99.508.750.-2	Trasmisora Huepil Ltda.	Portigon-WestLB.	468,762	786,071	1,254,833	4,681,483	3,558,191	1,041,413	9,281,087
76.555.400-4	Transelec S.A.	Scotiabank	209,600	-	209,600	-	-	-	-
Total			678,362	786,071	1,464,433	4,681,483	3,558,191	1,041,413	9,281,087

Debtor taxpayer ID number	Debtor name	Creditor institution	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\$
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



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

c) Other Financial Liabilities

The other financial liabilities by creditor institution name, currencies, rates and maturities as of June 30, 2014 and December 31, 2013 are as follows:

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	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$	
99.521.950-6	Transelec Norte S.A.	Chile	77.277.800-7	Eléctrica Aguas del Melado	Chile	US\$	Mensual	6,11%	6,11%	2043	2,418,306	-	
Total											2,418,306	-	
			Current				Non – Current						
			Maturity less than 90 days		Maturity more than 90 days s		June 30, 2014 Current	Maturity 1 to 3 years		Maturity 3 to 5 years		Maturity more than 5 years	June 30, 2014 Non-current
Debtor taxpayer ID number	Debtor name	Creditor institution name	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
99.521.950-6	Transelec Norte S.A.	Eléctrica Aguas del Melado	31,120	-	31,120	62,795	74,960	2,249,431	2,387,186				
Total			31,120	-	31,120	62,795	74,960	2,249,431	2,387,186				

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

13.3 Other aspects

As of June 30, 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 June 30, 2014 and December 31, 2013, are detailed as follows:

Trade and other payables	Current		Non- current	
	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Trade and other payables	69,524,610	72,573,645	-	-
Total	69,524,610	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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

	June 30, 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)	-	-	1,505,471	-	333,250	-	-	-
Net investment hedge forward	-	-	-	-	25,835	-	-	-
Non-hedge forwards	-	-	-	-	-	-	-	-
Total	-	-	1,505,471	-	359,085	-	-	-

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

15.2 Other Information

The following table details Transelec's derivatives as of June 30, 2014 and December 31, 2013, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value	Before 1 year	Maturity				Subsequent years	June 30, 2014 Total
			2014	2015	2016	2017		
			ThCh\$	ThCh\$	ThCh\$	ThCh\$		
Cash flow hedge forwards (revenues)	1,505,471	1,505,471	-	-	-	-	-	1,505,471
Net investment hedge forward	-	-	-	-	-	-	-	-
Non-hedge forwards	-	-	-	-	-	-	-	-

Financial derivatives	Fair value	Before 1 year	Maturity				Subsequent years	December 31, 2013 Total
			2014	2015	2016	2017		
			ThCh\$	ThCh\$	ThCh\$	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, June 30, 2014 and December 31, 2013, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 2014.

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	June 30, 2014	Level 1 ThCh	Level 2 ThCh\$	Level 3 ThCh\$
Financial asset (liability)				
Cash flow hedges (revenues)	(1,505,471)	-	(1,505,471)	-
Net investment hedge	-	-	-	-
Non-hedge forwards	-	-	-	-
Total, net	(1,505,471)	-	(1,505,471)	-



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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	-



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 16 - FINANCIAL INSTRUMENTS

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

June 30, 2014	Cash and cash equivalents	Loans and receivables	Derivatives at fair value through profit or loss	Derivatives at fair value through equity	Available for sale investments	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cash and cash equivalents	32,923,354	-	-	-	-	32,923,354
Other financial assets, current	-	567,729	-	-	-	567,729
Trade and other receivables	-	57,932,648	-	-	-	57,932,648
Other financial assets, non-current	-	11,254,838	-	-	278,848	11,533,686
Receivables from related parties, current	-	4,922,921	-	-	-	4,922,921
Receivables from related parties, non-current	-	164,934,935	-	-	-	164,934,935
Total	32,923,354	239,613,071	-	-	278,848	272,815,273



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Cash and cash equivalents	Loans and receivables	Derivatives at fair value through profit or loss ThCh\$	Derivatives at fair value through equity ThCh\$	Available for sale investments ThCh\$	Total ThCh\$
December 31, 2013	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cash and cash equivalents	52,421,991	-	-	-	-	52,421,991
Other financial assets, current	-	513,048	-	333,251	-	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	-	84,160,856	-	-	-	84,160,856
Receivables from related parties, non-current	-	163,321,244	-	-	-	163,321,244
Total	52,421,991	320,888,590	-	333,251	278,848	373,922,679

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

June 30, 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	163,211,223	-	-	163,211,223
Trade and other payables	69,524,610	-	-	69,524,610
Other financial liabilities, non-current	1,029,659,277	-	-	1,029,659,277
Payables to related parties, current	3,787	-	-	3,787
Payables to related parties, non-current	42,559,440	-	-	42,559,440
Total	1,304,958,337	-	-	1,304,958,337

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 17 - PROVISIONS

17.1 Detail of provisions

As of June 30, 2014 and December 31, 2013, this account is detailed as follows:

Detail	Current		Non-current	
	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Staff severance indemnities (Note 17)	433,389	262,894	3,481,743	3,481,743
Accrued vacations	1,257,170	1,381,592	-	-
Profit sharing benefits	3,998,702	5,449,355	9,530	9,530
Other provisions	621,103	589,386	-	-
Total	6,310,364	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	332,260	2,074,401	557,178	31,717	2,995,556
Payments	(161,765)	(3,525,054)	(681,600)	-	(4,368,419)
Ending balance as of June 30, 2014	3,915,132	4,008,232	1,257,170	621,103	9,801,637

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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:					
Provisions during the year	463,270	4,893,386	1,039,501	74,634	6,470,791
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 June 30, 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	433,389	642,000	582,997	2,256,745
Accrued vacations	1,257,170	-	-	-
Profit sharing benefits	3,998,702	9,530	-	-
Other provisions	621,103	-	-	-
Total	6,310,364	651,530	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).

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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\$ 656,011 as of June 30, 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\$ 151,387 as of June 30, 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 June 30, 2014 the Company has established a provision for these contingent liabilities totaling to ThCh\$ 1,228,339 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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

4. As of June 30, 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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

In connection with this case, the SEC presented charges against Transelec S.A., accusing it of having broken the chain of payments in the system. Transelec responded the charges and after obtaining a favorable opinion from the Panel of Experts, made a presentation to the SEC requesting to set aside the punitive process. The SEC rejected this request and fined Transelec of 600 UTA, equivalent as of December 31, 2013 to ThCh\$ 293,558. An appeal for reconsideration was filed, which was also rejected. Current status: Transelec filed an appeal before the Honorable Court of Appeals of Santiago (Rol 3718-13), which by judgment dated January 24, 2014 was rejected. An appeal was lodged at the Supreme Court which was dismissed in a judgment dated April 22, 2014. The fine was paid on July 23, 2014. Result: Claim rejected. Fine confirmed and thus cause complete.

5. Parties: Hyundai Corporation with Transelec S.A. Subject: Ordinary civil action of collection of balance price. Court: Judge arbitrator Sergio Fernández designated by the Arbitration and Mediation Center of the Chamber of Commerce of Santiago. On December 11, 2013 Transelec was notified of the lawsuit lodged by Hyundai Corporation which purpose is the collection of the unpaid balance price (US \$ 2,988,263.25) related to the contract for the provision of high power towers of Nogales-Polpaico project. The payment of \$ 3,000,000 as a compensation for moral damages is also intended. The answer to the ordinary civil action was presented. Transelec recognizes an outstanding debt of US\$2.4M to Hyundai rejecting the other petitions. This, notwithstanding the credit that Transelec has against Hyundai amounting US\$ 3.7M of the compensation awarded in arbitration followed by Transelec against Hyundai for infringements of it in the contract of high power towers aforementioned. Up to date this process is suspended towards an eventual credit compensation agreement and payment of balances in favor of Transelec. Possible result: the result can be estimated due to the process is in its initial stage.

Transelec Norte S.A. and subsidiaries

As of June 30, 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	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Staff severance indemnity provision – current	433,389	262,894
Staff severance indemnity provision non – current	3,481,743	3,481,743
Total current and non-current obligations for post-employment benefits	3,915,132	3,744,637

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

18.2 Detail of post-employment and other similar obligations

As of June 30, 2013 and December 31, 2012, this account is detailed as follows:

Post-employment and other benefits obligations	Staff severance indemnity	
	June 30, 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	89,710	196,659
Interest cost of defined benefit plan obligations	242,550	266,611
Payments	(161,765)	(637,110)
Present value of defined benefit obligations ending balance	3,915,132	3,744,637

18.3 Balance of post-employment and other similar obligations

	Staff severance indemnity	
	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Present value of defined benefit obligations, ending balance	3,915,132	3,744,637
Present obligation with defined benefit plan funds	3,915,132	3,744,637
Fair value of defined benefit plan assets, ending balance	-	-
Balance of defined benefit obligations, ending balance	3,915,132	3,744,637

18.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2014 to June 30, 2014 ThCh\$	January 1, 2013 to June 30, 2013 ThCh\$	
Current service cost of defined benefit plan	146,194	105,261	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	186,066	133,305	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	332,260	238,566	

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

18.5 Actuarial hypothesis

Detail	June 30, 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 June 30, 2014:

Nivel of Sensitivity	Discount rate used		Inflation rate		Future salary increase	
	Increase 1% (ThCh\$)	Decrease 1% (ThCh\$)	Increase 1% (ThCh\$)	Decrease 1% (ThCh\$)	Increase 1% (ThCh\$)	Decrease 1% (ThCh\$)
	Impact on current and non-current of employment benefit obligation	(296,620)	333,038	41,436	(38,472)	288,678

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 June 30, 2014.

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

	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
During the upcoming 12 month	524,532	262,894
Between 2 to 5 years	983,909	1,121,222
Between 5 to 10 years	1,337,628	1,011,877
More than 10 years	1,628,495	1,348,644
Total Payments Expected	4,474,564	3,744,637



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of June 30, 2014 authorized, subscribed and paid share capital amounts to ThCh\$ 776,355,048 and December 31, 2013 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,

On January 22, 2014, the extraordinary shareholders meeting was celebrated, where a capital reduction was approved since the amount of \$ 857,944,547,865 divided into 1,000,000 ordinary shares, without par value the amount of \$ 776,355,047,865 divided into 1,000,000 ordinary shares held, no par value, therefore the decrease was M \$ 81,589,500.

19.3 Dividends

On April 21, 2014, the ordinary shareholders meeting of the Company was celebrated, on which it was unanimously agreed to approve a final dividend for the year 2013, amounting to \$ 21,109,661,795. As of June 30, 2014 this dividend is fully paid.

On May 7, 2014, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a provisional dividend with debit to 2014 income, in the amount of Ch\$13,360,575,00. As of June 30, 2014, this dividend has been paid in full.

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

19.4 Other reserves

Other reserves as of June 30, 2014 and December 31, 2013 are detailed as follows:

Description	June 30, 2014 ThCh\$	December 31, 2013 ThCh\$
Translation adjustment	3,192	309,624
Net investment hedge	6,025,533	5,352,676
Cash flow hedge (revenue)	34,326	333,250
Cash flow hedge (base interest rate)	711,524	2,478,518
Deferred taxes	(1,354,915)	(1,694,814)
Total	5,419,660	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	(2,065,918)	-	(2,065,918)
Valuation of derivatives	-	366,425	366,425
Deferred tax	413,184	(73,285)	339,899
Closing balance as of June 30, 2014	2,877,105	2,542,555	5,419,660

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.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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\$360,354,150 as of June 30, 2013.

The following tables present – as of June 30, 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	June 30, 2014	December 31, 2013
	Lower or equal to 0,70	ThCh\$	ThCh\$
A	Other financial liabilities, current	163,211	157,383
B	Payables to related parties, current	4	-
C	Other financial liabilities, non-current	1,029,660	993,368
D	Payables to related parties, non-current	42,559	40,343
E=A+B+C+D	Covenants debt	1,235,434	1,191,094
G	Debt with guarantees (1)	29,335	32,316
DT=E+G	Total debt	1,264,769	1,223,410
H	Non-controlling interest	4	4
P	Equity attributable to owners of the parent	795,220	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	2,084,963	2,135,476
DT/CT	Total debt / Total capitalization ratio	0.61	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	June 30, 2014	December 31, 2013
	Greater than or equal to UF 15 million	ThCh\$	ThCh\$
P	Equity attributable to owners of the parent	795,220	887,092
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	Equity (in ThCh\$)	820,190	912,062
UF	UF value	24,023.61	23,309.56
(I+P)/UF	Equity (in UF millions)	34.14	39.13

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Covenant 3	Restricted payments test	June 30, 2014	December 31, 2013
	Funds from operations (FNO) / Financial costs > 1,5	ThCh\$	ThCh\$
FO	Cash flow from operations	180,822	135,186
CF	Financial costs	50,920	48,473
IG	Income tax expense	7,032	14,423
FNO=FO+CF+IG	Funds from operations	238,773	190,082
FNO/CF	Funds from operations / Financial costs	4.69	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 six-month periods ended June 30, 2014 and 2013:

Revenue	June 30, 2014	June 30, 2013
	ThCh\$	ThCh\$
Revenues from regulated transmission services	57,758,638	49,717,933
Revenues from contractual transmission services	62,858,301	57,295,988
Leases revenue	477,769	1,757,817
Total revenues	121,094,708	108,771,738

20.2 Other operating income

The following table details operating income for the six -month periods ended June 30, 2014 and 2013:

Other operating income	June 30, 2014	June 30, 2013
	ThCh\$	ThCh\$
Financial income (Note 21.4)	5,078,488	5,170,444
Other gains (losses), net	856,835	6,314,400
Total other operating income	5,935,323	11,484,844

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the six-month periods ended June 30, 2014 and 2013:

Detail	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Personnel expenses	9,446,414	8,551,209
Operating expenses	6,310,253	6,844,220
Maintenance expenses	2,210,005	2,004,853
Depreciation and write-offs	22,878,086	23,936,185
Other	1,704,720	1,703,477
Total	42,549,478	43,039,944

21.2 Personnel expenses

As of June 30, 2014 and 2013, this account is detailed as follows:

Detail	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Salaries and wages	7,554,794	7,463,917
Short-term employee benefits	1,318,631	314,475
Staff severance indemnity	332,260	376,602
Other long-term benefits	557,178	493,089
Other personnel expenses	2,111,395	2,677,790
Expenses capitalized on construction in progress	(2,427,844)	(2,774,664)
Total	9,446,414	8,551,209

21.3 Depreciation and amortization

The following table details depreciation and amortization for the six-month periods ended June 30, 2014 and 2013:

Detail	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Depreciation	22,276,171	23,115,813
Amortization	-	181,753
Losses from damages	601,915	638,619
Total	22,878,086	23,936,185

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

21.4 Financial results

The Company's financial result for the six-month periods ended June 30, 2014 and 2013 is detailed as follows:

Detail	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Financial income:	5,078,488	5,170,444
Commercial interest earned	78,224	316,210
Bank interest earned	935,678	691,273
Interest earned from related parties	4,064,586	4,162,961
Other income	-	-
Financial expenses:	(25,315,479)	(22,869,033)
Interest on bonds	(23,697,639)	(19,019,518)
Interest on bank loans	(131,031)	(2,408,574)
Commercial interest incurred	(163,485)	(260,048)
Interest costs on related parties transactions	(902,752)	(716,048)
Other expenses	(420,572)	(464,845)
Gain (loss) from indexation of UF	(26,532,763)	(119,285)
Foreign exchange gains (losses), net	(4,608,669)	(3,299,254)
Positive	12,056,216	6,541,025
Negative	(16,664,885)	(9,840,279)
Total financial result, net	(51,378,423)	(21,117,128)

NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Current tax expense	226,212	484,441
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	226,212	484,441
Deferred tax expense relating to origination and reversal of temporary differences	3,254,294	10,634,201
Other deferred tax expense	-	-
Deferred tax expense, net, total	3,254,294	10,634,201
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	3,480,506	11,118,642



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Tax expense at statutory rate	(5,604,728)	(10,185,813)
Price level restatement of equity	2,863,504	218,734
Lawsuits	-	(160,642)
Other differences increase (decrease)	(739,282)	(990,921)
Total adjustments to tax expense using statutory rate	<u>2,124,222</u>	<u>(932,829)</u>
Tax Expense at effective Rate	<u>(3,480,506)</u>	<u>(11,118,642)</u>
	June 30, 2014 ThCh\$	June 30, 2014 ThCh\$
Statutory Tax Rate	20.00%	20.00%
Price level restatement of equity	(10.22%)	(0.43%)
Lawsuits	-	0.32%
Other differences increase (decrease)	2.64%	1.94%
Adjustments to Statutory Tax Rate, Total	<u>(7.58%)</u>	<u>1.83%</u>
Effective Tax Rate	<u>12.42%</u>	<u>21.83%</u>

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	June 30, 2014	June 30, 2013
Profit attributable to equity holders of parent (ThCh\$)	24,543,136	39,810,424
Earnings available to common shareholders, basic (ThCh\$)	<u>24,543,136</u>	<u>39,810,424</u>
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch\$)	<u>24,543</u>	<u>39,810</u>

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Revenues from regulated transmission services	57,758,638	49,717,933
Revenues from contractual transmission services and others	63,336,070	59,053,805
Total revenues	121,094,708	108,771,738

Information about sales and principal customers

The Company has three customers that individually represent more than 10% of total revenues for the six month ended on June 30, 2014. The amounts of revenues recognized from these customers were: ThCh\$ 58,662,010, ThCh\$ 20,202,136 and ThCh\$ 17,329,987, respectively. For the six-month periods ended June 30, 2013 the Company had three customers that individually exceeded 10% of total revenues. The amounts of revenues recognized from these customers were: ThCh\$ 52,188,459, ThCh\$16,069,539 and ThCh\$11,893,902, respectively.

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 June 30, 2014, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh\$ 36,670,614 (ThCh\$ 36,498,486 as of June 30, 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 June 30, 2014 and December 31, 2013, personnel employed by Transelec S.A. are detailed as follows:

	June 30, 2014			Total	Average of the year
	Manager and executives	Professionals and technical personnel	Other employees		
Total	16	347	139	502	497

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

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 28 - ENVIRONMENT

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

During for the six month periods ended June 30, 2014 and 2013, the Company has not made the following environmental disbursements:

Company making disbursement	Project	June 30, 2014 ThCh\$	June 30, 2013 ThCh\$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	266,627	70,176
Transelec Norte S.A	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	54,024	-
Total		320,651	70,176

TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	June 30, 2014		December 31, 2013	
			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\$	3,102,398	-	34,432,628	-
	Chilean Pesos	CH\$	29,820,698	-	17,977,079	-
	Other Currency	CH\$	258	-	12,284	-
Trade and other receivables	Dollars	CH\$	4,610,790	-	-	-
	Chilean Pesos	CH\$	53,321,858	-	47,389,169	13,453,127
	Other Currency	CH\$	-	-	-	-
Receivables from related parties, Current	Dollars	CH\$	1,994,960	-	79,661,771	-
	Chilean Pesos	CH\$	2,927,961	-	4,499,085	-
	Other Currency	CH\$	-	-	-	-



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Current Liabilities	Foreign Currency	Functional Currency	June 30, 2014		December 31, 2013	
			Maturity less than 90 days ThCh\$	Maturity more than 91 to 1 year ThCh\$	Maturity less than 90 days ThCh\$	Maturity more than 91 to 1 year ThCh\$
Other financial liabilities, current	Dollars	CH\$	2,214,953	786,071	3,849,532	431,728
	Chilean Pesos	CH\$	158,778,244	1,431,955	12,964,737	150,218,386
	Other Currency	CH\$	-	-	-	-
Trade payables and other payables	Dollars	CH\$	3,979,032	-	910,968	-
	Chilean Pesos	CH\$	57,188,094	8,357,484	53,426,584	18,803,961
	Other Currency	CH\$	-	-	-	-
Current provisions for employee benefits	Dollars	CH\$	-	-	-	-
	Chilean Pesos	CH\$	1,878,273	4,432,091	5,449,355	2,233,872
	Other Currency	CH\$	-	-	-	-



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

b) Non-Current assets and liabilities

Non-Current Assets	Foreign Currency	Functional Currency	June 30, 2014			December 31, 2013		
			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\$
Trade and other receivables	Dollar	CH\$	-	-	-	-	-	-
	Chilean Pesos	CH\$	-	-	-	-	-	-
	Other Currency	CH\$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH\$	-	-	107,880,995	-	-	111,011,395
	Chilean Pesos	CH\$	-	-	1,177,320,621	-	-	1,138,068,475
	Other Currency	CH\$	-	-	-	-	-	-
Deferred tax assets	Dollars	CH\$	-	-	-	-	57,998	-
	Chilean Pesos	CH\$	64,899	-	-	-	2,063,698	-
	Other Currency	CH\$	-	-	-	-	-	-



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Non-Current Liabilities	Foreign Currency	Functiona l Currency	June 30, 2014			December 31, 2013		
			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\$	4,744,278	3,633,151	166,489,460	3,827,555	4,801,231	155,815,517
	Chilean Pesos	CH\$	202,188,916	-	652,603,472	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\$	-	-	-	-	-	-



TRANSELEC S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of June 30, 2014

(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 30 - SUBSEQUENT EVENTS

On July 9, 2014, Transelec SA placed in the international bond market 144a Regulation S under the United States Securities Act of 1933 in the amount of \$ 375,000,000 in the United States of America. The loan matures on January 14, 2025, and a nominal interest rate of 4.25% pa will be paid. Effective placement rate was 4.372%, with a spread over Treasury bonds of the United States of America at 10 years of 1.78%. Interest is paid semi-annually and principal is repaid in one installment at the end of maturity.

Between June 30, 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 S.A. AND SUBSIDIARIES

REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2014

INTRODUCTION

During the first semester of 2014, Transelec S.A. and subsidiaries obtained an EBITDA* of MCh\$102,280, this is a 6.6% higher than the comparison period of 2013 (MCh\$95,983), with an EBITDA* over revenues of 83.8% (82.4% in 2013). This increase is mainly due to a higher amount of operating income MCh\$78,545 to June 2014 (MCh\$65,732 to June 2013), this is explained by higher operating revenues for the first half of 2014 MCh\$121,095 (MCh\$108,772 for the same period 2013), also it is observed a decrease of 0.7% in operating cost and a 3.4% lower in administration and sales expenses. The net income recorded by the company during the first half of the year was MCh\$24,543 (MCh\$39,810 in the same period 2013), this correspond a decrease of 38.3% respect to the comparison period, mainly impacted by the price level-restatement of our UF debt portfolio.

Since the end of first semester 2013, the company incorporated in VI US\$215.8 million of new facilities, US\$94.4 million of these were incorporated during the first semester 2014, among these US\$38.8 million of new VI are related to three new trunk upgrades commissioned, and US\$54.7 million are related to the acquisition of the line belonging to the Trunk Transmission System "Maitencillo – Cardones 2x220 kV" to Guacolda S.A.

Transelec S.A. and its subsidiary Transelec Norte S.A. have prepared their financial statements as of June 30, 2014, 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	June 2014 MCh\$	June 2013 MCh\$	Variation 2014/2013 %
Operating Revenues	121,095	108,772	11.3%
Toll sales	119,343	105,282	13.4%
Work and services	1,751	3,491	-49.8%
Operating costs	-35,836	-36,093	-0.7%
Fixed costs	-13,368	-13,161	1.6%
Depreciation	-22,468	-22,932	-2.0%
Administraton and sales expenses	-6,713	-6,947	-3.4%
Fixed costs	-6,303	-5,943	6.1%
Depreciation	-410	-1,004	-59.2%
Operating Income	78,545	65,732	19.5%
Other Financial Income	5,078	5,170	-1.8%
Financial Costs	-25,315	-22,869	10.7%
Foreign exchange differences, net	-4,609	-3,299	39.7%
Gain (loss) for indexed assets and liabilities	-26,533	-119	22143.2%
Other income	857	6,314	-86.4%
Non-Operating Income	-50,522	-14,803	241.3%
Income before Income Taxes	28,024	50,930	-45.0%
Income tax	-3,481	-11,119	-68.7%
Net Income	24,543	39,811	-38.4%
EBITDA	102,280	95,983	6.6%

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



a) Operating income

During the first semester of 2014, operating revenues reached MCh\$121,095, which is 11.3% higher compared with the same period in 2013 (MCh\$108,772). This increase is mainly explained by higher Toll revenues that reached MCh\$119,343 during 2014, 13.4% higher than 2013 (MCh\$105,282). This increase is mainly due to new commissioned projects, that resulted in MCh\$8,611 of additional revenues, including MCh\$1,434 from the acquisition on the Maitencillo - Cardones line to Guacolda S.A., and due to macroeconomical effects that resulted in MCh\$8,611 of higher revenues. These higher operating revenues were partially offset by lower work and services revenues that reached MCh\$1,751 in 2014 and MCh\$3,491 in 2013, explained by lower services to third parties. During the first quarter of 2014, these works and services resulted in 1.4% of the total revenues and 3.2% during the same period in 2013.

During this period, the operating costs reached MCh\$35,836 (MCh\$36,093 in 2013). These costs are mainly related to the maintenance and operation of the Company's facilities and, in percentage terms, 62.7% of the company's costs correspond to property, plant and equipment depreciation (63.5% in 2013). This decrease in the depreciation is mainly explained by adjustments on the useful life of the assets, adjusted during the last quarter of 2013. The remaining 37.3% (36.5% in the comparison period) correspond to personnel, supplies and contracted services. This lower depreciation is partially offset by an increase of 1.6% in fixed costs, that is mainly explained by higher personnel costs that as June 30, 2014 reached MCh\$6,390, an 14.4% higher than the same period of 2013 (MCh\$5,587).

Administrative and selling expenses amounted MCh\$6,713 (MCh\$6,947 during the same period of 2013) and primarily consist in 93.9% (85.5% in 2013) of personnel and work expenses, supplies and services contracted, and 6.1% of depreciation (14.5% in 2013). The decrease in administrative and selling expenses is mainly explained by adjustments on the useful life of the assets, adjusted during the last quarter of 2013, which was partially offset by a higher amount spent on leases.

b) Non-operating income

Net income for the first semester of 2014, was negatively impacted by the non-operating loss of MCh\$50,522 (MCh\$14,803 in the same period of 2013), mainly generated by higher loss from indexed assets and liabilities (MCh\$26,533 as June of 2014 and MCh\$119 in the same period of 2013), lower other incomes (MCh\$857 in 2014 and MCh\$6,314 in 2013) and due to higher financial costs (MCh\$25,315 in 2014 and MCh\$22,869 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\$5,401 during the first semester of 2014 in comparison with MCh\$588 paid in the same period of 2013, besides MCh\$656 of additional cost due to the existing bond structure in UF. This increase is partially offset by lower bank interests paid (MCh\$2,277) mainly explained by the use of the Revolving Credit Facility (RCF) and the non-committed line of credit during 2013, that do not recorded movements as June 30, 2014.

Loss from indexed assets and liabilities amounted (MCh\$26,533), which is significantly higher in comparison with the same period of 2013 (MCh\$119), that is mainly explained by a higher variation of the UF. This variation corresponds to a 3.1% for the current period and 0.1% for the comparison period in 2013.

Loss from Foreign exchange differences amounted MCh\$4,609, which is 39.7% higher in comparison with the same period of 2013 (MCh\$3,299). This loss is mainly explained by the increase of the exchange rate, that comparing the first semesters of 2014 and 2013 had 15.5% of variation, causing a negative impact of MM\$8,433 on the Senior Note bond issued in July 2013. This negative impact is partially offset by a lower loss related to the use of the Revolving Credit Facility during the first semester of 2013 recorded MM\$7,416 of loss by foreign exchange differences, as June 30, 2014 this amount was MCh\$0.



2. BALANCE SHEET ANALYSIS

The decrease in current assets between December 2013 and June 2014 is explained by a decrease in receivables from related parties, mainly to Transelec Holding Rentas Ltda. The increase in non-current assets is due to an increase in intangible assets other than goodwill, 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 semester of 2014.

The decrease in equity and liabilities is mainly explained by a capital reduction of MCh\$81,590 made during the first semester of 2014. Additionally, the increase in non-current liabilities is mostly generated by higher bonds payable and other financial liabilities, and by higher payables to related parties, mainly to Transelec Holding Rentas Ltda.

Items	June 2014 MCh\$	December 2013 MCh\$	Variation 2014/2013 %
Current assets	104,623	209,451	-50.0%
Non-current assets	2,023,798	1,969,931	2.7%
Total Assets	2,128,421	2,179,381	-2.3%
Current liabilities	241,347	238,758	1.1%
Non current liabilities	1,091,850	1,053,528	3.6%
Equity	795,224	887,096	-10.4%
Total liabilities & Equity	2,128,421	2,179,381	-2.3%

VALUE OF THE MAIN PP&E IN OPERATION

Assets	June 2014 MCh\$	December 2013 MCh\$	Variation 2014/2013 %
Land	19,904	19,777	0.6%
Building, Infraestructure, works in progress	975,289	938,651	3.9%
Work in progress	60,281	83,383	-27.7%
Machinery and equipment	542,171	498,519	8.8%
Other fixed assets	5,002	4,260	17.4%
Depreciation (less)	-317,446	-295,511	7.4%
Total	1,285,202	1,249,080	2.9%

CURRENT DEBT

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million)	
					Unpaid capital	
					June 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	3.1
Series Senior Notes bond	USD	4.63%	Fixed	Jul 26 th, 2023	300.0	300.0
Revolving Credit Facility	USD	2.76%	Variable		-	-
Huepil Loan	USD	1.74%	Variable	Oct 10 th, 2023	20.2	21.2

3. MAIN CASH FLOWS DURING THE YEAR

Items	June 2014 MCh\$	June 2013 MCh\$	Variation 2014/ 2013 %
Cash flows provided by (used in) operating activities	92,712	40,389	130%
Cash flows provided by (used in) investing activities	-71,430	-146,335	-51%
Cash flows provided by (used in) financing activities	-40,781	93,375	-144%
Net increase (decrease) of cash and cash equivalent	-19,499	-12,571	55%
Cash and cash equivalent at the beginning of the period	52,422	37,956	38%
Cash and cash equivalent at the end of the period	32,923	25,385	30%

During the first semester of 2014, cash flows from operating activities reached MCh\$92,712 (MCh\$40,389 in the same period of 2013), which represent an increase of 130%, mainly explained by higher cash receipts from sales of goods and services that reached MCh\$205,794 as of June 30, 2014, in comparison to MCh\$155,757 receipt in the same period of 2013.

During this period, investing activities generated a negative cash flow for an amount of MCh\$71,430 (MCh\$146,335 in 2013), mainly due to loans to related parties and other investing activity payments that as June 30, 2014 reached MCh\$2,672 in comparison to MCh\$98,655 in the same period of 2013. This was partially offset by higher Cash advances and loans to third parties that as June 30, 2014, reached MCh \$24,363, compared with MCh\$9,003 reached in the same period in 2013.

During the same period, financing activities generated a negative net cash flow of MCh\$40,781 (MCh\$93,375 positive in 2013) mainly explained by proceeds from short and long term loans that as June 30, 2014 did not record disbursements, while as the same period of 2013 these proceeds reached MCh\$118,450. Additionally, as June 30, 2014, there were MCh\$34,471 used in dividends paid in comparison with MCh\$16,966 reached in the same period of 2013.

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	June	December
			2014	2013
All local Series	Distribution Test (**)	FNO/Financial Expenses > 1,5	4.69	4.09
	Capitalization Ratio (***)	< 0,7	0.61	0.57
	Shareholder's Equity (million UF)	> ThUF15.000	34.14	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 June 30, 2014 amounted to MCh\$24.970.

Ratios	June 2014	December 2013	Variation 2014/2013
*Figures as of June are annualized			
Profitability			
Shareholders' Equity profitability *	6.17%	7.28%	-15.2%
Assets profitability *	2.31%	2.96%	-22.0%
Operating assets profitability *	3.38%	4.59%	-26.4%
Earnings per share (\$) *	49,086.3	64,607.4	-24.0%
Liquidity & Indebtedness			
Current Ratio	0.43	0.88	-51.1%
Acid-Test Ratio	0.43	0.88	-50.6%
Debt to Equity	1.68	1.46	15.1%
% Short term debt	18.10	18.48	-2.0%
% Log term debt	81.90	81.52	0.5%
Financial expenses coverage	3.57	3.74	-4.7%

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 June 30, 2014 and December 31, 2013:

In million pesos	June 2014		December 2013	
	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	168,475	169,568	218,691	217,254
Dollar (amounts associated with income statement items)	-	38,138	-	36,513
Chilean peso	1,889,772	1,850,492	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
April	554.64	564.59	472.14	471.31
May	555.40	550.72	479.58	499.78
June	553.06	552.72	502.89	507.16
Average of the period	553.06	555.41	478.68	482.45

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 June 30, 2014, the company has four main clients which represent individually between 7% and 49% of the total revenues. These are Endesa Group (MCh\$58,662), Colbún Group (MCh\$20,202), AES Gener Group (MCh\$17,330) and Pacific Hydro-LH-LC (MCh\$8,389). The total revenues recognized for these clients represent an 86.4% 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 49% of the total revenues, whose amounts reached to MCh\$52,188, MCh\$11,894, MCh\$16,070 and MCh\$7,799 respectively, with a percentage of the total incomes of 80.9%.

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\$138,180. Until now this line does not 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 June 30, 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
June 30, 2014	196,039	286,781	74,404	343,630	870,522	1,771,376
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 June 30, 2014, and as of December 31, 2013, was at a fixed rate, corresponding to 99.1% 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
April	23,685.06	23,773.41	22,898.59	22,940.02
May	23,860.55	23,931.69	22,933.69	22,885.95
June	23,986.19	24,023.61	22,857.11	22,852.67
Average of the period	23,656.07	23,713.34	22,862.85	22,865.67

Subsequent Events

On July 9, 2014, Transelec SA placed in the international bond market 144a Regulation S under the United States Securities Act of 1933 in the amount of \$ 375,000,000 in the United States of America. The loan matures on January 14, 2025, and a nominal interest rate of 4.25% pa will be paid. Effective placement rate was 4.372%, with a spread over Treasury bonds of the United States of America at 10 years of 1.78%. Interest is paid semi-annually and principal is repaid in one installment at the end of maturity.

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 Irrarázabal 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
- 6) On May 22, and according to the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, and the Circular No 660 of the Superintendence of Securities and Insurance, the following material fact was reported:

That, Transelec S.A.'s Board of Directors at its Meeting held on May 7 2014 , approved the distribution of the interim dividend of CLP \$13,360,575,000 corresponding to year 2014, to be paid from June 16 2014 to the shareholders registered at the pertinent registrar at June 10 2014.

The Form No 1 about dividend distribution was attached to the circular.

- 7) On May 26 2014, and according to the article 9 and second paragraph of article 10 of the Law No 18,045 of Securities Market, and the set forth in the General Law No 30 of

the Superintendence of Securities and Insurance, the following material fact was reported:

That Transelec S.A.'s Board of Directors at its Meeting No 108, held on May 7 2014, elected Mr. Richard Legault as the Board of Directors' Chairman.

- 8) On June 5 2014, and according to 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 shareholders agreed on calling to an extraordinary shareholders meeting to be held on June 6 2014, at 9:00 hours, at the headquarters of the Company at Orinoco No 90, 14th floor, Las Condes.

This shareholders meeting aimed to inform and request approval from the shareholders in order to ratify the resolutions adopted by the Company's Board of Directors at the Extraordinary Meeting No 109, according to article twenty eight of the Company's bylaws.

- 9) On June 9 2014, according to 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 June 6 2014, a shareholders extraordinary meeting was held where the following was agreed:

- Ratifying resolutions adopted by the company's Board of Directors at its extraordinary meeting No109 held on June 4 2014, according to article twenty eight of the bylaws, in order to authorize the debt issuance at the international market, and the domestic market, or in both of them, for the amount necessary to refinance next debt maturity of the company.
- The shareholders meeting also agreed on ratifying the especial power of attorney granted by the company's board of directors in order to prepare and execute the acts and contracts deemed necessary for the purpose indicated in previous paragraph.

- 10) On July 9 2014, and according to the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, and the set forth in the General Law No 30 and No 210 of the Superintendence of Securities and Insurance, the following material fact was reported:

That on July 9 2014, Transelec S.A. placed bonds in the international market under rule 144 of the S Regulation of the United States Securities Act of 1933, for USD 375,000,000 of United States of America dollars. Maturity date of bonds is January 14 2025, and nominal interest rate to be paid is 4,250% annual. Placement effective rate



was 4,372%, and 10 years spread on the Treasury of the United States of America is 1,78%. Interests will be paid semi-annually, and capital will be amortized in a single installment at maturity. Placement institutions were J.P. Morgan Securities LLC, Scotia Capital (USA) Inc., Citigroup Global Markets Inc. y Mitsubishi UFJ Securities (USA), Inc.

In this regard and according to instructions provided by the Superintendence of Securities and Insurance at its Circular No 1072, the so called "*Formulario Hecho Esencial Colocación de Bonos en el Extranjero*" was attached.

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 Irrarrázabal 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.
- 4) On May 26 2014, and according to the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, and the set forth in the General Law No 30 of the Superintendence of Securities and Insurance, the following material fact was reported:

That Transelec Norte S.A.'s Board of Directors at its Meeting No 124, held on May 7 2014, elected Mr. Richard Legault as the Board of Directors' Chairman.