Interim Financial Statements

TRANSELEC S.A.

Santiago, Chile
March 31, 2016

Interim Financial Statements

TRANSELEC S.A.

March 31, 2016

(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

Interim Financial Statements

TRANSELEC S.A.

March 31, 2016

transelec

TRANSELEC S.A.

Interim Statements of Financial Position
As of March 31, 2016 and December 2015
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	March 31, 2016 ThCh$	December 31, 2015 ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	25,180,839	24,156,607
Other financial assets	(9)	756,860	802,284
Other non-financial assets		2,443,165	1,569,557
Trade and other receivables	(6)	50,617,369	49,874,884
Receivables from related parties	(7)	27,531,312	12,936,861
Inventory	(8)	28,976	33,854
Current tax assets		2,689,360	2,703,682
Total current assets		**109,247,881**	**92,077,729**
NON-CURRENT ASSETS			
Other financial assets	(9)	45,592,795	50,368,953
Other non-financial assets		3,372,341	2,975,108
Receivables from related parties	(7)	194,503,445	205,832,822
Intangible assets other than goodwill	(10)	178,414,756	176,820,590
Goodwill	(10)	342,651,175	342,651,175
Property, plant and equipment	(11)	1,399,164,652	1,378,500,777
Total non-current assets		**2,163,699,164**	**2,157,149,425**
Total Assets		**2,272,947,045**	**2,249,227,154**

The accompanying notes number 1 to 29 form an integral part of these consolidated financial statements

transelec

TRANSELEC S.A.

Interim Statements of Financial Position
As of March 31, 2016 and December 2015
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

		March 31, 2016 ThCh$	December 31, 2015 ThCh$
EQUITY AND LIABILITIES	**Note**		
CURRENT LIABILITIES			
Other financial liabilities	(13)	183,921,325	196,684,760
Trade and other payables	(14)	62,867,144	50,581,109
Current provisions for employee benefits	(17)	3,227,014	6,761,681
Other non-financial liabilities		2,808,870	3,893,393
Total current liabilities		**252,824,353**	**257,920,943**
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	1,151,128,080	1,161,954,209
Deferred tax liabilities	(12)	37,451,304	27,564,721
Non-current provisions for employee benefits	(17)	4,511,004	4,398,855
Other non-financial liabilities		6,640,474	6,739,867
Total non-current liabilities		**1,199,730,862**	**1,200,657,652**
Total liabilities		**1,452,555,215**	**1,458,578,595**
EQUITY			
Paid-in capital	(19)	776,355,048	776,355,048
Retained earnings		41,611,974	19,668,085
Other reserves	(19)	2,424,808	(5,374,574)
Total equity attributable to owners of the parent		**820,391,830**	790,648,559
Non-controlling interest		-	-
Total equity		**820,391,830**	**790,648,559**
Total Equity and Liabilities		**2,272,947,045**	**2,249,227,154**

The accompanying notes number 1 to 29 form an integral part of these consolidated financial statements

TRANSELEC S.A.

Interim Statements of Comprehensive Income by Function
For the three-month periods ended March 31, 2016 and 2015
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Statement of comprehensive income by function			
Operating revenues	(20)	69,329,317	70,530,155
Cost of sales	(21)	(19,039,602)	(18,914,400)
GROSS MARGIN		**50,289,715**	**51,615,755**
Administrative expenses	(21)	(3,151,309)	(3,596,129)
Other gains (losses)	(20)	1,086,175	3,737,012
Financial income	(20)	2,296,747	1,692,316
Financial expenses	(21)	(15,538,778)	(14,583,707)
Foreign exchange differences	(21)	57,641	(276,343)
Gain (loss) for indexed assets and liabilities	(21)	(6,080,101)	194,229
Profit Before Income Taxes		**28,960,090**	**38,783,133**
Income tax expense	(22)	(7,016,201)	(9,903,091)
Profit from continuing operations		21,943,889	28,880,042
Profit (loss) from discontinued operations		-	-
Profit (loss)		**21,943,889**	**28,880,042**
PROFIT (LOSS) ATTRIBUTABLE TO:			
Profit attributable to owners of the parent		21,943,889	28,879,951
Profit (loss) attributable to non – controlling interest		-	91
PROFIT		**21,943,889**	**28,880,042**
EARNINGS PER SHARE			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations	(23)	21,944	28,880
Basic earnings (loss) per share/diluted from discontinued operations		-	-
Basic earnings per share/diluted	(23)	21,944	28,880

The accompanying notes number 1 to 29 form an integral part of these consolidated financial statements

TRANSELEC S.A.

Interim Statements of Comprehensive Income by Function
For the three-month periods ended March 31, 2016 and 2015
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	March 31, 2016 ThCh$	March 31, 2015 ThCh$
PROFIT (LOSS)	**21,943,889**	**28,880,042**
Components of other comprehensive income, before taxes		
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	(401,393)	(657,944)
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	11,085,478	2,805,355
Income taxes related to components of other comprehensive income		
Income taxes related to components of net investment hedge	108,376	164,486
Income taxes related to components of cash flow hedge	(2,993,079)	(701,339)
Other comprehensive income	7,799,382	1,610,558
Total comprehensive income	**29,743,271**	**30,490,600**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	29,743,271	30,490,509
Comprehensive income attributable to non-controlling interest	-	91
Total comprehensive income	**29,743,271**	**30,490,600**

The accompanying notes number 1 to 29 form an integral part of these consolidated financial statements

transelec

TRANSELEC S.A. AND SUBSIDIARIES

Interim Consolidated Statement of Changes in Equity
For the three-month periods ended March 31, 2015 and 2014
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2016	776,355,048	4,695,618	(9,755,438)	(314,754)	(5,374,574)	19,668,085	790,648,559	-	790,648.559
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	21,943,889	21,943,889	-	21,943,889
Other comprehensive income	-	(293.017)	8,092,399	-	7,799,382	-	7,799,382	-	7,799,382
Total comprehensive income	-	(293,017)	8,092,399	-	7,799,382	21,943,889	29,743,271	-	29,743,271
Dividends	-	-	-	-	-	-	-	-	-
Total changes in equity	-	(293,017)	8,029,399	-	7,799,382	21,943,889	29,743,271	-	29,743,271
Closing balance as of March 31, 2016 (Note 19)	776,355,048	4,402,601	(1,663,039)	(314,754)	2,424,808	41,611,974	820,391,830	-	820,391,830

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non- controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2015	776,355,048	4,915,612	36,680	(323,377)	4,628,915	24,238,710	805,222,673	29,175	805,251,848
Changes in equity:									
Comprehensive income:									
Profit	-		-	-	-	28,879,951	28,879,951	91	28,880,042
Other comprehensive income	-	(493,458)	2,104,016	-	1,610,558	-	1,610,558	-	1,610,558
Total comprehensive income	-	(493,458)	2,104,016	-	1,610,558	28,879,951	30,490,509	91	30,490,600
Dividends	-	-	-	-	-	(24,845,230)	(24,845,230)	-	(24,845,230)
Effect of Of. C. 856 SVS, Tax Reform. Law 20.780	-	-	-	-	-	(39,253)	(39,253)	-	(39,253)
Increase (decrease) from transfers and other changes	-	-	-	-	-	504,544	504,544	968	505,512
Total changes in equity	-	(493,458)	2,104,016	-	1,610,558	4,500,012	6,110,570	1,059	6,111,629
Closing balance as of March 31, 2015 (Note 19)	776,355,048	4,422,154	2,140,696	(323,377)	6,239,473	28,738,722	811,333,243	30,234	811,363,477

The accompanying notes number 1 to 29 form an integral part of these consolidated financial statements

TRANSELEC S.A.
Interim Statements of Cash Flows
For the three-month periods ended March 31, 2016 and 2015
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	**March 31, 2016 ThCh$**	**March 31, 2015 ThCh$**
Cash flows provided by (used in) operating activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	106,547,730	87,539,511
Other proceeds from operating activities	273,556	334,207
	-	-
Classes of payments		
Payments to suppliers for goods and services	(31,507,885)	(36,430,198)
Other payments for operating activities	(370,772)	(199,603)
Payments to employees	(5,699,449	(5,404,373)
Interest paid	(18,382,098)	(16,694,261)
Interest received	231,918	372,915
Income taxes reimbursed (paid)	-	(431,991)
Net cash flows provided by operating activities	**51,093,000**	**29,086,207**
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses		
Additions of property, plant and equipment	(38,056,028)	(21,307,511)
Amounts from the sale of property, plant and equipment	762,642	1,580
Cash advances and loans to third parties	-	(384,143)
Loans to related parties	(12,644,751)	(45,928,010)
Receivables from related parties	17,474	-
Net cash flows used in investing activities	**(49,920,663)**	**(67,618,084)**
Cash Flows Provided by (Used in) Financing Activities		
Loans paid	-	(340,860)
Other paid (entries)	(148,105)	202,289
Net cash flows used in financing activities	**(148,105)**	**(138,571)**
Net Increase (Decrease) in Cash and Cash Equivalents	1,024,232	(38,670,448)
Cash and Cash Equivalents, at the beginning of the year (Note 5)	24,156,607	65,913,009
Cash and Cash Equivalents, at the ending of the year (Note 5)	**25,180,839**	**27,242,561**

The accompanying notes number 1 to 29 form an integral part of these consolidated financial statements

NOTE 1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. 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 March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation and 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.

On December 1, 2014, Transelec S.A., merged with it subsidiary Transelec Norte S.A. through an acquisition of 0.01% of the shares of Transelec Norte S.A. owned by Transelec Holdings Rentas Limitada , becoming the owner of the 100% shares.

On September 1, 2015, Transelec S.A merged with its subsidiary Inversiones Electricas Transam Chile Ltda., which on August 1, 2015, had absorbed its subsidiaries: Transmisora Huepil Ltda, Transmisora Abenor Ltda y Transmisora Araucana de Electricidad Ltda. Through the acquisition of the investment complement which completes 100% of the ownership, in the merger processes mentioned above.

Results of the acquisitions mentioned above, from September 1, 2015 the consolidated financial statements of Transelec SA and subsidiaries became individual financial statements.

The Company 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.

The financial statements of the Company for the year ended December 31, 2014, were approved by the board at its meeting held on March 11, 2015, and subsequently approved by the Ordinary Shareholders' Meeting dated April 28, 2015.

These financial statements were approved by the Board of Directors in Ordinary Meeting No. 139 held on May 18, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the financial statements are detailed below. These policies have been based on IFRS in effect as of March 31, 2016 and applied uniformly for the periods presented.

2.1 Basis of preparation of the financial statements

The financial statements at March 31, 2015, referred to above, have been prepared in accordance with the guidelines and standards of the preparation and disclosure of financial information issued by the the Superintendency of Securities and Insurance (the " SVS"), which are composed of International Financial Reporting Standards ("IFRS") and the provisions of Circular No. 856 of October 17, 2014 instructing the regulated entities, record the effects of the differences of assets and liabilities for deferred taxes due to increased rates in the first category income tax introduced in Law No. 20,780 and specific rules of the SVS. Accordingly, these financial statements have not been prepared in accordance with IFRS.

These financial statements have been prepared from the accounting records maintained by the Company.

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 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 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, 2015, except for the adoption of new standards and interpretations in effect as of January 1, 2016.

The Company made reclassifications to the consolidated financial statements to the balances affecting 2015. However these reclassifications do not have significant effect as these were performed within the account non-current assets.

2.2 New standards and interpretations accounting

Below is a summary of new standards and amendments to IFRS issued by the IASB that are not yet effective as of December 31, 2015:

	New Standards	Date of obligatory application
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

IFRS 9 "Financial Instruments"

In July 2014 was issued the final version of IFRS 9 Financial Instruments, gathering all phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard includes new requirements based on principles for the classification and measurement. Financial assets must be entirely classified on the basis of the business model of the entity for financial asset management and the characteristics of contractual cash flows of financial assets. Financial assets under this standard are measured either at amortized cost or fair value. Only financial assets classified as measured at amortized cost must be tested for impairment. The standard is mandatory for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Company is evaluating the potential impact that this adoption will have on its financial statements.

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 required starting on January 1, 2018 and early adoption is permitted.

The Company is evaluating the potential impact that this adoption will have on its financial statements.

IFRS 16 "Leases"

In January 2016, the IASB issued a new standard IFRS 16 Leases. IFRS 16 establishes the definition of a lease and specifies the accounting treatment of assets and liabilities arising from these contracts for both to the lessor and lessee. The new standard does not differ significantly from the current accounting standard, IAS 17 Leases regarding the accounting treatment for a lessor. However, for lessees, the new standard requires the recognition of assets and liabilities for most of the lease agreements. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. Early application is permitted if it is applied at the same time with IFRS 15 Revenue from contracts with customers.

The Company is evaluating the potential impact that this adoption will have on its financial statements.

2.2 New standard and interpretations accounting (continued)

Enhancements and Modifications

	Enhancements and Modifications	Date of obligatory application
IAS 7	Statement of cash flows	January 1, 2017
IAS 12	Income Taxes	January 1, 2017
IAS 28	Investments in associates and joint ventures	TBD
IFRS 10	Consolidated financial statements	TBD

IAS 7 "Statement of Cash Flows"

The modifications to IAS 7 "Statement of Cash Flows", issued in January 1, 2016, as part of the Disclosure Initiative project require an entity to disclose information that allows readers of the Financial Statements to assess the changes in the obligations arising from the financial activities. This includes both changes derives from cash flows and changes that are not in cash. The modification will be mandatory for annual periods commencing as of January 1, 2017. Early application is allowed.

The Company assessed the possible impact that this new standard could generate and concluded that it will not significantly affect its financial statements.

IAS 12 "Income Taxes"

These modifications, issued by the IASB in January 2016, clarify how to record deferred tax assets corresponding to debt instruments measured at fair value. The modification will be mandatory for annual periods commencing as of January 1, 2017. Early application is allowed.

The Company assessed the possible impact that this new standard could generate and concluded that it will not significantly affect its financial statements.

IAS 28 - "Investments in associates and joint ventures", IFRS 10 "Consolidated financial statements"

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address the recognition of profits or losses of sales of assets between an investor and an associate or a joint venture, which are recognized for the total when the transaction involves assets, which constitute business, will be partial. When the transaction involves a business (both when in a subsidiary or not) a gain or loss is recognized full. A gain or partial loss is recognized if the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. Earlier application is permitted.

The Company assessed the possible impact that this new standard could generate and concluded that it will not significantly affect its financial statements.

2.2 New standard and interpretations accounting (continued)

IFRS 10 - “Consolidated financial statements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 28 “Investments in associates and joint ventures”

Amendments to IFRS 10, IFRS 12 and IAS 28 introduce minor clarifications of the requirements for accounting for investment companies. In addition, these amendments provide relief in certain circumstances, which will reduce the cost of implementing these standards. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Company assessed the possible impact that this new standard could generate and concluded that it will not significantly affect its financial statements.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

The Company’s functional currency is the Chilean peso. These financial statements are presented in Chilean pesos.

2.3.2 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 Inversiones Eléctricas Transam Chile Ltda.

2.3.4 Exchange rates

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

Currency	Pesos per unit	
	March 31, 2016	December 31, 2015
Unidad de Fomento	25,812.05	25,629.09
US$	669.80	710.16
Euro	762.26	774.61

2.4 Segments reporting

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

2.6 Intangible assets

2.6.1 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.

2.6.2 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.

2.6.3 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.

2.7 Impairment of non-financial assets

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

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

2.7 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.

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 November 30 of each year.

At March 31, there were no signs of impairment, however, there were impairment losses during the year.

2.8 Financial assets

Upon initial recognition, the Company 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 financial position, with changes in value recorded directly in income when they occur.

- **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 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.

2.8 Financial assets (continued)

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.

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.

2.9 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).

2.9 Financial instruments and hedge activities (continued)

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.

2.9.1 Fair value hedges

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

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

2.9.2 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.

2.9.3 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)”. Until September 1, 2015, the Company applied the net investment’s hedge in the consolidated of its subsidiary Inversiones Eléctricas Transam Chile Ltda. having U.S dollar functional currency, which was absorbed at mentioned date.

2.9.4 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".

2.9.5 Embedded derivatives

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

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

2.10 Inventory

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

2.11 Cash and cash equivalents

Cash and cash equivalents presented in the statement of 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.

2.12 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.

2.13 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.

2.14 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.

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.

The Superintendency of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued Circular No. 856 instructing regulated entities to record the effects of the differences of assets and liabilities for deferred taxes due to increased rates in the first category income tax introduced in Law No. 20,780. This latter changed the framework for preparation and presentation of the financial information adopted until that date as the previous framework (IFRS) required to be adopted comprehensively in an explicit and unreserved manner.

2.15 Employee benefits

2.15.1 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.

This benefit is recorded at nominal value.

2.15.1 Staff severance indemnity (continued)

The Company records liabilities for severance obligations personnel services for their employees, based on the provisions of the collective and individual staff contracts. 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.

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.

2.15.2 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.

2.16 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 have no obligation to establish provision for environmental restoration and similar expenses.

2.17 Classification of current and non-current balances

In the 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.

2.18 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, Law 20,018 ("Short Law II"), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto.

The Company's revenues correspond mainly to remuneration from the use of its electricity transmission facilities. This remuneration is earned in part from arrangements subject to the tariff regulation and in part from contractual arrangements with the users of the transmission facilities.

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

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

2.19 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.

2.19.1 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.

2.19.2 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.

2.20 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.

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 swap contracts and other instruments to maintain a balanced foreign exchange position.

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

3.1.1.1 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.

3.1.1.1 Interest rate risk (continued)

The table below compares the debts of the Company and shows that majority of the debt as of March 31, 2016 were at fixed rate. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand)	
				March 31, 2016	December 31, 2015
Bono Series C	UF	3.50%	Fixed	6,000	6,000
Bono Series D	UF	4.25%	Fixed	13,500	13,500
Bono Series H	UF	4.80%	Fixed	3,000	3,000
Bono Series K	UF	4.60%	Fixed	1,600	1,600
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
Senior Notes	USD	4.250%	Fixed	375,000	375,000
Revolving Credit Facility	USD	1.52%	Floating (*)	-	-
Local Note	CLP	3.80%	Fixed	16,000,000	16,000,000

(*) The floating rate of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At March 31, 2016, the Company did not utilize this line therefore does not pay interest of 2.15% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

Although increases in inflation may have an impact on the costs of debt denominated in UF and therefore on the Company's finance expenses, these impacts are slightly lessened by accounts receivable denominated in UF. The following shows the effects of UF-indexed debt on the company's financial result.

Series	Position	Effect annual on income (ThCh$)		
	Long / (Short)	Inflation (3%)	Inflation (4%)	Inflation (2%)
Bono C	(2,497,657)	(2,501)	(3,146)	(1,857)
Bono D	(13,357,702)	(10,747)	(13,907)	(7,586)
Bono H	(3,001,084)	(2,415)	(3,125)	(1,705)
Bono K	(1,598,558)	(1,286)	(1,664)	(908)
Bono M	(1,464,092)	(1,178)	(1,524)	(831)
Bono M1	(1,850,237)	(1,488)	(1,926)	(1,051)
Bono N	(2,855,857)	(2,297)	(2,973)	(1,622)
Bono Q	(3,070,559)	(2,470)	(3,197)	(1,744)
Total	**(29,695,746)**	**(24,382)**	**(31,462)**	**(17,304)**

3.1.1.2 Exchange rate risk

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

- Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).
- Maintains accounts receivables in US dollars.
- Maintains a cross currency swap contract that compensates the risks of exchange rates of the last international issuance, amounting to a notional amount equivalent to US$375 million.
- Maintains lease contracts that generate income indexed to US dollars.

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 denominated into dollar and Chilean pesos in the periods indicated below:

	Liabilities		Assets	
	March 31, 2016 MCh$	December 31, 2015 MCh$	March 31, 2016 MCh$	December 31, 2015 MCh$
U.S. dollar (amounts associated with balance sheet items)	450,466	482,980	450,976	499,757
U.S. dollar (amounts associated with income statement items)	-	-	-	-
Chilean peso	1,822,481	1,728,400	1,821,971	1,711,623

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.

In addition, the sensitivity table below shows the risk faced by the company with regard to the variation of the Unidad de Fomento (UF); this effect is recognized in income.

Item (Currency)	Position MCh$ Long /(Short)	Net income (gain)/loss MCh$ Change (-10%)	Net income (gain)/loss MCh$ Change (+10%)	Position MCh$ Long /(Short)	OCI (gain)/loss MCh$ Change (-10%)	OCI (gain)/loss MCh$ Change (+10%)
Cash (US$)	315	(1)	1	-	-	-
Leasing (US$)	13,100	(22)	22	-	-	-
Senior Notes (US$)	(447,584)	742	(742)	-	-	-
Financial instrument swap	246,938	(410)	410	(213,968)	355	(355)
Intercompany loan (US$)	190,623	(316)	316	-	-	-
Other (US$)	(3,102)	5	(5)	-	-	-
Total	290	(2)	2	(213,968)	355	(355)

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.

3.1.2 Credit risk (continued)

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

Revenues	For the three - month ended March 31, 2016 ThCh$	For the three-month ended March 31, 2015 ThCh$
Endesa Group	35,791,191	32,052,743
Colbún Group	12,153,702	12,198,733
AES Gener Group	11,424,787	12,451,956
Pacific Hydro-LH-LC Group	3,217,600	2,223,255
Others	6,742,037	11,603,468
Total	**69,329,317**	**70,530,155**
% of concentration of 4 top customers	90.28%	83.55%

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

In terms of the Company's credit risk associated with other financial assets (time deposits, fixed-return mutual funds and reverse repurchase agreements, net asset position from derivative contracts), the Treasury policy establishes certain limits on a particular institution's exposure; such limits depend on the risk rating and capital of each institution. Likewise, for investments in mutual funds, only funds with a risk rating qualify.

3.1.3 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.

To guarantee that it is able to respond financially both the investment opportunities and to the timely payment of its obligations, Transelec separately records its available cash and short-term accounts receivable with a dedicated revolving credit for working capital in the amount of US$ 250 million equivalent to Ch$167.45 billion. 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. Additionally this line was renegotiated and extended on October 15, 2014 until October 15, 2017. This time the bank syndicate was formed by the following banks: Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR, Citibank, JP Morgan Chase Bank and Export Development Canada. In that renovation the following was improved: (i) the costs not committed (Commitment Fee) from 0.6% to 0.4375%, (ii) the margin or spread for use from 2.35% to 1.25% by amount rotated and (iii) other restrictions clauses more favorable to Transelec.

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

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

The following table presents the capital amortizations and estimated interest payments corresponding to the Company's financial liabilities (debt), according to their maturity date, as of March 31, 2016 and December 31, 2015.

Debt maturity	Less than 1 Years	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
March 31, 2016	207,413,332	116,396,149	99,708,149	667,476,748	887,723,250	1,978,717,628
December 31, 2015	226,264,902	101,690,945	101,690,945	708,219,336	884,187,142	2,022,053,271

The maturity of derivatives is presented Note 15.3.

3.1.3 Liquidity risk (continued)

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period.

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies, owners of generation facilities.

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

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

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

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

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

Determination of existence and classification of financial or operating leases based on the transfer of risks and rewards of the leased assets.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of March 31, 2016 and December 31, 2015, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of March 31, 2016 ThCh$	Balance as of December 31, 2015 ThCh$
Bank and cash balances	977,037	21,173,289
Short-term deposits	-	2,983,318
Reverse repurchase agreements and mutual funds	24,203,802	-
Total	**25,180,839**	**24,156,607**

Cash and cash equivalents included in the statement of financial position as of March 31, 2016 and December 31, 2015 does not differ from those presented in the statement of cash flows.

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

Detail of Cash and Cash Equivalents	Currency	Balance as of March 31, 2016 ThCh$	Balance as of December 31, 2015 ThCh$
Amount of cash and cash equivalents	U.S. dollars	308,942	23,776,117
Amount of cash and cash equivalents	Euros	6,787	30,968
Amount of cash and cash equivalents	Chilean pesos	24,865,110	349,522
Total		**25,180,839**	**24,156,607**

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

NOTE 6 - TRADE AND OTHER RECEIVABLES

As of March 31, 2016 and December 31, 2015, this account is detailed as follows:

Item	Balance as of March 31, 2016 ThCh$	Balance as of December 31, 2015 ThCh$
Trade receivables	51,719,064	51,053,016
Miscellaneous receivables	290,688	214,251
Total trade and other receivables	**52,009,752**	**51,267,267**
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	**50,617,369**	**49,874,884**

NOTE 6 - TRADE AND OTHER RECEIVABLES (continued)

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of March 31, 2016 and December 31, 2015, the aging of trade and other receivables is as follows:

	Balance as of	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Maturing in less than 30 days	28,933,411	26,972,371
Maturing in more than 30 days up to 1 year	21,683,958	22,902,513
Total	**50,617,369**	**49,874,884**

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 S.A. 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 December 31, 2015 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 the period ended March 31, 2016 and December 31, 2015:

	ThCh$
Balance as of January 1, 2015	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of December 31, 2015	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of March 31, 2016	**1,392,383**

) TRANSACTIONS WITH RELATED PARTIES

nsactions with related parties

d payables between the company and its unconsolidated related companies are detailed as follows:

parties

Company	Country	Description	Maturity	Relation	Currency	Balance as of Current March 31, 2016 ThCh$	Balance as of Current December 31, 2015 ThCh$	Balance as of Non-current March 31, 2016 ThCh$	Balance as of Non-current December 31, 2015 ThCh$
oldings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	CH$	25,609,168	12,936,861	-	-
oldings Rentas Ltda.	Chile	Loan	10 years	Direct parent	UF	-	-	5,802,617	5,761,487
oldings Rentas Ltda.	Chile	Loan	10 years	Direct parent	US$	1,922,144	-	188,700,828	200,071,335
						27,531,312	**12,936,861**	**194,503,445**	**205,832,822**

7.1 Balances and transactions with related parties (continued)

a) Most significant transactions and their effect on income

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

Tax ID Number	Company	Country	Relation	Description of the transaction	March 31, 2016 Amount ThCh$	March 31, 2016 Effect on Income ThCh$	March 31, 2015 Amount ThCh$	March 31, 2015 Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Mercantile current account	12,626,831	-	104,562,851	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	-	-	48,961,026	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest earned	-	-	6,727,152	6,727,152
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	2,028,960	2,028,960	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Exchange rate	11,432,455	11,432,455	26,021,959	26,021,959
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	UF Readjustment	41,291	41,291	1,087,544	1,087,544

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

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors 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. For each Board Member there is an alternate Board Member. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on April 28, 2015. The current Chairman of the Board was elected at the Board meeting dated May 13, 2015.

7.2.1 Board of Directors' compensation

As established in Article No. 33 of Law No. 18,046 on Anonymous Societies, on the Eighth Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2015, 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 and that the alternate directors do not receive remuneration. Allowances are paid on a quarterly basis.

Directors Richard Legault, Alfredo Ergas, Paul Dufresne, Patrick Charbonneau and Brenda Eaton, and also all alternate directors waived their respective allowances. Accordingly, the following compensation was received by directors during the periods March 31, 2016 and 2015:

	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Blas Tomic Errázuriz	15,979	13,652
José Ramón Valente Vias	15,979	13,652
Alejandro Jadresic Marinovic	15,979	13,652
Mario Alejandro Valcarce Duran	15,979	13,652
Bruno Pedro Philippi Irarrazabal	15,979	13,652

7.3 Board expenses

During the March 31, 2016 and December 31, 2015 there have been no expenses related to consulting for the Board.

7.4 Audit committee

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other financial statements and internal systems. Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company. Committee members are appointed by the Board of Directors. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman-from among its members-and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Audit Committee held two meetings both during the period 2016 and 2015.

As of March 31, 2016, the Audit Committee members were composed by its president Mario Valcarce, Directors Mr. Alfredo Ergas, Mrs. Brenda Eaton and Mr. José Ramón Valente, besides the Secretary, Mr. Arthur Le Blanc Cerda.

7.4 Audit committee (continued)

On the Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2015, 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 2016 and 2015:

	March 31, 2016 ThCh$	March 31, 2015 ThCh$
José Ramón Valente	7,102	6,068
Mario Alejandro Valcarce Duran	7,102	6,068

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
David Noe Scheinwald	Vice-President of Electrical Development

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 2016 and 2015 is detailed as follows:

	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Salaries	396,358	385,907
Short-term employee benefits	167,025	169,975
Long-term employee benefits	161,719	62,532
Total compensation received by key management personnel	**725,102**	**618,414**

NOTE 8 - INVENTORY

As of March 31, 2016 and December 31, 2015, this account is detailed as follows:

Classes of inventory	Balance as of March 31, 2016 ThCh$	Balance as of December 31, 2015 ThCh$
Safety equipment	28,976	33,854
Total	**28,976**	**33,854**

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of March 31, 2016 and December 31, 2015, this account is detailed as follows:

	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Finance lease receivables current	756,860	802,284
Sub-total Other financial assets current	**756,860**	**802,284**
Finance lease receivables non-current	12,343,634	13,391,570
Swap Contracts	32,969,963	36,698,535
Other financial assets	279,198	278,848
Sub-total Other financial assets non-current	**45,592,795**	**50,368,953**
Total	**46,349,655**	**51,171,237**

9.1 Finance lease receivables

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

March 31, 2016

Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	756,860	596,538	1,353,398
1-5	4,272,665	2,494,560	6,767,225
Over 5	8,070,969	2,568,155	10,639,124
Total	**13,100,494**	**5,659,253**	**18,759,747**

December 31, 2015

Period in years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	802.284	641,132	1,443,416
1-5	4,519,229	2,697,849	7,217,078
Over 5	8,872,341	2,785,325	11,657,666
Total	**14,193,854**	**6,124,306**	**20,318,160**

Movements in finance leases:

	Balance as of	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Opening balance	**14,193,854**	**12,996,779**
Amortization	(297,959)	(745,245)
Translation difference	(795,401)	1,942,320
Ending balance	**13,100,494**	**14,193,854**

The amortization for the three-month period ended March 31, 2015, was ThCh$ (171,905).-

9.2 Operating leases payable

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

	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Real estate lease	262,560	1,003,543
Other leases	209,624	705,716
Total operating leases	472,184	1,709,259

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

	Up to 1 year ThCh$	1 to 5 years ThCh$	More than 5 Years ThCh$
Real estate lease	1,050,240	4,200,960	-
Other leases	838,496	3,353,984	-
Total operating leases	1,888,736	7,554,944	-

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of March 31, 2016 and December 31, 2015:

Intangible assets, net	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Rights of way	174,426,656	174,170,622
Software	3,988,100	2,649,968
Total intangible assets	**178,414,756**	**176,820,590**
Goodwill	342,651,175	342,651,175
Total intangible assets, net	**521,065,931**	**519,471,765**

NOTE 10 - INTANGIBLE ASSETS (continued)

Intangible assets, gross	**March 31, 2016 ThCh$**	**December 31, 2015 ThCh$**
Rights of way	174,426,656	174,170,622
Software	9,166,445	7,617,212
Goodwill	342,651,175	342,651,175
Total intangible assets	**526,244,276**	**524,439,009**

Accumulated amortization and impairment	**March 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Software	(5,178,345)	(4,967,244)
Total accumulated amortization	**(5,178,345)**	**(4,967,244)**

The composition and movements of intangible assets during the periods 2015 and 2014 are the following:

Movements in intangible assets	**Rights of way ThCh$**	**Software ThCh$**	**Goodwill ThCh$**	**Net intangible assets ThCh$**
Opening balance as of January 1, 2016	174,170,622	2,649,968	342,651,175	519,471,765
Movements in intangible assets	-	-	-	-
Additions	-	-	-	-
Amortization	-	(211,101)	-	(211,101)
Translation difference	-	-		-
Transfer to operating assets	321,957	1,549,233	-	1,871,190
Other increases (decreases)	(65,923)	-	-	(65,923)
Ending balance of intangible assets as of March 31 , 2016	174,426,656	3,988,100	342,651,175	521,065,931

NOTE 10 - INTANGIBLE ASSETS (continued)

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2015	168,069,830	2,013,342	342,724,940	512,808,112
Movements in intangible assets	-	-	-	-
Additions	-	-	-	-
Amortization	-	(675,173)	-	(675,173)
Translation difference	745,039	-	(73,765)	671,274
Transfer to operating assets	6,015,753	1,311,799	-	7,327,552
Other increases (decreases)	(660,000)	-	-	(660,000)
Ending balance of intangible assets as of December 31 , 2015	174,170,622	2,649,968	342,651,175	519,471,765

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of March 31, 2016 and December 31, 2015 to be recovered.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Land	20,630,332	20,630,332
Buildings and infrastructure	882,811,672	863,685,819
Work in progress	65,677,618	72,801,826
Machinery and equipment	423,432,673	415,852,900
Other property, plant and equipment	6,612,357	5,529,900
Property, plant and equipment, net	**1,399,164,652**	**1,378,500,777**

Property, plant and equipment, gross	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Land	20,630,332	20,630,332
Buildings and infrastructure	1,105,132,239	1,080,462,476
Work in progress	65,677,618	72,801,826
Machinery and equipment	592,524,132	580,389,433
Other property, plant and equipment	6,612,357	5,529,900
Total property, plant and equipment, gross	**1,790,576,678**	**1,759,813,967**

11.1 Detail of accounts (continued)

Total accumulated depreciation and impairment, property, plant and equipment, net	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Buildings and infrastructure	(222,320,567)	(216,776,657)
Machinery and equipment	(169,091,459)	(164,536,533)
Total accumulated depreciation and impairment, property, plant and equipment	**(391,412,026)**	**(381,313,190)**

11.2 Reconciliation of changes in property, plant and equipment

The following table details the reconciliation of changes in property, plant and equipment by class during the periods ended March 31, 2016 and December 31, 2015:

		Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2016		20,630,332	863,685,819	415,852,900	72,801,826	5,529,900	1,378,500,777
Movement	Additions	-	-	-	35,032,318	764,096	35,796,414
	Retirements	-	(308,528)	(635,919)	(505,487)	-	(1,449,934
	Transfer to operating assets	-	25,073,308	14,384,782	(41,651,039)	318,361	(1,874,588)
	Depreciation	-	(5,638,927)	(6,169,090)	-	-	(11,808,017)
Balance as of March 31, 2016		20,630,332	882,811,672	423,432,673	65,677,618	6,612,357	1,399,164,652

		Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2015		20,059,769	853,150,552	401,137,550	73,169,038	4,394,055	1,351,910,964
Movement	Additions	-	-	-	82,379,749	908,679	83,288,428
	Retirements	-	(3,208,821)	(3,442,877)	(1,018,048)	-	(7,669,746)
	Transfer to operating assets	570,563	32,824,895	40,687,606	(81,728,913)	227,166	(7,418,683)
	Depreciation	-	(24,021,601)	(22,529,379)	-	-	(46,550,980)
	Translation adjustment	-	4,940,794	-	-	-	4,940,794
Balance as of December 31, 2015		20,630,332	863,685,819	415,852,900	72,801,826	5,529,900	1,378,500,777

11.3 Additional information on property, plant and equipment

Transelec has insurance policies to cover possible risks subject to various items of property, plant and equipment and possible claims that might be filed by exercising its activities, understanding that such policies cover sufficiently the risks to which they are taken.

The Company held as of March 31, 2016 and December 31, 2015 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engeenering-Procurment-Construction) in the amount of ThCh$ 137,820,362 and ThCh$ 86,784,307, respectively.

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

	March 31, 2016	**December 31, 2015**
Capitalization rate (Annual basis)	7,08%	7,74%
Capitalized interest costs (ThCh$)	509,516	3,709,092

Work in progress balances amounts to ThCh$ 65,677,618 and ThCh$ 72,801,826 as of March 31, 2016 and December 31, 2015 respectively.

NOTE 12 - DEFERRED TAXES

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of March 31, 2016 and December 31, 2015, is detailed as follows:

Temporary differences	Net deferred taxes	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Depreciable fixed assets	(78,338,491)	(70,430,126)
Financial expenses	(960,655)	(1,021,760)
Leased assets	(926,825)	(1,198,091)
Materials and spare parts	(108,393)	(152,846)
Tax losses	48.817,094	51,378,939
Staff severance indemnities provision	125,133	131,967
Deferred income	1,846,376	1,873,212
Investment value provision	12,955	12,955
Lawsuit provision	-	27,945
Obsolescence provision	196,026	311,411
Work in progress	1,015,767	1,049,221
Vacation provisions	371,303	443,526
Intangible assets	(8,365,512)	(8,641,523)
Adjustment of effective interest rate of bonds	(2,638,160)	(2,798,382)
Land	1,126,135	1,072,888
Allowance for doubtful receivables	375,943	375,943
Net deferred tax assets/(liabilities)	**(37,451,304)**	**(27,564,721)**
Reflected in the statement financial position as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	(37,451,304)	(27,564,721)
Net deferred tax assets/(liabilities)	**(37,451,304)**	**(27,564,721)**

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 periods 2016 and December 31, 2015 are as follows:

12.2 Deferred tax movements in statement of financial position (continued)

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2015	**102.334**	**14,270,024**
Increase (decrease)	(102.334)	12,350,786
Translation adjustment	-	943,911
Balance as of December 31, 2015	**-**	**27.564.721**
Increase (decrease)	-	9.886.583
Balance as of March 31, 2016	**-**	**37.451.304**

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

NOTE 13 - FINANCIAL LIABILITIES

13.1 Other financial liabilities

The current and non-current portion of this account as of March 31, 2016 and December 31, 2015 is as follows:

Interest bearing loans	March 31, 2016		December 31, 2015	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	166,658,723	1,148,071,091	178,476,226	1,158,934,826
Total bonds payable	**166,658,723**	**1,148.071,091**	**178,476,226**	**1,158,934,826**
Bank loans payable	16,305,689	-	16,152,000	-
Swap contract (Note 15)	911,584	-	2,012,588	-
Other financial liabilities	45,329	3,056,989	43,946	3,019,383
Total obligations with banks	**17,262,602**	**3,056,989**	**18,208,534**	**3,019,383**
Total	**183,921,325**	**1,151,128,080**	**196,684,760**	**1,161,954,209**

13.2 Detail of other financial liabilities

a) Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of March 31, 2015 and December 31, 2014 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	Interest payments	Periodicity principal payments	Final maturity	March 31, 2016 ThCh$	December 31, 2015 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile	481	C	UF	4.03%	3.50%	At maturity	Semiannually	09-01-2016	154,987,.270	155,027,191
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	At maturity	Semiannually	12-15-2027	349,035,916	342,875,869
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	At maturity	Semiannually	08-01-2031	78,075,776	78,436,327
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	At maturity	Semiannually	09-01-2031	41,419,923	41,591,387
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	At maturity	Semiannually	06-15-2032	38,245,229	37,581,581
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	At maturity	Semiannually	06-15-2032	48,335,301	47,494,328
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	At maturity	Semiannually	12-15-2038	74,573,640	73,274,046
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	At maturity	Semiannually	10-15-2042	80,700,164	79,351,463
76.555.400-4	Transelec S.A	Chile	Foreign	1st issuance	Sr N	US$	5.10%	4.63%	At maturity	Semiannually	07-26-2023	200,087,479	214,641,039
76.555.400-4	Transelec S.A	Chile	Foreign	2st issuance	Sr N	US$	4.66%	4.25%	At maturity	Semiannually	01-14-2025	249,269,116	267,137,821
											Total	**1,314,729,814**	**1,337,411,052**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1,454,632,205 and ThCh$1,447,933,665 as of March 31, 2016 and December 31, 2015, respectively (it does not include other current and non-current liabilities such as swap 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. This value is categorized as level 2 according to the hierarchy of fair value.

13.2 Detail of other financial liabilities (continued)

a) Bonds payable (continued)

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	March 31, 2016 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity more than 5 years ThCh$	March 31, 2016 Non-current ThCh$
76.555.400-4	Transelec S.A	481	-	154,987,270	154,987270	-	-	-	-
76.555.400-4	Transelec S.A	480	3,712,337	-	3,712,337	-	-	345,323,579	345,323,579
76.555.400-4	Transelec S.A	599	-	607,223	607,223	-	-	77,468,553	77,468,553
76.555.400-4	Transelec S.A	599	-	160,378	160,378	-	-	41,259,545	41,259,545
76.555.400-4	Transelec S.A	599	395,362	-	395,362	-	-	37,849,867	37,849,867
76.555.400-4	Transelec S.A	599	501,922	-	501,922	-	-	47,833,379	47,833,379
76.555.400-4	Transelec S.A	599	776,508	-	776,508	-	-	73,797,132	73,797,132
76.555.400-4	Transelec S.A	744	1,436,776	-	1,436,776	-	-	79,263,388	79,263,388
76.555.400-4	Transelec S.A	1st issuance	-	1,728,697	1,728,697	-	-	198,358,782	198,358,782
76.555.400-4	Transelec S.A	2st issuance	-	2,352,250	2,352,250	-	-	246,916,866	246,916,866
		Total	**6,822,905**	**159,835,818**	**166,658,723**	**-**	**-**	**1,148,071,091**	**1,148,071,091**

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	December 31, 2015 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity more than 5 years ThCh$	December 31, 2015 Non-current ThCh$
76.555.400-4	Transelec S.A	481	-	155,027,191	155,027,191	-	-	-	-
76.555.400-4	Transelec S.A	480	7,435,972	-	7,435,972	-	-	335,439,896	335,439,896
76.555.400-4	Transelec S.A	599	1,516,185	-	1,516,185	-	-	76,920,142	76,920,142
76.555.400-4	Transelec S.A	599	619,933	-	619,933	-	-	40,971,454	40,971,454
76.555.400-4	Transelec S.A	599	796,037	-	796,037	-	-	36,785,544	36,785,544
76.555.400-4	Transelec S.A	599	1,010,563	-	1,010,563	-	-	46,483,766	46,483,766
76.555.400-4	Transelec S.A	599	1,563,293	-	1,563,293	-	-	71,710,754	71,710,754
76.555.400-4	Transelec S.A	744	-	653,853	653,853	-	-	78,697,609	78,697,609
76.555.400-4	Transelec S.A	1st issuance	4,406,840	-	4,406,840	-	-	210,234,199	210,234,199
76.555.400-4	Transelec S.A	2st issuance	5,446,359	-	5,446,359	-	-	261,691,462	261,691,462
		Total	**22,795,182**	**155,681,044**	**178,476,226**	**-**	**-**	**1,158,934,826**	**1,158,934,826**

13.2 Detail of other financial liabilities (continued)

b) Bank loans

The bank loans are presented below by financial institution, currency, effective rate and expiration as of March 31, 2016 and December 31, 2015:

Debtor taxpayer ID number	Debtor Name	Country	Creditor ID Number	Creditor institution name	Country	Currency	Periodicity principal payments	Effective interest rate	Nominal interest rate	Maturity	March 31, 2016 ThCh$	December 31, 2015 ThCh$
76.555.400-4	Transelec S.A.	Chile	97.030.000-7	BANCO DEL ESTADO DE CHILE	Chile	CLP	Semestral	3.80%	3.80%	2016	16,305,689	16,152,000
										Total	**16,305,689**	**16,152,000**

Debtor taxpayer ID number	Debtor Name	Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	March 31, 2016 Current ThCh$	Non-Current: Maturity 1 to 3 years ThCh$	Non-Current: Maturity 3 to 5 years ThCh$	Non-Current: Maturity more than 5 years ThCh$	March 31, 2016 Non-current ThCh$
76.555.400-4	Transelec S.A.	BANCO DEL ESTADO DE CHILE	-	16,305,689	16.305.689	-	-	-	-
		Total	**-**	**16,305,689**	**16,305,689**	**-**	**-**	**-**	**-**

Debtor taxpayer ID number	Debtor Name	Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	December 31, 2015 Current ThCh$	Non-Current: Maturity 1 to 3 years ThCh$	Non-Current: Maturity 3 to 5 years ThCh$	Non-Current: Maturity more than 5 years ThCh$	December 31, 2015 Non-current ThCh$
76.555.400-4	Transelec S.A.	BANCO DEL ESTADO DE CHILE	-	16,152,000	16,152,000	-	-	-	-
		Total	**-**	**16,152,000**	**16,152,000**	**-**	**-**	**-**	**-**

13.2 Detail of other financial liabilities (continued)

c) Other Financial Liabilies

The other financial liabilities by creditor institution name, currencies, rates and maturities as of March 31, 2016 and December 31, 2015 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	March 31, 2016 ThCh$	December 31, 2015 ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A)	Chile	77.277.800-7	Eléctrica Aguas del Melado	Chile	US$	Monthly	6.11%	6.11%	2043	3,102,318	3,063,329
										Total	**3,102,318**	**3,063,329**

Debtor taxpayer ID number	Debtor name	Creditor institution name	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days s ThCh$	Current: March 31, 2016 Current ThCh$	Non – Current: Maturity 1 to 3 years ThCh$	Non – Current: Maturity 3 to 5 years ThCh$	Non – Current: Maturity more than 5 years ThCh$	Non – Current: March 31, 2016 Non-current ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A)	Eléctrica Aguas del Melado	11,082	34,247	45,329	99,129	111,603	2,846,257	3,056,989
		Total	**11,082**	**34,247**	**45,329**	**99,129**	**111,603**	**2,846,257**	**3,056,989**

Debtor taxpayer ID number	Debtor name	Creditor institution name	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days s ThCh$	Current: December 31, 2015 Current ThCh$	Non – Current: Maturity 1 to 3 years ThCh$	Non – Current: Maturity 3 to 5 years ThCh$	Non – Current: Maturity more than 5 years ThCh$	Non – Current: December 31, 2015 Non-current ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A)	Eléctrica Aguas del Melado	10,744	33,202	43,946	96,106	108,199	2,815,078	3,019,383
		Total	**10,744**	**33,202**	**43,946**	**96,106**	**108,199**	**2,815,078**	**3,019,383**

13.3 Other aspects

As of March 31, 2016 and December 31, 2015, Transelec had available a credit line of US$250 million which at the balance sheet date it did not have any drawn pending 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 19), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

NOTE 14 - TRADE AND OTHER PAYABLES

Trade and other payables as of March 31, 2016 and December 31, 2015, are detailed as follows:

Trade and other payables	Current		Non- current	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Trade and other payables	62,867,144	50,581,109	-	-
Total	**62,867,144**	**50,581,109**	**-**	**-**

The average payment period for suppliers in the periods ended 2016 and 2015 was 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

NOTE 15 - DERIVATIVE INSTRUMENTS

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

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

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

15.1 Hedge assets and liabilities

	March 31, 2016				December 31, 2015			
	Asset		Liability		Asset		Liability	
	Current ThCh$	Non – current ThCh$	Current ThCh$	Non - current ThCh$	Current ThCh$	Non - current ThCh$	Current ThCh$	Non – current ThCh$
Currency hedge Swap	-	32,969.963	911,584	-	-	36,698,535	2,012,588	-
Total	**-**	**32,969.963**	**911,584**	**-**	**-**	**36,698,535**	**2,012,588**	**-**

15.2 Other Information

The following table details Transelec's derivatives as of March 31, 2016 and December 31, 2015, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh$	Before 1 year ThCh$	Maturity 2017 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	Subsequent years ThCh$	March 31, 2016 Total ThCh$
Currency hedge Swap	32,058,379	(911,584)					32,969,963	32,058,379

Financial derivatives	Fair value ThCh$	Before 1 year ThCh$	Maturity 2017 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	Subsequent years ThCh$	December 31, 2015 Total ThCh$
Currency hedge Swap	34,685,947	(2,012,588)					36,698,535	34,685,947

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the periods presented March 31, 2016 and December 31, 2015, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

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

15.3 Fair value hierarchies

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

The following table details financial assets and liabilities measured at fair value as of March 31, 2016.

Financial instrumental measured at fair value	March 31, 2015	Fair value measured at the end of the reporting period using Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	32,058,379	-	32,058,379	-
Total, net	**32,058,379**	**-**	**32,058,379**	**-**

The following table details financial assets and liabilities measured at fair value as of December 31, 2015.

Financial instrumental measured at fair value	December 31, 2014	Fair value measured at the end of the reporting period using Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	34,685,947	-	34,685,947	-
Total, net	**34,685,947**	**-**	**34,685,947**	**-**

NOTE 16 - FINANCIAL INSTRUMENTS

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

March 31, 2016	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	25,180,839	-	-	-	-	25,180,839
Other financial assets, current	-	756,860	-	-	-	756,860
Trade and other receivables	-	50,617,369	-	-	-	50,617,369
Other financial assets, non-current	-	12,343,634	32,969,963	-	279,198	45,592,795
Receivables from related parties, current	-	27,531,312	-	-	-	27,531,312
Receivables from related parties, non-current	-	194,503,445	-	-	-	194,503,445
Total	**25,180,839**	**285,752,620**	**32,969,963**	**-**	**279,198**	**344,182,620**

December 31, 2015	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	24,156,607	-	-	-	-	24,156,607
Other financial assets, current	-	802,284	-	-	-	802,284
Trade and other receivables	-	49,874,884	-	-	-	49,874,884
Other financial assets, non-current	-	13,391,570	36,698,535	-	278,848	50,368,953
Receivables from related parties, current	-	12,936,861	-	-	-	12,936,861
Receivables from related parties, non-current	-	205,832,822	-	-	-	205,832,822
Total	**24,156,607**	**282,838,421**	**36,698,535**	**-**	**278,848**	**343,972,411**

NOTE 16 - FINANCIAL INSTRUMENTS (continued)

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

March 31, 2016	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	183,009,741	911,584	-	183,921,325
Trade and other payables	62,867,144	-	-	62,867,144
Other financial liabilities, non-current	1,151,128,080	-	-	1,151,128,080
Total	**1,397,004,965**	**911,584**	-	**1,397,916,549**

December 31, 2015	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	194,672,172	2,012,588	-	196,684,760
Trade and other payables	50,581,109	-	-	50,581,109
Other financial liabilities, non-current	1,161,954,209	-	-	1,161,954,209
Total	**1,407,207,490**	**2,012,588**	-	**1,409,220,078**

NOTE 17 - PROVISIONS

17.1 Detail of provisions

As of March 31, 2016 and December 31, 2015, this account is detailed as follows:

Detail	Current		Non-current	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Staff severance indemnities	589,045	582,924	4,501,474	4,389,325
Accrued vacations	1,375,197	1,642,689		-
Profit sharing benefits	1,057,295	4,330,591	9,530	9,530
Other provisions	205,477	205,477		-
Total	**3,227,014**	**6,761,681**	**4,511,004**	**4,398,855**

17.2 Provision movements

In 2016 and 2015, 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, 2016	4,972,249	4,340,121	1,642,689	205,477	11,160,536
Movements in provisions:					
Provisions during the year	118,270	1,268,584	266,825	-	1,653,679
Payments	-	(4,541,880)	(534,317)	-	(5,076,197)
Ending balance as of March 31, 2016	**5,090,519**	**1,066,825**	**1,375,197**	**205,477**	**7,738,018**

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, 2015	**4,976,539**	**4,814,173**	**1,467,122**	**589,386**	**11,847,220**
Movements in provisions:					
Provisions during the year	513,183	4,545,751	1,207,736	-	6,266,670
Payments	(517,473)	(5,019,803)	(1,032,169)	(383,909)	(6,953,354)
Ending balance as of December 31, 2015	**4,972,249**	**4,340,121**	**1,642,689**	**205,477**	**11,160,536**

17.2 Provision movements (continued)

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

As of March 31, 2016

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	589,045	542,831	361,888	3,596,755
Accrued vacations	1,375,197	-	-	-
Profit sharing benefits	1,057,295	9,530	-	-
Other provisions	205,477	-	-	-
Total	**3,227,014**	**552,361**	**361,888**	**3,596,755**

As of December 31, 2015

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	582,924	529,307	352,872	3,507,146
Accrued vacations	1,642,689	-	-	-
Profit sharing benefits	4,330,591	9,530	-	-
Other provisions	205,477	-	-	-
Total	**6,761,681**	**538,837**	**353,872**	**3,507,146**

Severance pay for years of service

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

Vacation accrual

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

Annual benefits

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

17.2 Provision movements (continued)

Other provisions

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

17.3 Lawsuits and arbitration proceedings

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.

   As of March 31, 2016 the Company has established a provision for these and other contingents liabilities totaling to ThCh$399,455 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.

2. As of March 31, 2016, 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 September, 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$ 8,012,745) depends on the final settlement mechanism.

17.3 Lawsuits and arbitration proceedings (continued)

2. (Continued)

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.

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

18.1 Detail of account

Post-employment and other benefit obligations	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Staff severance indemnity provision – current	589,045	582,924
Staff severance indemnity provision non – current	4,501,474	4,389,325
Total current and non-current obligations for post-employment benefits	**5,090,519**	**4,972,249**

18.2 Detail of post-employment and other similar obligations

As of March 31, 2016 and December 31, 2015, this account is detailed as follows:

Post-employment and other benefits obligations	Staff severance indemnity	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Present value of defined benefit plan obligations opening balance	4,972,249	4,976,539
Current service cost of defined benefit plan obligations	118,270	513,183
Actuarial calculation cost of defined benefit plan obligations		
Payments	-	-
Liquidations obligation defined benefit plan	-	(517,473)
Present value of defined benefit obligations ending balance	**5,090,519**	**4,972,249**

18.3 Balance of post-employment and other similar obligations

	Staff severance indemnity	
	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Present value of defined benefit obligations, ending balance	5,090,519	4,972,249
Present obligation with defined benefit plan funds	5,090,519	4,972,249
Fair value of defined benefit plan assets, ending balance	-	-
Balance of defined benefit obligations, ending balance	**5,090,519**	**4,972,249**

18.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2016 to March 31, 2016 ThCh$	January 1, 2015 to March 31, 2015 ThCh$	
Current service cost of defined benefit plan	53,914	257,958	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	99,091	474,106	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	**153,005**	**732,064**	

18.5 Actuarial hypothesis

Detail	**March 31, 2016 ThCh$**	**December 31, 2015 ThCh$**
Discount rate used	1.95%	3.2%
Inflation rate	4.6%	4%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

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

18.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of March 31, 2016:

	Discount rate used		Inflation rate		Future salary increase	
Nivel of Sensitivity	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**
Impact on current and non-current of employment benefit obligation	(344,861)	387,887	34,953	(32,605)	345,199	(312,418)

To evaluate impact, the sensitivity analysis has been determined based on the extrapolation method obtaining reasonable results in terms of the changes in the significant hypotheses used as of March 31, 2016.

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

	March 31, 2016 ThCh$	**December 31, 2015 ThCh$**
During the upcoming 12 month	589,045	582,924
Between 2 to 5 years	903,162	882,178
Between 5 to 10 years	1,707,594	1,667,921
More than 10 years	1,890,718	1,839,226
Total Payments Expected	**5,090,519**	**4,972,249**

NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of March 31, 2016 and December 31, 2015 authorized, subscribed and paid share capital amounts to ThCh$ 776,355,048.

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 28, 2015, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a final dividend with debit to 2014 income, in the amount of Ch$24,845,230,291. As of March 31, 2016, this dividend has been paid in full.

On May 13, 2015, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2015 income, in the amount of Ch$16,355,000,000. As of March 31, 2016, this dividend has been paid in full.

On August 12, 2015, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2015 income, in the amount of Ch$18,167,000,000. As of March 31, 2016, this dividend has been paid in full.

On November 16, 2015, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2015 income, in the amount of Ch$28,799,000,000. As of March 31, 2016, this dividend has been paid in full.

On April 26, 2016, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a final dividend with debit to 2015 income, in the amount of Ch$19,668,084,516 which will be paid as of May 25, 2016, to the shareholders listed in the respective registry as of May 18, 2016.

19.4 Other reserves

Other reserves as of March 31, 2016 and December 31, 2015 are detailed as follows:

Description	March 31, 2016 ThCh$	December 31, 2015 ThCh$
Net investment hedge	6,030,961	6,432,354
Cash flow hedge (Exchange rate)	(2,278,137)	(13,363,615)
Actuarial calculation exchange differences	(431,169)	(431,169)
Deferred taxes	(896,847)	1,987,856
Total	**2,424,808**	**(5,374,574)**

The Movement and reclassifications of other comprehensive income for the period 2016 are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2016	**4.695.618**	**(9.755.438)**	**(314.754)**	**(5.374.574)**
Translation adjustment	(401.393)	11.085.478	-	**10.684.085**
Deferred tax	108.376	(2.993.079)	-	**(2.884.703)**
Closing balance as of March 31, 2016	**4.402.601**	**(1.663.039)**	**(314.754)**	**2.424.808**

19.5 Capital management

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

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

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

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

1) Maintain individual and indebtedness levels (Total debt / Total capitalization ratio) no greater than 0.7 based on the definitions of these terms in the respective prospectuses of local bond series C, D, H, K, M, N and Q.

2) a) Maintain minimum individual and equity of fifteen million UF equivalents to ThCh$387,180,750 as of March 31, 2016. As that term is defined in the respective prospectuses of local bond series C, D, H, K, M and N.

   b) Maintain at all times during the effective period of bond issuance, a minimum equity of ThCh$ 350,000,000, as defined in the respective prospectus of the local bond series Q.

The test of distribution of restricted payments (net cash flow of the operations / financial costs) must be greater than 1.5 times, as those terms are defined in the respective prospectuses of local bond series C, D, H, K, M and N.

.

The following tables present – as of March 31, 2016 and December 31, 2015 - 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.

19.5 Capital management (continued)

Covenant 1	Total debt / Total capitalization ratio Lower or equal to 0.70	March 31, 2016 ThCh$	December 31, 2015 ThCh$
A	Other financial liabilities, current	183,921	196,685
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,151,128	1,161,954
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,335,049**	**1,358,639**
G	Debt with guarantees	-	-
DT=E+G	**Total debt**	**1,335,049**	**1,358,639**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	820,392	790,649
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	**2,180,411**	**2,174,258**
DT/CT	**Total debt / Total capitalization ratio**	**0.61**	**0.62**

Covenant 2	Minimum equity Greater than or equal to UF 15 million	March 31, 2016 ThCh$	December 31, 2015 ThCh$
P	Equity attributable to owners of the parent	820,392	790,649
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24.,970	24,970
P+I	**Equity (in ThCh$)**	**845,362**	**815,619**
UF	UF value	25,812.05	25,629.09
(I+P)/UF	**Equity (in UF millions)**	**32.75**	**31.82**

Test	Restricted payments test Funds from operations (FNO) / Financial costs > 1.5	March 31, 2016 ThCh$	December 31, 2015 ThCh$
FO	Cash flow from operations	200,996	178,989
CF	Financial costs	60,093	59,138
IG	Income tax expense	25,492	17,453
FNO=FO+CF+IG	**Funds from operations**	**286,581**	**255,580**
FNO/CF	**Funds from operations / Financial costs**	**4.77**	**4.32**

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

NOTE 20 - INCOME

20.1 Revenue

The following table details revenue for the three-month periods ended March 31, 2016 and 2015:

Revenue	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Revenues from regulated transmission services	34,931,699	57,092,132
Revenues from contractual transmission services	34,347,119	13,260,347
Leases revenue	50,499	177,676
Total revenues	**69,329,317**	**70,530,155**

20.2 Other operating income

The following table details operating income for the three -month periods ended March 31, 2016 and 2015:

Other operating income	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Financial income (Note 21,4)	2,296,747	1,692,316
Other gains (losses), net	1,086,175	3,737,012
Total other operating income	**3,382,922**	**5,429,328**

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the three-month periods ended March 31, 2016 and 2015:

Detail	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Personnel expenses	4,416,488	4,324,995
Operating expenses	3,428,911	3,507,944
Maintenance expenses	1,062,745	822,953
Depreciation and write-offs	12,601,448	12,985,451
Other	681,319	869,186
Total	**22,190,911**	**22,510,529**

21.2 Personnel expenses

As of March 31, 2016 and 2015, this account is detailed as follows:

Detail	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Salaries and wages	4,150,217	3,898,334
Short-term employee benefits	163,765	206,705
Staff severance indemnity	153,005	216,122
Other long-term benefits	278,692	336,492
Other personnel expenses	1,256,476	1,129,208
Expenses capitalized on construction in progress	(1,585,667)	(1,461,866)
Total	**4,416,488**	**4,324,995**

21.3 Depreciation and amortization

The following table details depreciation and amortization for the three-month periods ended March 31, 2016 and 2015:

Detail	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Depreciation	11,808,017	11,464,891
Amortization	211,101	157,603
Losses from damages	1,075,603	1,362,957
Reversal of provision for obsolescence	(493,273)	-
Total	**12,601,448**	**12,985,451**

21.4 Financial results

The Company's financial result for the three-month periods ended March 31, 2016 and 2015 is detailed as follows:

Detail	**March 31, 2016 ThCh$**	**March 31, 2015 ThCh$**
Financial income:	**2,296,747**	**1,692,316**
Commercial interest earned	34,931	69,439
Bank interest earned	232,856	372,835
Interest earned from related parties	2,028,960	1,250,042
Financial expenses:	**(15,538,778)**	**(14,583,707)**
Interest on bonds	(14,095,817)	(13,088,706)
Interest on bank loans	-	(98,472)
Commercial interest incurred	(60,951)	(218,562)
Interest rate Swap	(1,077,326)	(1,003,525)
Other expenses	(304,684)	(174,442)
Gain (loss) from indexation of UF	**(6,080,101)**	**194,229**
Foreign exchange gains (losses)	**57,641**	**(276,343)**
Positive	27,600,993	12,142,942
Negative	(27,543,352)	(12,419,285)
Total financial result, net	**(19,264,491)**	**(12,973,505)**

NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	**March 31, 2016 ThCh$**	**March 31, 2015 ThCh$**
Current tax expense	14,322	61,831
Current tax expense, net, total	**14,322**	**61,831**
Deferred tax expense relating to origination and reversal of temporary differences	7,001,879	9,841,260
Deferred tax expense, net, total	**7,001,879**	**9,841,260**
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	**7,016,201**	**9,903,091**

NOTE 22 - INCOME TAX RESULT (continued)

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 income statement for the periods 2016 and 2015:

Using Effective Rate	**March 31, 2016 ThCh$**	**March 31, 2015 ThCh$**
Tax expense at statutory rate	(6,950,422)	(8,726,205)
Price level restatement of equity	361,074	
Change in income tax rate, Tax Reform Law 20,780	(805,039)	(950,989)
Re-classification to Equity according to Bulletin N°856 of the SVS	-	39,253
Other differences increase (decrease)	378,186	(265,150)
Total adjustments to tax expense using statutory rate	**(65,779)**	**(1,176,886)**
Tax Expense at effective Rate	(7,016,201)	(9,903,091)

	March 31, 2016 ThCh$	**March 31, 2015 ThCh$**
Statutory Tax Rate	24%	22.50%
Price level restatement of equity	(1.25%)	-
Change in income tax rate, Tax Reform Law 20.780	2.78%	2.45%
Re-classification to Equity according to Bulletin N°856 of the SVS	-	(0.10%)
Other differences increase (decrease)	(1.31%)	0.68%
Adjustments to Statutory Tax Rate, Total	0.22%	3.03%
Effective Tax Rate	24.22%	25.53%

The tax rate used for the periods 2016 and 2015 reconciliations corresponds to 24% and 22.5%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations.

NOTE 22 - INCOME TAX RESULT (continued)

Tax Reform Chile

On September 29, 2014, the law N° 20,780 was published, named "Tax Reform which modifies the Tax System on the income and which introduces various adjustments on the Tax System."

Among the principal changes, the creation of two optional tax systems stand out: The Attributed Income System, which establishes the progressive increase of the tax rate of the first category for the commercial years 2014, 2015, 2016 and 2017 increasing to 21%, 22.5%, 24%, 25%, respectively; and in the partially integrated system, which establishes a progressive increase of the tax rate of the first category for the commercial years 2014, 2015, 2016, 2017 and 2018 increasing to 21%, 22.5%, 24%, 25.5% and 27% respectively.

In relation to deferred tax provisions the bulletin No. 856 of the SVS was considered, whereby the differences in deferred tax assets and liabilities arising as a direct effect of the increased tax rate of first category income tax, will have been recorded in the current year in equity. The amount recorded in equity corresponds to a charge amounting to ThCh$ 2,278,545 recorded at March 31, 2016.

NOTE 23 - EARNINGS PER SHARE

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

Basic Earnings per Share	March 31, 2016	March 31, 2015
Profit attributable to equity holders of parent (ThCh$)	21,943,889	28,880,042
Earnings available to common shareholders, basic (ThCh$)	21,943,889	28,880,042
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	21,944	28,880

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

NOTE 24 - SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

NOTE 24 - SEGMENT REPORTING (continued)

Information about products and services

	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Revenues from regulated transmission services	34,931,699	57,092,132
Revenues from contractual transmission services and others	34,397,618	13,438,023
Total revenues	**69,329,317**	**70,530,155**

Information about sales and principal customers

The Company has three customers that individually represent more than 10% of total revenues for the three - month ended on March 31, 2016. The amounts of revenues recognized from these customers were: ThCh$ M$35,791,191, ThCh$12,153,702 ThCh$11,424,787, respectively. For the three-month periods ended March 31, 2015 the Company had three customers that individually exceeded 10% of total revenues. The amounts of revenues recognized from these customers were: ThCh$ 32,052,743, ThCh$12,451,956 y ThCh$12,198,733, respectively.

NOTE 25 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

As of March 31, 2016, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$17,540,974 (ThCh$18,634,565 as of December 31, 2015). In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favor of the Company.

NOTE 26 - DISTRIBUTION OF PERSONNEL

As of March 31, 2016 and December31, 2015, personnel employed by Transelec S.A. are detailed as follows:

	March 31, 2016				
	Manager and Executives	**Professionals and technical personnel**	**Other employees**	**Total**	**Average of the year**
Total	15	348	131	494	492

	December 31, 2015				
	Manager and Executives	**Professionals and technical personnel**	**Other employees**	**Total**	**Average of the year**
Total	15	346	130	491	480.4

NOTE 27 - ENVIRONMENT

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

During for the three-month periods ended March 31, 2016 and 2015, the Company has not made the following environmental disbursements:

Company making disbursement	Project	March 31, 2016 ThCh$	March 31, 2015 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	154,875	130,886
Total		154,875	130,886

NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

			March 31, 2016		December 31, 2015	
Current Assets	Foreign Currency	Functional Currency	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$
Cash and cash equivalents	Dollars	CH$	308,942	-	23,776,117	-
	Chilean Pesos	CH$	24,865,110	-	349,522	-
	Other Currency	CH$	6,787	-	30,968	-
Trade and other receivables	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	28,933,411	21,683,958	26,972,371	22,902,513
	Other Currency	CH$	-	-	-	-
Receivables from related parties, Current	Dollars	CH$	1,922,163	-	-	-
	Chilean Pesos	CH$	25,609,149	-	12,936,861	-
	Other Currency	CH$	-	-	-	-

			March 31, 2016		December 31, 2015	
Current Liabilities	Foreign Currency	Functional Currency	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	11,082	4,115,194	10,744	2,045,790
	Chilean Pesos	CH$	6,822,905	172,060,560	22,795,182	171,833,044
	Other Currency	CH$	-	-	-	-
Trade payables and other payables	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	62,867,144	-	50,581,109	-
	Other Currency	CH$	-	-	-	-
Current provisions for employee benefits	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	3,227,014	-	6,761,681	-
	Other Currency	CH$	-	-	-	-

b) Non-Current assets and liabilities

Non-Current Assets	Foreign Currency	Functional Currency	March 31, 2016 1 to 3 year ThCh$	March 31, 2016 3 to 5 year ThCh$	March 31, 2016 More than 5 year ThCh$	December 31, 2015 1 to 3 year ThCh$	December 31, 2015 3 to 5 year ThCh$	December 31, 2015 More than 5 year ThCh$
Trade and other receivables	Dollar	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	1,399,164,652	-	-	1,378,500,777
	Other Currency	CH$	-	-	-	-	-	-
Deferred tax assets	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-

Non-Current Liabilities	Foreign Currency	Functional Currency	March 31, 2016 1 to 3 year ThCh$	March 31, 2016 3 to 5 year ThCh$	March 31, 2016 More than 5 year ThCh$	December 31, 2015 1 to 3 year ThCh$	December 31, 2015 3 to 5 year ThCh$	December 31, 2015 More than 5 year ThCh$
Other financial liabilities, non-current	Dollars	CH$	99,129	111,603	448,121,905	96,106	108,199	474,740,739
	Chilean Pesos	CH$	-	-	702,795,443	-	-	687,009,165
	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$	-	-	4,511,004	-	-	4,398,855
	Other Currency	CH$	-	-	-	-	-	-

NOTE 29 - SUBSEQUENT EVENTS

On April 26, 2016, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a final dividend with debit to 2015 income, in the amount of Ch$19,668,084,516, which will be paid as of May 25, 2016, to the shareholders listed in the respective registry as of May 18, 2016.

Between March 31, 2016, 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.

Reasoned Analysis of the Financial Statements

TRANSELEC S.A.

Santiago, Chile
March 31, 2016

SUMMARY

As of March 31, 2016, the Revenues remained similar to the same period of 2015, reaching MCh$69,329, showing a slight decrease of 1.7% compared to 2015 (MCh$70,530). When compared with 2015, Revenues in 2016 are affected by tariff, macroeconomic effects and new projects.

During the first quarter of 2016, Transelec S.A. obtained an EBITDA* of MCh$61,190, a 5.7% lower than the comparison period of 2015 (MCh$64,914), with an EBITDA Margin* of 88.3% (92.0% in 2015). This decrease is mainly due to a decline of MCh$2,651 in Other Income, lower Revenues (MCh$1,201) and an increase of MCh$224 in Fixed Costs associated to sales. All this was partially offset by lower Fixed Expenses associated with administration of MCh$226.

Net Income recorded by the Company as of March 31, 2016 was MCh$21,944, which is 24.0% lower respect to the comparison period (MCh$28,880). This decrease is mainly explained by higher losses in Non-Operating Income (96.8%) and lower Operating Income (1.8%), partially offset by lower Income Tax (29.2%).

The loss in Non-Operating Income as of March 31, 2016 was MCh$18,178, representing an increase of 96.8% compared to the same period of 2015 (MCh$9,236), mainly explained by losses for indexed assets and liabilities, which measures the inflation impact on the UF denominated debt of the Company of MCh$6,080, compared to a profit of MCh$194 at the same period in 2015, lower Other Income of MCh$1,086 compared to MCh$3,737 in the first quarter of 2015 and higher Financial Costs, which in March 2016 reached MCh$15,539, compared with the Financial Costs recorded as of March 31, 2015 were MCh$14,584. This is partly offset by financial income of MCh$2,297, at the same period of 2015 were MCh$1,692 and profits on foreing exchange differences of MCh$58 compared to the loss of MCh$276 in the same period 2015.

During the first quarter of 2016, the company incorporated US$47.1 million of new facilities, correspond to the commissioning of four trunk upgrade projects and also to a transmission assets acquisition from Enel Green Power.

Relevant events of the period:

- Transelec S.A.'s Board of Directors meeting held on March 9, 2016, agreed on requesting approval to the annual shareholders meeting (to be held on April 26) for the distribution of a final dividend for fiscal year 2015, for a total amount of MCh$19,668, to be paid on the terms and conditions to be agreed by them.

Transelec S.A. has prepared its financial statements as of March 31, 2016 according to International Financial Reporting Standards (IFRS), and taking into account the instructions and standards of financial reporting issued by the SVS, in particular Circular No. 856 (10/17/2014) which instructs a form of registration of differed taxes for audited companies by this Superintendency. Note 2.1 of the Financial Statements, from which this MD&A is part, accounts and describes this instruction. The figures in this MD&A are expressed in millions of Chilean pesos (MCh$), since Chilean Peso corresponds to the functional currency of Transelec S.A.

*EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization
**EBITDA Margin= EBITDA/Revenues

1. INCOME STATEMENT ANALYSIS

ITEMS	March 2016 MCh$	March 2015 MCh$	Variation 2016/2015 MCh$	Variation 2016/2015 %
Revenues	**69,329**	**70,530**	**-1,201**	**-1.7%**
Toll sales	68,077	69,079	-1,002	-1.5%
Services	1,252	1,451	-198	-13.7%
Costs of Sales	**-19,040**	**-18,914**	**-125**	**-0.7%**
Fixed Costs	-6,432	-6,208	-224	-3.6%
Depreciation	-12,608	-12,707	99	0.8%
Administrative Expenses	**-3,151**	**-3,596**	**445**	**12.4%**
Fixed Expenses	-3,092	-3,317	226	6.8%
Depreciation	-60	-279	219	78.6%
Operating Income	**47,138**	**48,020**	**-881**	**-1.8%**
Financial Income	2,297	1,692	604	35.7%
Financial Costs	-15,539	-14,584	-955	-6.5%
Foreign exchange differences	58	-276	334	N/A
Gain (loss) for indexed assets and liabilities	-6,080	194	-6,274	N/A
Other income (Losses)	1,086	3,737	-2,651	-70.9%
Non-Operating Income	**-18,178**	**-9,236**	**-8,942**	**-96.8%**
Income before Taxes	**28,960**	**38,783**	**-9,823**	**-25.3%**
Income Tax	-7,016	-9,903	2,887	29.2%
Net Income	**21,944**	**28,880**	**-6,936**	**-24.0%**
EBITDA*	**61,190**	**64,914**	**-3,850**	**-5.7%**
EBITDA Margin**	**88.3%**	**92.0%**		

*EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization
**EBITDA Margin= EBITDA/Revenues

a) Operating Income

During the first quarter of 2016, Revenues reached MCh$69,329 decreasing by 1.7% over the same period of 2015 (MCh$70,530). This decrease is mainly explained by lower income from Tolls sales, which as of March 31, 2016 reached MCh$68,077, an 1.5% lower than that obtained in the same period of 2015 (MCh$69,079). This decrease is due to MCh$2,013 lower revenues related to Subtransmission system, partially offset by MCh$721 higher revenues related to Transmission Solutions. Substransmission lower revenues are related to a lower demand in 2016 when comparing with first quarter 2015 (MCh$2,581). Transmission Solution's higher revenues are mainly related to macroeconomic effects (MCh$1,160). Trunk revenues, are almost flat, because the macroeconomic effect and revenues from new projects were offset by a decrease in tariffs and other effects. Additionally, Services Revenues reached MCh$1,252 as of March 31, 2016, a 13.7% lower than 2015 (MCh$1,451).

Company's Total Costs (Sales Costs + Administrative Expenses) as of March 31, 2016 were MCh$22,191 decreasing by 1.4% when comparing the first quarter of 2016 to the first quarter of 2015 which totaled MCh$22,511. The main items of Total Costs are shown below.

During this period, the Sales Costs reached MCh$19,040, a 0.7% higher than 2015 (MCh$18,914). These costs are mainly related to the maintenance and operation of the Company's facilities and, in percentage terms, 66.2% of the company's costs correspond to property, plant and equipment depreciation (67.2% in 2015) and the remaining 33.8% corresponds to personnel, supplies and contracted services (32.8% in 2015). As of March 2016, Fixed Costs were slightly higher than the costs reached in the same period in 2015 (3.6% increase), while the depreciation was 0.8% lower. The increase in Fixed Costs is mainly explained by higher costs from the Regulator entity (CDEC), higher costs from extraordinary maintenance and higher Telecommunications payments because on 2015 where a delay in contracts. This was partially offset by lower costs of programed maintenance, less insurance payment and less auxiliary services used.

Administrative Expenses amounted MCh$3,151 to March 2016, 12.4% lower than those obtained in the same period in 2015 (MCh$3,596). These expenses are formed in 98.1% by Fixed Expenses include staff costs and works, supplies and contracted services (92.2% in 2015) and depreciation 1.9% (7.8% in 2015). The decrease in administrative expenses is mainly due to lower computer expenses and lower Other Costs, both because the payments made in 2015 included services of prior years.

b) Non-Operating Income

The Non-Operating Income for the first three months of 2016 was a loss of MCh$18,178, a 96.8% higher than the same period of 2015, mainly explained by losses for indexed assets and liabilities and a drop in Other Income.

Losses for indexed assets and liabilities were MCh$6,080 in 2016, compared to a profit of MCh$158 in 2015. This is explained by a readjustment of local bonds in UF due to variation in the Unidad de Fomento (UF). For the first quarter of 2016 this variation corresponds to 0.71% compared with negative 0.02% for the first quarter of 2015, due to lower inflation in that period.

Gains by Other Income as of March 2016 were MCh$1,086, a 70.9% lower than the same period of 2015 (MCh$3,737). The difference is mainly explained by higher exceptional income due to reassessments and fines in favor to Transelec in 2015.

Financial costs recorded as of March 2016 amounted MCh$15,539, a 6.5% higher than the same period of 2015 (MCh$14,584). This increase is explained by the effect of a 12.6% depreciation of the Chilean peso (average exchange rate between periods), which implies higher interest paid on dollar bonds (MCh$607) and the effect of a CPI variation of 4.5% average which generated higher interest paid on UF bonds (MCh$438).

Financial Income as of March 2016 amounted MCh$2,297, a 35.7% higher than the same period of 2015 (MCh$1,692), this is mainly explained by higher accrued interest to related companies (Transelec Holding Rentas Ltda.) (MCh$779), partially offset by less bank interest income (MCh$136).

Foreign Exchange Differences as of March 2016 resulted in a gain of MCh$58, compared with a loss in the same period of 2015 by MCh$276. The losses at the beginning of 2015 are mainly explained by the negative impact of higher exchange rate on the Senior Notes bonds issued in July 2013 and July 2014 (MCh$12,051), offset by gains from Cross Currency Swap (MCh$7,022) and profit in dollar accounts receivables from related companies (MCh$4,442). As of March 2015, the positive impact of lower exchange rate in dollar bonds (MCh$ 26,756) were offset by losses from the Cross Currency Swap (MCh$14,876) and losses associated with accounts receivable dollar companies related (MCh$11,432).

c) Income tax

The income tax as of March 31, 2016 decreased by 29.2% compared to the same period of 2015, mainly due to a decrease of 25.3% of the base tax calculation and also by Restatement Capital due to the change in the CPI of 0.71% in the first three months of 2016, compared with negative 0.02% in the first three months of 2015.

2. BALANCE SHEET ANALYSIS

ITEMS	March 2016 MCh$	December 2015 MCh$	Variation 2016/2015 MCh$	Variation 2016/2015 %
Current assets	109,248	92,078	17,170	18.6%
Non-current assets	2,163,699	2,157,149	6,550	0.3%
Total Assets	**2,272,947**	**2,249,227**	**23,720**	**1.1%**
Current liabilities	252,824	257,921	-5,097	-2.0%
Non current liabilities	1,199,731	1,200,658	-927	-0.1%
Equity	820,392	790,649	29,743	3.8%
Total Liabilities & Equity	**2,272,947**	**2,249,227**	**23,720**	**1.1%**

The increase in the total assets between December 2015 and March 2016 is explained by an increase in current in non-current assets. The increase in current assets is mainly explained by a rise in accounts receivables from related entities due to short-term loans associated with advances for the next dividend and more cash and cash equivalents. The increase in non-current assets is mainly due to an increase in property, plant and equipment and also by an increase in intangible assets other than goodwill. This increase was partially offset by a decrease in long term accounts receivables from related entities mainly due to the exchange rate and a decrease in other financial assets mainly associated with the valuation of the Cross Currency Swap.

The decrease in total liabilities between December 2015 and March 2016 is explained by a decrease in current and non-current liabilities, notwithstanding the Equity of the company had an increase that offsets the decrease in liabilities and explains the increase in total liabilities and Equity. The decrease in current liabilities is explained by a decrease in other financial liabilities mainly due to lower exchange rate, lower current provisions for employee benefits for payment of bonus and vacation and lower non-financial liabilities, partly offset by an increase in accounts trade payables and other payables. The decrease in non-current liabilities is mainly due to a decrease in other financial liabilities mainly due to lower exchange rate, partly offset by an increase in deferred tax liabilities. The increase in equity is explained by higher retained earnings and an increase in other reserves.

VALUE OF THE MAIN PP&E IN OPERATION

ASSETS	March 2016 MCh$	December 2015 MCh$	Variation 2016/2015 MCh$	Variation 2016/2015 %
Land	20,630	20,630	0	0.0%
Building, Infraestucture, works in progress	1,105,132	1,080,462	24,670	2.3%
Work in progress	65,678	72,802	-7,124	-9.8%
Machinery and equipment	592,524	580,389	12,135	2.1%
Other fixed assets	6,612	5,530	1,082	19.6%
Depreciation (less)	-391,412	-381,313	-10,099	2.6%
Total	**1,399,165**	**1,378,501**	**20,664**	**1.5%**

CURRENT DEBT

					Amount in original currency (million) (unpaid capital)	
Debt	Currency or index	Interest rate	Type of rate	Maturity Date	March 2016	December 2015
Series C bond	UF	3.50%	Fixed	01-Sep-16	6.0	6.0
Series D bond	UF	4.25%	Fixed	15-Dec-27	13.5	13.5
Series H bond	UF	4.80%	Fixed	01-Aug-31	3.0	3.0
Series K bond	UF	4.60%	Fixed	01-Sep-31	1.6	1.6
Series M bond	UF	4.05%	Fixed	15-Jun-32	3.4	3.4
Series N bond	UF	3.95%	Fixed	15-Dec-38	3.0	3.0
Series Q bond	UF	3.95%	Fixed	15-Oct-42	3.1	3.1
Series Senior Notes bond	USD	4.625%	Fixed	26-Jul-23	300.0	300.0
Series Senior Notes bond	USD	4.25%	Fixed	14-Jan-25	375.0	375.0
Revolving Credit Facility*	USD	2.15%	Floating	15-Oct-17	-	-
Local Promissory Note**	CLP	3.80%	Fixed	02-Apr-16	16,000.0	16,000.0

*The floating rate of the Revolving credit facility breaks down in 3 months Libor rate plus a margin of 1.25%. At March 31, 2016, the Company did not utilize this line therefore does not pay interest of 2.15% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.
** Local Promissory Note maturity was extended for 3 months, with new maturity on July 2, 2016.

Although increases in inflation may have an impact on the costs of debt denominated in UF and therefore on the Company's finance expenses, these impacts are slightly lessened by accounts receivable denominated in UF.

3. MAIN CASH FLOWS DURING THE YEAR

ITEMS	March 2016 MM$	March 2015 MM$	Variation 2016/2015 MM$	Variation 2016/2015 %
Cash flows provided by (used in) operating activities	51,093	29,086	22,007	75.7%
Cash flows provided by (used in) investing activities	-49,921	-67,618	17,697	-26.2%
Cash flows provided by (used in) financing activities	-148	-139	-10	6.9%
Net increase (decrease) of cash and cash equivalent	**1,024**	**-38,670**	**39,695**	**-102.6%**
Cash and cash equivalent at the begining of the period	24,157	65,913	-41,756	-63.4%
Cash and cash equivalent at the end of the period	**25,181**	**27,243**	**-2,062**	**-7.6%**

As of March 31, 2016, cash flows provided by operating activities reached MCh$51,093, which represents an increase of 75.7% over the same period of 2015 (MCh$29,086), mainly explained by higher cash receipts from the sale of goods and provision services (MCh$19,008) associated with a higher exchange rate in 2016 and commissioning during 2015, and lower payments to suppliers for goods and services (MCh$4,992), partly offset by higher interest expenses (MCh$1,688).

During this period, cash flow used in investing activities reached MCh$49,921, a 26.2% lower than the amount used in the same period of 2015 (MCh$67,618), explained by lower cash flow used in loans to related entities (MCh$33,283), partially offset by higher cash flow used in purchases of property, plant and equipment (MCh$16,749).

The cash flows used in financing activities was MCh$148, virtually in line with the same period of 2015 (MCh$139).

In addition, the Company has secured the following fully available 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, DnB NOR,Citibank, JP Morgan Chase Bank and Export Development Canadá	US$250,000,000	15-Oct-17	Working Capital

4. INDICATORS

Covenants	Bonds	Limit	March 2016	December 2015
Capitalization Ratio*	All local Series	< 0.70	0.61	0.62
Shareholder's Equity* MMUF	C, D, H, K, M and N local Series	> 15.00	32.75	31.82
Shareholder's Equity* MCh$	Q local Series	> 350,000	845,362	815,618

Test	Bonds	Limit	March 2016	December 2015
Distribution Test**	C, D, H, K, M and N local Series	FNO***/Financial Expenses > 1,5	4.77	4.32

*Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and March 31, 2015 amounted to MCh$24.970.
**This is only a test to distribute restricted payments such as dividends.
*FNO= Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.

RATIOS		March 2016	December 2015	Variation 2016/2015
Profitability				
Shareholders' Equity profitability*	(%)	10.7%	10.6%	10 pbs
Assets profitability*	(%)	3.9%	3.7%	20 pbs
Operating assets profitability*	(%)	5.6%	5.4%	20 pbs
Earnings per share*	($)	87,776	83,628	5.0%
Liquidity & Indebtedness				
Current Ratio	(times)	0.43	0.36	19.4%
Acid-Test Ratio	(times)	0.43	0.36	21.1%
Debt to Equity	(times)	1.77	1.84	-3.8%
Short term debt	(%)	17.4%	17.7%	-30 pbs
Log term debt	(%)	82.6%	82.3%	30 pbs
Financial expenses coverage	(times)	3.92	4.04	-3.0%

*Figures as of March are annualized.

5. THE MARKET

Transelec S.A. develops 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 produce 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 this electricity. Finally, 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 companies' networks or of the large end users.

Transelec's business mainly focuses on tolls by use 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' Regions 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 the 81% of all of the 500 kV electricity transport lines, approximately 42% of the 220 kV lines, 86% of the 154 kV lines and 10% of the 110kV and 66kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) 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 on April 1, 2008, Law 20,701 (Procedure to grant Electrical Concessions) published on October 14, 2013, Law 20,698 (Contribute with the Generation mix expansion through Non-Conventional Renewable Energy) published on October 22, 2013, the Law 20,726 (that promote the interconnection of independents electrical systems) published on February 7, 2014 and Law N° 20.805 (Refines Bidding System of Power Supply for customers subject to price regulation), published on January 29, 2015. 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 that 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 related 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 establishes that the new payment regime for using trunk facilities would become effective as of March 13, 2004 and determines 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 14th, 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 allowed setting the tariffs and the corresponding indexation formulas for the period 2011 - 2014.

Decree No. 61, published on November 17, 2011 contains the tariffs that were retroactively applicate from January 1, 2011. During 2012 to 2014 the new tariffs have been applied and particularly the assessment process form 2011 was published in March and April for SING and SIC respectively. The SIC assessment for 2011 was modified in December 2012 according to the Expert Panel Report N°2-2012. According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 8T of April 22, 2015, the validity of the Decree No. 61/2011, which fixes the qualification of its trunk facilities and the tariffs, is extended until December 31, 2015, except for the values associated with Annual Value of Investment (AVI) of upgrade works.

During 2014 and 2015 were developed the third trunk facilities tariff process in order to determinate the tariffs and indexation formulas corresponding to the period 2016 - 2019, that were fixed by Decree N° 23T by the Minister of Energy on February 3, 2016 and its application is retroactive from January 1, 2016.

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. The new tariffs began to be applied on January 14th, 2009 and were in effect until December 31, 2010. On April 9, 2013, the Supreme Decree No. 14 was published by the Ministry of Energy, setting subtransmission tariffs from January 2011 to December 2014. The difference between invoiced amounts using these provisional tariffs since January 2011 until the publishing date of this decree were reassessed by the CDEC based on the difference between the provisional tariff and the definitive values established by Decree No. 14. According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 7T of April 22, 2015, the validity of the Decree No. 121/2010, which fixes the tariffs of subtransmission facilities, and of the Exempt Decree No. 14/2013, which fixes the qualification of subtransmission facilities, is extended until December 31, 2015, except for the values associated with Annual Value of Investment (AVI) of upgrade works.

The new Subtransmission Systems Studies that will set the basis for determining the tariffs and indexation formulas corresponding to the period 2016 - 2018 were finished during December 2014. These tariffs are expected to be published by Decree of the Minister of Energy during 2016.

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 use ways of rights or national public goods in its layout and have available technical capacity.

On August 7, 2015, the Law Project corresponding to Bulletin No. 10240-08 entered the Chamber of Deputies, amending the General Law of Electrical Services in electric transmission matters and creates an independent coordinator of the National Electric System body. In matters of power transmission, the bill redefines transmission systems classifying them into five segments: National Transmission System (now trunk), the Zonal Transmission Systems (currently subtransmission), Dedicated Systems (currently additional transmission), and Systems for Development Poles and International Interconnection Systems. It addresses the transmission planning with a long-term horizon. It regulates the pricing of national, zonal, for development poles systems and payment for use of transmission facilities dedicated by users subject to price regulation. Prices are determined by the Commission every four years through a process that includes the participation of companies of the industry, users & interested institutions and the Panel of Experts in the event of any discrepancies. Efficient pricing recognizes the acquisition and installation costs according to market prices, which are annualized considering a useful life determined every three tariff periods and a variable rate of discount. The owners of regulated transmission facilities must receive the annual transmission value from the sum of the actual tariff revenues and a single charge associated with each segment and applied directly to end users.

The Bill of Law should be approve during 2016.

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 general basis of the environment (‘Environmental Law’), enacted in 1994 and modified through the Law No. 20.417 published in the Official Gazette on January 26, 2010. This modification considered an institutional change, creating new institutions with environmental competencies: (i) the Ministry of Environmental Affairs; (ii) the Minister Council for Sustainability; (iii) the Environmental Assessment Service; and (iv) the Superintendence of Environmental Affairs; these institutions are in charge of the regulation, evaluation and inspection of the activities that are likely to generate environmental impacts. Afterwards, the Law No. 20.600 was published on June 28, 2012, creating the Environmental Courts, whose function is to resolve environmental disputes within its jurisdiction. This institutional specialization generates a scenario of greater control and supervision in the Company’s actions.

The Environmental Impact Assessment System (SEIA) Bylaw, modified through the Supreme Decree No. 40/2012, has introduced changes in the assessment process of the projects, implying the adaption of the formulation of these projects to the new scenario, mainly regarding the level of details in its description, analysis of alternatives and the impacts assessment.

Furthermore, the enactment of the Supreme Decree No. 66/2013 of the Minister of Social Development, which regulates the indigenous consultation procedure for the Chilean State and the participation and consultation indigenous procedure considered in the Supreme Decree No. 40/2012 for the investment projects in the Environmental Impact Assessment System, has generated a new scenario of high uncertainty, generating indigenous consulting processes of relative effectiveness, implying delays in the management of projects and even the prosecution of some environmental authorizations.

On the other hand, investment projects in Chile are facing a more informed and organized citizenry, therefore, the challenge is to formulate projects that include people’s concerns and proposals of the community through participatory and informational processes a in an early stage pre environmental project processing. The risk of not considering the citizenry in this early stage, results in a greater complexity scenario regarding the environmental approval and the prosecution of environmental licenses.

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 cost and availability of funding. 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 significant technological advance in the equipment that are part of Transelec’ facilities could lower this valuation, which would prevent partial recovery of the investments made.

6.6. Foreign Exchange Risk

The following factors expose Transelec to foreign exchange risk (since Chilean peso is the functional currency):

- Transelec carries out several types of transactions in U.S. dollars (construction contracts, import purchases, etc.).
- Maintains accounts receivables in UF and US dollars.
- Maintains a Cross Currency Swap contract that compensates the risks of exchange rates on the last international issuance, amounting to a notional amount equivalent to US$375 million.
- Maintains lease contracts that generate income indexed to US dollars.

Exchange rate exposure is managed using a policy that involves:

a) fully hedging the Company’s net balance sheet exposure using diverse instruments such as foreign exchange forward contracts and cross currency swaps.

The following table details the amounts of monetary assets and liabilities denominated into dollar and Chilean pesos in the periods indicated below:

	March 2016		December 2015	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	450,976	450,466	499,757	482,980
Dollar (amounts associated with income statement items)	-	-	-	-
Chilean peso	1,821,971	1,822,481	1,711,623	1,728,400

EXCHANGE RATES (Observed exchange rates)

MONTH	Average 2016 ($)	Last Day 2016 ($)	Average 2015 ($)	Last Day 2015 ($)
January	721.95	710.37	620.91	632.03
February	704.08	694.17	623.62	618.76
March	682.07	669.80	628.50	626.58
Average of the period	**702.70**	**691.45**	**624.34**	**625.79**

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.

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 of receivables from clients, which explain the fact of not having significant accumulated amounts.

As of March 31, 2016, the company has four main clients which represent individually between 23.3 and 51.7% of the total revenues. These are Endesa Group (MCh$35,791), Colbún Group (MCh$12.154), AES Gener Group (MCh$11,425), Pacific Hydro-LH-LC Group (MCh$3,218) and E-CL Group (MCh$4,313). The total revenues recognized for these clients represent a 93.8% of the total revenues of the company. In the period of comparison, the company had the same structure of clients which revenues reached to MCh$32,053, MCh$12,154, MCh$12,199, MCh$2,223 and MCh$2,498 respectively, with a percentage of the total incomes of 76.2%.

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

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 associated to Company's Management

In order to guarantee that Transelec is able to quickly react financially 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$159,760. 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. Additionally, this line was renegotiated and extended on October 15, 2014 until October 15, 2017. This time, the bank syndicate was formed by the following banks: Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR, Citibank, JP Morgan Chase Bank and Export Development Canada. In that renovation, has been improved:

(i) the costs not committed (Commitment Fee) from 0.6% to 0.4375%,
(ii) the margin or spread for use from 2.35% to 1.25% by withdrawn amount and
(iii) other restrictions clauses that resulted more favorable to Transelec.

The Company is exposed to risks associated with indebtedness, including refinancing risk when its debt matures. These risks are mitigated by using long-term debt and appropriately structuring maturities over time.

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of March 31, 2016 and December 31, 2015.

Debt Maturity (capital and interests) MCh$	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
March 31, 2016	223,726	99,708	99,708	667,477	887,723	1,978,342
December 31, 2015	226,265	101,691	101,691	708,219	884,187	2,022,053

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period.

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies, owners of generation facilities.

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

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.

All the debt as of March 31, 2016, and as of December 31, 2015, was at a fixed rate. However, in the case of UF indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

UF Values

MONTH	Average 2016 ($)	Last Day 2016 ($)	Average 2015 ($)	Last Day 2015 ($)
January	25,629.09	25,629.09	24,601.14	24,557.15
February	25,661.05	25,717.40	24,538.61	24,545.23
March	25,772.43	25,812.05	24,577.93	24,622.78
Average of the period	**25,687.52**	**25,719.51**	**24,572.56**	**24,575.05**

Subsequent events:

- On April 2, 2016 Local Promissory Note maturity with Banco Estado was renegotiated, extending by three months. Its new maturity is on July 2, 2016.

- On April 26, 2016 an Ordinary Shareholders Meeting was held, in which the distribution of a final dividend for 2015 was approved, for a total amount of MCh$19,668, to be paid on May 25, 2016.

CONSOLIDATED MATERIAL FACTS

TRANSELEC S.A.

1) On March 10, 2016 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 March 9, 2016, agreed on informing as a material fact the calling for the annual Shareholders Meeting to be held on April 26, 2016, 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, 2015.

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 2015, for a total amount of $19.668.084.516, to be paid on the terms and conditions to be agreed by them.

3. Appointment of the Board of Directors members.

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