Interim Financial Statements

TRANSELEC S.A.

Santiago, Chile
March 31, 2017

Interim Financial Statements

TRANSELEC S.A.

March 31, 2017

(Translation of the Financial Statements originally issued in Spanish)

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

INDEX

		Page
Interim Consolidated Statements of Financial Positio		3
Interim Consolidated Statements of Comprehensive Income By Function		5
Interim Consolidated Statements of Changes In Equity		7
Interim Consolidated Statement of Cash Flows		8
Notes to the Interim Consolidated Financial Statements		9
NOTE 1 - GENERAL INFORMATION		9
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES		10
2.1	Basis of preparation of the financial statements	10
2.2	New standards and interpretations accounting	11
2.2	New standard and interpretations accounting (continued)	12
2.3	Foreign currency translation	14
2.4	Segments reporting	15
2.5	Property, plant and equipment	15
2.6	Intangible assets	16
2.7	Impairment of non-financial assets	17
2.8	Financial assets	18
2.9	Financial instruments and hedge activities	19
2.10	Inventory	21
2.11	Cash and cash equivalents	21
2.12	Paid-in capital	21
2.13	Financial liabilities	21
2.14	Income tax and deferred taxes	21
2.15	Employee benefits	22
2.16	Provisions	23
2.17	Classification of current and non-current balances	23
2.18	Revenue recognition	23
2.19	Leases	24
2.20	Distribution of dividends	25
NOTE 3 - RISK MANAGEMENT POLICY		25
3.1	Financial risk	25
NOTE 4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT		33
NOTE 5 - CASH AND CASH EQUIVALENTS		33
NOTE 6 - TRADE AND OTHER RECEIVABLES		34
NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES		36
7.1	Balances and transactions with related parties	36
7.2	Board of Directors and management	38
7.3	Board expenses	38
7.4	Audit committee	38
7.5	Compensation of key management that are not Directors	39
NOTE 8 - INVENTORY		40
NOTE 9 - OTHER FINANCIAL ASSETS, LEASES		40
9.1	Finance lease receivables	40
9.2	Operating leases payable	41

NOTE 10 - INTANGIBLE ASSETS 42
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT 44
11.1 Detail of accounts 44
11.2 Reconciliation of changes in property, plant and equipment 45
11.3 Additional information on property, plant and equipment 45
NOTE 12 - DEFERRED TAXES 46
12.1 Detail of deferred tax assets and liabilities 46
12.2 Deferred tax movements in statement of financial position 47
NOTE 13 - FINANCIAL LIABILITIES 47
13.1 Other financial liabilities 47
13.2 Detail of other financial liabilities 48
13.3 Other aspects 52
NOTE 14 - TRADE AND OTHER PAYABLES 52
NOTE 15 - DERIVATIVE INSTRUMENTS 52
15.1 Hedge assets and liabilities 53
15.2 Other Information 53
15.3 Fair value hierarchies 54
NOTE 16 - FINANCIAL INSTRUMENTS 55
NOTE 17 - PROVISIONS 57
17.1 Detail of provisions 57
17.2 Provision movements 57
17.3 Lawsuits and arbitration proceedings 59
NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS 61
18.1 Detail of account 61
18.2 Detail of post-employment and other similar obligations 61
18.3 Balance of post-employment and other similar obligations 61
18.4 Expenses recognized in income statement 62
18.5 Actuarial hypothesis 62
18.6 Sensitivity analysis 63
NOTE 19 - EQUITY 64
19.1 Subscribed and paid capital 64
19.2 Number of subscribed and paid shares 64
19.3 Dividends 64
19.4 Other reserves 65
19.5 Capital management 66
NOTE 20 - INCOME 68
20.1 Revenue 68
20.2 Other operating income 68
NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS 68
21.1 Expenses by nature 68
21.2 Personnel expenses 69
21.3 Depreciation and amortization 69
21.4 Financial results 70
NOTE 22 - INCOME TAX RESULT 71
NOTE 23 - EARNINGS PER SHARE 72
NOTE 24 - SEGMENT REPORTING 73
NOTE 25 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS 74
NOTE 26 - DISTRIBUTION OF PERSONNEL 74

NOTE 27 - ENVIRONMENT 75
NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY 76
NOTE 29 - SUBSEQUENT EVENTS 78

Interim Financial Statements

TRANSELEC S.A.

March 31, 2017

TRANSELEC S.A.

Interim Statements of Financial Position
As of March 31, 2017 and December 2016
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	March 31, 2017 (Unaudited) ThCh$	December 31, 2016 (Audited) ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	40,242,842	54,646,538
Other financial assets	(9)	793,086	777,358
Other non-financial assets		3,139,586	2,006,941
Trade and other receivables	(6)	43,202,836	55,684,753
Receivables from related parties	(7)	40,091,354	11,584,175
Inventory	(8)	19,732	19,732
Total current assets		127,489,436	124,719,497
NON-CURRENT ASSETS			
Other financial assets	(9)	11,676,000	15.333.394
Other non-financial assets		10,422,634	10.461.098
Investments accounted for using the equity method		8,727,880	-
Receivables from related parties	(7)	193,009,321	194.530.954
Intangible assets other than goodwill	(10)	180,255,788	177.888.881
Goodwill	(10)	342,651,175	342.651.175
Property, plant and equipment	(11)	1,445,917,539	1.441.237.252
Total non-current assets		2,192,660,337	2,182,102,754
Total Assets		2,320,149,773	2,306,822,251

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

TRANSELEC S.A.

Interim Statements of Financial Position
As of March 31, 2017 and December 2016
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	Note	March 31, 2017 (Unaudited) ThCh$	December 31, 2016 (Audited) ThCh$
CURRENT LIABILITIES			
Other financial liabilities	(13)	16,653,242	31,825,802
Trade and other payables	(14)	46,529,032	52,161,110
Current provisions for employee benefits	(17)	2,934,726	6,180,911
Current tax liabilities		162,296	136,728
Other non-financial liabilities		3,669,062	1,948,370
Total current liabilities		69,948,358	92,252,921
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	1,397,493,252	1,383,645,992
Deferred tax liabilities	(12)	52,538,972	47,566,763
Non-current provisions for employee benefits	(17)	4,533,592	4,533,592
Other non-financial liabilities		6,242,902	6,342,295
Total non-current liabilities		1,460,808,718	1,442,088,642
Total liabilities		1,530,757,076	1,534,341,563
EQUITY			
Paid-in capital	(19)	776,355,048	776,355,048
Retained earnings		41,007,048	19,757,325
Other reserves	(19)	(27,969,399)	(23,631,685)
Total equity attributable to owners of the parent		789,392,697	772,480,688
Non-controlling interest		-	-
Total equity		789,392,697	772,480,688
Total Equity and Liabilities		2,320,149,773	2,306,822,251

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, 2017 and 2016
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	March 31, 2017 (Unaudited) ThCh$	March 31, 2016 (Unaudited) ThCh$
Statement of comprehensive income by function			
Operating revenues	(20)	67,587,974	69,329,317
Cost of sales	(21)	(17,838,871)	(19,039,602)
GROSS MARGIN		**49,749,103**	**50,289,715**
Administrative expenses	(21)	(4,995,340)	(3,151,309)
Other gains (losses), net	(20)	728,153	1,086,175
Financial income	(20)	2,321,157	2,296,747
Financial expenses	(21)	(16,701,607)	(15,538,778)
Foreign exchange differences, net	(21)	132,197	57,641
Gain (loss) for indexed assets and liabilities	(21)	(3,381,803)	(6,080,101)
Profit Before Income Taxes		**27,851,860**	**28,960,090**
Income tax expense	(22)	(6,602,137)	(7,016,201)
Profit from continuing operations		21,249,723	21,943,889
Profit (loss) from discontinued operations		-	-
Profit (loss)		**21,249,723**	**21,943,889**
PROFIT (LOSS) ATTRIBUTABLE TO:			
Profit attributable to owners of the parent		21,249,723	21,493,889
Profit (loss) attributable to non – controlling interest		-	-
PROFIT		**21,249,723**	**21,943,889**
EARNINGS PER SHARE			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations	(23)	21,250	21,944
Basic earnings (loss) per share/diluted from discontinued operations		-	-
Basic earnings per share/diluted	(23)	21,250	21,944

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, 2017 and 2016
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	March 31, 2017 (Unaudited) ThCh$	March 31, 2016 (Unaudited) ThCh$
PROFIT (LOSS)	**21,249,723**	**21,943,889**
Components of other comprehensive income, before taxes		
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	(492,452)	(401,393)
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	(5,449,622)	11,085,478
Income taxes related to components of other comprehensive income		
Income taxes related to components of net investment hedge	132,962	108,376
Income taxes related to components of cash flow hedge	1,471,398	(2,993,079)
Other comprehensive income	(4,337,714)	7,799,382
Total comprehensive income	**16,912,009**	**29,743,271**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	16,912,009	29,743,271
Comprehensive income attributable to non-controlling interest	-	-
Total comprehensive income	**16,912,009**	**29,743,271**

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

TRANSELEC S.A.

Interim Consolidated Statement of Changes in Equity
For the three-month periods ended March 31, 2017 and 2016
(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, 2017	776,355,048	3,309,179	(26,626,110)	(314,754)	(23,631,685)	19,757,325	772,480,688	-	772,480,688
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	21,249,723	21,249,723	-	21,249,723
Other comprehensive income	-	(359,490)	(3,978,224)	-	(4,337,714)	-	(4,337,714)	-	(4,337,714)
Total comprehensive income		(359,490)	(3,978,224)	-	(4,337,714)	21,249,723	16,912,009	-	16,912,009
Dividends	-	-	-	-	-	-	-	-	-
Total changes in equity	-	(359,490)	(3,978,224)	-	(4,337,714)	21,249,723	16,912,009	-	16,912,009
Closing balance as of March 31, 2017 (Note 19)	776,355,048	2,949,689	(30,604,334)	(314,754)	(27,969,399)	41,007,048	789,392,697	-	789,392,697

	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, 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

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, 2017 and 2016
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	March 31, 2017 (Unaudited) ThCh$	March 31, 2016 (Unaudited) ThCh$
Cash flows provided by (used in) operating activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	109,120,956	106,547,730
Other proceeds from operating activities	10,331	273,556
Proceeds from interest received	338,763	231,918
Classes of payments		
Payments to suppliers for goods and services	(33,394,045)	(31,507,885)
Other payments for operating activities	(15,471)	(370,772)
Payments to employees	(5,600,222)	(5,699,449
Interest paid	(21,578,648)	(18,382,098)
Net cash flows provided by operating activities	**48,881,664**	**51,093,000**
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	(8,727,880)	-
Additions of property, plant and equipment	28,016,867)	(38,056,028)
Amounts from the sale of property, plant and equipment	-	762,642
Loans to related parties	(26,540,613)	(12,644,751)
Receivables from related parties	-	17,474
Net cash flows used in investing activities	**(63,285,360)**	**(49,920,663)**
Cash Flows Provided by (Used in) Financing Activities		
Other expenses	-	(148,105)
Net cash flows used in financing activities	-	**(148,105)**
Net Increase (Decrease) in Cash and Cash Equivalents	(14,403,696)	1,024,232
Cash and Cash Equivalents, at the beginning of the year (Note 5)	54,646,538	24,156,607
Cash and Cash Equivalents, at the ending of the year (Note 5)	**40,242,842**	**25,180,839**

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 its 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 S.A. and subsidiaries became individual financial statements.

On March 31, 2017 Transelec S.A acquired total of shares of the company Transmisión del Melado S.P.A.

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 Transmission Holdings S.L. The Financial Statements of the Company for the year ended December 31, 2016, were approved by the board at its meeting held on March 01, 2017, and subsequently approved by the Ordinary Shareholders' Meeting dated April 27, 2017. These Interim Financial Statements were approved by the Board of Directors in Ordinary Meeting No. 152 held on May 17, 2017.

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, 2017 and applied uniformly for the periods presented.

2.1 Basis of preparation of the financial statements

The Superintendency of Securities and Insurance (from the Spanish, Superintendencia de Valores y Seguros, SVS) in its Circular Letter No. 856 of October 17, 2014, instructs the audited entities to record against equity in the respective financial year the differences in assets and liabilities for the concept of deferred taxes produced as the direct effect of the increase of the first category tax rate introduced by Law 20,780 and the specific Standards set by the SVS, changing the framework for the preparation and the presentation of financial reporting adopted up to that date.

According to what is established in paragraph 4A of IFRS 1, Transelec S.A. retrospectively adopted the IFRS, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" as if the application of those IFRS had never been discontinued. This application does not modify any account presented in the current financial statements. Therefore, they have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking into account the presentation regulations of the SVS, which are not in conflict 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.

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 Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2016, except for the adoption of new standards and interpretations in effect as of January 1, 2017, which did not materially affect the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

	New Standards	Date of obligatory application
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2017
IAS 7	Statement of Cash Flows	January 1, 2017
IAS 12	Income Taxes	January 1, 2017

2.2 New standards and interpretations accounting

Below is a summary of new standards and amendments to IFRS that are not yet effective as of December 31, 2016:

	New Standards	Date of obligatory application
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 New standard and interpretations accounting (continued)

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

Interpretation of IFRIC 22: Foreign Currency Transactions and Advance Consideration

This interpretation addresses the way to determine the date of transaction in order to establish the exchange rate to be used in the initial recognition of a related asset, expense or revenue, (or the corresponding part of them) in the derecognition from an account of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in foreign currency. For these purposes, the date of transaction corresponds to the moment an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity will determine a date of transaction for each payment or receipt of the advance consideration.

This interpretation will be applied in annual periods beginning on January 1, 2018. Its earlier application is permitted. If an entity applies this interpretation in prior periods, it will disclose this fact.

To date, the Company is evaluating the effects this amendment could generate.

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.

Enhancements and Modifications

	Enhancements and Modifications	Date of obligatory application
IFRS 1	First-time Adoption of International Financial Reporting Standars	January 1, 2018
IFRS 2	Share Based Payment	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IAS 28	Investments in associates and joint ventures	January 1, 2018
IAS 40	Investment Property	January 1, 2018
IFRS 10	Consolidated financial statements	TBD

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 New standard and interpretations accounting (continued)

IFRS 1 "First-time Adoption of International Financial Reporting Standars"

The amendment to IFRS 1 eliminates the transitional exceptions included in Appendix E (E3-E7).

IFRS 2 "Share Based Payments"

In June 2016 the IASB issued amendments to IFRS 2 share-based payments, the amendments address the following areas: a) compliance conditions when share-based payments are settled in cash, b) classification of payment transactions based on shares, net of withholding income tax, c) accounting changes made to the contracts terms to modify the classification of cash-settled or equity settlement payments. It is not required to apply the amendment retrospectively, but it is allowed to adopt voluntarily to record retrospective movements. Early adoption is permitted.

The Company is evaluating the impacts that could generate such amendment.

IFRS 4 "Insurance Contracts"

The amendments address concerns related to the application of new pronouncements included in IFRS, before implementing new insurance contracts. The amendments introduce the following two options for those entities that issue insurance contracts: a) the temporary and optional exemptions from the application of IFRS 9, which will be available for entities whose activities, are predominantly connected with insurance. The exception will allow entities to continue to apply IAS 39 Financial Instruments, Recognition and Measurement, until 1 January 2021. b) the overlay approach, which is an option available to entities adopting IFRS 9 and issue insurance contracts, to adjust the gains or losses for certain financial assets; adjustment eliminates the volatility in valuation of financial instruments that may arise from the application of IFRS 9, allowing reclassify these effects of the profit to other comprehensive come.

The Company is evaluating the impacts that could generate such amendment.

IAS 28 "Investments in associates and joint ventures"

The amendment clarifies that an entity that is a venture capital organization, or any other entity that qualifies, may elect, at the initial recognition, to value its investments in associates and joint ventures at fair value with changes in income. If an entity that is a non-investment entity by itself has interest in an associate or joint venture that is an investment entity, it may elect to keep the measure at fair value applied to its associate. The amendments must be applied retrospectively and they are effective from January 1, 2018. Their early application is permitted.

The Company is evaluating the effects this amendment could generate.

IAS 40 "Investment Property"

The amendments clarify the period when an entity must reclassify assets—including assets under construction or development—into investment assets, indicating that the reclassification must be performed when the property complies or stops complying with the definition of investment property and there is evidence of this change in the

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 New standard and interpretations accounting (continued)

use of the asset. A change in the intentions of the management for the use of a property does not provide any evidence of a change in use. The amendments must be applied retrospectively and they are effective from January 1, 2018. Their early application is permitted.

The Company is evaluating the effects these amendments could generate.

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.

2.3 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 Foreign currency translation (continued)

2.3.3 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, 2017	December 31, 2016
Unidad de Fomento	26,471.94	26,347.98
US$	663.97	669.47
Euro	709.37	705.60

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 existences 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.6.3 Computer software (Continued)

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.

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.

As of March 31, there were no signs of impairment; however, there were losses due to withdrawals during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.8 Financial assets (Continued)

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).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.9 Financial instruments and hedge activities (continued)

2.9.1 Fair value hedges (Continued)

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)”.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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 taxable profits sufficient enough against which the deductible temporary differences and the carry forward of unused tax credit can be utilized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.14 Income tax and deferred taxes (Continued)

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

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

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

2.15 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.15 Employee benefits (Continued)

2.15.2 Profit sharing (Continued)

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 of agreement to IAS 19.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.18 Revenue recognition (Continued)

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.19 Leases (continued)

2.19.2 The Company as lessee (continued)

Finance leases in which 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.

As of March 31, 2016, the company does not have leases where it acts as a lessee.

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.

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (Continued)

3.1.1 Market risk (Continued)

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.

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

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, 2017 and December 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, 2017	December 31, 2016
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
Senior Notes	USD	3.875%	Fixed	350,000	350,000
Revolving Credit Facility	USD	2.4%	Floating (*)	-	-

(*) The floating rate of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At March 31, 2017, the Company did not utilize this line therefore does not pay interest of 2.4% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

Even if an increase in inflation rates could impact the costs of debt denominated in UF, and therefore the Company's finance expenses, these impacts are partly mitigated by accounts receivable denominated in UF. The following shows the effects of UF-indexed debt on the company's financial result.

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

	Position	Effect annual on income (ThCh$)		
Series	**Long/ (Short)**	**Inflation (3%)**	**Inflation (4%)**	**Inflation (2%)**
Bono D	(13,367,357)	(19,013)	(23,323)	(16,836)
Bono H	(3,001,024)	(4,269)	(5,236)	(3,780)
Bono K	(1,598,622)	(2,274)	(2,789)	(2,014)
Bono M	(1,465,605)	(2,085)	(2,557)	(1,846)
Bono M1	(1,852,330)	(2,635)	(3,232)	(2,333)
Bono N	(2,859,685)	(4,067)	(4,989)	(3,602)
Bono Q	(3,071,194)	(4,368)	(5,359)	(3,868)
Total	**(27,215,817)**	**(38,711)**	**(47,485)**	**(34,279)**

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

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.
- Transelec maintains Cross Currency Swap contracts, which offset exchange rate risks of international emissions made in 2014 and 2016, for notional amounts equivalent to USD 375.000.000 and USD 350.000.000, respectively (Long-term position).
- Maintains lease contracts that generate income indexed to US dollars.

Exchange rate exposure is managed using an approved policy by senior management 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, 2017 MCh$	December 31, 2016 MCh$	March 31, 2017 MCh$	December 31, 2016 MCh$
U.S. dollar (amounts associated with balance sheet items)	679,318	691,075	678,495	499,757
Chilean peso	1,634,776	1,733,231	1,635,599	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.

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

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.

	Position MCh$	Net income (gain)/loss MCh$		Position MCh$	OCI (gain)/loss MCh$	
Item (Currency)	**Long /(Short)**	**Change (-10%)**	**Change (+10%)**	**Long /(Short)**	**Change (-10%)**	**Change (+10%)**
Cash (US$)	4,876	(8)	8	-	-	-
Leasing (US$)	12,454	(21)	21	-	-	-
Senior Notes (US$)	(676,440)	1,132	(1,132)	-	-	-
Financial instrument swap	472,222	(790)	790	(478,019)	800	(800)
Intercompany loan (US$)	188,943	(316)	316	-	-	-
Other (US$)	(2,682)	4	(4)	-	-	-
Total	(627)	1	(1)	(478,019)	800	(800)

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.

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (continued)

3.1.2 Credit risk (continued)

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

Revenues	For the year ended March 31, 2017 ThCh$	For the year ended March 31, 2016 ThCh$
Endesa Group	27,928,139	35,791,191
Colbún Group	12,761,590	12,153,702
AES Gener Group	11,423,913	11,424,787
Engie (E-CL) Group	3,242,538	2,163,314
Pacific Hydro-LH-LC Group	1,772,977	3,217,600
Others	10,458,817	4,578,723
Total	**67,587,974**	**69,329,317**
% of concentration of 5 top customers	**84.53%**	**93.40%**

Tolls and tariff revenues that these companies must pay to use the transmission system will generate significant future cash flows of Transelec and a substantial change in their assets, financial conditions and / or results of operations could adversely affect the Company.

Regarding the credit risks associated with financial assets of the Company other than accounts receivable (time deposits, mutual funds, bonds, covenants, active position derivative), the policy of the Treasury establishes limits on exposure to a particular institution, and this limit depends on the risk classification and capital of each institution. Additionally, in the case of investments in mutual funds, only the ones having risk classification 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$167.368 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, with a bank syndicate formed by the following banks: Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR, Citibank, JP Morgan Chase Bank and Export Development Canada. Upon renewal the improved following conditions were agreed upon: (i) commissions payable on committed unused amounts (Commitment Fee) from 0.6% to 0.4375%, (ii) the margin or spread over used amounts from 2.35% to 1.25% and (iii) other restrictions clauses more favorable to Transelec.

NOTE 3 - RISK MANAGEMENT POLICY (CONTINUED)

3.1 Financial risk (continued)

3.1.3 Liquidity risk (continued)

a) Risk associated to Company's management (continued)

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, 2017 and December 31, 2016.

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, 2017	59,449,393	118,898,787	118,898,787	692,018,630	1,130,168,056	2,119,433,653
December 31, 2016	59,544,433	119,088,866	119,088,866	705,743,208	1,135,495,931	2,138,961,304

The maturity of derivatives is presented Note 15.3.

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

According to Decree N°4/20,018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period.

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

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

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 an 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.
- Deferred tax assets.

Although the estimates mentioned above were made according to the best information available at the date of issuance of these Financial Statements, it is possible that future events oblige to modify them (upside or downside) in further periods, those modifications to each estimate will be recorded prospectively and recognized on those respective Financial Statements.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of March 31, 2017 and December 31, 2016, this account is detailed as follows:

	Balance as of	
Cash and Cash Equivalents	**March 31, 2017 ThCh$**	**December 31, 2016 ThCh$**
Bank and cash balances	725,219	2,872,345
Short-term deposits	4,531,132	12,553,606
Reverse repurchase agreements and mutual funds	34,986,491	39,220,587
Total	40,242,842	54,646,538

Cash and cash equivalents included in the statement of financial position as of March 31, 2017 and December 31, 2016 does not differ from those presented in the statement of cash flows.

NOTE 5 - CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2017 ThCh$	Balance as of December 31, 2016 ThCh$
Amount of cash and cash equivalents	U.S. dollars	4,866,384	12,852,827
Amount of cash and cash equivalents	Euros	10,376	12,871
Amount of cash and cash equivalents	Chilean pesos	35,366,082	41,780,840
Total		40,242,842	54,646,538

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, 2017 and December 31, 2016, this account is detailed as follows:

Item	Balance as of March 31, 2017 ThCh$	Balance as of December 31, 2016 ThCh$
Trade receivables	44,314,370	56,858,892
Miscellaneous receivables	280,849	218,244
Total trade and other receivables	**44,595,219**	**57,077,136**
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	**43,202,836**	**55,684,753**

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, 2017 and December 31, 2016, the aging of trade and other receivables is as follows:

	Balance as of	
	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Maturing in less than 30 days	27,744,460	29,018,377
Maturing in more than 30 days up to 1 year	15,458,376	26,666,376
Total	**43,202,836**	**55,684,753**

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 from tolls and tariff revenue for ThCh$6,345,762 (September 30, 2011). Based on the legal and regulatory history, the Company estimated that there are no indications to attest that the accounts receivable outstanding from tariff revenues, are impaired. Therefore, Transelec S.A. recorded a provision for uncollectible amount as of December 31, 2015 for ThCh$ 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, 2017 and December 31, 2016:

	ThCh$
Balance as of January 1, 2016	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of December 31, 2016	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of March 31, 2017	**1,392,383**

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

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

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

Receivables from related parties

Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	Balance as of - Current - March 31, 2017 ThCh$	Balance as of - Current - December 31, 2016 ThCh$	Balance as of - Non-current - March 31, 2017 ThCh$	Balance as of - Non-current - December 31, 2016 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	CH$	5,228,719	8,879,409	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	UF	45,674	-	5,950,962	5,923,096
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	US$	1,884,474	-	187,058,359	188,607,858
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	Not defined	Direct parent	CH$	32,688,943	2,461,542	-	-
20601047005	Conelsur LT SAC	Peru	Mercantile current account	Not defined	Indirect	CH$	943	943	-	-
20601047005	Conelsur LT SAC	Peru	Mercantile current account	Not defined	Indirect	US$	1,976	1,976	-	-
76.524.463-3	Transelec Concesiones S.A	Chile	Mercantile current account	Not defined	Indirect	US$	240,305	240,305	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Mercantile current account	Not defined	Indirect	US$	320	-	-	-
	Total						40,091,354	11,584,175	193,009,321	194,530,954

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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, 2017		March 31, 2016	
					Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	26,540,933	-	88,801,243	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	-	-	90,525,542	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	1,935,405	1,935,405	7,892,732	7,892,732
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Exchange rate	(1,518,793)	(1,518,793)	11,498,451	11,498,451
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	UF Readjustment	28,001	28,001	162,655	162,655

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

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 26, 2016. The current Chairman of the Board was elected at the Board meeting dated May 18, 2016.

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 26, 2016, 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 and Brenda Eaton, and also all alternate directors waived their respective allowances. Accordingly, the following compensation was received by directors during the periods 2017 and 2016:

	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Blas Tomic Errázuriz	15,063	15,979
José Ramón Valente Vias	15,063	15,979
Alejandro Jadresic Marinovic	15,063	15,979
Mario Alejandro Valcarce Duran	15,063	15,979
Bruno Pedro Philippi Irarrazabal	15,063	15,979

7.3 Board expenses

During the March 31, 2017 and December 31, 2016 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

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

7.4 Audit committee (continued)

Committee held four meetings both during the period 2016.

As of March 9, 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.

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 2017 and 2016:

	March 31, 2017 ThCh$	March 31, 2016 ThCh$
José Ramón Valente	6,695	7,102
Mario Alejandro Valcarce Duran	6,695	7,102

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 2017 and 2016 is detailed as follows:

	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Salaries	410,248	396,358
Short-term employee benefits	172,309	167,025
Long-term employee benefits	153,721	161,719
Total compensation received by key management personnel	**736,278**	**725,102**

NOTE 8 - INVENTORY

As of March 31, 2017 and December 31, 2016, this account is detailed as follows:

Classes of inventory	Balance as of March 31, 2017 ThCh$	Balance as of December 31, 2016 ThCh$
Safety equipment	19,732	19,732
Total	**19,732**	**19,732**

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of March 31, 2017 and December 31, 2016, this account is detailed as follows:

	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Finance lease receivables current	793,086	777,358
Sub-total Other financial assets current	**793,086**	**777,358**
Finance lease receivables non-current	11,660,713	11,751,854
Swap Contracts	-	3,520,904
Other financial assets	15,287	60,636
Sub-total Other financial assets non-current	**11,676,000**	**15,333,394**
Total	**12,469,086**	**16,110,752**

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, 2017

Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	793,086	578,257	1,371,343
1-5	4,520,075	2,336,644	6,856,719
Over 5	7,140,638	2,185,319	9,325,957
Total	12,453,799	5,100,220	17,554,019

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES (CONTINUED)

9.1 Finance lease receivables (continued)

December 31, 2016			
Period in years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	777,358	575,372	1,352,730
1-5	4,415,019	2,348,633	6,763,652
Over 5	7,336,835	2,257,192	9,594,027
Total	12,529,212	5,181,197	17,710,409

Movements in finance leases:

	Balance as of	
	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Opening balance	12,529,212	14,193,854
Amortization	(185,617)	(859,819)
Translation difference	110,203	(804,823)
Ending balance	12,453,798	12,529,212

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, 2017 ThCh$	December 31, 2016 ThCh$
Real estate lease	261,107	1,061,490
Other leases	206,536	881,495
Total operating leases	467,643	1,942,985

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES (CONTINUED)

9.2 Operating leases payable (continued)

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	1,044,428	4,177,712	-
Other leases	826,144	3,304,576	-
Total operating leases	**1,870,572**	**7,482,288**	**-**

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of March 31, 2017 and December 31, 2016:

Intangible assets, net	**March 31, 2017 ThCh$**	**December 31, 2016 ThCh$**
Rights of way (*)	174,089,626	173,854,650
Software	6,166,162	4,034,231
Total intangible assets	**180,255,788**	**177,888,881**
Goodwill	342,651,175	342,651,175
Total intangible assets, net	**522,906,963**	**520,540,056**

(*) As of March 31, 2017 and December 31, 2016 Transelec S.A. present intangible assets with indefinite useful lives under the classification of rights of way.

Intangible assets, gross	**March 31, 2017 ThCh$**	**December 31, 2016 ThCh$**
Rights of way	174,089,626	173,854,650
Software	12,935,040	10,167,420
Goodwill	342,651,175	342,651,175
Total intangible assets	**529,675,841**	**526,673,245**

NOTE 10 - INTANGIBLE ASSETS (CONTINUED)

Accumulated amortization and impairment	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Software	(6,768,878)	(6,133,189)
Total accumulated amortization	(6,768,878)	(6,133,189)

The composition and movements of intangible assets during the periods 2017 and 2016 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, 2017	173,854,650	4,034,231	342,651,175	520,540,056
Movements in intangible assets				
Additions	-	-	-	-
Transfer to operating assets	234,976	2,505,870	-	2,740,846
Amortization	-	(373,939)	-	(373,939)
Translation difference	-	-	-	-
Other increases (decreases)	-	-	-	-
Ending balance of intangible assets as of March 31 , 2017	174,089,626	6,166,162	342,651,175	522,906,963

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	-	-	-	-
Transfer to operating assets	343,259	2,550,174	-	2,893,433
Amortization	-	(1,165,911)	-	(1,165,911)
Translation difference	-	-	-	-
Other increases (decreases)	(659,231)	-	-	(659,231)
Ending balance of intangible assets as of December 31 , 2016	173,854,650	4,034,231	342,651,175	520,540,056

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, 2017 and December 31, 2016 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, 2017 ThCh$	December 31, 2016 ThCh$
Land	20,624,732	20,624,732
Buildings and infrastructure	886,460,866	879,122,021
Work in progress	92,360,175	107,899,910
Machinery and equipment	440,359,789	427,854,711
Other property, plant and equipment	6,111,977	5,735,878
Property, plant and equipment, net	1,445,917,539	1,441,237,252

Property, plant and equipment, gross	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Land	20,624,732	20,624,732
Buildings and infrastructure	1,131,190,958	1,118,249,344
Work in progress	92,360,175	107,899,910
Machinery and equipment	627,989,150	610,064,656
Other property, plant and equipment	6,111,977	5,735,878
Total property, plant and equipment, gross	1,878,276,992	1,862,574,520

Total accumulated depreciation and impairment, property, plant and equipment, net	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Buildings and infrastructure	(244,730,092)	(239,127,323)
Machinery and equipment	(187,629,361)	(182,209,945)
Total accumulated depreciation and impairment, property, plant and equipment	(432,359,453)	(421,337,268)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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, 2017 and December 31, 2016:

		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, 2017		20,624,732	879,122,021	427,854,711	107,899,910	5,735,878	1,441,237,252
Movement	Additions	-	-	-	19,004,208	376,098	19,380,306
	Retirements	-	(530,659)	(23,154)	(39,285)	-	(593,098)
	Transfer to operating assets	-	13,727,964	18,270,824	(34,504,658)	-	(2,505,870)
	Depreciation	-	(5,858,459)	(5,742,592)	-	-	(11,601,051)
	Translation adjustment	-	-	-	-	-	-
	Other increases (decreases)	-	-	-	-	-	-
Balance as of March 31, 2017		20,624,732	886,460,867	440,359,789	92,360,175	6,111,976	1,445,917,539

		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	-	-	-	118,573,832	493,273	119,067,105
	Retirements	(2,899)	(1,679,092)	(2,165,687)	(1,479,891)	-	(5,327,569)
	Transfer to operating assets	(2,701)	40,099,919	37,797,739	(81,995,857)	457,331	(3,643,569)
	Depreciation	-	(22,984,625)	(23,630,241)	-	-	(46,614,866)
	Other increases (decreases)	-	-	-	-	(744,626)	(744,626)
Balance as of December 31, 2016		20,624,732	879,122,021	427,854,711	107,899,910	5,735,878	1,441,237,252

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, 2017 and December 31, 2016 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engeenering-Procurment-Construction) in the amount of ThCh$ 191,330,364 and ThCh$ 200,813,065, respectively.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.3 Additional information on property, plant and equipment (continued)

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

	March 31, 2017	December 31, 2016
Capitalization rate (Annual basis)	5.67%	5.93%
Capitalized interest costs (ThCh$)	923,304	3,022,279

Work in progress balances amounts to ThCh$92,360,175 and ThCh$107,899,910 as of March 31, 2017 and December 31, 2016 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, 2017 and December 31, 2016, is detailed as follows:

Temporary differences	**Net deferred taxes**	
	March 31, 2017 ThCh$	**December 31, 2016 ThCh$**
Depreciable fixed assets	(108,695,441)	(103,241,185)
Financial expenses	(722,756)	(768,502)
Leased assets	(848,367)	(835,149)
Materials and spare parts	42,436	29,985
Tax losses	63,303,159	62,675,553
Staff severance indemnities provision	87,993	84,767
Deferred income	1,739,032	1,765,868
Investment value provision	12,955	12,955
Lawsuit provision	-	-
Obsolescence provision	356,219	356,219
Work in progress	1,020,800	1,127,392
Vacation provisions	368,691	446,991
Intangible assets	(7,691,254)	(7,645,986)
Adjustment of effective interest rate of bonds	(3,197,061)	(3,219,282)
Land	1,308,679	1,267,668
Allowance for doubtful receivables	375,943	375,943
Net deferred tax assets/(liabilities)	**(52,538,972)**	**(47,566,763)**

Reflected in the statement financial position as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	(52,538,972)	(47,566,763)
Net deferred tax assets/(liabilities)	(52,538,972)	(47,566,763)

NOTE 12 - DEFERRED TAXES (CONTINUED)

12.2 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the statement of financial position for the periods March 31, 2017 and December 31, 2016 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2016	**-**	27,564,721
Increase (decrease)	-	20,002,042
Translation adjustment	-	-
Balance as of December 31, 2016	**-**	47,566,763
Increase (decrease)	-	4,972,209
Balance as of March 31, 2017	**-**	52,538,972

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, 2017 and December 31, 2016 is as follows:

Interest bearing loans	March 31, 2017		December 31, 2016	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	14,774,724	1,389,056,448	27,699,988	1,380,797,913
Total bonds payable	**14,774,724**	**1,389,056,448**	**27,699,988**	**1,380,797,913**
Bank loans payable				
Swap contract (Note 15)	1,836,305	5,797,374	4,081,140	-
Other financial liabilities	42,213	2,639,430	44,674	2,848,079
Total obligations with banks	**1,878,518**	**8,436,804**	**4,125,814**	**2,848,079**
Total	**16,653,242**	**1,397,493,252**	**31,825,802**	**1,383,645,992**

NOTE 13 - FINANCIAL LIABILITIES (CONTINUED)

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, 2017 and December 31, 2016 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	December 31, 2017 ThCh$	December 31, 2016 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	At maturity	Semiannually	12-15-2027	358,216,540	352,746,980
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	At maturity	Semiannually	08-01-2031	80,070,292	80,634,967
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	At maturity	Semiannually	09-01-2031	42,480,592	42,759,748
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	At maturity	Semiannually	06-15-2032	39,263,706	38,680,272
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	At maturity	Semiannually	06-15-2032	49,091,693	48,351,985
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	At maturity	Semiannually	12-15-2038	77,116,994	75,973,386
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	At maturity	Semiannually	10-15-2042	82,779,414	81,597,793
76.555.400-4	Transelec S.A	Chile	Foreign	1st issuance	Sr N	US$	5.10%	4.63%	At maturity	Semiannually	07-26-2023	198,643,193	202,662,964
76.555.400-4	Transelec S.A	Chile	Foreign	2nd issuance	Sr N	US$	4.66%	4.25%	At maturity	Semiannually	01-14-2025	247,485,556	252,229,058
76.555.400-4	Transelec S.A	Chile	Foreign	3rd issuance	Sr N	US$	4.31%	3.88%	At maturity	Semiannually	01-12-2029	228,683,192	232,860,748
											Total	**1,403,831,172**	**1,408,497,901**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1,571,236,689 and ThCh$1,587,229,343 as of March 31, 2017 and December 31, 2016, respectively (it does not include other current and non-current liabilities such as swap agreements which are presented in the Interim 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.

NOTE 13 - FINANCIAL LIABILITIES (CONTINUED)

13.2 Detail of other financial liabilities (continued)

a) Bonds payable (continued)

			Current			Non-current			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	December 31, 2016 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	December 31, 2017 Non-current ThCh$
76.555.400-4	Transelec S.A	480	3,809,983	-	3,809,983	-	-	354,406,557	354,406,557
76.555.400-4	Transelec S.A	599	-	622,735	622,735	-	-	79,447,557	79,447,557
76.555.400-4	Transelec S.A	599	-	1,123,207	1,123,207	-	-	41,357,385	41,357,385
76.555.400-4	Transelec S.A	599	401,454	-	401,454	-	-	38,862,252	38,862,252
76.555.400-4	Transelec S.A	599	509,705	-	509,705	-	-	48,581,988	48,581,988
76.555.400-4	Transelec S.A	599	788,695	-	788,695	-	-	76,328,299	76,328,299
76.555.400-4	Transelec S.A	744	1,472,784	-	1,472,784	-	-	81,306,630	81,306,630
76.555.400-4	Transelec S.A	1st issuance	-	1,699,607	1,699,607	-	-	196,943,586	196,943,586
76.555.400-4	Transelec S.A	2nd issuance	-	2,319,793	2,319,793	-	-	245,165,763	245,165,763
76.555.400-4	Transelec S.A	3rd issuance	-	2,026,761	2,026,761	-	-	226,656,431	226,656,431
		Total	**6,982,621**	**7,792,103**	**14,774,724**	**-**	**-**	**1,389,056,448**	**1,389,056,448**

			Current			Non-current			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	December 31, 2016 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	December 31, 2016 Non-current ThCh$
76.555.400-4	Transelec S.A	480	-	7,649,943	7,649,943	-	-	345,097,037	345,097,037
76.555.400-4	Transelec S.A	599	1,558,686	-	1,558,686	-	-	79,076,280	79,076,280
76.555.400-4	Transelec S.A	599	637,349	-	637,349	-	-	42,122,400	42,122,400
76.555.400-4	Transelec S.A	599	-	819,291	819,291	-	-	37,860,981	37,860,981
76.555.400-4	Transelec S.A	599	-	1,040,188	1,040,188	-	-	47,311,797	47,311,797
76.555.400-4	Transelec S.A	599	-	1,609,413	1,609,413	-	-	74,363,973	74,363,973
76.555.400-4	Transelec S.A	744	-	675,888	675,888	-	-	80,921,699	80,921,699
76.555.400-4	Transelec S.A	1st issuance	-	4,154,341	4,154,341	-	-	198,508,623	198,508,623
76.555.400-4	Transelec S.A	2nd issuance	-	5,134,299	5,134,299	-	-	247,094,759	247,094,759
76.555.400-4	Transelec S.A	3rd issuance	-	4,420,590	4,420,590	-	-	228,440,364	228,440,364
		Total	**2,196,035**	**25,503,953**	**27,699,988**	**-**	**-**	**1,380,797,913**	**1,380,797,913**

NOTE 13 - FINANCIAL LIABILITIES (CONTINUED)

13.2 Detail of other financial liabilities (continued)

b) Other Financial Liabilies

The other financial liabilities by creditor institution name, currencies, rates and maturities as of March 31, 2017 and December 31, 2016 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, 2017 ThCh$	December 31, 2016 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	2,681,643	2,892,753
										Total	**2,681,643**	**2,892,753**

Debtor taxpayer ID number	Debtor name	Creditor institution name	Current			Non – Current			
			Maturity less than 90 days ThCh$	Maturity more than 90 days s ThCh$	March 31, 2017 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	March 31, 2017 Non-current ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A)	Eléctrica Aguas del Melado	10,993	31,220	42,213	98,340	110,715	2,430,375	2,639,430
		Total	**10,993**	**31,220**	**42,213**	**98,340**	**110,715**	**2,430,375**	**2,639,430**

NOTE 13 - FINANCIAL LIABILITIES (CONTINUED)

13.2 Detail of other financial liabilities (continued)

			Current			Non – Current			
			Maturity less than 90 days	Maturity more than 90 days s	December 31, 2016 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity more than 5 years	December 31, 2016 Non-current
Debtor taxpayer ID number	Debtor name	Creditor institution name	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A)	Eléctrica Aguas del Melado	10,922	33,752	44,674	97,697	109,990	2,640,392	2,848,079
		Total	**10,922**	**33,752**	**44,674**	**97,697**	**109,990**	**2,640,392**	**2,848,079**

NOTE 13 - FINANCIAL LIABILITIES (CONTINUED)

13.3 Other aspects

As of March 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, are detailed as follows:

	Current		Non- current	
Trade and other payables	**March 31, 2017 ThCh$**	**December 31, 2016 ThCh$**	**March 31, 2017 ThCh$**	**December 31, 2016 ThCh$**
Trade and other payables	44,197,959	50,337,292	-	-
Other accounts payable	2,331,073	1,823,818		
Total	46,529,032	52,161,110	**-**	**-**

The average payment period for suppliers in the periods ended 2017 and 2016 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,

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.

NOTE 15 - DERIVATIVE INSTRUMENTS (CONTINUED)

15.1 Hedge assets and liabilities

	March 31, 2017				December 31, 2016			
	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	-	-	1,836,305	5,797,374	-	3,520,904	4,081,140	-
Total	**-**	**-**	**1,836,305**	**5,797,374**	**-**	**3,520,904**	**4,081,140**	**-**

15.2 Other Information

The following table details Transelec's derivatives as of March 31, 2017 and December 31, 2016, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh$	Maturity Before 1 year ThCh$	2017 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	Subsequent years ThCh$	March 31, 2017 Total ThCh$
Currency hedge Swap	(7,633,679)	(1,836,305)					(5,797,374)	(7,633,679)

Financial derivatives	Fair value ThCh$	Maturity Before 1 year ThCh$	2017 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	Subsequent years ThCh$	December 31, 2016 Total ThCh$
Currency hedge Swap	(560,236)	(4,081,140)					3,520,904	(560,236)

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, 2017 and December 31, 2016, 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.

NOTE 15 - DERIVATIVE INSTRUMENTS (CONTINUED)

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, 2017.

Financial instrumental measured at fair value	March 31, 2017	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	(7,633,679)	-	(7,633,679)	-
Total, net	**(7,633,679)**	**-**	**(7,633,679)**	**-**

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

Financial instrumental measured at fair value	December 31, 2016	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	(560,236)	-	(560,236)	-
Total, net	**(560,236)**	**-**	**(560,236)**	**-**

NOTE 16 - FINANCIAL INSTRUMENTS

The classification of financial assets in the categories described in Note 2.8 is shown below:

March 31, 2017	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	40,242,842	-	-	-	-	40,242,842
Other financial assets, current	-	793,086	-	-	-	793,086
Trade and other receivables	-	43,202,836	-	-	-	43,202,836
Other financial assets, non-current	-	11,660,714	-	(5,797,374)	15,286	5,878,626
Receivables from related parties, current	-	40,091,354	-	-	-	40,091,354
Receivables from related parties, non-current	-	193,009,321	-	-	-	193,009,321
Total	**40,242,842**	**288,757,311**	**-**	**(5,797,374)**	**15,286**	**323,218,065**

December 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	54,646,538	-	-	-	-	54,646,538
Other financial assets, current	-	777,358	-	-	-	777,358
Trade and other receivables	-	55,684,752	-	-	-	55,684,752
Other financial assets, non-current	-	11,751,854	-	3,520,904	60,636	15,333,394
Receivables from related parties, current	-	11,584,175	-	-	-	11,584,175
Receivables from related parties, non-current	-	194,530,954	-	-	-	194,530,954
Total	**54,646,538**	**274,329,093**	**-**	**3,520,904**	**60,636**	**332,557,171**

NOTE 16 - FINANCIAL INSTRUMENTS (CONTINUED)

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

March 31, 2017	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	14,816,937	1,836,305	-	16,653,242
Trade and other payables	46,270,247	-	-	46,270,247
Other financial liabilities, non-current	1,391,695.878	-	-	1,391,695,878
Total	**1,454,619,367**	**-**	-	**1,454,619,367**

December 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	31,825,802	-	-	31,825,802
Trade and other payables	51,854,947	-	-	51,854,947
Other financial liabilities, non-current	1,383,645,994	-	-	1,383,645,994
Total	**1,467,326,743**	**-**	-	**1,467,326,743**

NOTE 17 - PROVISIONS

17.1 Detail of provisions

As of March 31, 2017 and December 31, 2016, this account is detailed as follows:

Detail	Current		Non-current	
	March 31, 2017 ThCh$	December 31, 2016 ThCh$	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Staff severance indemnities	102,738	5,231	4,533,592	4,533,592
Accrued vacations	1,365,523	1,655,522	-	-
Profit sharing benefits	1,261,018	4,314,711	-	-
Other provisions	205,447	205,447	-	-
Total	**2,934,726**	**6,180,911**	**4,533,592**	**4,533,592**

17.2 Provision movements

In 2017 and 2016, 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, 2017	4,538,823	4,314,711	1,655,522	205,447	10,714,503
Movements in provisions:					
Provisions during the year	118,271	1,325,101	276,667	-	1,720,039
Payments	(20,764)	(4,378,794)	(566,666)	-	(4,966,224)
Ending balance as of March 31, 2017	**4,636,330**	**1,261,018**	**1,365,523**	**205,447**	**7,468,318**

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	473,083	5,095,352	1,270,373	-	6,838,808
Payments	(906,509)	(5,120,762)	(1,257,540)	(30)	(7,284,841)
Ending balance as of December 31, 2017	**4,538,823**	**4,314,711**	**1,655,522**	**205,447**	**10,714,503**

NOTE 17 - PROVISIONS (CONTINUED)

17.2 Provision movements (continued)

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

As of March 31, 2017

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	102,738	509,338	340,522	3,683,732
Accrued vacations	1,365,523	-	-	-
Profit sharing benefits	1,261,018	-	-	-
Other provisions	205,447	-	-	-
Total	**2,934,726**	**509,338**	**340,522**	**3,683,732**

As of December 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	5,231	509,338	340,522	3,683,732
Accrued vacations	1,655,522	-	-	-
Profit sharing benefits	4,314,711	-	-	-
Other provisions	205,447	-	-	-
Total	**6,180,911**	**509,338**	**340,522**	**3,683,732**

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.

NOTE 17 - PROVISIONS (CONTINUED)

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

Transelec S.A.

1. Regarding the delay in commissioning the Rodeo-Chena project, and in accordance with the bidding terms and conditions, which stipulate a fine of US$30,000 per day of delay with a maximum of 60 days, the Company paid the fine amounting to US$ 1,800,000. At the date of the financials, there is pending a third guarantees for US $ 313,500.-, which was paid to the Ministry of Energy in July 2016.

   With regard to delays in two of the important milestones of Nogales-Polpaico project, the Ministry of Energy proceeded in June 2016 to collect two guarantees for a total of US $ 2,960,000. In September, the CDEC-SIC settled the fine for delays to start the operations of the Project and reported that Transelec was obliged to pay the maximum fine, that is, US$1,800,000. Transelec filed an appeal for protection against the CDEC-SIC and the Ministry of Energy, since there are requests for extension of time they have not been resolved by the Ministry, so it is entirely inappropriate to act CDEC-SIC and the failure of the Ministry of Energy. The Court of Appeals declared admissible and ordered injunction. By judgment dated December 13, 2016, the Court of Appeals rejected the protection. An appeal was filed with the Supreme Court and to date no final judgment has been handed down.

   As of March 31, 2017 the Company has established a provision for these and other contingents liabilities totaling to ThCh$1,912,137considering 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.

2. As of March 31, 2017, 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 December, 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.

NOTE 17 - PROVISIONS (CONTINUED)

17.3 Lawsuits and arbitration proceedings (continued)

Transelec S.A. (continued)

2. (Continued)

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.

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.

Until today it is only pending that the Trustee submit its final account and proceed to the final distribution of funds totaling approximately US $ 640,000.- to be distributed among all creditors in bankruptcy.

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

18.1 Detail of account

Post-employment and other benefit obligations	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Staff severance indemnity provision – current	102,738	5,231
Staff severance indemnity provision non – current	4,533,592	4,533,592
Total current and non-current obligations for post-employment benefits	**4,636,330**	**4,538,823**

18.2 Detail of post-employment and other similar obligations

As of March 31, 2017 and December 31, 2016, this account is detailed as follows:

Post-employment and other benefits obligations	Staff severance indemnity	
	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Present value of defined benefit plan obligations opening balance	4,538,823	4,972,249
Current service cost of defined benefit plan obligations	118,271	473,083
Liquidations obligation defined benefit plan	(20,764)	(906,509)
Present value of defined benefit obligations ending balance	**4,636,330**	**4,538,823**

18.3 Balance of post-employment and other similar obligations

	Staff severance indemnity	
	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Present value of defined benefit obligations, ending balance	**4,636,330**	**4,538,823**
Present obligation with defined benefit plan funds	4,636,330	4,538,823
Fair value of defined benefit plan assets, ending balance	.	-
Balance of defined benefit obligations, ending balance	**4,636,330**	**4,538,823**

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (CONTINUED)

18.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2017 to March 31, 2017 ThCh$	January 1, 2016 to December 31, 2016 ThCh$	
Current service cost of defined benefit plan	68,470	456,371	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	57,485	229,941	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	**125,955**	**686,312**	

18.5 Actuarial hypothesis

Detail	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Discount rate used	1.95%	1.95%
Inflation rate	4.6%	4.6%
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,

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (CONTINUED)

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	(333,229)	373,433	28,577	(26,800)	337,369	(306,539)

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, 2017.

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

	March 31, 2017 ThCh$	December 31, 2016 ThCh$
During the upcoming 12 month	102,738	5,231
Between 2 to 5 years	935,049	849,860
Between 5 to 10 years	3,253,470	1,722,186
More than 10 years	345,073	1,961,546
Total Payments Expected	**4,636,330**	**4,538,823**

NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of March 31, 2017 and December 31, 2016 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 ThCh $ 81,589,500.

19.3 Dividends

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. . As of December 31, 2016, this dividend has been paid in full.

On May 18, 2016, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2016 income, in the amount of Ch$17,189,000,000 which will be paid as of June 26, 2016, to the shareholders listed in the respective registry as of June 10, 2016. As of December 31, 2016, this dividend has been paid in full.

On August 17, 2016, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2016 income, in the amount of Ch$21,842,000,000 which will be paid as of September 21, 2016, to the shareholders listed in the respective registry as of September 14, 2016. As of December 31, 2016, this dividend has been paid in full.

On November 09, 2016, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2016 income, in the amount of Ch$22,195,000,000 which will be paid as of December 13, 2016, to the shareholders listed in the respective registry as of December 06, 2016. As of December 31, 2016, this dividend has been paid in full.

NOTE 19 - EQUITY (CONTINUED)

19.4 Other reserves

Other reserves as of March 31, 2017 and December 31, 2016 are detailed as follows:

Description	March 31, 2017 ThCh$	December 31, 2016 ThCh$
Net investment hedge	4,040,671	4,533,123
Cash flow hedge (Exchange rate)	(41,923,747)	(36,474,125)
Actuarial calculation exchange differences	(431,169)	(431,169)
Deferred taxes	10,344,846	8,740,486
Total	**(27,969,399)**	**(23,631,685)**

The Movement and reclassifications of other comprehensive income for the period 2017 are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2017	**3,309,179**	**(26,626,110)**	**(314,754)**	**(23,631,685)**
Translation adjustment	(492,452)	(5,449,622)	-	**(5,942,074)**
Deferred tax	132,962	1,471,398		**1,604,360**
Closing balance as of March 31, 2017	**2,949,689**	**(30,604,334)**	**(314,754)**	**(27,969,399)**

NOTE 19 - EQUITY (CONTINUED)

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 equivalent to ThCh$397,079,100 as of March 31, 2017. 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 validity period of the bond issuance a minimum Equity of ThCh$ 350,000,000; as this term is defined in the respective prospectus of 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 C,D,H,K,M and N.

The following tables present – as of March 31, 2017 and December 31, 2016 - 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.

NOTE 19 - EQUITY (CONTINUED)

19.5 Capital management (continued)

Covenant 1	Total debt / Total capitalization ratio Lower or equal to 0.70	March 31, 2017 ThCh$	December 31, 2016 ThCh$
A	Other financial liabilities, current	16,653	31,826
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,397,493	1,383,646
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,414,146**	**1,415,472**
G	Debt with guarantees (1)	-	-
DT=E+G	**Total debt**	**1,414,146**	**1,415,472**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	789,393	772,481
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	**2,228,509**	**2,212,923**
DT/CT	**Total debt / Total capitalization ratio**	**0.63**	**0.64**

Covenant 2	Minimum equity Greater than or equal to UF 15 million	March 31, 2017 ThCh$	December 31, 2016 ThCh$
P	Equity attributable to owners of the parent	789,393	772,481
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	814,363	797,451
UF	UF value	26,471.94	26,347.98
(I+P)/UF	**Equity (in UF millions)**	30.76	30.27

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1.5	March 31, 2017 ThCh$	December 31, 2016 ThCh$
FO	Cash flow from operations	185,255	187,466
CF	Financial costs	66,621	65,459
IG	Income tax expense	26,584	26,998
FNO=FO+CF+IG	**Funds from operations**	278,460	279,923
FNO/CF	**Funds from operations / Financial costs**	4.18	4.28

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, 2017 and 2016:

Revenue	March 31, 2016 ThCh$	March 31, 2016 ThCh$
Revenues from regulated transmission services	47,565,796	34,931,699
Revenues from contractual transmission services	19,875,482	34,347,119
Leases revenue	146,696	50,499
Total revenues	**67,587,974**	**69,329,317**

20.2 Other operating income

The following table details operating income for the three -month periods ended March 31, 2017 and 2016:

Other operating income	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Financial income (Note 21,4)	2,321,157	2,296,747
Other gains (losses), net	728,153	1,086,175
Total other operating income	**3,049,310**	**3,382,922**

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, 2017 and 2016:

Detail	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Personnel expenses	4,552,819	4,416,488
Operating expenses	4,309,900	3,428,911
Maintenance expenses	928,089	1,062,745
Depreciation and write-offs	12,552,431	12,601,448
Other	490,972	681,319
Total	**22,834,211**	**22,190,911**

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS (CONTINUED)

21.2 Personnel expenses

As of March 31, 2017 and 2016, this account is detailed as follows:

Detail	March 31, 2016 ThCh$	March 31, 2016 ThCh$
Salaries and wages	4,489,880	4,150,217
Short-term employee benefits	177,193	163,765
Staff severance indemnity	125,955	153,005
Other long-term benefits	292,348	278,692
Other personnel expenses	1,314,917	1,256,476
Expenses capitalized on construction in progress	(1,847,474)	(1,585,667)
Total	**4,552,819**	**4,416,488**

21.3 Depreciation and amortization

The following table details depreciation and amortization for the three-month periods ended March 31, 2017 and 2016:

Detail	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Depreciation	11,601,053	11,808,017
Amortization	373,939	211,101
Losses from damages (1)	577,439	1,075,603
Reverse provision for obsolescence	-	(493,273)
Total	**12,552,431**	**12,601,448**

(1) The losses for the withdrawal and damages are a replacement of equipment by technical conditions, not significantly affecting the deterioration of the Cash Generating Unit.

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS (CONTINUED)

21.4 Financial results

The Company's financial result for the three-month periods ended March 31, 2017 and 2016 is detailed as follows:

Detail	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Financial income:	**2,321,157**	**2,296,747**
Commercial interest earned	46,989	34,931
Bank interest earned	338,763	232,856
Interest earned from related parties	1,935,405	2,028,960
Financial expenses:	**(16,701,607)**	**(15,538,778)**
Interest on bonds	(14,372,110)	(14,095,817)
Commercial interest incurred	(63,992)	(60,951)
Interest rate Swap	(2,146,365)	(1,077,326)
Other expenses	(119,140)	(304,684)
Gain (loss) from indexation of UF	**(3,381,803)**	**(6,080,101)**
Foreign exchange gains (losses), net	**132,197**	**57,641**
Positive	**5,810,159**	**27,600,993**
Obligations with public	5,600,572	27,102,754
Banks – Capital Market	51,383	113,484
Accounts payable	156,973	362,252
Other	1,231	22,503
Negative	**(5,677,962)**	**(27,543,352)**
Swaps	(3,904,435)	(14,876,014)
Banks – Capital Market	(104,578)	(87,680)
Receivables from related parties	(1,518,793)	(11,432,455)
Other	(150,156)	(1,147,203)
Total financial result, net	**(17,630,056)**	**(19,264,491)**

NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Current tax expense	25,567	14,322
Current tax expense, net, total	**25,567**	**14,322**
Deferred tax expense relating to origination and reversal of temporary differences	6,576,570	7,001,879
Deferred tax expense, net, total	**6,576,570**	**7,001,879**
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	**6,602,137**	**7,016,201**

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 March 31, 2017 and 2016:

Using Effective Rate	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Tax expense at statutory rate	(7,102,224)	(6,950,422)
Price level restatement of equity	114,919	361,074
Change in income tax rate, Tax Reform Law 20,780	(366,785)	(805,039)
Other differences increase (decrease)	751,953	378,186
Total adjustments to tax expense using statutory rate	500,087	(65,779)
Tax Expense at effective Rate	(6,602,137)	(7,016,201)

	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Statutory Tax Rate	25.5%	24%
Price level restatement of equity	(0.41%)	(1.25%)
Change in income tax rate, Tax Reform Law 20.780	1.32%	2.78%
Other differences increase (decrease)	(2.69%)	(1.31%)
Adjustments to Statutory Tax Rate, Total	**(1.78%)**	**0.22%**
Effective Tax Rate	**23.72%**	**24.22%**

NOTE 22 - INCOME TAX RESULT (CONTINUED)

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense (continued)

The tax rate used for the periods 2017 and 2016 reconciliations corresponds to 25.5% and 24%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations.

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.

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, 2017	March 31, 2016
Profit attributable to equity holders of parent (ThCh$)	21,249,723	21,943,889
Earnings available to common shareholders, basic (ThCh$)	21,249,723	21,943,889
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	21,250	21,944

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

NOTE 24 - SEGMENT REPORTING

The Company engages 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, 2017 ThCh$	March 31, 2016 ThCh$
Revenues from regulated transmission services	47,565,796	34,931,699
Revenues from contractual transmission services and others	20,022,178	34,397,618
Total revenues	**67,587,974**	**69,329,317**

Information about sales and principal customers

The Company has three customers that individually represent more than 10% of total revenues for the ended on March 31, 2017. The amounts of revenues recognized from these customers were: ThCh$27,928,139, ThCh$12,761,590, ThCh$11,423,913, respectively. For the three -month periods ended March 31, 2016 the Company had three customers that individually exceeded 10% of total revenues. The amounts of revenues recognized from these customers were: ThCh$ 35,791,191, ThCh$12,153,702 y ThCh$11,424,787, respectively.

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

As of March 31, 2017, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$42,172,501 (ThCh$32,735,703 as of December 31, 2016).

NOTE 26 - DISTRIBUTION OF PERSONNEL

As of March 31, 2017 and December31, 2016, personnel employed by Transelec S.A. are detailed as follows:

	March 31, 2017				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	15	373	129	517	516

	December 31, 2016				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	15	364	130	509	499.2

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 years ended March 31, 2017 and 2016, the Company has made the following environmental disbursements:

Company making disbursement	Project	March 31, 2017 ThCh$	March 31, 2016 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	395,929	154,875
Total		395,929	154,875

NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

			March 31, 2017		December 31, 2016	
			Maturity less than 90 days	Maturity more than 91 to 1 year	Maturity less than 90 days	Maturity more than 91 to 1 year
Current Assets	**Foreign Currency**	**Functional Currency**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalents	Dollars	CH$	4,866,384	-	12,852,827	-
	Other Currency	CH$	10,376	-	12,871	-

			March 31, 2017		December 31, 2016	
			Maturity less than 90 days	Maturity more than 91 to 1 year	Maturity less than 90 days	Maturity more than 91 to 1 year
Current Liabilities	**Foreign Currency**	**Functional Currency**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	Dollars	CH$	1,846,813	6,077,381	4,092,062	13,742,982

NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY (CONTINUED)

b) Non-Current assets and liabilities

			March 31, 2017			December 31, 2016		
Non-Current Assets	Foreign Currency	Functional Currency	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$
Trade and other receivables	Dollar	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Deferred tax assets	Dollars	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-

			March 31, 2017			December 31, 2016		
Non-Current Liabilities	Foreign Currency	Functional Currency	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$
Other financial liabilities, non-current	Dollars	CH$	98,340	110,715	671,196,154	97,697	109,990	676,684,140
	Other Currency	CH$	-	-	-	-	-	-
Other liabilities, non-current	Dollars	CH$	-	-	-			
	Other Currency	CH$	-	-	-	-	-	-
						-	-	-
Non-current provisions for employee benefits	Dollars	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-

NOTE 29 - SUBSEQUENT EVENTS

On April 27, 2017, the Ordinary Shareholders meeting of the company was celebrated, where they agreed to distribute a final dividend with debit to 2016 income, in the amount of Ch$19,757,324,615, which will be paid as of May 23, 2017 to the shareholders listed in the respective registry as of May 17, 2017.

Between March 31, 2017, closing date of these consolidated financial statements and the date of issuance, there have been other no significant financial and accounting events that may affect the equity of the Company or the interpretation of these financial statements.

Management Discussion and Analysis (MD&A) of the Financial Statements

TRANSELEC S.A.

Santiago, Chile
March 31, 2017

SUMMARY

As of March 31, 2017, Revenues reached MCh$67,558, showing a decrease of 2.5% compared to the same period of 2016 (MCh$69,329). The decrease of Revenues in 2017 are mainly explained by the maturity of transmission agreements that became regulated and to a lesser extend by macroeconomic effects associated to exchange rate partly offset by commissioning of new projects.

During the first quarter of 2017, Transelec S.A. obtained an EBITDA[1] of MCh$58,220, a 4.9% lower than the obtained in the same period of 2016 (MCh$61,190), with an EBITDA Margin[2] of 86.1%. The EBITDA decrease is mainly explained due to the Revenues effect explained before, with total costs in line with those of the first quarter of 2016, without considering the accounting in 2017 of a couple of extraordinary charges that corresponds to fines and exchange rate difference.

Net Income recorded by the Company as of March 31, 2017 was MCh$21,250, which is 3.2% lower respect to the comparison period, and represents a decrease of MCh$694. This decrease is mainly explained by the slightly reduction of EBITDA, partly offset by lower Income Tax paid by MCh$414.

The loss in Non-Operating Income as of March 31, 2017 was MCh$16,902, representing a decrease of 7.0% compared to the same period of 2016 (MCh$18,178), mainly explained by lower losses for indexed assets and liabilities, which mostly measures the inflation impact on the UF denominated debt of the Company of MCh$2,698. This is partly offset by higher Financial Costs of MCh$1,163 and lower Other Income of MCh$358.

During the first quarter of 2017, the company incorporated US$60.3 million of new facilities, related to the commissioning of two National system upgrade projects, one Zonal system project and the acquisition of the company Transmisión del Melado SpA.

[1] EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization

[2] EBITDA Margin= EBITDA/Revenues

Relevant events of the period:

- Transelec S.A.'s Board of Directors meeting held on March 1, 2017, agreed on requesting approval to the annual shareholders meeting (to be held on April 27) for the distribution of a final dividend for fiscal year 2016, for a total amount of MCh$19,757, to be paid on the terms and conditions to be agreed by them.

- On March 31, 2017 Transelec S.A acquired 100% of shares of the company Transmisión del Melado SpA.

Transelec S.A. has prepared its financial statements as of March 31, 2017 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 mentioning the adoption of IAS 8, which establishes mechanisms to consider that the issuer had never failed to apply IFRS. 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.

1. INCOME STATEMENT ANALYSIS

ITEMS	March 2017 MCh$	March 2016 MCh$	Variation 2017/2016 MCh$	Variation 2017/2016 %
Revenues	**67,588**	**69,329**	**-1,741**	**-2.5%**
Toll sales	65,967	67,733	-1,766	-2.6%
Services	1,621	1,596	25	1.6%
Costs of Sales	**-17,839**	**-18,847**	**1,008**	**5.3%**
Fixed Costs	-5,761	-6,249	488	7.8%
Depreciation	-12,078	-12,598	520	4.1%
Administrative Expenses	**-4,995**	**-3,343**	**-1,652**	**-49.4%**
Fixed Expenses	-4,521	-3,274	-1,247	-38.1%
Depreciation	-474	-69	-405	-587.8%
Operating Income	**44,754**	**47,139**	**-2,385**	**-5.1%**
Financial Income	2,321	2,297	24	1.1%
Financial Costs	-16,702	-15,539	-1,163	-7.5%
Foreign exchange differences	132	58	74	129.3%
Gain (loss) for indexed assets and liabilities	-3,382	-6,080	2,698	44.4%
Other income (Losses)	728	1,086	-358	-33.0%
Non-Operating Income	**-16,902**	**-18,178**	**1,276**	**7.0%**
Income before Taxes	**27,852**	**28,961**	**-1,109**	**-3.8%**
Income Tax	-6,602	-7,016	414	5.9%
Net Income	**21,250**	**21,944**	**-694**	**-3.2%**
EBITDA[1]	**58,220**	**61,190**	**-2,970**	**-4.9%**
EBITDA Margin[2]	**86.1%**	**88.3%**		

[1] EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization

[2] EBITDA Margin= EBITDA/Revenues

a) Operating Income

During the period of 3 months ended on March 31, 2017, Revenues reached MCh$67,588 decreasing by 2.5% over the same period of 2016 (MCh$69,329). A portion of Revenues has been reclassified between Toll sales and Services accounting wise changing the results presented in 2016. Considering this reclassification in both periods, the increase in Revenues is mainly explained by higher income from Toll Sales, which as of March 31, 2017 reached MCh$65,967, a 2.6% lower than that obtained in the same period of 2016 (MCh$67,733). Services Revenues reached MCh$1,621 as of March 31, 2017, a 1.6% higher than 2016 (MCh$1,596).

The decrease in Toll Sales is explained by MCh$1,646 of lower income associated with the National segment (previous Trunk) and a decrease of MCh$298 in the Zonal segment (previous Subtransmission), partially offset by MCh$178 of higher revenues in the Dedicated segment (previous Transmission Solutions).

As a whole, the lower Revenues are mainly explained due to the maturity of transmission agreements with Enel (previous Endesa) that became regulated by MCh$2,111 and macroeconomic effects associated to a lower exchange rate of MCh$1,020. This was partially offset by the commissioning of new projects in the last twelve months that provides revenues by MCh$1,702.

Total Transelec Costs and Expenses (Cost of Sales + Administrative Expenses) as of March 31, 2017 were MCh$22,834, a 2.9% higher than the comparison period in 2016 that reached MCh$22,190. Costs and Expenses presented an account reclassification affecting the exposed in 2015. Total costs are composed by the following main items.

Cost of sales during the analysis period totaled MCh$17,839, a 5.3% lower than the same period of 2016 (MCh$18,847). These costs are mainly maintenance and operation of facilities and they are split in 67.7% depreciation of fixed assets (66.8% in March 2016), and 32.3% fixed costs involving personnel costs, supplies and contracted services (33.2% in March 2016). In March 2017, fixed costs increased by MCh$488, an amount 7.8% lower than the one registered in March 2016, while depreciation was 4.1% lower. The decrease of fixed costs is mainly explained by lower costs of rental of equipment and lower cost in maintenance. The lower depreciation is mainly explained because in the first quarter of 2016 a regularization was made due to a write off of assets and also since during 2016 a significant group of equipment ended its useful life implying lower depreciation in 2017, this is partially offset by the putting in service of assets.

Administrative expenses amounted to MCh$4,995 in March 2017, 49.4% higher than those obtained in the same period in 2016 (MCh$3,343). These expenses are comprised 90.5% by fixed costs that include personnel costs and works, supplies and contracted services (97.9% in 2016) and 9.5% due to depreciation (2.1% in March 2016). In March 2016, the Fixed Expenses increased by MCh$1,247, an amount 38.1% higher than obtained in march 2016, while depreciation had an increase of MCh$405. The increase in fixed expenses is mainly due to a couple of extraordinary accounting charges that corresponds to fines and exchange rate difference between both periods.

b) Non-Operating Income

The Non-Operating Income of the first quarter of 2017 was a loss of MCh$16,902, an 7.0% lower than the same period of 2016 (MCh$18,178), mainly explained by lower Other Losses for Indexed Assets and Liabilities partly offset by higher Financial Costs and a drop in Other Income.

Losses for Indexed Assets and Liabilities were MCh$3,382 on March 2017, a 44.4% lower than the same period of 2016 (MCh$6,080). This is mostly explained due to the maturity and payment of the Local Series C of UF 6 million in September, 2016, and on the other hand the readjustment of local bonds in UF due to variation in the UF. In the first quarter of 2017 this variation corresponds to 0.47% compared with a 0.71% for the same period of 2016, due to higher inflation in that period.

Financial Costs recorded as of March 2017 amounted MCh$16,702, a 7.5% higher than the same period of 2016 (MCh$15,539). This increase is mainly explained by the fact that in March 2017 Transelec has more debt than in March 2016, because of the new issuance in July 2016 that was higher than the maturity of September 2016. Specifically, the main items that explained higher Financial Costs are, (i) higher interests paid of MCh$2,049 due to the accrued interest for the new dollar debt issuance in July partly offset by the effect of a 6.76% appreciation of the Chilean peso (average exchange rate between periods), (ii) higher interests paid due to Swap agreements of MCh$1,069, mainly due to the new bond hedge, and (iii) lower interests paid due to UF bonds of MCh$1,358 associated to lower UF debt (due to the Series C payment), partly offset with the effect of the UF variation of 2.67% average between both years.

Gains by Other Income as of March, 2017 were MCh$728, a 33.0% lower than the same period of 2016 (MCh$1,086). The difference is mainly explained that in 2016 were income due to previous years, and that did not occurred in 2017.

Foreign Exchange Differences as of March, 2017 reached MM$132, maintaining at minimum levels associated to the foreign currency hedge.

Financial Income as of March 2017 amounted MCh$2,321, maintaining practically in line with what was registered in the same period of 2016 (MCh$2,297).

c) Income tax

The Income Tax as of March 31, 2017 were MCh$6,602, decreasing by 5.9% compared to the same period of 2016. This decrease is mainly explained because the drop of 3.8% in profits before taxes.

2. BALANCE SHEET ANALYSIS

ITEMS	March 2017 MCh$	December 2016 MCh$	Variation 2017/2016 MCh$	Variation 2017/2016 %
Current assets	127,489	124,719	2,770	2.2%
Non-current assets	2,192,660	2,182,103	10,557	0.5%
Total Assets	**2,320,150**	**2,306,822**	**13,328**	**0.6%**
Current liabilities	69,948	92,253	-22,305	-24.2%
Non current liabilities	1,460,809	1,442,089	18,720	1.3%
Equity	789,393	772,481	16,912	2.2%
Total Liabilities & Equity	**2,320,150**	**2,306,822**	**13,328**	**0.6%**

The increase in Assets between December 2016 and March 2017 is explained by an increase in Current Assets and Non-Current Assets. The increase in Non-Current assets is mainly explained by the acquisition of Transmisión del Melado SpA and an increase in property, plant and equipment, partially offset by lower other financial assets and lower long term accounts receivable from related parties. The increase in Current Assets is mostly explained due to a higher short term accounts receivable from related parties partially offset by lower cash and cash equivalent and a drop in accounts receivable.

The increase in Total Liabilities and Equity as of March 31, 2017 is due to an increase Non-Current Liabilities and Equity partially offset by lower Current Liabilities. The increase in Non-Current Liabilities is almost totally explained by an increase of long term other financial liabilities due to the new bond issuance in July, 2016. The increase in Equity is explained almost totally due to higher accumulated earnings. Lower Current Liabilities are explained by a decrease of short term financial liabilities due to the maturity Local C Bond in September, 2016 and lower accounts payables.

Value of the Main Pp&E in Operation

ASSETS	March 2017 MCh$	December 2016 MCh$	Variation 2017/2016 MCh$	Variation 2017/2016 %
Land	20,625	20,625	0	0.0%
Building, Infraestucture, works in progress	1,131,191	1,118,249	12,942	1.2%
Work in progress	92,360	107,900	-15,540	-14.4%
Machinery and equipment	627,989	610,065	17,924	2.9%
Other fixed assets	6,112	5,736	376	6.6%
Depreciation (less)	-432,359	-421,337	-11,022	-2.6%
Total	**1,445,918**	**1,441,237**	**4,681**	**0.3%**

Current Debt

					Amount in original currency (million) (unpaid capital)	
Debt	Currency or index	Interest rate	Type of rate	Maturity Date	March 2017	December 2016
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 @2023	USD	4.625%	Fixed	26-Jul-23	300.0	300.0
Series Senior Notes bond @2025	USD	4.25%	Fixed	14-Jan-25	375.0	375.0
Series Senior Notes bond @2029	USD	3.875%	Fixed	12-Jan-29	350.0	350.0
Revolving Credit Facility[1]	USD	2.40%	Floating	15-Oct-17	-	-

[1] US$ 250 million Revolving Credit Facility: The floating rate of 2.40% breaks down in 3 months Libor rate plus a margin of 1.25%. At March 31, 2017, the Company did not utilize this line therefore does not pay interest of 2.40% 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.

3. CASH FLOWS ANALYSIS

ITEMS	March 2017 MM$	March 2016 MM$	Variation 2017/2016 MM$	Variation 2017/2016 %
Cash flows provided by (used in) operating activities	48,882	51,093	-2,211	-4.3%
Cash flows provided by (used in) investing activities	-63,285	-49,921	-13,364	-26.8%
Cash flows provided by (used in) financing activities	0	-148	148	-100.0%
Net increase (decrease) of cash and cash equivalent	**-14,404**	**1,024**	**-15,428**	**N/A**
Cash and cash equivalent at the begining of the period	54,647	24,157	30,490	126.2%
Cash and cash equivalent at the end of the period	**40,243**	**25,181**	**15,062**	**59.8%**

As of March 31, 2017, cash flows provided by operating activities reached MCh$48,882, which represents an decrease of 4.3% over the same period of 2016 (MCh$51,093), mainly explained by higher interest payments of MCh$3,197, higher payments to suppliers of MCh$1,886 partly offset higher cash receipts for sales for MCh$2,573.

During the same period, cash flow used in investing activities reached MCh$63,285, a 26.8% higher than in the same period of 2016 (MCh$49,921), mainly explained by higher loan to related entities of MCh$13,896 and MCh$8,728 associated to the acquisition of Transmisión del Melado SpA, partially offset by lower cash flow used in purchases of property, plant and equipment of MCh$10,039.

As of March 2017, there was not cash flow provided or used in financing activities. During the first quarter of 2017, the cash flows used in financing activities amounted MCh$148, associated to the hedge used to cover the acquisition of an asset package from Enel Green Power.

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

Financial restrictions contained in local bonds issuances are presented in the next table:

Covenants	Bonds	Limit	March 2017	December 2016
Capitalization Ratio[1]	All local Series	< 0.70	0.64	0.62
Shareholder's Equity[1] MMUF	D, H, K, M and N local Series	> 15.00	30.27	31.82
Shareholder's Equity[1] MCh$	Q local Series	> 350,000	797,451	815,618

Test	Bonds	Limit	March 2017	December 2016
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	4.28	4.32

[1]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, 2017 amounted to MCh$24.970.

[2]Test to distribute restricted payments such as dividends.

[3]FNO= Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.

Rates of profitability, liquidity and indebtedness of the company are presented in the next table:

RATIOS		March 2017	December 2016	Variation 2017/2016
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	10.2%	10.5%	-30 pbs
Assets profitability[3]	(%)	3.5%	3.5%	0 pbs
Operating assets profitability[4]	(%)	5.6%	5.6%	0 pbs
Earnings per share[5]	($)	80,288	80,983	-0.9%
Liquidity & Indebtedness				
Current Ratio	(times)	1.82	1.35	34.8%
Acid-Test Ratio	(times)	1.82	1.35	34.8%
Debt to Equity	(times)	1.94	1.99	-2.5%
Short term debt/Total debt	(%)	4.6%	6.0%	-140 pbs
Log term debt/Total debt	(%)	95.4%	94.0%	140 pbs
Financial expenses coverage	(times)	3.49	3.66	-4.6%

[1] Profitability ratios are presented under last twelve months criteria.

[2] Shareholders' Equity profitability is calculated as Net Income over Equity.

[3] Assets profitability is calculated as Net Income over Total Assets.

[4] Operating assets profitability is calculated as Net Income over total value of the Main Pp&E.

[5] Earnings per share is calculated as Net Income over total shares.

5. THE TRANSMISSION MARKET

5.1. The transmission activity and its regulation

Transelec S.A. ("Transelec") develops its activities in Chile 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 (the only sector in which it participates Transelec) 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.

The transmission system of Transelec which stretches between 'Arica y Parinacota' Regions to 'Los Lagos' Region, encompasses the majority of the national 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 66% of all of the 500 kV electricity transport lines, 39% of the 220 kV lines, 83% 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, and the recently published, Law 20.936 issued on July 20, 2016, which stablishes a new electric transmission system and creates an independent coordinator of the National Electric System. Additionally, those who explodes and operates transmission facilities must follow at every time the Technical Standard on Reliability and Service Quality (Exempt Ministerial Resolution No. 40 of May 16, 2005) and its subsequent modifications.
The new Law 20,936/2016 redefines transmission systems classifying them into five segments: National Transmission System (previously trunk), the Transmission Systems Zonal (previously subtransmission) Systems Dedicated (previously additional transmission), Systems for Development Poles and International Systems Interconnection. Additionally the bill of law addresses the transmission planning a long-term horizon and regulates the pricing of national, zonal and for development poles systems and payment for use of transmission facilities dedicated by users liable to price regulation.

Transelec's business is focused on the economic retribution that can obtain for tolls by use of the transport and transformation capacity of its facilities, aligned to the security and quality service standards.

5.2. Valuation and pricing of facilities

Prices associated to transmission activity are determined by the Commission every four years by conducting an internationally tendered study, and processes that include the participation of companies, users and interested institutions and the Panel of Experts in the event of any discrepancies.

Pricing of the existing facilities recognizes the efficient acquisition and installation costs according to market prices, which are annualized considering the assets life determined every three tariff periods and whit a variable discount rate. The owners of regulated transmission facilities must receive the Annual Transmission Value from the sum of the real tariff revenues and a single charge associated to each segment and applied directly to end users.

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. These regulations established the trunk transmission facilities and the new Investment Values (VI), the Annuity of the Investment Value (AVI) and the Operating, Maintenance and Administration Costs (COMA), plus the VATT of the trunk facilities, and the Indexation formulas applicable during that period.

The Law 20,936 establishes a new payment regime for using national facilities that would become effective as of January 1, 2019 starting on that date and a transitory period that will extend until December 31, 2034, period during which the payments of the generating companies for the associated use to the supply agreements for free and regulated customers, concluded prior to the publication of enactment of this new law, will apply the same general rules for calculating the payment of the trunk transmission with some adjustments. These resulting injections tolls will be reduced year by year and the payment of the corresponding amounts will be transferred to the demand.

In relation to the Zonal transmission system facilities (previously subtransmission), 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.

In accordance with the provisions of the eleventh transitory article of Law 20,936, during the period between the January 1, 2016 and December 31, 2017, remain in force Decree No. 14 and subtransmission tariffs in it are fixing, excluding payment corresponding to the generating companies. These payments will not be covered or absorbed by the subtransmission users. The Ministry of Energy shall issue a decree to may make adjustments to the Decree No. 14 (Decree No. 14 adjusted) to implement the exemption from power plants and for harmonious and consistent implementation of Decree No. 14 with the application decree 23T. This decree No. 14 adjusted has not yet been issued and subtransmission revenues that have been collected since is 1 January 2016 shall be reassess under the provisions containing the decree.

The Subtransmission Systems Studies that were set the basis for determining the tariffs and indexation formulas corresponding to the period 2016 - 2018 were finished during December 2014. In accordance with the twelfth article of the law 20,936, during the duration of the extended term of the decree No.14, it will continuity and term given to the process of setting new subtransmission tariffs which will be effective from January 1, 2018 until December 31, 2019.

6. MARKET RISK FACTORS

Due to the nature of the electrical market and the legislation and standards that regulate this sector, Transelec 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

As mentioned above, 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 National and Zonal Transmission Studies, could place the Company at risk of new tariffs that are detrimental or less attractive given the investments it has made.

The law 20,936 considers the promulgation of several regulations, which are in development and publication is expected in the second half of 2017. Notwithstanding that for the elaboration of the great majority of these regulations, the authority has contemplated the participation of the private agents of the sector through workshops and of the citizenship in general through the procedures of public consultation, the authority is not obliged to incorporate the comments and observations made to the preliminary versions of the regulations, and finally may include what it deems pertinent or necessary, always in accordance with the law.

Additionally, in virtue of the regime of unrestricted open access that the new law stablishes about the National, Zonal, International Interconnection, Development Poles Transmissions Systems and Dedicated Systems when technical capacity is available, it is possible to detect a risk directly associated to scope and application of this reform, since the authority will be the one stablishing the particular conditions of implementation of this regime in the respective bylaw. Notwithstanding this, the National Energy Commission issued on March 30 a resolution that regulates in detail this matter, in a transitional way until the issuance of the definitive regulation.

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 its principal modification is 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.

In April 2015 by Decree No. 20 from the Ministry of Environment, the President of the Republic created the Presidential Advisory Commission to evaluate the SEIA to find the structural weaknesses of the system and elaborate proposals that contribute to correct implementation and operation of the process and environmental management tool. The Final Report of the referred Presidential Commission issued in July 2016, 25 measures aimed at strengthening and improving the SEIA through legal, policy and procedural changes are proposed. However, at this time the Ministry of Environment has not established any priority on modifications to be introduce in Law 19,300 and Decree 40/2012 as result of the report.

The enactment of the Supreme Decree No. 66/2013 of the Minister of Social Development, which regulates the indigenous consultation procedure and its application considered in the Supreme Decree No. 40/2012 for the projects in the SEIA, has had results of relative effectiveness, implying delays in the management of some projects and even the prosecution of some environmental authorizations. However, during the past few months there has been a relative decline in the prosecution of the environmental licenses.

It should be mentioned that, projects that could be materialize in Chile are facing a more informed and organized citizenry, therefore, the challenge is include early 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 lease contracts that generate income indexed to US dollars.
- Maintains accounts payables in US dollars associated to debt issued in U.S. America.
- Maintains accounts receivables in US dollars associated to intercompany loans.
- Maintains Cross Currency Swap contracts that compensates the risks of exchange rates on the international issuances.

Exchange rate exposure is managed using a policy that involves fully hedging the Company's net balance sheet exposure using diverse instruments such as foreign exchange forward contracts and cross currency swaps.

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

	March 2017		December 2016	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	678,495	679,318	499,757	691,075
Chilean peso	1,635,599	1,634,776	1,711,623	1,733,231

EXCHANGE RATES (Observed exchange rates)

MONTH	Average 2017 ($)	Last Day 2017 ($)	Average 2016 ($)	Last Day 2016 ($)
January	661.19	646.19	721.95	711.72
February	643.21	648.88	704.08	689.18
March	661.20	663.97	682.07	675.10
Average of the period	**655.20**	**653.01**	**702.70**	**692.00**

Semiannual Indexation formulas included into toll contracts and subtransmission tariffs as well as the monthly Indexation formulas for regulated trunk revenues, allow to reflect changes in the value of the facilities and operating, maintenance and administration costs. In general, those indexation formulas contemplate variations in international prices of equipment, supply prices and domestic labor.

6.7. Credit Risk

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

As of March 31, 2017, the company has five main clients which represent individually between 2.6% and 41.3% of the total revenues. These are Enel Group (previously Endesa) (MCh$27,928), AES Gener Group (MCh$11,424), Colbún Group (MCh$12,762), Engie Group (ex E-CL) (MCh$3,243) and Pacific Hydro-LH-LC Group (MCh$1,773). The total revenues recognized for these clients represent an 84.5% 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$35,791, MCh$11,425, MCh$12,154, MCh$4,313 and MCh$3,218 respectively, with a percentage of the total incomes of 93.8%.

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$164,505. 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. This line does not include any material clause of adverse change.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of December 31, 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, 2017	59,544	118,899	118,899	692,019	1,130,168	2,119,434
December 31, 2016	59,544	119,089	119,089	705,743	1,135,496	2,138,961

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, 2017, and as of December 31, 2016, 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 2017 ($)	Last Day 2017 ($)	Average 2016 ($)	Last Day 2016 ($)
January	26,340.76	26,318.21	25,629.09	25,629.09
February	26,336.93	26,392.09	25,661.05	25,717.40
March	26,442.88	26,471.94	25,772.43	25,812.05
Average of the period	**26,373.52**	**26,394.08**	**25,687.52**	**25,719.51**

CONSOLIDATED MATERIAL FACTS

TRANSELEC S.A.

1) On March 2, 2017 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 1, 2017, agreed on informing as a material fact the calling for the annual Shareholders Meeting to be held on April 27, 2017, 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, 2016.

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 2016, for a total amount of $19.757.324.615, 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.