

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

*Santiago, Chile
September 30, 2017*

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

As of September 30, 2017

(Translation of the Financial Statements originally issued in Spanish)

\$: Chilean Pesos
ThCh\$: Thousands of Chilean Pesos
UF : Unidades de Fomento or UF, is an inflation- indexed, Chilean-peso denominated monetary unit. The UF is set daily in advance based on the changes in the Chilean Consumer Price Index (CPI) of the previous months.
US\$: US Dollars
ThUS\$: Thousands of US Dollars

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Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

September 30, 2017

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of September 30, 2017 and December 31, 2016
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	September 30, 2017 (Unaudited) ThCh\$	December 31, 2016 (Audited) ThCh\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	21,032,196	54,646,538
Other financial assets	(9)	1,017,638	777,358
Other non-financial assets		2,501,830	2,006,941
Trade and other receivables	(6)	52,669,951	55,684,753
Receivables from related parties	(7)	62,614,564	11,584,175
Inventory	(8)	30,171	19,732
Total current assets		139,866,350	124,719,497
NON-CURRENT ASSETS			
Other financial assets	(9)	21,897,474	15,333,394
Other non-financial assets		3,692,054	10,461,098
Receivables from related parties	(7)	185,714,701	194,530,954
Intangible assets other than goodwill	(10)	179,713,588	177,888,881
Goodwill	(10-29)	345,976,384	342,651,175
Property, plant and equipment	(11)	1,453,046,031	1,441,237,252
Deferred tax assets	(12)	308,807	-
Total non-current assets		2,190,349,039	2,182,102,754
Total Assets		2,330,215,389	2,306,822,251

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position

As of September 30, 2017 and December 31, 2016

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

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

		September 30, 2017 (Unaudited) ThCh\$	December 31, 2016 (Audited) ThCh\$
EQUITY AND LIABILITIES	Note		
CURRENT LIABILITIES			
Other financial liabilities	(13)	38,379,982	31,825,802
Trade and other payables	(14)	43,877,738	52,161,110
Current provisions for employee benefits	(17)	5,552,160	6,180,911
Current tax liabilities		114,936	136,728
Other non-financial liabilities		1,755,009	1,948,370
Total current liabilities		89,679,825	92,252,921
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	1,371,752,080	1,383,645,992
Deferred tax liabilities	(12)	71,339,321	47,566,763
Non-current provisions for employee benefits	(17)	4,533,592	4,533,592
Other non-financial liabilities		6,044,117	6,342,295
Total non-current liabilities		1,453,669,110	1,442,088,642
Total liabilities		1,543,348,935	1,534,341,563
EQUITY			
Paid-in capital	(19)	776,355,048	776,355,048
Retained earnings		24,542,542	19,757,325
Other reserves	(19)	(14,031,136)	(23,631,685)
Total equity attributable to owners of the parent		786,866,454	772,480,688
Non-controlling interest		-	-
Total equity		786,866,454	772,480,688
Total Equity and Liabilities		2,330,215,389	2,306,822,251

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the nine-month periods ended September 30, 2017 and 2016
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	01/01/2017 09/30/2017 (Unaudited) ThCh\$	01/01/2016 09/30/2016 (Unaudited) ThCh\$	07/01/2017 09/30/2017 (Unaudited) ThCh\$	07/01/2016 09/30/2016 (Unaudited) ThCh\$
Statement of comprehensive income by function					
Operating revenues	(20)	207,926,393	214,605,529	69,163,015	77,754,758
Cost of sales	(21)	(60,812,624)	(57,382,182)	(22,006,187)	(18,266,368)
GROSS MARGIN		147,113,769	157,223,347	47,156,828	59,488,390
Administrative expenses	(21)	(14,921,942)	(15,644,588)	(5,342,577)	(5,448,314)
Other gains (losses), net	(20)	2,737,328	3,520,668	906,391	545,857
Financial income	(20)	6,761,505	7,133,964	2,156,001	2,593,845
Financial expenses	(21)	(52,063,406)	(48,266,976)	(19,179,182)	(17,613,150)
Foreign exchange differences, net	(21)	196,089	767,780	146,796	(206,060)
Income by indexed units	(21)	(8,447,903)	(19,317,296)	216,730	(5,231,185)
Profit Before Income Taxes		81,375,440	85,416,899	26,060,987	34,129,383
Income tax expense	(22)	(19,794,898)	(20,633,500)	(7,097,884)	(8,377,418)
Profit from continuing operations		61,580,542	64,783,399	18,963,103	25,751,965
Profit (loss) from discontinued operations		-	-	-	-
Profit (loss)		61,580,542	64,783,399	18,963,103	25,751,965
PROFIT (LOSS) ATTRIBUTABLE TO:					
Profit attributable to the owners of the parent company		61,580,542	64,783,399	18,963,103	25,751,965
Profit (loss) attributable to non – controlling interest		-	-	-	-
PROFIT		61,580,542	64,783,399	18,963,103	25,751,965
EARNINGS PER SHARE					
Basic earnings per share/diluted					
Basic earnings per share/diluted from continuing operations	(23)	61,581	64,783	18,963	25,752
Basic earnings (loss) per share/diluted from discontinued operations		-	-	-	-
Basic earnings per share/diluted	(23)	61,581	64,783	18,963	25,752

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the nine-month periods ended September 30, 2017 and 2016
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	01/01/2017 09/30/2017 (Unaudited) ThCh\$	01/01/2016 09/30/2016 (Unaudited) ThCh\$	07/01/2017 09/30/2017 (Unaudited) ThCh\$	07/01/2016 09/30/2016 (Unaudited) ThCh\$
PROFIT (LOSS)	61,580,542	64,783,399	18,963,103	25,751,965
Components of other comprehensive income, before taxes				
Foreign Currency Translation				
Gains (losses) on foreign currency translation differences, before taxes	(1,663,243)	(1,204,178)	(678,340)	(401,392)
Cash flow hedges				
Gains (losses) on cash flow hedges, before taxes	14,604,211	3,839,170	6,595,670	(12,738,629)
Income taxes related to components of other comprehensive income				
Income taxes related to components of net investment hedge	449,076	325,128	183,152	108,376
Income taxes related to components of cash flow hedge	(3,789,495)	(1,036,576)	(1,627,189)	3,439,430
Other comprehensive income	9,600,549	1,923,544	4,473,293	(9,592,215)
Total comprehensive income	71,181,091	66,706,943	23,436,396	16,159,750
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	71,181,091	66,706,943	23,436,396	16,159,750
Comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive income	71,181,091	66,706,943	23,436,396	16,159,750

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Changes in Equity
For the nine-month periods ended September 30, 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	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total Other reserves	Retained Earnings	Equity attributable to owners of the parent	Non- controlling interest	Total equity
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance as of January 1, 2017	776,355,048	3,296,224	(26,613,155)	(314,754)	(23,631,685)	19,757,325	772,480,688	-	772,480,688
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	61,580,542	61,580,542	-	61,580,542
Other comprehensive income	-	(1,214,167)	10,814,716	-	9,600,549	-	9,600,549	-	9,600,549
Total comprehensive income	-	(1,214,167)	10,814,716	-	9,600,549	61,580,542	71,181,091	-	71,181,091
Dividends	-	-	-	-	-	(56,795,325)	(56,795,325)	-	(56,795,325)
Total changes in equity	-	(1,214,167)	10,814,716	-	9,600,549	4,785,217	14,385,766	-	14,385,766
Closing balance as of September 30, 2017 (Note 19)	776,355,048	2,082,057	(15,798,439)	(314,754)	(14,031,136)	24,542,542	786,866,454		786,866,454

	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total Other reserves	Retained Earnings	Equity attributable to owners of the parent	Non- controlling interest	Total equity
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	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	-	-	-	-	-	64,783,399	64,783,399	-	64,783,399
Other comprehensive income	-	(879,052)	2,802,596	-	1,923,544	-	1,923,544	-	1,923,544
Total comprehensive income	-	(879,052)	2,802,596	-	1,923,544	64,783,399	66,706,943	-	66,706,943
Dividends	-	-	-	-	-	(58,699,085)	(58,699,085)	-	(58,699,085)
Total changes in equity	-	(879,052)	2,802,596	-	1,923,544	6,084,314	8,077,858	-	8,007,858
Closing balance as of September 30, 2016 (Note 19)	776,355,048	3,816,566	(6,952,842)	(314,754)	(3,451,030)	25,752,399	798,656,417	-	798,656,417

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

TRANSELEC S.A. AND SUBSIDIARY
Interim Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2017 and 2016
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	September 30, 2017 (Unaudited) ThCh\$	September 30, 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	315,130,118	308,144,036
Other proceeds from operating activities	455,989	1,508,956
Proceeds from interest received	4,720,791	4,891,736
Classes of payments		
Payments to suppliers for goods and services	(122,654,820)	(124,552,018)
Other payments for operating activities	(812,165)	(426,810)
Payments to employees	(11,266,983)	(10,868,551)
Interest paid	(54,310,910)	(48,447,055)
Income tax reimbursed (paid)	-	2,743,588
Net cash flows provided by operating activities	131,262,020	132,993,882
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	(6,406,658)	-
Additions of property, plant and equipment	(107,663,896)	(92,908,123)
Amounts from the sale of property, plant and equipment	45,048,757	762,642
Prepayment of cash and loans granted to third parties	(815,377)	(3,153,100)
Loans to related parties	(111,459,148)	(86,959,814)
Receivables from related parties	63,418,536	68,336,447
Net cash flows used in investing activities	(117,877,786)	(113,921,948)
Cash Flows Provided by (Used in) Financing Activities		
Amount proceeding from loans	20,000,000	226,979,140
Payment of loans	(10,203,251)	(173,428,495)
Dividends paid	(56,795,325)	(58,699,085)
Other Inflows (Disbursements)	-	(148,102)
Net cash flows used in financing activities	(46,998,576)	(5,296,542)
Net Increase (Decrease) in Cash and Cash Equivalents	(33,614,342)	13,775,392
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)	21,032,196	37,931,999

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

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Interim Consolidated Financial Statements
As of September 30, 2017 and December 31, 2016
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. 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 Superintendence 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 100% shares of the company Transmisión Del Melado SpA.; thus, taking control of this entity during April 2017. For this reason, Transelec S.A. changes from preparing the individual financial statements as of December 31, 2016, to preparing consolidated financial statements as of June 30, 2017.

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.

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Interim Consolidated Financial Statements
As of September 30, 2017 and December 31, 2016
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NOTE 1 - GENERAL INFORMATION (continued)

The Company is controlled directly by Transelec Holdings Rentas Limitada and indirectly by ETC Transmission Holdings S.L.

The Interim Consolidated 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.

The issue of these Financial Statements corresponding to September 30, 2017, was approved by the Board of Directors at Ordinary Meeting No. 161 of November 22, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the interim consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of September 30, 2017 and applied uniformly for the periods presented.

2.1 Basis of preparation of the interim consolidated 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 Interim Consolidated Financial Statements have been prepared from the accounting records maintained by the Company. The figures in these Interim Consolidated 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 Interim Consolidated 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 interim consolidated financial statements are described in Note 4.

The information contained in these Interim Consolidated Financial Statements is the responsibility of the Company's management.

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Interim Consolidated Financial Statements
As of September 30, 2017 and December 31, 2016
(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

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

The accounting policies adopted in the preparation of the Interim Consolidated Financial Statements are consistent with those applied in the preparation of the annual individual 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 interim consolidated financial statements.

2.2 Basis of Consolidation of the Financial Statements

The interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, including all its assets, liabilities, revenue, expenses and cash flows after carrying out the amendments and eliminations related to the transactions between the companies that form part of the consolidation.

A subsidiary is a company over which Transelec S.A. exercises control in accordance with IFRS 10. In order to comply with the definition of control according to IFRS 10, three criteria must be complied with, namely: (a) an investor has the power over the relevant activities of the investee, (b) the investor is exposed, or has rights to, variable returns from the share in the investee, (c) the investor has the ability to use its power over the investee to exercise influence over the amount of income of the investor. Non-controlling interest represents the amount of net assets and profit or loss that are not property of the Parent Company, which is presented separately in the comprehensive income statement and within equity in the consolidated statement of financial situation.

Acquisition of a subsidiary is recorded in accordance with IFRS 3 "Business Combinations", using the equity method. This method requires the recognition of identifiable assets (including intangible assets previously unrecognized and goodwill) and liabilities acquired at fair value on the acquisition date. Non-controlling interest is recognized by the portion owned by minority shareholders on the value of recognized assets and liabilities.

The excess of acquisition cost on the fair value of the share of the Company in the acquired identifiable net assets is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement.

The financial statements of the subsidiary have been prepared on the same date as those of the Parent Company and the accounting policies have been applied uniformly, considering the specific nature of each business unit.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 Bases of Consolidation of the Financial Statements (continued)

The information regarding the entity in which the Company has control and that forms part of the consolidation is detailed as follows:

Rut	Subsidiary	Participation Share		Country of origin	Functional currency
		09-30-2017	12-31-2016		
76.538.831-7	Transmisión del Melado SpA	100%	-	Chile	Ch\$

2.3 International Financial Reporting Standards

2.3.1 Amendments and/or Modifications

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

2.3.2 New Accounting Pronouncements

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet effective at the date of these interim consolidated financial statements, are detailed below. The Company has not adopted these standards in advance:

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
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

New Standards

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 impact that this standard could generate.

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2.3 International Financial Reporting Standards (continued)

2.3.2 New Accounting Pronouncements (continued)

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 and improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. Provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. It also requires more detailed disclosure. Its application is required starting on January 1, 2018 and early adoption is permitted.

The Company is evaluating the impact that this modification could generate.

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 currently evaluating the impact that this modification could generate.

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2.3 International Financial Reporting Standards (continued)

2.3.2 New Accounting Pronouncements (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued an Interpretation on IFRIC 23, which clarifies the application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. This interpretation is applicable for annual reporting periods beginning on or after January 1, 2019.

To date, the Company is evaluating the impacts that this modification could generate.

IFRS 17 Insurance Policies

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them.

IFRS 17 is effective for reporting periods starting on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15.

To date, the Company is evaluating the impacts that this modification could generate.

2.3.3 Enhancements and Modifications

	Enhancements and Modifications	Date of obligatory application
IFRS 1	First-time Adoption of International Financial Reporting Standards	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

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 International Financial Reporting Standards (continued)

2.3.3 Enhancements and Modifications (continued)

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 modifications address concerns related to the application of new pronouncements included in IFRS 9, before implementing new insurance contracts. The amendments introduce the following two options for those entities that issue insurance contracts:

- The temporary and optional exemptions from the application of IFRS 9, which will be available for entities whose activities are predominantly connected to insurance. The exception will allow entities to continue to apply IAS 39 Financial Instruments, Recognition and Measurement, until 1 January 2021.
- The overlay approach, which is an option available to entities that adopt IFRS 9 and issue insurance contracts, to adjust the gains or losses for certain financial assets; the adjustment eliminates the volatility in valuation of financial instruments that may arise from the application of IFRS 9, allowing for the reclassification of these effects from income for the year to other comprehensive income.

To date, the Company is evaluating the impacts that this modification 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 Consolidated Financial Statements.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 International Financial Reporting Standards (continued)

2.3.3 Enhancements and Modifications (continued)

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 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 assessed the possible impact that this new standard could generate and concluded that it will not significantly affect its Consolidated Financial Statements.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The Company's functional currency is the Chilean peso. These Interim Consolidated Financial Statements are presented in Chilean pesos.

2.4.2 Transactions and balances

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

2.4.3 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	
	September 30, 2017	December 31, 2016
Unidad de Fomento	26,656.79	26,347.98
US\$	637.93	669.47
Euro	752.99	705.60

2.5 Financial reporting by operating segments

The Company manages its operations and presents information in the Interim Consolidated Financial Statements based on a single operating segment, Electricity transmission.

2.6 Property, plant and equipment

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment (continued)

- 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 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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.7 Intangible assets

2.7.1 Goodwill

Goodwill represents the excess of acquisition cost on the fair value of net assets acquired in a business combination. Goodwill is not amortized, it is annually tested for impairment, regardless if there is any indication of impairment. For impairment testing, goodwill acquired in a Business combination is assigned as of the acquisition date to the cash generation units that are expected to benefit from said combination.

During the periods covered by those Interim Consolidated Financial Statements, there were no impairment losses of goodwill.

2.7.2 Rights of way

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

2.7.3 Computer software

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

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

2.8 Impairment of non-financial assets

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

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

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Impairment of non-financial assets (continued)

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

2.9 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial assets (continued)

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

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

2.10 Financial instruments and hedge activities

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

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

The types of hedges are as follows:

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

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.10 Financial instruments and hedge activities (continued)

2.10.1 Fair value hedges

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

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

2.10.2 Cash flow hedges

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

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

2.10.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under "Other reserves" heading) until the investment's disposal. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item "Other gains (losses)".

2.10.4 Derivatives not recorded as hedge accounting

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

2.10.5 Embedded derivatives

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.10 Financial instruments and hedge activities (continued)

2.10.5 Embedded derivatives (continued)

In the periods presented in these Interim Consolidated Financial Statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

2.11 Inventory

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

2.12 Cash and cash equivalents

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

2.13 Paid-in capital

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

2.14 Financial liabilities

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

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

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

2.15 Income tax and deferred taxes

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

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

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.15 Income tax and deferred taxes (continued)

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.

The carrying amount of deferred income tax assets is reviewed at each reporting date consolidated financial statement 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.

2.16 Employee benefits

2.16.1 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Employee benefits (continued)

2.16.2 Profit sharing

The Company recognizes a liability and an expense for profit sharing arrangements based on respective collective and individual contracts with its employees and executives, using a formula that takes into account the net income attributable to the Company's shareholders after certain adjustments. Transelec recognizes a provision when it has a contractual obligation or when a past practice has created a constructive obligation of agreement to IAS 19.

2.17 Provisions

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

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

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

As of the date of issuance of these Interim Consolidated Financial Statements, Transelec have no obligation to establish provision for environmental restoration and similar expenses.

2.18 Classification of current and non-current balances

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

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

2.19 Revenue recognition

The regulatory framework that governs electrical transmission activity in Chile comes from the by - Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19,940 (called also the "Short Law") enacted on March 13, 2004, Law 20,018 ("Short Law II"), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto. On July 11, 2016, the new Transmission Law was enacted, which creates an Independent Coordinating entity of the National Electrical System (NES), called National Electrical Coordinator (CEN, according to the Spanish acronym), which groups the previous DEC SIC and CDEC SING; in addition, it establishes a new Electrical Transmission System in which the trunk transmission system, the subtransmission system and additional systems now form part of National, Zone and Committed

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.19 Revenue recognition (continued)

Transmission System, respectively. To the remuneration received from the transmitter, a variable discount rate will be applied with a minimum of 7% and a maximum of 10% after taxes. The law enters into effect immediately and gradually until its full application as of 2020.

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

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

2.20 Leases

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

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

2.20.1 The Company as lessor

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.20 Leases (continued)

2.20.2 The Company as lessee

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 September 30, 2017, 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.

2.21 Distribution of dividends

Dividends payable to the Company's shareholders are recognized as a liability in the Consolidated 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.

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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.

The table below compares the debts of the Company and shows that majority of the debt as of September 30, 2017 and December 31, 2016 were at fixed rate.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand)	
				September 30, 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	2.76%	Floating (*)	-	-
Revolving Credit Facility	UF	1.43%	Floating (**)	-	-
Local Bank Promissory Note	CLP	2.77%	Fixed	20,000,000	-

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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 floating rate 2.76% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At September 30, 2017, the Company did not utilize this line therefore does not pay interest of 2.76% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.
- (*) The floating rate 1.43% of the Revolving credit facility breaks down in TAB UF 180 plus a margin of 0.25%. At September 30, 2017, the Company did not utilize this line therefore does not pay interest of 1.43% and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

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.

Series	Position	Effect annual on income (ThCh\$)		
	Long/ (Short)	Inflation (3%)	Inflation (4%)	Inflation (2%)
Bono D	(13,373,014)	(10,694)	(14,258)	(7,129)
Bono H	(3,000,995)	(2,400)	(3,200)	(1,600)
Bono K	(1,598,658)	(1,278)	(1,705)	(852)
Bono M	(1,466,489)	(1,173)	(1,564)	(782)
Bono M1	(1,853,554)	(1,482)	(1,976)	(988)
Bono N	(2,861,921)	(2,288)	(3,051)	(1,526)
Bono Q	(3,071,556)	(2,456)	(3,275)	(1,638)
Total	(27,226,187)	(21,771)	(29,029)	(14,515)

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 US\$ 375 million and US\$ 350 million, respectively (Long-term position).
- Maintains lease contracts that generate income indexed to US dollars.

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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)

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	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
U.S. dollar (amounts associated with balance sheet items)	649,284	691,075	660,223	689,947
Chilean peso	1,664,810	1,615,304	1,653,871	1,616,432

- a) The indexation formulas applied biannually and incorporated into the toll contracts of the zone System (former Subtransmission) as well as the monthly application for the regulated revenue of the National System (former trunk system) allow presentation of the variations of the value of the installations and the costs of operation, maintenance and management. Generally, these indexation formulas contemplate the variations in the international equipment prices, material prices and national manpower prices.

3.1.1.2.1 Sensivity 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.

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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 Sensivity analysis (continued)

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

Item (Currency)	Position	Net income (gain)/loss		Position	OCI (gain)/loss	
	ThCh\$	ThCh\$		ThCh\$	ThCh\$	
	Long /(Short)	Change (-10%)	Change (+10%)	Long /(Short)	Change (-10%)	Change (+10%)
Cash (US\$)	345	(1)	1	-	-	-
Leasing (US\$)	22,900	(40)	40	-	-	-
Senior Notes (US\$)	(649,284)	1,131	(1,131)	-	-	-
Financial instrument swap	454,070	(791)	791	(459,012)	799	(799)
Intercompany loan (US\$)	180,759	(315)	315	-	-	-
Total	8,790	(16)	16	(459,012)	799	(799)

3.1.2 Credit risk

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

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

Revenues	For the nine- month periods ended September 30, 2017	For the nine- month periods ended September 30, 2016
	ThCh\$	ThCh\$
Enel Group	87,717,127	100.228.679
Colbún Group	37,826,998	35.957.316
AES Gener Group	35,802,814	36.052.266
Engie (E-CL) Group	10,396,922	10.044.499
Pacific Hydro-LH-LC Group	5,218,114	6.735.748
Others	30,964,418	25.587.021
Total	207,926,393	214,605,529
% of concentration of top customers	85.11%	88.08%

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NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.2 Credit risk (continued)

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 Transelec is capable of responding financially to both investment opportunities and the timely fulfillment of its financial obligations, the company has, in addition to its available cash and short-term accounts receivable, a committed revolving credit line for use as working capital in the amount of US\$250 million approximately, equivalent to ThCh\$162,331,475. To date, this line does not record the balance of the amounts used. This committed credit line was taken out for the first time on July 9, 2012, and renegotiated and extended in 2014 and 2017. The last renewal on August 3, 2017, maintains the total amount, but includes a tranche in Chilean pesos and another in dollars, and also includes other improvements. It was granted for a 3-year period by a syndicate of banks composed of Scotiabank, Bank of Tokyo-Mitsubishi, SMBC, EDC, DnB NOR and Banco Estado. This line includes no clause on material adverse changes. 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.

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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 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 September 30, 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
September 30, 2017	80,463,673	119,803,957	119,803,957	687,572,363	1,118,413,846	2,126,057,796
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 (Ex Troncal)

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 Sistema Nacional (Ex Troncal) 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 CEN (National Electrical Coordinator) 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 CEN, 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.

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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.
- Contingent assets and liabilities.

Although the estimates mentioned above were made according to the best information available at the date of issuance of these Interim Consolidated 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 Consolidated Financial Statements.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of September 30, 2017 and December 31, 2016, this account is detailed as follows:

	Balance as of	
	September 30,	December 31,
	2017 ThCh\$	2016 ThCh\$
Cash and Cash Equivalents		
Bank and cash balances	1,863,763	2,872,345
Short-term deposits	-	12,553,606
Reverse repurchase agreements and mutual funds	19,168,433	39,220,587
Total	21,032,196	54,646,538

Cash and cash equivalents included in the statement of financial position as of September 30, 2017 and December 31, 2016 does not differ from those presented in the statement of cash flows.

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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	
		September 30,	December 31,
		2017 ThCh\$	2016 ThCh\$
Amount of cash and cash equivalents	U.S. dollars	323,081	12,852,827
Amount of cash and cash equivalents	Euros	20,420	12,871
Amount of cash and cash equivalents	Chilean pesos	20,688,695	41,780,840
Total		21,032,196	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 September 30, 2017 and December 31, 2016, this account is detailed as follows:

Item	Balance as of	
	September 30,	December 31,
	2017 ThCh\$	2016 ThCh\$
Trade receivables	53,720,768	56,858,892
Miscellaneous receivables	341,566	218,244
Total trade and other receivables	54,062,334	57,077,136
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	52,669,951	55,684,753

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties.

As of September 30, 2017 and December 31, 2016, the aging of trade and other receivables is as follows:

	Balance as of	
	September 30,	December 31,
	2017 ThCh\$	2016 ThCh\$
Maturing in less than 30 days	25,442,395	29,018,377
Maturing in more than 30 days up to 1 year	27,227,556	26,666,376
Total	52,669,951	55,684,753

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NOTE 6 - TRADE AND OTHER RECEIVABLES (continued)

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 for 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 interim consolidated financial statements - there is no certainty that the Company will recover.

The movement of the provision for uncollectible amount is presented the period ended September 30, 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 September 30, 2017	1,392,383

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NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

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	Current	Non-current	Non-current
							September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
							ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	CH\$	-	8,879,409	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	UF	47,015	-	5,992,517	5,923,096
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	US\$	1,850,802	-	179,722,184	188,607,858
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	Not defined	Direct parent	CH\$	60,473,154	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	CH\$	943	943	-	-
20601047005	Conelsur LT SAC	Chile	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	CH\$	240,354	240,305	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Mercantile current account	Not defined	Indirect parent	US\$	320	-	-	-
Total							62,614,564	11,584,175	185,714,701	194,530,954

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

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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	September 30, 2017		September 30, 2016	
					Amount	Effect on Income	Amount	Effect on Income
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	112,625,785	-	86,960,955	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	63,550,619	-	68,332,761	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	5,821,264	5,821,264	5,988,668	5,988,668
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Exchange rate	8,880,704	8,880,704	14,772,747	(14,772,747)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	UF Readjustment	70,035	70,035	134,561	134,561

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

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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 27, 2017.

On May 17, 2017, in an Ordinary Meeting, Benjamin Vaughn was elected Chairman of the Board of Directors of Transelec upon resignation of Richard Legault.

7.2.1 Board of Directors' compensation

According to Article No. 33 of Law No. 18,046 on Corporations, at the Tenth Ordinary Shareholders' Board Meeting of Transelec S.A., held on April 27, 2017, it was agreed to maintain annual directors' allowance of US\$ 90,000, gross value, regardless of the number of meetings actually attended or held. The allowance is paid quarterly.

The directors Benjamin Vaughn, Alfredo Ergas, Paul Dufresne, Brenda Eaton waived their allowance corresponding to the years 2017 and 2016. At the Ordinary Shareholders' Meeting for 2017, it was decided that the alternate directors would not receive an allowance.

	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Blas Tomic Errázuriz	40,454	41,337
José Ramón Valente Vias	40,454	41,337
Alejandro Jadresic Marinovic	40,454	41,337
Mario Alejandro Valcarce Duran	40,454	41,337
Bruno Pedro Philippi Irarrazabal	40,454	41,337

7.3 Board expenses

During the September 30, 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 Consolidated 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 As of September 30, 2017 and 2016, the Audit Committee has held three and two sessions, respectively.

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

7.4 Audit committee (Continued)

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.

As of the date of these interim consolidated financial statements, the Audit Committee is maintained.

On the Ordinary Shareholders' Meeting of Transelec S.A., held on April 27, 2017, 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:

	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
José Ramón Valente	6,025	6,391
Mario Alejandro Valcarce Duran	6,025	6,391

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 López 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:

	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Salaries	1,272,962	1,284,961
Short-term employee benefits	520,027	1,094,040
Long-term employee benefits	464,298	465,589
Total compensation received by key management personnel	2,257,287	2,844,590

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NOTE 8 - INVENTORY

As of September 30, 2017 and December 31, 2016, this account is detailed as follows:

Classes of inventory	Balance as of	
	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Safety equipment	30,171	19,732
Total	30,171	19,732

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of September 30, 2017 and December 31, 2016, this account is detailed as follows:

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Finance lease receivables current	1,017,638	777,358
Sub-total Other financial assets current	1,017,638	777,358
Finance lease receivables non-current	21,882,188	11,751,854
Swap Contracts	-	3,520,904
Other financial assets	15,286	60,636
Sub-total Other financial assets non-current	21,897,474	15,333,394
Total	22,915,112	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:

Period in Years	September 30, 2017		
	Present Value (net investment) ThCh\$	Interest receivable ThCh\$	Nominal value (gross investment) ThCh\$
Less than 1	1,017,638	928,018	1,945,656
1-5	4,110,934	4,917,639	9,028,573
Over 5	17,771,254	43,083,365	60,854,619
Total	22,899,826	48,929,022	71,828,848

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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	
	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Opening balance	12,529,212	14,193,854
Additions	11,440,877	-
Amortization	(754,791)	(859,819)
Translation difference	(315,472)	(804,823)
Ending balance	22,899,826	12,529,212

In September 2017, a financial lease corresponding to the Neptuno substation was incorporated.

The amortization corresponding to the nine-month period ended September 30, 2016 was ThCh\$ (672,998).

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:

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Real estate lease	796,019	1,061,490
Other leases	751,024	881,495
Total operating leases	1,547,043	1,942,985

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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	1 to 5 years	More than 5 Years
	ThCh\$	ThCh\$	ThCh\$
Real estate lease	1,061,359	4,245,436	-
Other leases	1,001,365	4,005,460	-
Total operating leases	2,062,724	8,250,896	-

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of September 30, 2017 and December 31, 2016:

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Intangible assets, net		
Rights of way (*)	174,162,532	173,854,650
Software	5,551,056	4,034,231
Total intangible assets	179,713,588	177,888,881
Goodwill	345,976,384	342,651,175
Total intangible assets, net	525,689,972	520,540,056

(*) As of September 30, 2017 and December 31, 2016 Transelec S.A. present intangible assets with indefinite useful lives under the classification of rights of way.

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Intangible assets, gross		
Rights of way	174,162,532	173,854,650
Software	13,302,872	10,167,420
Goodwill	345,976,384	342,651,175
Total intangible assets	533,441,788	526,673,245

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Accumulated amortization and impairment		
Software	(7,751,816)	(6,133,189)
Total accumulated amortization	(7,751,816)	(6,133,189)

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NOTE 10 - INTANGIBLE ASSETS (continued)

The composition and movements of intangible assets as of September 30, 2017 and December 31, 2017 are the following:

Movements in intangible assets	Rights of way	Software	Goodwill	Net intangible assets
	ThCh\$	ThCh\$	ThCh\$	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	307,882	2,878,919	3,325,209	6,512,010
Amortization	-	(1,362,094)	-	(1,362,094)
Ending balance of intangible assets as of September 30 , 2017	174,162,532	5,551,056	345,976,384	525,689,972
Movements in intangible assets	Rights of way	Software	Goodwill	Net intangible assets
	ThCh\$	ThCh\$	ThCh\$	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	343,259	2,550,174	-	2,893,433
Amortization	-	(1,165,911)	-	(1,165,911)
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 September 30, 2017 and December 31, 2016 to be recovered.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

This account is detailed as follows:

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Property, plant and equipment, net		
Land	20,641,337	20,624,732
Buildings and infrastructure	892,965,919	879,122,021
Work in progress	80,866,200	107,899,910
Machinery and equipment	450,914,822	427,854,711
Other property, plant and equipment	7,657,753	5,735,878
Property, plant and equipment, net	1,453,046,031	1,441,237,252
Property, plant and equipment, gross	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Land	20,641,337	20,624,732
Buildings and infrastructure	1,150,210,633	1,118,249,344
Work in progress	80,866,200	107,899,910
Machinery and equipment	649,553,201	610,064,656
Other property, plant and equipment	7,657,753	5,735,878
Total property, plant and equipment, gross	1,908,929,124	1,862,574,520
Total accumulated depreciation of property, plant and equipment, net	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Buildings and infrastructure	(257,244,714)	(239,127,323)
Machinery and equipment	(198,638,379)	(182,209,945)
Total accumulated depreciation of property, plant and equipment	(455,883,093)	(421,337,268)

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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 September 30, 2017 and December 31, 2016:

	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance January 1, 2017	20,624,732	879,122,021	427,854,711	107,899,910	5,735,878	1,441,237,252
Movement						
Additions	-	10,093,724	1,521,068	87,466,038	1,921,875	101,002,705
Retirements	-	(7,207,417)	(7,965,890)	(38,630,902)	-	(53,804,209)
Transfer to operating assets	16,605	28,927,160	46,925,081	(75,868,846)	-	-
Depreciation	-	(17,969,569)	(17,420,148)	-	-	(35,389,717)
Balance as of September 30, 2017	20,641,337	892,965,919	450,914,822	80,866,200	7,657,753	1,453,046,031
	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other property, plant and equipment	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance January 1, 2016	20,630,332	863,685,819	415,852,900	72,801,826	5,529,900	1,378,500,777
Movement						
Additions	-	-	-	114,930,263	493,273	115,423,536
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	(78,352,288)	457,331	-
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

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)

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 September 30, 2017 and December 31, 2016 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engineering-Procurement-Construction) in the amount of ThCh\$ 102,710,817 and ThCh\$ 200,813,065, respectively.

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

	September 30, 2017	December 31, 2016
Capitalization rate (Annual basis)	5.16%	5.93%
Capitalized interest costs (ThCh\$)	3,342,588	3,022,279

Work in progress balances amounts to ThCh\$80,866,200 and ThCh\$107,899,910 as of September 30, 2017 and December 31, 2016 respectively.

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NOTE 12 - DEFERRED TAXES

12.1 Detail of deferred tax assets

The origin of deferred taxes recorded as of September 30, 2017 and December 31, 2016, corresponding to the company Transmisión Del Melado SpA is detailed as follows:

Temporary Difference

	Net deferred taxes	
	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Assets in Leasing	(280,066)	-
Tax Loss	588,873	-
Total deferred tax assets	308,807	-

12.2 Detail of deferred tax liabilities

The origin of deferred taxes recorded as of September 30, 2017 and December 31, 2016, corresponding to the company Transelec is detailed as follows:

Temporary differences

	Net deferred taxes	
	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Depreciable fixed assets	(120,616,370)	(103,241,185)
Financial expenses	(626,989)	(768,502)
Leased assets	(440,482)	(835,149)
Materials and spare parts	46,011	29,985
Tax losses	55,599,908	62,675,553
Staff severance indemnities provision	81,364	84,767
Deferred income	1,685,360	1,765,868
Investment value provision	12,955	12,955
Obsolescence provision	356,219	356,219
Work in progress	803,580	1,127,392
Vacation provisions	417,525	446,991
Intangible assets	(7,383,198)	(7,645,986)
Adjustment of effective interest rate of bonds	(3,015,205)	(3,219,282)
Land	1,364,058	1,267,668
Allowance for doubtful receivables	375,943	375,943
Net deferred tax assets/(liabilities)	(71,339,321)	(47,566,763)

Reflected in the statement financial position as follows:

Deferred tax assets	308,807	-
Deferred tax liabilities	(71,339,321)	(47,566,763)
Net deferred tax assets/(liabilities)	(71,030,514)	(47,566,763)

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NOTE 12 - DEFERRED TAXES (continued)

12.3 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the statement of financial position for the periods September 30, 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)	308,807	23,772,558
Balance as of September 30, 2017	308,807	71,339,321

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 September 30, 2017 and December 31, 2016 is as follows:

Interest bearing loans	September 30, 2017		December 31, 2016	
	Current ThCh\$	Non- current ThCh\$	Current ThCh\$	Non- current ThCh\$
Bonds payable	16,410,141	1,366,810,311	27,699,988	1,380,797,913
Total bonds payable	16,410,141	1,366,810,311	27,699,988	1,380,797,913
Bank loans	20,089,256	-	-	-
Swap contract (Note 15)	1,880,585	4,941,769	4,081,140	-
Other financial liabilities	-	-	44,674	2,848,079
Total obligations with banks	21,969,841	4,941,769	4,125,814	2,848,079
Total	38,379,982	1,371,752,080	31,825,802	1,383,645,992

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities

1. Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of September 30, 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	September 30, 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	360,808,891	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	80,618,136	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	42,772,852	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	39,561,271	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	49,470,380	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	77,708,697	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	83,366,928	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	191,009,689	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	237,994,518	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	219,909,090	232,860,748
Total												1,383,220,452	1,408,497,901

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh\$1,564,919,560 and ThCh\$1,587,229,343 as of September 30, 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 Consolidated 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.

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities (continued)

1. Bonds payable (continued)

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current		September 30, 2017 Current ThCh\$	Non-current			
			Maturity less than 90 days ThCh\$	Maturity more than 90 days ThCh\$		Maturity 1 to 3 years ThCh\$	Maturity 3 to 5 years ThCh\$	Maturity more than 5 years ThCh\$	September 30, 2017 Non-current ThCh\$
76.555.400-4	Transelec S.A	480	3,837,556	-	3,837,556	-	-	356,971,335	356,971,335
76.555.400-4	Transelec S.A	599	-	2,512,625	2,512,625	-	-	78,105,511	78,105,512
76.555.400-4	Transelec S.A	599	-	967,842	967,842	-	-	41,805,010	41,805,010
76.555.400-4	Transelec S.A	599	413,436	-	413,436	-	-	39,147,835	39,147,835
76.555.400-4	Transelec S.A	599	524,949	-	524,949	-	-	48,945,431	48,945,430
76.555.400-4	Transelec S.A	599	812,358	-	812,358	-	-	76,896,339	76,896,339
76.555.400-4	Transelec S.A	744	1,483,797	-	1,483,797	-	-	81,883,131	81,883,131
76.555.400-4	Transelec S.A	1st issuance	-	1,653,602	1,653,602	-	-	189,356,087	189,356,087
76.555.400-4	Transelec S.A	2nd issuance	-	2,244,754	2,244,754	-	-	235,749,764	235,749,764
76.555.400-4	Transelec S.A	3rd issuance	-	1,959,222	1,959,222	-	-	217,949,868	217,949,868
Total			7,072,096	9,338,045	16,410,141	-	-	1,366,810,311	1,366,810,311

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current		December 31, 2016 Current ThCh\$	Non-current			
			Maturity less than 90 days ThCh\$	Maturity more than 90 days 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

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

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities (continued)

2. Bank loans

Bank loans by financial institution, currency, established rate and maturity as of September 30, 2017 and December 31, 2016, are detailed as follows:

Debtor Company RUT	Debtor Company Name	Country	Creditor Company RUT	Creditor Company Name	Country	Currency	Amortization Type	Effective Annual Rate	Nominal Annual Rate	Maturity Year	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
76.555.400-4	Transelec S.A	Chile	97.006.000-6	Banco Crédito e Inversiones	Chile	CLP	Semestral	2.77%	2.77%	2018	20,089,256	-
Total											20,089,256	-

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities (continued)

2. Bank loans (Continued)

Debtor Company RUT	Debtor Company Name	Creditor Company Name	Current		September 30, 2017 Current ThCh\$	Non-current			
			Maturity in less than 90 days	Maturity in over 90 days		Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity over 5 years	September 30, 2017 Non-current
			ThCh\$	ThCh\$		ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.555.400-4	Transelec S.A	Banco Crédito e Inversiones	-	20,089,256	20,089,256				
		Total	-	20,089,256	20,089,256				

Debtor Company RUT	Debtor Company Name	Creditor Company Name	Current		December 31, 2016 Current ThCh\$	Non-current			
			Maturity in less than 90 days	Maturity in over 90 days		Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity over 5 years	December 31, 2016 Non-current
			ThCh\$	ThCh\$		ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.555.400-4	Transelec S.A	Banco Crédito e Inversiones	-	-	-	-	-	-	-
		Total	-	-	-	-	-	-	-

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities (continued)

3. Other Financial Liabilities

It consisted of a loan maintained by Transelec S.A. with Transmisión Del Melado SpA for the acquisition of SE Los Hierros. As of September 30, 2017, the loan is fully paid:

Debtor Company RUT	Debtor Company Name	Country	Creditor Company RUT	Creditor Company Name	Country	Currency	Amortization type	Effective annual rate	Nominal annual rate	Maturity year	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
99.521.950-6	Transelec Norte S.A. (Transelec S.A.)	Chile	77.277.800-7	Transmisión Del Melado SpA	Chile	US\$	Monthly	6.11%	6.11%	2043	-	2,892,753
Total											-	2,892,753

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities (continued)

3. Other Financial Liabilities (continued)

Debtor Company RUT	Debtor Company Name	Creditor Company Name	Maturity in less than 90 days	Current Maturity in over 90 days	September 30, 2017 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Non-current Maturity over 5 years	September 30, 2017 Non-current
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
99.521.950-6	Transec Norte S.A. (Transec S.A.)	Transmisión Del Melado SpA	-	-	-	-	-	-	-
		Total	-	-	-	-	-	-	-

Debtor Company RUT	Debtor Company Name	Creditor Company Name	Maturity in less than 90 days	Current Maturity in over 90 days	December 31, 2016 Current	Maturity 1 to 3 years	Maturity 3 to 5 years	Non-current Maturity over 5 years	December 31, 2016 Non-current
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
99.521.950-6	Transec Norte S.A. (Transec S.A.)	Transmisión Del Melado SpA	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

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

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NOTE 13 - FINANCIAL LIABILITIES (continued)

13.3 Other aspects

As of September 30, 2017 and December 31, 2016, Transelec had available a credit line of US\$250 million, which has not been used as of said dates.

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 September 30, 2017 and December 31, 2016, are detailed as follows:

Trade and other payables	Current		Non- current	
	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Trade and other payables	41,896,808	50,337,292	-	-
Other accounts payable	1,980,930	1,823,818		
Total	43,877,738	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.

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NOTE 15 - DERIVATIVE INSTRUMENTS (continued)

15.1 Hedge assets and liabilities

	September 30, 2017				December 31, 2016			
	Asset		Liability		Asset		Liability	
	Current	Non – current	Current	Non - current	Current	Non - current	Current	Non – current
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Currency hedge Swap	-	-	1,880,585	4,941,769	-	3,520,904	4,081,140	-
Total	-	-	1,880,585	4,941,769	-	3,520,904	4,081,140	-

15.2 Other Information

The following table details Transelec's derivatives as of September 30, 2017 and December 31, 2016, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value	Before 1 year	Maturity				Subsequent years	September 30, 2017 Total
			2017	2018	2019	2020		
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Currency hedge Swap	(6,822,354)	(1,880,585)	-	-	-	-	(4,941,769)	(6,822,354)

Financial derivatives	Fair value	Before 1 year	Maturity				Subsequent years	December 31, 2016 Total
			2017	2018	2019	2020		
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	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 September 30, 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.

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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 September 30, 2017.

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	September 30, 2017	Level 1 ThCh	Level 2 ThCh\$	Level 3 ThCh\$
Financial asset (liability)				
Currency hedge Swap	(6,822,354)	-	(6,822,354)	-
Total, net	(6,822,354)	-	(6,822,354)	-

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

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	December 31, 2016	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)	-

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NOTE 16 - FINANCIAL INSTRUMENTS

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

	Cash and cash equivalents	Loans and receivables	Derivatives at fair value through profit or loss	Derivatives at fair value through equity	Available for sale investments	Total
September 30, 2017	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cash and cash equivalents	21,032,196	-	-	-	-	21,032,196
Other financial assets, current	-	1,017,638	-	-	-	1,017,638
Trade and other receivables	-	52,669,951	-	-	-	52,669,951
Other financial assets, non-current	-	21,882,188	-	-	15,286	21,897,474
Receivables from related parties, current	-	62,614,564	-	-	-	62,614,564
Receivables from related parties, non- current	-	185,714,701	-	-	-	185,714,701
Total	21,032,196	323,899,042	-	-	15,286	344,946,524

	Cash and cash equivalents	Loans and receivables	Derivatives at fair value through profit or loss	Derivatives at fair value through equity	Available for sale investments	Total
December 31, 2016	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	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

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

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NOTE 16 - FINANCIAL INSTRUMENTS (continued)

The classification of financial liabilities in the categories described in Note 2.13 is shown below:

	Other financial liabilities	Derivatives at fair value through profit or loss	Derivatives at fair value through equity	Total
September 30, 2017	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other financial liabilities, current	36,499,397	1,880,585	-	38,379,982
Trade and other payables	43,877,738	-	-	43,877,738
Other financial liabilities, non-current	1,366,810,311	-	4,941,769	1,371,752,080
Total	1,447,187,446	1,880,585	4,941,769	1,454,009,800

	Other financial liabilities	Derivatives at fair value through profit or loss	Derivatives at fair value through equity	Total
December 31, 2016	ThCh\$	ThCh\$	ThCh\$	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

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NOTE 17 - PROVISIONS

17.1 Detail of provisions

As of September 30, 2017 and December 31, 2016, this account is detailed as follows:

Detail	Current		Non-current	
	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Staff severance indemnities	115,080	5,231	4,533,592	4,533,592
Accrued vacations	1,546,390	1,655,522	-	-
Profit sharing benefits	3,685,243	4,314,711	-	-
Other provisions	205,447	205,447	-	-
Total	5,552,160	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	354,812	4,015,987	845,614	-	5,216,413
Payments	(244,963)	(4,645,455)	(954,746)	-	(5,845,164)
Ending balance as of September 30, 2017	4,648,672	3,685,243	1,546,390	205,447	10,085,752

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, 2016	4,538,823	4,314,711	1,655,522	205,447	10,714,503

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NOTE 17 - PROVISIONS (continued)

17.2 Provision movements (continued)

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

As of September 30, 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	115,080	509,338	340,522	3,683,732
Accrued vacations	1,546,390	-	-	-
Profit sharing benefits	3,685,243	-	-	-
Other provisions	205,447	-	-	-
Total	5,552,160	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.

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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) 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 2016, the CDEC-SIC (currently CEN) 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 (currently CEN) 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 (currently CEN) 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. . The Supreme Court rejected the appeal presented. TGR's report of the fine is pending, to then proceed with its payment.

As of September 30, 2017 the Company has established a provision for these and other contingents liabilities totaling to ThCh\$1,737,743 considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC.

- 2) As of September 30, 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 (currently CEN) in December 2010, July, August and September 2011, plus provisional payments for the use of Zonal Systems (former Subtransmission), common facilities and lease of physical spaces. 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 ThCh\$ 14,688,235, which includes VAT of ThCh\$ 2,345,064, plus principal, interest, indexation adjustments and costs.

By Exempt Resolution No, 2288 dated August 26, 2011, the SEC ordered the CDEC-SIC (currently CEN) to exclude the Company from the Balance of Energy and Power which is made to calculate tariff revenues (IT).

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NOTE 17 - PROVISIONS (continued)

17.3 Lawsuits and arbitration proceedings (continued)

Transelec S.A. (continued)

In compliance with the order, CDEC-SIC (currently CEN) 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 (currently CEN), that still requires an approval by the CNE.

In relation with the final tolls and IT for 2011, the CDEC-SIC (currently CEN) issued the corresponding settlement, which was also impugned by Transelec before the Panel of Experts, which through Opinion No, 2-2012 ordered CDEC-SIC (currently CEN) 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

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Employee benefit obligations		
Staff severance indemnity provision – current	115,080	5,231
Staff severance indemnity provision non – current	4,533,592	4,533,592
Total Employee benefit obligations Current and Non-current	4,648,672	4,538,823

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

18.2 Detail of obligations to employees

As of September 30, 2017 and December 31, 2016, this account is detailed as follows:

	Staff severance indemnity	
	September 30,	December 31,
	2017	2016
	ThCh\$	ThCh\$
Present value of defined benefit plan obligations opening balance	4,538,823	4,972,249
Current service cost of defined benefit plan obligations	354,812	473,083
Liquidations obligation defined benefit plan	(244,963)	(906,509)
Present value of defined benefit obligations ending balance	4,648,672	4,538,823

18.3 Balance of obligations to employees

	Staff severance indemnity	
	September 30,	December 31,
	2017	2016
	ThCh\$	ThCh\$
Present value of defined benefit obligations, ending balance	4,648,672	4,538,823
Present obligation with defined benefit plan funds	4,648,672	4,538,823
Fair value of defined benefit plan assets, ending balance	-	-
Balance of defined benefit obligations, ending balance	4,648,672	4,538,823

18.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2017	January 1, 2016	
	to September 30, 2017	to September 30, 2016	
	ThCh\$	ThCh\$	
Current service cost of defined benefit plan	437,407	379,999	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	172,456	172,456	Cost of sales and Administrative expenses
Total expense recognized in income statement	609,863	552,455	

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

18.5 Actuarial hypothesis

Detail	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Discount rate used	1.95%	1.95%
Inflation rate	1.3%	2.9%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

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

18.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of September 30, 2016:

Level of Sensitivity	Discount rate used		Inflation rate		Future salary increase	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%	1%	1%
	(ThCh\$)	(ThCh\$)	(ThCh\$)	(ThCh\$)	(ThCh\$)	(ThCh\$)
Impact on current and non-current of employment benefit obligation	328,925	(368,193)	6,012	(6,151)	(333,665)	303,529

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 September 30, 2017.

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

	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
During the upcoming 12 month	115,080	5,231
Between 2 to 5 years	861,471	849,860
Between 5 to 10 years	1,645,993	1,722,186
More than 10 years	2,026,128	1,961,546
Total Payments Expected	4,648,672	4,538,823

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NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of September 30, 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 ThCh\$19,668,084 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 ThCh\$17,189,000 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 ThCh\$21,842,000 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 ThCh\$22,195,000 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.

On April 27, 2017, the company's Ordinary Shareholders' Meeting was held, where it was agreed to distribute a definitive dividend for 2016 for a total of ThCh\$19,757,324 which shall be paid as of May 23, 2017, to shareholders listed in the respective registry on May 17, 2017. As of September 30, 2017, this dividend has been fully paid.

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NOTE 19 - EQUITY (continued)

19.3 Dividends (continued)

At Board of Directors' Meeting held on May 17, 2017, it was agreed to distribute a provisional dividend with debit to the 2017 income, in the amount of ThCh\$19,222,000, which will be paid as of June 15, 2017, to the shareholders listed in the respective registry as of June 9, 2017. As of September 30, 2017, this dividend has been fully paid.

On August 23, 2017, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2017 income, in the amount of ThCh\$17,816,000 which will be paid as of September 26, 2017, to the shareholders listed in the respective registry as of September 20, 2017. As of September 30, 2017, this dividend has been paid in full.

19.4 Other reserves

Other reserves as of September 30, 2017 and December 31, 2016 are detailed as follows:

Description	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
Net investment hedge	3,038,020	4,533,123
Cash flow hedge (Exchange rate)	(22,038,056)	(36,474,125)
Actuarial calculation exchange differences	(431,169)	(431,169)
Deferred taxes	5,400,069	8,740,486
Total	(14,031,136)	(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	3,296,224	(26,613,155)	(314,754)	(23,631,685)
Translation adjustment	(1,663,243)	14,604,211	-	12,940,968
Deferred tax	449,076	(3,789,495)	-	(3,340,419)
Closing balance as of September 30, 2017	2,082,057	(15,798,439)	(314,754)	(14,031,136)

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.

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NOTE 19 - EQUITY (continued)

19.5 Capital management (continued)

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\$399,976,350 as of September 30, 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 September 30, 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.

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NOTE 19 - EQUITY (continued)

19.5 Capital management (continued)

Covenant 1	Total debt / Total capitalization ratio	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
	Lower or equal to 0.70		
A	Other financial liabilities, current	38,380	31,826
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,371,752	1,383,646
D	Payables to related parties, non-current	-	-
E=A+B+C+D	Covenants debt	1,410,132	1,415,472
G	Debt with guarantees (1)	-	-
DT=E+G	Total debt	1,410,132	1,415,472
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	786,866	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	2,221,968	2,212,923
DT/CT	Total debt / Total capitalization ratio	0.63	0.64

Covenant 2	Minimum equity	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
	Greater than or equal to UF 15 million/ Greater or equal to ThCh\$ 350,000		
P	Equity attributable to owners of the parent	786,866	772,481
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	Equity (in ThCh\$)	811,836	797,451
UF	UF value	26,656.79	26,347.98
(I+P)/UF	Equity (in UF millions)	30.46	30.27

Covenant 3	Restricted payments test	September 30, 2017 ThCh\$	December 31, 2016 ThCh\$
	Funds from operations (FNO) / Financial costs > 1.5		
FO	Cash flow from operations	185,735	187,466
CF	Financial costs	69,114	65,459
IG	Income tax expense	26,160	26,998
FNO=FO+CF+IG	Funds from operations	281,009	279,923
FNO/CF	Funds from operations / Financial costs	4.72	4.28

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

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NOTE 20 - REVENUE

20.1 Revenue

The following table details revenue for the nine-month periods ended September 30, 2017 and 2016:

Revenue	For the nine-month periods ended	
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Revenues from regulated transmission services	145,267,457	110,932,625
Revenues from contractual transmission services	61,932,668	103,321,877
Leases revenue	726,268	351,027
Total revenues	207,926,393	214,605,529

20.2 Other operating income

The following table details operating income for the nine -month periods ended September 30, 2017 and 2016:

Other operating income	For the nine-month periods ended	
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Financial income (Note 21,4)	6,761,505	7,133,964
Other gains (losses), net	2,737,328	3,520,668
Total other operating income	9,498,883	10,654,632

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NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the nine-month periods ended September 30, 2017 and 2016:

Detail	For the nine-month periods ended	
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Personnel expenses	15,421,408	14,428,298
Operating expenses	14,048,407	12,531,550
Maintenance expenses	4,057,778	3,867,811
Depreciation and write-offs	39,993,908	39,406,111
Other	2,213,065	2,793,000
Total	75,734,566	73,026,770

21.2 Personnel expenses

As of September 30, 2017 and 2016, this account is detailed as follows:

Detail	For the nine-month periods ended	
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Salaries and wages	13,627,152	12,693,103
Short-term employee benefits	714,499	885,669
Staff severance indemnity	609,863	552,455
Other long-term benefits	880,713	840,377
Other personnel expenses	5,713,353	5,107,772
Expenses capitalized on construction in progress	(6,124,172)	(5,597,078)
Total	15,421,408	14,428,298

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NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

21.3 Depreciation and amortization

The following table details depreciation and amortization for the nine-month periods ended September 30, 2017 and 2016:

Detail	For the nine-month periods ended	
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Depreciation	35,389,717	35,132,779
Amortization	1,362,094	829,041
Losses from damages ⁽¹⁾	3,242,097	3,444,291
Total	39,993,908	39,406,111

⁽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.

21.4 Financial results

The Company's financial result for the nine-month periods ended September 30, 2017 and 2016 is detailed as follows:

Detail	For the nine-month periods ended	
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Financial income:	6,761,505	7,133,963
Commercial interest earned	23,451	162,533
Bank interest earned	822,727	982,762
Interest earned from related parties	5,915,327	5,988,668
Financial expenses:	(52,063,406)	(48,266,976)
Interest on bonds	(42,917,048)	(43,183,932)
Commercial interest incurred	(76,737)	(4,205,935)
Interest rate Swap	(7,238,733)	(130,303)
Other expenses	(1,830,888)	(746,806)
Gain (loss) from indexation of UF	(8,447,903)	(19,317,296)
Foreign exchange gains (losses), net	196,089	767,780
Positive	32,241,091	38,120,220
Obligations with public	31,968,220	34,817,967
Banks – Capital Market	97,498	2,504,698
Accounts payable	137,992	758,194
Other	37,381	39,361
Negative	(32,045,002)	(37,352,440)
Swaps	(22,418,409)	(19,742,574)
Receivables from related parties	(8,880,704)	(14,772,748)
Other	(745,889)	(2,837,118)
Total financial result, net	(53,553,715)	(59,682,529)

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NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Current tax expense	114,936	81,216
Current tax expense, net, total	114,936	81,216
Deferred tax expense relating to origination and reversal of temporary differences	19,679,962	20,552,284
Deferred tax expense, net, total	19,679,962	20,552,284
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	19,794,898	20,633,500

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 September 30, 2017 and 2016:

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Tax expense at statutory rate	(20,845,658)	(20,500,056)
Price level restatement of equity	283,123	1,175,559
Correction of opening balance tax loss	842,294	-
Change in income tax rate, Tax Reform Law 20,780	(1,145,188)	(2,436,994)
Incorporation of Assets and Liabilities from TDM Acquisition	568,453	-
Price level restatement, tax loss	835,930	-
Other increase (decrease)	(333,852)	1,127,991
Total adjustments to tax expense using statutory rate	1,050,760	(133,444)
Tax Expense at effective Rate	(19,794,898)	(20,633,500)
	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Statutory Tax Rate	25.50%	24.00%
Price level restatement of equity	(0.35%)	(1.38%)
Correction of opening balance tax loss	(1.03%)	-
Change in income tax rate, Tax Reform Law 20.780	1.40%	2.85%
Incorporation of Assets and Liabilities from TDM Acquisition	(0.70%)	-
Price level restatement, tax loss	(1.02%)	-
Other increase (decrease)	0.41%	(1.31%)
Adjustments to Statutory Tax Rate, Total	(1.29%)	0.16%
Effective Tax Rate	24.21%	24.16%

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NOTE 22 - INCOME TAX RESULT (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.

	September 30, 2017	September 30, 2016
Basic Earnings per Share		
Profit attributable to equity holders of parent (ThCh\$)	61,580,542	64,783,399
Earnings available to common shareholders, basic (ThCh\$)	61,580,542	64,783,399
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch\$)	61,581	64,783

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

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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 national transmission system (former trunk), the zonal system (former subtransmission system) and committed systems (former 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 national system (former 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 segment that forms the national system (former trunk system).

The annual zonal system (former 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 committed systems (former additional system) 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 committed systems (former additional system) 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 national (former trunk), Zonal (former subtransmission) or committed (former 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 national (former trunk), zonal (former subtransmission) or additional. Thus, for Transelec this classification into national (former trunk), zonal (former 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.

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NOTE 24 - SEGMENT REPORTING (continued)

Information about products and services

	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Revenues from regulated transmission services	145,267,457	110,932,625
Revenues from contractual transmission services and others	62,658,936	103,672,904
Total revenues	207,926,393	214,605,529

Information about sales and principal customers

The Company has three clients that each represent more than 10% of the total revenue as of September 30, 2017. The amount of revenue recognized for those clients in 2017 is ThCh\$87,717,127, ThCh\$37,826,998 and ThCh\$35,802,814, respectively. As of September 30, 2016, the Company had three clients that each represented more than 10% of the total revenue as of said date. The amount of revenue recognized for those clients in 2016 was ThCh\$100,228,679, ThCh\$36,052,266 and ThCh\$35,957,316, respectively.

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

As of September 30, 2017, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh\$37,060,708 (ThCh\$32,735,703 as of December 31, 2016).

NOTE 26 - DISTRIBUTION OF PERSONNEL

As of September 30, 2017 and December 31, 2016, personnel employed by Transelec S.A. are detailed as follows:

	September 30, 2017			Total	Average of the year
	Manager and Executives	Professionals and technical personnel	Other employees		
Total	8	389	127	524	521,3

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

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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 nine-month ended September 30, 2017 and 2016, the Company has made the following environmental disbursements:

Company making disbursement	Project	September 30, 2017 ThCh\$	September 30, 2016 ThCh\$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	654,859	683,477
Total		654,859	683,477

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NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	September 30, 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
			ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cash and cash equivalents	Dollars	CH\$	323,081	-	12,852,827	-
	Other Currency	CH\$	20,420	-	12,871	-

Current Liabilities	Foreign Currency	Functional Currency	September 30, 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
			ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other financial liabilities, current	Dollars	CH\$	3,384,961	13,614,729	4,092,062	13,742,982

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

Non-Current Liabilities	Foreign Currency	Functional Currency	September 30, 2017			December 31, 2016		
			1 to 3 year	3 to 5 year	More than 5 year	1 to 3 year	3 to 5 year	More than 5 year
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other financial liabilities, non-current	Dollars	CH\$	100,852	113,542	671,957,486	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\$	-	-	-	-	-	-

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NOTE 29 - BUSINESS COMBINATION

Purchase of Transmisión Del Melado SpA

On March 31, 2017, the company Transelec S.A acquired the company Transmisión Del Melado SpA, thus obtaining control over it. This Company was acquired as part of the development and growth strategy of Transelec S.A.

The goodwill generated at the moment of the transaction represents the synergies and scale economies expected from the business combination.

The following chart describes the price paid and the fair values of the assets acquired and liabilities assumed (ThCh\$):

Acquisition Price (A)	8,727,880
Assets acquired and liabilities assumed	
Total current assets	2,643,265
Property, plant and equipment	11,614,793
Intangible assets	1,556
Other non-current assets	2,024,189
Total Assets	16,283,803
Total current liabilities	(245,858)
Other non-current financial liabilities	(10,191,902)
Other non-current liabilities	(443,372)
Total Liabilities	(10,881,132)
Total Net Assets Acquired (B)	5,402,671
Goodwill on the Acquisition (A) - (B)	3,325,209

NOTE 30 - SUBSEQUENT EVENTS

On October 24, 2017, the assets corresponding to the project “Los Changos – Kapatur” were transferred in the amount of USD5,663,756.

No other significant events of a financial-accounting nature have occurred that could affect the Company’s equity or the interpretation of these Interim Consolidated Financial Statements.

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

TRANSELEC S.A.

*Santiago, Chile
September 30, 2017*



SUMMARY

As of September 30, 2017, Revenues reached MCh\$207,926, showing a decrease of 3.1% compared to the same period of 2016 (MCh\$214,606). The decrease of Revenues in 2017 are mainly explained due to an extraordinary revenue associated to the renegotiation of long term contracts with Enel Group in 2016. Without considering this extraordinary item, Revenues as of September 2017 would have been 2.2% higher than in 2016.

The loss in Non-Operating Income as of September 30, 2017 was MCh\$50,816, representing a decrease of 9.5% compared to the same period of 2016 (MCh\$56,162). The two main items that explain this decrease are lower losses for indexed assets and liabilities of MCh\$10,869, which mostly measures the inflation impact on the UF denominated debt of the Company, and the higher Financial Costs of MCh\$3,655 which is partly offset the inflation effect. Another highlight is the minimal impact in the Foreign Exchange Differences due to the application of the company's exchange rate flows risk coverage policy.

Net Income recorded by the Company as of September 30, 2017 was MCh\$61,581, which is 4.9% lower compared to the same period of 2016 (MCh\$64,783). This decrease is mainly explained by the Revenues effect explained before and to a lesser extent by higher Costs.

During the first nine months of 2017, Transelec obtained an EBITDA¹ of MCh\$175,677, a 5.1% higher than the obtained in the same period of 2016 (MCh\$185,179), with an EBITDA Margin² of 84.5%. The EBITDA decrease is mainly explained due to the Revenues effect explained before and higher Fixed Costs. If we do not consider the agreements renegotiation with Enel, Transelec Ebitda would be 0.9% higher than in 2016.

During the first nine months of 2017, the company incorporated US\$111.6 million of new facilities, related to the commissioning of five National system upgrade projects, two Zonal system project, three dedicated projects, and the acquisition of Don Héctor Substation and 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:

- On January 2017, the international rating agency, Fitch Ratings confirmed the BBB classification to Transelec.
- On March 31, 2017 Transelec acquired 100% of shares of the company Transmisión del Melado SpA. This is now a subsidiary of Transelec. The operation of Transmisión del Melado started on the second quarter of 2017. This is why the September Financial Statements are consolidated.
- On April 2017, the international rating agency, Moody's confirmed the Baa1 classification to Transelec.
- On May 30, 2017 Transelec made its first Investor Day, where the company met investors, banks and rating agencies as part of policy to maintain permanent contact with the company investors. Within the same initiative Transelec held a number of meetings with international investors on June.
- On July's first week, the Transmisión del Melado long-term debt was prepaid for an approximate amount of US\$ 15 million.
- On July 2017, the international rating agency, Standards & Poor's confirmed the BBB classification to Transelec.
- On August 03, 2017 Transelec subscribe a Promissory Note with Banco BCI for an amount of MCh\$20,000, with a 2.77% interest rate and maturity on August 03, 2018. The funds were primary used to cover the prepayment of Transmisión del Melado made the previous month.
- On August 03, 2017 Transelec renegotiated its Revolving Credit Facility for 3 more years. The total amount was maintained in approximately US\$250 million and some improvements were made, for example a local tranche of UF\$2.5 million.
- On August Transelec sold to Transelec Concesiones the assets associated to "2x500 KV Pichirropulli – Nueva Puerto Montt" and "Nueva Charrúa Substation". Transelec started the development of the projects but the concession belongs to Transelec Concesiones S.A.
- On September 14, 2017 Transelec acquired Don Héctor Substation from Total SunPower for UD\$17.9 million.
- In 2017, Transelec paid to their shareholders the following amounts:
 - MCh\$19,757 as 2016's final dividend distributed on May 23, 2017.
 - MCh\$19,222 as the 2017 first interim dividend distributed on June 15, 2017.
 - MCh\$17,816 as the 2017 second interim dividend distributed on September 27, 2017.

Transelec S.A. has prepared its financial statements as of June 30, 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	September 2017 MCh\$	September 2016 MCh\$	Variation 2017/ 2016 MCh\$	Variation 2017/ 2016 %
Revenues	207,926	214,606	-6,680	-3.1%
Toll sales	202,289	210,951	-8,662	-4.1%
Services	5,637	3,654	1,983	54.3%
Operation Costs and Expenses	-75,735	-73,027	-2,708	-3.7%
Sales Fixed Costs	-21,804	-19,600	-2,204	-11.2%
Administrative Fixed Expenses	-13,937	-14,021	84	0.6%
Depreciation	-39,994	-39,406	-588	-1.5%
Operating Income	132,191	141,579	-9,388	-6.6%
Financial Income	6,762	7,134	-372	-5.2%
Financial Costs	-52,063	-48,267	-3,796	-7.9%
Foreign exchange differences	196	768	-572	-74.5%
Gain (loss) for indexed assets and liabilities	-8,448	-19,317	10,869	56.3%
Other income (Losses)	2,737	3,521	-784	-22.2%
Non-Operating Income	-50,816	-56,162	5,346	9.5%
Income before Taxes	81,375	85,417	-4,042	-4.7%
Income Tax	-19,795	-20,633	838	4.1%
Net Income	61,581	64,783	-3,202	-4.9%
EBITDA¹	175,677	185,179	-9,502	-5.1%
EBITDA Margin²	84.5%	86.3%		
Total Costs and Expenses	-90,657	-88,669	-1,988	-2.2%
Fixed Costs and Expenses	-35,741	-33,621	-2,120	-6.3%
Total Depreciation	-39,994	-39,406	-588	-1.5%

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 9 months ended on September 30, 2017, Revenues reached MCh\$207,926 decreasing by 3.1% over the same period of 2016 (MCh\$214,606). The decrease is mainly explained due to the Enel agreements renegotiation in 2016, without consider this extraordinary item, Revenues as of September 2017 would be 2.2% higher than the same period of 2016. 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 decrease in Revenues is mainly explained by lower income from Toll Sales, which as of September 30, 2017 reached MCh\$202,289, a 4.1% lower than that obtained in the same period of 2016 (MCh\$210,951). Services Revenues reached MCh\$5,637 as of September 30, 2017, a 5.3% higher than 2016 (MCh\$3,654).

The decrease in Toll Sales is explained by MCh\$7,333 of lower income associated to the National segment and MCh\$2,404 of lower revenues in the Dedicated segment, partially offset by an increase of MCh\$1,075 in the Zonal segment.



As a whole, the lower Revenues are mainly explained due to the agreements renegotiation with Enel previously mentioned which meant MCh\$11,134 of higher revenues in 2016. If we do not consider that effect, Toll Sales as of September 30, 2017 would be MCh\$2,492 higher than the obtained as of September 30, 2016 and the rise is explained by the commissioning of new projects in the last twelve months that provides revenues by MCh\$5,663, macroeconomic effects of MCh\$1,020 and higher regulated income associated to the Zonal System by MCh\$1,874. This was partially offset by the maturity of transmission agreements with Enel that became regulated by MCh\$5,278.

Total Transelec Operational Costs and Expenses as of September 30, 2017 were MCh\$75,735, a 3.7% higher than the comparison period in 2016 that reached MCh\$73,027. Operational Costs and Expenses presented an account reclassification affecting the exposed in 2016. Total costs are composed by the following main items.

Fixed Cost of sales during the analysis period totaled MCh\$21,804, an 11.2% higher than the same period of 2016 (MCh\$19,600). The increase is mainly explained by higher costs associated to project studies and personnel.

Fixed Administrative Expenses amounted MCh\$13,937 in September 2017, 0.6% lower than those obtained in the same period in 2016 (MCh\$14,021).

Total Depreciation (considering Costs and Expenses) as of September 30, 2017 is 1.5% higher than the same period in 2016. The increase is mainly by new commissioning which is partly offset by the end of a number of assets' useful life in 2016, which meant a lower depreciation in 2017.

b) Non-Operating Income

The Non-Operating Income of the first nine months of 2017 was a loss of MCh\$50,816, a 9.5% lower than the same period of 2016 (MCh\$56,162), mainly explained by lower Losses for Indexed Assets and Liabilities partly offset by higher Financial Costs.

Losses for Indexed Assets and Liabilities were MCh\$8,448 on September 2017, a 56.3% lower than the same period of 2016 (MCh\$19,317). This is mostly explained due to the maturity and payment of the Local Series C of UF 6 million in September, 2016, which decreased the UF company debt, and on the other hand the readjustment of local bonds in UF due to variation in the UF. In the first nine months of 2017 this variation corresponds to 1.17% compared with a 2.32% for the same period of 2016, due to higher inflation in that period.

Financial Costs recorded as of September 2017 amounted MCh\$52,063, a 7.9% higher than the same period of 2016 (MCh\$48,267). This increase is mainly explained by the fact that in 2017 Transelec has more debt because the new issuance in July 2016 was higher than the maturity of September 2016. Specifically, the main items that explained higher Financial Costs are, (i) higher USD interests paid of MCh\$4,569 due to the accrued interest for the new dollar debt issuance in July partly offset by the effect of a 3.92% appreciation of the Chilean peso (average exchange rate between periods), (ii) higher interests paid due to Swap agreements of MCh\$3,033, mainly due to the new bond hedge, and (iii) lower interests paid due to UF bonds of MCh\$3,631 associated to lower UF debt (due to the Series C payment), partly offset with the effect of the UF variation of 2.29% average between both years.

Other Income as of September, 2017 were MCh\$2,737, a 22.2% lower than the same period of 2016 (MCh\$3,521). The difference is mainly explained that in 2016 were income due the fire insurance due to the accident occurred in Pan de Azúcar Substation.

Foreign Exchange Differences as of June, 2017 reached MM\$196, maintaining at minimum levels associated to the foreign currency hedge policy.

Financial Income as of September 2017 amounted MCh\$6,752, a 5.2% lower than the same period of 2016 (MCh\$7,134). The decrease is mainly explained by higher interests earned in 2016 associated to higher cash stock due to the international debt was issued approximately two months before than the Series C payment.

c) Income tax

The Income Tax as of September 30, 2017 were MCh\$19,795, decreasing by 4.1% compared to the same period of 2016 (MCh\$20,633). This decrease is mainly explained by lower profits before taxes of 4.1%.

2. BALANCE SHEET ANALYSIS

ITEMS	September 2017 MCh\$	December 2016 MCh\$	Variation 2017/ 2016 MCh\$	Variation 2017/ 2016 %
Current assets	139,866	124,719	15,147	12.1%
Non-current assets	2,190,349	2,182,103	8,246	0.4%
Total Assets	2,330,215	2,306,822	23,393	1.0%
Current liabilities	89,680	92,253	-2,573	-2.8%
Non current liabilities	1,453,669	1,442,089	11,580	0.8%
Equity	786,866	772,481	14,385	1.9%
Total Liabilities & Equity	2,330,215	2,306,822	23,393	1.0%

The increase in Assets between December 2016 and September 2017 is explained by an increase in Current Assets and in Non-Current Assets. 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. The increase in Non-Current assets is mainly explained an increase in property, plant and equipment due to the acquisition of Transmisión del Melado SpA.

The increase in Total Liabilities and Equity as of September 30, 2017 is due to an increase Non-Current Liabilities and Equity partially offset by lower Current Liabilities. The increase in Non-Current Liabilities is explained by an increase on deferred taxes partly offset by lower long term other financial liabilities both due to the acquisition of Transmisión del Melado SpA. The increase in Equity is explained due to lower negative balance in Other Reserves and higher Accumulated Earnings. Lower Current Liabilities are explained by lower accounts payables partly offset by higher financial liabilities associated to the Promissory Note agreement with BCI.

Value of the Main Pp&E in Operation

ASSETS	September 2017 MCh\$	December 2016 MCh\$	Variation 2017/ 2016 MCh\$	Variation 2017/ 2016 %
Land	20,641	20,625	16	0.1%
Building, Infraestructure, works in progress	1,150,211	1,118,249	31,962	2.9%
Work in progress	80,866	107,900	-27,034	-25.1%
Machinery and equipment	649,553	610,065	39,488	6.5%
Other fixed assets	7,658	5,736	1,922	33.5%
Depreciation (less)	-455,883	-421,337	-34,546	-8.2%
Total	1,453,046	1,441,237	11,809	0.8%

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital)	
					September 2017	December 2016
Series D bond	UF	4.25%	Fixed	15-Dec-27	13.50	13.50
Series H bond	UF	4.80%	Fixed	01-Aug-31	3.00	3.00
Series K bond	UF	4.60%	Fixed	01-Sep-31	1.60	1.60
Series M bond	UF	4.05%	Fixed	15-Jun-32	3.40	3.40
Series N bond	UF	3.95%	Fixed	15-Dec-38	3.00	3.00
Series Q bond	UF	3.95%	Fixed	15-Oct-42	3.10	3.10
Series Senior Notes bond @2023	USD	4.625%	Fixed	26-Jul-23	300.00	300.00
Series Senior Notes bond @2025	USD	4.25%	Fixed	14-Jan-25	375.00	375.00
Series Senior Notes bond @2029	USD	3.875%	Fixed	12-Jan-29	350.00	350.00
Revolving Credit Facility ¹	USD	2.76%	Floating	03-Aug-20	-	-
Revolving Credit Facility ¹	UF	1.43%	Fixed	03-Aug-20	-	-
Local Promissory Note	CLP	2.77%	Fixed	03-Aug-18	20.00	-

¹ Revolving Credit Facility: USD Tranche MM US\$150: The floating rate of 2.76% breaks down in 3 months Libor rate plus a margin of 1.25%. At September 30, 2017, the Company did not utilize this line therefore does not pay interest of 2.76% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

² Revolving Credit Facility: UF Tranche MM UF\$2.5: The floating rate of 1.43% breaks down in TAB UF 180 rate plus a margin of 0.25%. At September 30, 2017, the Company did not utilize this line therefore does not pay interest of 1.43% and currently is paying a fixed commission of 0.15% 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	September 2017 MM\$	September 2016 MM\$	Variation 2017/2016 MM\$	Variation 2017/2016 %
Cash flows provided by (used in) operating activities	131,262	132,994	-1,732	-1.3%
Cash flows provided by (used in) investing activities	-117,878	-113,922	-3,956	-3.5%
Cash flows provided by (used in) financing activities	-46,999	-5,297	-41,702	-787.3%
Net increase (decrease) of cash and cash equivalent	-33,614	13,775	-47,389	N/A
Cash and cash equivalent at the beginning of the period	54,647	24,157	30,490	126.2%
Cash and cash equivalent at the end of the period	21,032	37,932	-16,900	-44.6%



As of September 30, 2017, cash flows provided by operating activities reached MCh\$131,262, which represents a decrease of 1.3% over the same period of 2016 (MCh\$132,994,105,529), mainly explained by higher payments to suppliers of MCh\$8.103, higher interest payments of MCh\$5,864 and to taxes refund in 2016 due to Transelec Norte absorption of MCh\$2,744. This was partly offset higher cash receipts from sales for MCh\$16,986.

During the same period, cash flow used in investing activities reached MCh\$117,878, a 3.5% higher than in the same period of 2016 (MCh\$113,922), mainly explained by higher net loan to related entities of MCh\$29,417, higher cash flow used in purchases of property, plant and equipment of MCh\$14,756 and MCh\$6,407 associated to the acquisition of Transmisión del Melado SpA. This is partly offset by the asset sell to Transelec Concesiones S.A. associated to the projects "2x500 KV Pichirropulli – Nueva Puerto Montt" and "Nueva Charrúa Subestación" of MCh\$44,286.

As of September 2017, the cash flow used in financing activities reached MCh\$46,999 a 787.3% higher than the comparison period in 2016 (MCh\$5,297). As of September 2016 the mainly cash flows are the debt issuance of MCh\$226,979, the Series C payment of MCh\$163,225 and dividends payment of MCh\$58,699. As of September 2017 the mainly cash flows are MCh\$20,000 associated to the Local Promissory Note with Banco BCI, the prepayment of Transmisión del Melado long term debt of MCh\$10,203 and dividends payment of MCh\$56,795.

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 and Export Development Canada	US\$150,000,000	03-Aug-2020	Working Capital
Scotiabank and Banco Estado	UF\$2,500,000	03-Aug-2020	Working Capital

4. INDICATORS

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

Covenants		Limit	September 2017	December 2016
Capitalization Ratio*	All local Bonds	< 0.70	0.63	0.64
Shareholder's Equity* MMUF	D, H, K, M and N local Bonds	> 15.00	30.46	30.27
Shareholder's Equity* MCh\$	Q local Bond and Revolving Credit Facility	> 350,000	811,836	797,451
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x		

Test	Bonds	Limit	September 2017	December 2016
Distribution Test**	D, H, K, M and N local Series	> 1.50	4.07	4.28
FNO***/Financial Expenses				

¹Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and June 30, 2017 amounted to MCh\$24.970.

²Test to distribute restricted payments such as dividends.

³FNO= 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		September 2017	December 2016	Variation 2017/2016
Profitability				
Shareholders' Equity profitability*	(%)	9.9%	10.5%	-60 pbs
Assets profitability*	(%)	3.3%	3.5%	-20 pbs
Operating assets profitability*	(%)	5.4%	5.6%	-20 pbs
Earnings per share*	(\$)	77,781	80,983	-4.0%
Liquidity & Indebtedness				
Current Ratio	(times)	1.56	1.35	15.6%
Acid-Test Ratio	(times)	1.56	1.35	15.6%
Debt to Equity	(times)	1.96	1.99	-1.5%
Short term debt/Total debt	(%)	5.8%	6.0%	-20 pbs
Log term debt/Total debt	(%)	94.2%	94.0%	20 pbs
Financial expenses coverage	(times)	3.37	3.66	-7.9%

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 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 establishes a new electric transmission system and creates an independent coordinator of the National Electric System. Additionally, those who explores 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 with 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 establishes 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 establishing 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:

In million pesos	September 2017		December 2016	
	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	660,223	649,284	689,947	691,075
Chilean peso	1,653,871	1,664,810	1,616,432	1,615,304

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
April	655.74	665.41	669.93	663.40
May	671.54	672.35	681.87	690.27
June	665.15	664.29	681.07	661.49
July	658.17	652.23	657.57	664.94
August	644.24	628.89	658.89	673.17
September	625.54	637.93	668.63	659.08
Average of the period	654.00	653.35	680.67	676.48

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 September 30, 2017, the company has five main clients which represent individually between 2.5% and 42.2% of the total revenues. These are Enel Group (MCh\$87,717), Colbún Group (MCh\$37,827), AES Gener Group (MCh\$35,803), Engie (MCh\$10,397) and Pacific Hydro-LH-LC Group (MCh\$5,218). The total revenues recognized for these clients represent an 85.1% 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\$100,229, MCh\$35,957, MCh\$36,052, MCh\$10,044 and MCh\$6,736 respectively, with a percentage of the total incomes of 88.1%.

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\$162,331,475. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, being renegotiated in 2014 and 2017. The last renovation was on August 03, 2017 maintains the total amount but it includes a local tranche and a USD tranche with others improvements. Is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi, SMBC, EDC DnB NOR and Banco Estado. 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 September 30, 2016 and December 31, 2016.

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
30 de septiembre de 2017	80,464	119,804	119,804	687,572	1,118,414	2,126,058
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 Sistema Nacional (Ex Troncal) 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 CEN (National Electrical Coordinator) 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 CEN, 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.

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 September 30, 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
April	26,512.42	26,561.42	25,858.01	25,906.80
May	26,603.14	26,630.98	25,954.31	25,993.05
June	26,651.22	26,665.09	26,025.99	26,052.07
July	26,643.94	26,597.33	26,093.10	26,141.65
August	26,584.37	26,604.10	26,181.82	26,209.10
September	26,631.13	26,656.79	26,222.27	26,224.30
Average of the period	26,527.42	26,544.22	25,933.12	25,965.06

Subsequent Events

- On October, 2017 Transelec sold part of the assets associated to the project "Los Changos – Nueva Crucero Encuentro" to Transelec Concesiones S.A.

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.
- 2) On April 27, 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:

That on April 27, 2017, the Company's annual shareholders meeting was held, and the following was agreed:

1. Approval of the Annual Report, Balance Sheet, Financial Statements and Report of the External Auditors for the period ended December 31, 2016.
 2. Approval of the distribution of a final dividend for the year 2016, for the amount of \$19,757,324.615, which will be paid starting from May 23, 2017 to shareholders registered in the respective registry on May 17, 2017 (the Form No. 1 about dividend distribution regarding circular 660 was attached in an essential fact informed on May 28th 2017).
 3. It was agreed to renew the members of the Board, which will be composed as follows: Benjamin Vaughn as director and Jeffrey Rosenthal as his alternate; Paul Dufresne as director and Patrick Charbonneau as his alternate; Brenda Eaton as director and Jordan Anderson as her alternate; Alfredo Ergas Segal as director and Etienne Middleton as his alternate; Bruno Philippi Irarrázabal as director and Mario Valderrama Venegas as his alternate; Mario Valcarce Durán as director and Patricio Leyton Flores as his alternate; Blas Tomic Errázuriz as director and Rodrigo Ferrada Celis as his alternate; José Ramón Valente Vias as director and Stella Muñoz Schiattino as his alternate; and, Alejandro Jadresic Marinovic as director and Valeria Ruz Hernández as his alternate.
 4. Set the remuneration of the Board and the Audit Committee.
 5. Approval of the appointment of Ernst & Young as external auditors of the company for the year 2017.
 6. Approval of the appointment of the Diario Financiero to publish the citations for the shareholders meetings.
 7. It was informed of the resolutions adopted by the Board on matters contained in Articles 146 et seq. of the Corporations Law.
- 3) On May 17, 2017, and according to article 9 and second paragraph of article 10 of the Law No. 18,045 of Securities Market, and in the General Norm No. 30 of the Superintendence of Securities and Insurance, the following material fact was reported:
- That Transelec S.A.'s Board of Directors, at its Meeting No. 153 held on May 17, 2017, elected Mr. Benjamin Vaughn as the Board of Directors' Chairman.
- 4) On May 18, 2017, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, and the Circular No. 660 of the Superintendence of Securities and Insurance, the following material fact was reported:

That Transelec S.A.'s Board of Directors, at its Meeting held on May 17, 2017, approved the distribution of the interim dividend of CLP \$19,222,000,000 corresponding to year 2017, to be paid from June 15, 2017 to the shareholders registered at the pertinent registrar on June 9, 2017.

The Form No. 1 about dividend distribution was attached, in accordance to the aforementioned circular.

- 5) On August 23rd, 2017, and according to article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, and the Circular No. 660 of the Superintendence of Securities and Insurance, the following material fact was reported:

That Transelec S.A.'s Board of Directors, at its Meeting held on August 23rd, 2017, approved the distribution of the interim dividend of CLP \$17,816,000,000 corresponding to year 2017, to be paid from September 26th, 2017 to the shareholders registered at the pertinent registrar on September 20th, 2017.

The Form No. 1 about dividend distribution was attached, in accordance to the aforementioned circular.