Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
September 30, 2018

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

As of September 30, 2018 and December 31, 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, 2018

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of September 30, 2018 and December 31, 2017
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	September 30, 2018 (Unaudited) ThCh$	December 31, 2017 (Audited) ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	40,409,416	61,628,069
Other financial assets	(8)	993,397	873,333
Other non-financial assets		3,315,959	3,758,876
Trade and other receivables, net	(6)	56,141,030	45,225,066
Receivables from related parties	(7)	28,141,751	34,323,681
Inventory		36,458	30,171
Total current assets		**129,038,011**	**145,839,196**
NON-CURRENT ASSETS			
Other financial assets	(8)	25,662,116	24,175,081
Other non-financial assets		6,202,693	5,213,740
Receivables from related parties	(7)	219,199,802	190,683,003
Intangible assets other than goodwill	(9)	180,900,487	180,362,355
Goodwill	(9-28)	343,059,078	343,059,078
Property, plant and equipment, net	(10)	1,468,304,034	1,456,268,115
Deferred tax assets, net	(11)	-	34,410
Total non-current assets		**2,243,328,210**	**2,199,795,782**
Total Assets		**2,372,366,221**	**2,345,634,978**

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 Financial Position
As of September 30, 2018 and December 31, 2017
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	**Note**	**September 30, 2018 (Unaudited) ThCh$**	**December 31, 2017 (Audited) ThCh$**
CURRENT LIABILITIES			
Other financial liabilities	(12)	16,007,249	51,129,853
Trade and other payables	(13)	51,070,588	56,494,365
Current provisions for employee benefits	(16)	5,795,721	6,823,042
Current tax liabilities		75,656	162,101
Other non-financial liabilities		4,073,636	1,980,423
Total current liabilities		**77,022,850**	**116,589,784**
NON-CURRENT LIABILITIES			
Other financial liabilities	(12)	1,433,033,537	1,352,903,027
Deferred tax liabilities	(11)	90,039,559	79,303,942
Non-current provisions for employee benefits	(16)	6,427,412	4,533,592
Other non-financial liabilities		5,646,544	5,944,722
Total non-current liabilities		**1,535,147,052**	**1,442,685,283**
Total liabilities		**1,612,169,902**	**1,559,275,067**
EQUITY			
Paid-in capital	(18)	776,355,048	776,355,048
Retained earnings		22,090,441	18,712,014
Other reserves	(18)	(38,249,170)	(8,707,151)
Total equity attributable to owners of the parent		760,196,319	786,359,911
Non-controlling interest		-	-
Total equity		**760,196,319**	**786,359,911**
Total Equity and Liabilities		**2,372,366,221**	**2,345,634,978**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the nine and three month periods ended September 30, 2018 and 2017
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	01/01/2018 09/30/2018 (Unaudited) ThCh$	01/01/2017 09/30/2017 (Unaudited) ThCh$	07/01/2018 09/30/2018 (Unaudited) ThCh$	07/01/2017 09/30/2017 (Unaudited) ThCh$
Statement of comprehensive income by function					
Operating revenues	(19)	220,429,389	207,926,393	77,556,133	69,163,015
Cost of sales	(20)	(61,242,527)	(60,812,624)	(20,184,561)	(22,006,187)
GROSS MARGIN		**159,186,862**	**147,113,769**	**57,371,572**	**47,156,828**
Administrative expenses	(20)	(17,816,781)	(14,921,942)	(7,634,470)	(5,342,577)
Other gains (losses), net	(19)	1,955,743	2,737,328	767,520	906,391
Financial income	(19)	7,155,285	6,761,505	2,492,083	2,156,001
Financial expenses	(20)	(50,906,965)	(52,063,406)	(17,329,183)	(19,179,182)
Foreign exchange differences, net	(20)	(884,230)	196,089	(167,706)	146,796
Income by indexed units	(20)	(14,952,886)	(8,447,903)	(5,344,796)	216,730
Profit Before Income Taxes		**83,737,028**	**81,375,440**	**30,155,020**	**26,060,987**
Income tax expense	(21)	(21,759,589)	(19,794,898)	(8,064,581)	(7,097,884)
Profit from continuing operations		61,977,439	61,580,542	22,090,439	18,963,103
Profit (loss) from discontinued operations		-	-	-	-
Profit (loss)		**61,977,439**	**61,580,542**	**22,090,439**	**18,963,103**
PROFIT (LOSS) ATTRIBUTABLE TO:					
Profit attributable to the owners of the parent company		61,977,439	61,580,542	22,090,439	18,963,103
Profit (loss) attributable to non – controlling interest		-	-	-	-
PROFIT		**61,977,439**	**61,580,542**	**22,090,439**	**18,963,103**
EARNINGS PER SHARE					
Basic earnings per share/diluted					
Basic earnings per share/diluted from continuing operations	(22)	61,977	61,581	22,090	18,963
Basic earnings (loss) per share/diluted from discontinued operations		-	-	-	-
Basic earnings per share/diluted	(22)	**61,977**	**61,581**	**22,090**	**18,963**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the nine and three month periods ended September 30, 2018 and 2017
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	01/01/2018 09/30/2018 (Unaudited) ThCh$	01/01/2017 09/30/2017 (Unaudited) ThCh$	07/01/2018 09/30/2018 (Unaudited) ThCh$	07/01/2017 09/30/2017 (Unaudited) ThCh$
PROFIT (LOSS)	**61,977,439**	**61,580,542**	**22,090,439**	**18,963,103**
Components of other comprehensive income, before taxes				
Foreign Currency Translation				
Gains (losses) on foreign currency translation differences, before taxes	(1,477,355)	(1,663,243)	(492,452)	(678,340)
Cash flow hedges				
Gains (losses) on cash flow hedges, before taxes	(38,991,165)	14,604,211	(11,598,670)	6,595,670
Income taxes related to components of other comprehensive income				
Income taxes related to components of foreign currency translation	398,886	449,076	132,962	183,152
Income taxes related to components of cash flow hedge	10,527,615	(3,789,495)	3,131,641	(1,627,189)
Other comprehensive income	(29,542,019)	9,600,549	(8,826,519)	4,473,293
Total comprehensive income	**32,435,420**	**71,181,091**	**13,263,920**	**23,436,396**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	32,435,420	71,181,091	13,263,920	23,436,396
Comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive income	**32,435,420**	**71,181,091**	**13,263,920**	**23,436,396**

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

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Changes in Equity
For the nine-month periods ended September 30, 2018 and 2017 (unaudited)
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2018	776,355,048	1,858,266	(10,250,663)	(314,754)	(8,707,151)	18,712,014	786,359,911	-	786,359,911
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	61,977,439	61,977,439	-	61,977,439
Other comprehensive income	-	(1,078,469)	(28,463,550)	-	(29,542,019)	-	(29,542,019)	-	(29,542,019)
Total comprehensive income	-	(1,078,469)	(28,463,550)	-	(29,542,019)	61,977,439	32,435,420	-	32,435,420
Dividends	-	-	-	-	-	(58,599,012)	(58,599,012)	-	(58,599,012)
Other increases (decreases)	-	-	-	-	-	-	-	-	-
Total changes in equity	-	(1,078,469)	(28,463,550)	-	(29,542,019)	3,378,427	(26,163,592)	-	(26,163,592)
Closing balance as of September 30, 2018 (Note 18)	**776,355,048**	**779,797**	**(38,714,213)**	**(314,754)**	**(38,249,170)**	**22,090,441**	**760,196,319**	**-**	**760,196,319**

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 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)
Other increases (decreases)	-	-	-	-	-	-	-	-	-
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 18)	**776,355,048**	**2,082,057**	**(15,798,439)**	**(314,754)**	**(14,031,136)**	**24,542,542**	**786,866,454**	**-**	**786,866,454**

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, 2018 and 2017
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	**September 30, 2018 (Unaudited) ThCh$**	**September 30, 2017 (Unaudited) ThCh$**
Cash flows provided by (used in) operating activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	308,961,438	315,130,118
Other proceeds from operating activities	442,135	455,989
Proceeds from interest received	4,803,598	4,720,791
Classes of payments		
Payments to suppliers for goods and services	(116,141,078)	(122,654,820)
Other payments for operating activities	(106,138)	(812,165)
Payments to employees	(13,358,444)	(11,266,983)
Interest paid	(52,861,221)	(54,310,910)
Net cash flows provided by operating activities	**131,710,290**	**131,262,020**
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	(65,547,239)	(107,663,896)
Amounts from the sale of property, plant and equipment	2,596,624	45,048,757
Prepayment of cash and loans granted to third parties	-	(815,377)
Loans to related parties	(71,737,394)	(111,459,148)
Receivables from related parties	60,889,691	63,418,536
Net cash flows used in investing activities	**(73,798,318)**	**(117,877,786)**
Cash Flows Provided by (Used in) Financing Activities		
Amount proceeding from loans	-	20,000,000
Payment of loans	(20,561,613)	(10,203,251)
Dividends paid	(58,599,012)	(56,795,325)
Net cash flows used in financing activities	**(79,160,625)**	**(46,998,576)**
Net Increase (Decrease) in Cash and Cash Equivalents	(21,218,653)	(33,614,342)
Cash and Cash Equivalents, at the beginning of the year (Note 5)	61,628,069	54,646,538
Cash and Cash Equivalents, at the ending of the year (Note 5)	**40,409,416**	**21,032,196**

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

NOTE 1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. According to public deed dated May 9, 2007, the Company acquired 100 shares owned by Transelec Holdings Rentas Limitada, corresponding to 0.01% of the share capital of Transelec S.A. (formerly Nueva Transelec S.A.), leaving the Company with 100% ownership. Thus, the merger took place by absorption, and the assets, liabilities, rights and obligations of Transelec S.A. (formerly Nueva Transelec S.A.) passed to the Company. In this way, the Company directly assumed operation of the electricity transmission business previously conducted by the aforementioned subsidiary.

On March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation and June 30, 2007, Rentas Eléctricas III S.A. changed its name to its current name, Transelec S.A. (here and after “the Company” or “Transelec”).

On May 16, 2007, the Company was listed under number 974 in the Securities Registry of the Chilean 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.

NOTE 1 - GENERAL INFORMATION (continued)

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

As of January 16, 2018 the SVS was replaced by the Commission for the Financial Market (CMF).

The Consolidated Financial Statements of the Company for the year ended December 31, 2017, were approved by the board at its meeting held on March 21, 2018.

The issue of these Consolidated Financial Statements corresponding to September 30, 2018, was approved by the Board of Directors at Ordinary Meeting No. 178 of November 22, 2018.

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, 2018 and applied uniformly for the periods presented.

2.1 Basis of preparation of the interim consolidated financial statements

These Interim Consolidated Financial Statements 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.

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, 2017, except for the adoption of new standards and interpretations in effect as of January 1, 2018, which did not materially affect the interim consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

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.

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
		09-30-2018	12-31-2017		
76.538.831-7	Transmisión del Melado SpA	100%	100%	Chile	Ch$

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting

The following new standards, amendments and interpretations has been adopted in this Financial Statements:

	New standards, amendments and interpretations	Date of obligatory application
IFRS 1 – IAS 28	Annual improvements 2014-2016	January 1, 2019
IFRS 2	Share Based Payment – measurement and classification	January 1, 2019
IFRS 9	Financial Instruments	January 1, 2019
IFRS 9 – IFRS 4	Application of IFRS 9 "Financial Instrument" along with IFRS 4 "Insurance Contracts"	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	January 1, 2019
IAS 40	Transfers of Investment Property	January 1, 2019
IFRIC 22	Foreign currency transactions and advance considerations	January 1, 2019

Effects of the application of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* are described in more details on note 2.17 and 2.9 respectively.

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 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 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 new standard could generate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting (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.

The Company is currently evaluating the impact that this new standard 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.

The Company is currently evaluating the impact that this new standard could generate.

Enhancements and Modifications

The enhancements and modifications, 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:

	Enhancements and Modifications	Date of obligatory application
IFRS 3	Business Combinations	January 1, 2019
IFRS 9	Financial Instruments	January 1, 2019
IFRS 11	Joint Arrangements	January 1, 2019
IAS 12	Income Taxes	January 1, 2019
IAS 19	Benefits to employees- Modification, reduction or liquidation of the plan	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investments in associates	January 1, 2019
Conceptual Framework	Updates of references to the Conceptual Framework	January 1, 2020
IFRS 10 and IAS 28	Consolidated financial statements	TBD

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standard and interpretations accounting (continued)

IFRS 3 "Business Combinations"

The amendments clarify that when an entity obtains control of an entity that is a joint operation, it applies the requirements for a business combination in stages, including interests previously held on the assets and liabilities of a joint operation presented at fair value. The amendments must be applied to business combinations carried out after January 1, 2019. Early application is allowed.

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

IFRS 9 "Financial Instruments – Prepayment Features with Negative Compensation"

A debt instrument can be measured at amortized cost, cost or fair value through other comprehensive income, as long as the contractual cash flows are only payment of principal and interest on pending principal and the instrument is carried out within the business model for that classification. The amendments to IFRS 9 are intended to clarify that a financial asset complies with the criterion of only payment of principal plus interest regardless of the event or circumstance that causes the early termination of the contract or of which party pays or receives the reasonable compensation for early termination of the contract.

The amendments to IFRS 9 must be applied when the prepayment is similar to the unpaid amounts of capital and interest, in such a way that they reflect the change in the referential interest rate. This implies that prepayments at fair value or for an amount that includes the fair value of the cost of the associated hedging instrument, normally will satisfy the criterion of payment of principal plus interest only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are not representative. Application will commence as of January 1, 2019 and is retrospective. Early adoption is allowed.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 International Financial Reporting Standards (continued)

IFRS 11 "Joint Arrangements"

The amendment affects joint arrangements on interests previously held in a joint operation. A party that participates, but does not have joint control of a joint operation, could obtain control if the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that interests previously held in that joint operation are not measured again at the time of the operation. The amendments must be applied to transactions in which joint control is acquired that are carried out after January 1, 2019. Early application is allowed.

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

IAS 12 "Income Taxes"

The amendments clarify that income tax on dividends generated by financial instruments classified as equity is more directly associated to past transactions or events that generated distributable profits rather than to distributions to the owners. Therefore, an entity recognizes the income tax on dividends in income, other comprehensive income or equity depending on where the entity originally recognized these transactions or past events. The amendments must be applied to dividends recognized after January 1, 2019.

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

IAS 19 "Benefits to employees- Modification, reduction or liquidation of the plan"

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) specifies how companies determine pension expenses when changes to a defined benefit pension plan occur.

The amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments specify that when a plan amendment, curtailment or settlement during the annual reporting occurs, the Entity should:

- Determine the actual cost of services for the rest of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to measure the liability (asset) of the defined benefit plan, in a net basis, showing the benefits and assets of the plan after the event.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 International Financial Reporting Standards (continued)

- Determine the net interest for the rest of the period after the plan amendment, curtailment or settlement using: the liability (asset), net from the defined benefits, that shows the benefits and assets of the plan before the event; and the discount rate used to reassess the liability (asset) net for the defined benefit plan.

The amendments clarify that an Entity has to determine first any cost of past services, or a gain or loss in the settlement, without considering the effect of the asset ceiling. This amount is recorded in the Profit or Loss. Then, an Entity has to determine the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in this effect, excluding the amount related to the net interest, has to be recorded into the Other Comprehensive Income.

This clarification set that the entities could recognize a cost of past service, or a result in the settlement that generate a decrease in a no recognized surplus. Changes in the asset ceiling effect won't be offset with this effect.

The amendments are applicable to the plan amendment, curtailment or settlement and go into effect on January 1, 2019. Early adoption is permitted and it should be disclosed.

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

IAS 23 "Borrowing Costs"

The amendments clarify that an entity treats as general borrowings any indebtedness originally entered into to develop a qualifying asset when substantially all activities necessary to get that asset ready for use or sale are completed. Amendments must be applied as of January 1, 2019.

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

IAS 28 "Investments in Associates"

The modifications clarify that an entity applies IFRS 9 Financial Instruments for long-term investments in associates or joint ventures for those investments that do not apply the equity share method but that, in substance, form part of the net investment in the associate or joint venture. This clarification is relevant because it implies that the expected credit loss model, described in IFRS 9, is applied to these interests in the long-term. Entities must apply the amendments retrospectively, with certain exceptions. They shall go into effect on January 1, 2019, and early adoption is permitted.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 International Financial Reporting Standards (continued)

2.3.3 Enhancements and Modifications (continued)

IAS 28 - "Investments in Associates and Joint Ventures", IFRS 10 "Consolidated Financial Statements"

The amendments to IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address an inconsistency recognized between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. Amendments issued in September 2014 establish that when the transaction involves a business (found in a subsidiary or not), a complete profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are found in a subsidiary. The date of obligation application of these modifications is yet to be determined as the IASB is planning an in-depth investigation that may result in a simplification of the accounting of associates and joint ventures. Early adoption is permitted.

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

Updates of references to the Conceptual Framework

IASB issued a document called "Updates of references to the Conceptual Framework", which includes the modification to the affected standards in order to make them to refer to the new Conceptual Framework. These modifications are effectives for annual periods starting on or after January 2020. Early adoption is permitted.

The Company did not identify any significant effect due to the application of this modification.

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, 2018	December 31, 2017
Unidad de Fomento	27,357.45	26,798.14
US$	660.42	614.75
Euro	767.22	739.15

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:

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

The depreciation of these assets is recorded in the Statement of Income under the categories of Cost of Sales and Administrative and Sales Expenses.

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 and administrative expenses.

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.

The Company has defined its only operating segment the Transmission of Electricity as a Cash Generating Unit (CGU) for the purposes of impairment tests and, therefore, both goodwill and intangible assets with an indefinite useful life existing at the date of the impairment test are completely assigned to this CGU.

The variable to which the value in use model is most sensitive is the discount rate. The main variables considered in the impairment test are:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Impairment of non-financial assets (continued)

Variable	September 2018	December 2017	Description
Discount rate	9.79%	9.79%	The discount rate used is the weighted average cost of capital (WACC) of the Company, measured before taxes.
Growth rate	3.00%	3.00%	The growth rate is applied to the perpetuity and is based on the estimation of the long-term inflation expectation established by the Central Bank of Chile.
Period of estimation of flows	5 years	5 years	The estimation period is 5 years, based on the Company's internal business plan plus perpetuity.

Impairment losses from continuing operations are recognized in the income statement in the expenses categories in accordance with the function of the impaired assets.

Non-financial assets other than goodwill that suffered an impairment loss are reviewed at each reporting date for possible reversal of the impairment, in which case the reversal may not exceed the amount originally impaired less accumulated depreciation. Reversals are included in the income statement.

Impairment of goodwill is not reversed.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments

A financial instrument is any contract that generates, at the same time, a financial asset in an Entity and a financial liability or an equity instrument in other Entity.

1) Non-derivatives Financial Assets

The Company classifies its non-derivatives financial assets into the following categories:

a) Amortized Cost:

In this category are classified the financial assets within the Business Model of the Company whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Non-derivatives financial assets that that accomplish with the conditions stated in IFRS 9 to be classified at amortized cost are: account receivables, loans granted and cash equivalents. This assets are recorded at amortized cost which is its initial fair value, minus the payments of principal, plus the non-collected accrued interests calculated according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

b) Fair value through other comprehensive income (Equity):

In this category are classified the financial assets within the Business Model of the Company whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are recognized into the Interim Consolidated Financial Statement at its fair value when it can be feasible determined. Changes in its fair value, net of tax effect, are recorded into the Other Comprehensive Income Statement until those financial assets are derecognized which is the moment when the accumulated effect is recycle into the Profit or Loss of the period. If the fair value of the financial assets is lower than the acquisition cost, and if there is objective evidence that the financial assets has an impairment that is not reversible, the difference has to be recorded as a loss of the period.

c) Fair value through profit or loss

In this category are classified the financial assets that were defined as fair value through profit or loss at the moment of its initial recognition and those that are not classified as amortized cost or fair value through other comprehensive income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

1) Non-derivatives Financial Assets (continued)

These financial assets are measured in the Interim Consolidated Financial Statement at its fair value and the changes on its fair value are recorded directly in profit or loss at the moment when they occurred. Purchases or sales of financial assets are recorded at the date of the transaction.

2) Cash and Cash Equivalent

Cash and cash equivalents includes cash, bank balances, 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. There is no restricted cash.

3) Impairment of financial assets

According to IFRS 9, the Company the impairment model based of expected credit losses. These model is used on the financial assets measured at amortized cost or fair value through other comprehensive income, except for the investments in equity instruments. The Company uses a simplify scope for account receivables, contractual assets and account receivables for leasing in order to ensure that any impairment recorded is made in reference to the expected losses for all the life of the asset.

4) Non-derivatives financial liabilities

Financial liabilities are initially recognized at its fair value. In the case of loans they also include the direct transactions costs. For its subsequent measurement, these liabilities are measured at amortized cost using the effective interest rate method. For the fair value of debt calculation it has been performed using the discounted cash flows method according to the interest rate curves available in the market depending on the payment currency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

5) Derivatives and Hedge activities

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

Derivatives instrument used by the Company are mainly related to hedge the interest rate/exchange rate risks. Derivatives instruments are recorded at its fair value at the date of the transaction on the Interim Consolidated Financial Statements. If the fair value of the derivative instrument is positive, it is recorded into the "Other financial assets" item and in case that the fair value of the derivative instrument is negative it is recorded into the "Other financial liabilities" item. Changes in the fair value of the derivative instruments are recorded into profit or loss unless the derivative had been designated as a hedge instrument and comply with all the requirement stated in IFRS 9 in order to use Hedge Accounting. Regarding to hedge accounting, the Company is still under the IAS 39 scope. The different types of hedge accounting that the Company perform are:

5.1) Fair value Hedge: 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.

5.2) Cash Flow Hedge: 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

5) Derivatives and Hedge activities (continued)

5.3) Net Investment Hedge: 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)".

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.

6) Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as derivatives when their risks and characteristics are not closely related to the principal contracts and the principal contracts are not measured at fair value through profit and loss. In the case that they are not closely related, they are recorded separately, and any changes in value are recognized in the income statement. In the periods presented in these Interim Consolidated Financial Statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when, and only when:

a) The contractual rights to the cash flows from the financial asset expire or, the Company retains the contractual rights to receive the cash flows but assumes a contractual obligation to pay those cash flows to one or more entities.

b) The entity transfers substantially all the risks and rewards of ownership of the financial asset, or, if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity has lose control of the asset.

8) Compensation of financial assets and liabilities

The Company compensate financial assets and liabilities, presenting the net amount in its Interim Consolidated Financial Statements, only when:

a) Exist a legal right to compensated both amounts; and

b) Exist the intention of settle the transaction on a net basis, or to collect the asset and pay the liability simultaneously.

These rights can only be legally enforceable during the normal course of the business, or in case insolvency, payment problems or bankruptcy, of any one or all of the parties involved in the transaction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.10 Inventory

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

2.11 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.

2.12 Income tax and deferred taxes

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

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

Current taxes and changes in deferred tax assets and liabilities not from business combinations are recorded in income or in equity accounts in the statement of financial position, depending on where the gains or losses originating them were recorded.

Deferred tax assets and tax credits are recognized only when it is likely that there are future taxable profits sufficient enough against which the deductible temporary differences and the carry forward of unused tax credit can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date interim 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.13 Employee benefits

2.13.1 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.

2.13.2 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.

2.14 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.15 Classification of current and non-current balances

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

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

2.16 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 sub transmission system and additional systems now form part of National, Zone and Committed.

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 las enters into effect immediately and gradually until its full application as of 2020.

Company's revenues are generated by the remuneration from customers for the use of its transmission facilities. The Company has two types of contracts with customers: regulated and contractual. The first one is subject to regulatory rates while the second one is related to contractual agreements with the user 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Revenue recognition (continued)

The Company has the right to collect from its customers a "toll" which is composed by an "AVI+COMA" related to the use of its transmission facilities. The Electrical Law stablishes these "AVI+COMA" as integral components in rendering the transmission service. Therefore, due to these services are substantially the same and they have the same stream of transference to customers, in other words, both services are satisfied through the time with a similar progress measurement; The company has defined that there is a unique performance obligation and it is satisfied during a period of time, therefore revenues are recognized in the same base.

Revenues from both regulatory and contractual arrangements are recognized and invoiced on a monthly basis, using fixed monthly amounts resulting from 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.

2.17 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.

2.17.1 The Company as lessor

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

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

2.17.2 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17.2 The Company as lessee (continued)

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 June 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.

2.18 Distribution of dividends

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

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, 2018 and December 31, 2017 were at fixed rate.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand) September 30, 2018	December 31, 2017
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	3.65%	Floating (*)	-	-
Revolving Credit Facility	UF	0.46%	Floating (**)	-	-
Local Bank Promissory Note	CLP	2.77%	Fixed	-	20,000,000

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 3.65% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At September 30, 2018, the Company did not utilize this line therefore does not pay interest of 3.65% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

(**) The floating rate 0.46% of the Revolving credit facility breaks down in TAB UF 180 plus a margin of 0.25%. At September 30, 2018, the Company did not utilize this line therefore does not pay interest of 0.46% 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.

	Position	Effect annual on income (ThCh$)		
Series	**Long/ (Short)**	**Inflation (3%)**	**Inflation (4%)**	**Inflation (2%)**
Bono D	(13,383,788)	(13,643)	(17,307)	(9,981)
Bono H	(3,000,932)	(3,059)	(3,880)	(2,238)
Bono K	(1,598,729)	(1,630)	(2,067)	(1,192)
Bono M	(3,324,058)	(3,389)	(4,297)	(2,479)
Bono N	(2,866,183)	(2,921)	(3,705)	(2,137)
Bono Q	(3,072,254)	(3,132)	(3,972)	(2,291)
Total	**(27,245,944)**	**(27,774)**	**(35,225)**	**(20,318)**

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.

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, 2018 ThCh$	December 31, 2017 ThCh$	September 30, 2018 ThCh$	December 31, 2017 ThCh$
U.S. dollar (amounts associated with balance sheet items)	674,531	632,905	670,409	637,899
Chilean peso	1,696,349	1,709,713	1,700,471	1,704,719

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.

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 ThCh$ Long /(Short)	Net income (gain)/loss ThCh$ Change (-10%)	Net income (gain)/loss ThCh$ Change (+10%)	Position ThCh$ Long /(Short)	OCI (gain)/loss ThCh$ Change (-10%)	OCI (gain)/loss ThCh$ Change (+10%)
Cash (US$)	148	-	-	-	-	-
Leasing (US$)	26,605	(45)	45	-	-	-
Senior Notes (US$)	(674,531)	1,135	(1,135)	-	-	-
Financial instrument swap	470,863	(792)	792	(19,975)	34	(34)
Intercompany loan (US$)	171,067	(288)	288	-	-	-
Total	**(5,848)**	**10**	**(10)**	**(19,975)**	**34**	**(34)**

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, 2018 ThCh$	For the nine-month periods ended September 30, 2017 ThCh$
Enel Group	76,995,844	87,717,127
Colbún Group	32,766,858	37,826,998
AES Gener Group	30,847,560	35,802,814
Engie (E-CL) Group	3,337,832	10,396,922
Pacific Hydro-LH-LC Group	17,525,830	5,218,114
Others	58,955,465	30,964,418
Total	**220,429,389**	**207,926,393**
% of concentration of 5 top customers	**73.25%**	**85.11%**

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

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

To guarantee that it is able to respond financially both the investment opportunities and to the timely payment of its obligations, Transelec separately records its available cash and short-term accounts receivable with a dedicated Revolving Credit (RC) for working capital divided in two tranches; for US$ 150 million and UF 2.5 million, both amount equivalents to Ch$165,090 billion. As of September 30, 2018, this committed line doesn't register amounts used. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR. Additionally, this line was renegotiated and extended on October 15, 2014 until October 15, 2017 Posteriorly, was done a new amendment to extend the expiration of the credit line.In this opportunity the bank syndicate was formed by Scotiabank and Banco Estado for the UF tranche and by The bank of Nova Scotia, Bank of Tokyo-Mitsubishi, DnB Bank y Export Development Canadá for USD tranche. In this last negotiation was keeping the conditions previously negotiated.

(a) Commissions payable on committed unused amounts (Commitment Fee) from 0.6% to 0.4375%.
(b) The margin or spread over used amounts from 2.35% to 1.25%.
(c) Other restrictions clauses more favorable to Transelec.

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

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, 2018 and December 31, 2017.

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, 2018	60,320,672	120,641,344	318,767,344	828,164,237	735,751,380	2,063,644,977
December 31, 2017	77,922,990	115,384,313	115,384,313	1,006,579,351	728,357,797	2,043,628,764

The maturity of derivatives is presented Note 14.3.

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.

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 Interim Consolidated Financial Statements.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of September 30, 2018 and December 31, 2017, this account is detailed as follows:

	Balance as of	
Cash and Cash Equivalents	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
Bank and cash balances	1,498,347	1,038,279
Short-term deposits	-	15,550,130
Reverse repurchase agreements and mutual funds	38,911,069	45,039,660
Total	**40,409,416**	**61,628,069**

Cash and cash equivalents included in the statement of financial position as of September 30, 2018 and December 31, 2017 does not differ from those presented in the statement of cash flows.

NOTE 5 - CASH AND CASH EQUIVALENTS (continued)

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

Detail of Cash and Cash Equivalents	Currency	Balance as of September 30, 2018 ThCh$	Balance as of December 31, 2017 ThCh$
Amount of cash and cash equivalents	U.S. dollars	132,412	15,888,701
Amount of cash and cash equivalents	Euros	30,344	28,717
Amount of cash and cash equivalents	Chilean pesos	40,246,660	45,710,651
Total		**40,409,416**	**61,628,069**

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, 2018 and December 31, 2017, this account is detailed as follows:

Item	Balance as of September 30, 2018 ThCh$	Balance as of December 31, 2017 ThCh$
Trade receivables	57,212,477	46,370,798
Miscellaneous receivables	320,936	246,651
Total trade and other receivables	**57,533,413**	**46,617,449**
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	**56,141,030**	**45,225,066**

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

As of September 30, 2018 and December 31, 2017, the aging of trade and other receivables is as follows:

	Balance as of September 30, 2018 ThCh$	Balance as of December 31, 2017 ThCh$
Maturing in less than 30 days	36,322,194	27,490,966
Maturing in more than 30 days up to 1 year	19,818,836	17,734,100
Total	**56,141,030**	**45,225,066**

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, 2018 and December 31, 2017:

	ThCh$
Balance as of January 1, 2017	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of December 31, 2017	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of September 30, 2018	**1,392,383**

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		Non-current	
							September 30, 2018 ThCh$	December 31, 2017 ThCh$	September 30, 2018 ThCh$	December 31, 2017 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	CH$	25,527,268	30,947,951	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH$	515,305	116,309	27,212,850	10,950,790
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	UF	142,615	-	20,920,259	20,495,288
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	US$	1,726,630	-	171,066,693	159,236,925
76.248.725-K	CYT Operaciones SPA	Chile	Accounts receivable	Not defined	Indirect	CH$	-	638,365	-	-
20601047005	Conelsur LT SAC	Peru	Accounts receivable	Not defined	Indirect	US$	168,008	25,162	-	-
76.524.463-3	Transelec Concesiones S.A	Chile	Mercantile current account	Not defined	Indirect	CH$	61,925	2,595,894	-	-
	Total						**28,141,751**	**34,323,681**	**219,199,802**	**190,683,003**

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, 2018		September 30, 2017	
					Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	71,730,656	-	112,625,785	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	60,889,691	-	63,550,619	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received from intercompany loans	5,891,264	5,891,264	5,821,264	5,821,264
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Exchange rate from intercompany loans	(11,943,216)	(11,943,216)	8,880,704	8,880,704
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	UF Readjustment from intercompany loans	426,969	426,969	70,035	70,035

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

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

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. For each Board Member there is an alternate Board Member. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on April 27, 2018.

On May 23, 2018, in an Ordinary Meeting of Directors, Brenda Eaton was elected Chairman of the Board of Directors of Transelec.

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, 2018, 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 Alfredo Ergas, Paul Dufresne and Han Rui waived their allowance corresponding to the years 2018. At the Ordinary Shareholders' Meeting for 2018, it was decided that the alternate directors would not receive an allowance.

	September 30, 2018 ThCh$	September 30, 2017 ThCh$
Blas Tomic Errázuriz	42,060	40,454
Alejandro Jadresic Marinovic	42,060	40,454
Mario Alejandro Valcarce Duran	42,060	40,454
Bruno Pedro Philippi Irarrazabal	27,408	40,454
José Ramón Valente Vias	22,883	40,454
María Josefina Court Spikin	10,305	-
Marco Nicolas Ubilla Pareja	10,305	-

7.3 Board expenses

During the period between January 01, 2018 and September 30, 2018 there have been UF55 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 Interim 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. The Audit Committee has held two meetings in both 2018 and 2017.

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

7.4 Audit committee (Continued)

As of April 8, 2018, in an Ordinary Meeting of Directors, the Audit Committee members were composed by its President Mr. Mario Valcarce Durán, 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, 2018, 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 2018 and 2017:

	September 30, 2018 ThCh$	September 30, 2017 ThCh$
José Ramón Valente	6,147	6,025
Mario Alejandro Valcarce Duran	6,147	6,025

7.5 Compensation of key management that are not Directors

Members of Key Management

Andrés Kuhlmann Jahn	Chief Executive Officer
Eric Ahumada Gómez	Vice-President of Business Development
Francisco Castro Crichton	Vice-President of Finance
Alexandros Semertzakis Pandolfi	Vice-President of Engineering and Construction
Claudio Aravena Vallejo	Vice-President of Human Resources
Arturo Le Blanc Cerda	Vice-President of Legal Matters
Rodrigo Lopéz Vergara	Vice-President of Operations
David Noe Scheinwald	Vice-President of Electrical Development

The Company has established an incentive plan for its executives based on meeting certain individual goals that contribute to the Company's results. These incentives are structured as a minimum and maximum number of gross monthly salaries and paid once per year.

Compensation of key management personnel by concept for the periods 2018 and 2017 is detailed as follows:

	September 30, 2018 ThCh$	September 30, 2017 ThCh$
Salaries	1,360,369	1,272,962
Short-term employee benefits	724,397	520,027
Long-term employee benefits	2,267,454	464,298
Total compensation received by key management personnel	**4,352,220**	**2,257,287**

NOTE 8 - OTHER FINANCIAL ASSETS, LEASES

As of September 30, 2018 and December 31, 2017, this account is detailed as follows:

	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Finance lease receivables current	958,126	834,163
Swap Contracts	35,271	39,170
Sub-total Other financial assets current	**993,397**	**873,333**
Finance lease receivables non-current	25,646,830	24,159,796
Other financial assets	15,286	15,285
Sub-total Other financial assets non-current	**25,662,116**	**24,175,081**
Total	**26,655,513**	**25,048,414**

8.1 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:

September 30, 2018

Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	958,126	2,803,161	3,761,287
1-5	5,341,434	13,141,264	18,482,698
Over 5	20,305,396	45,408,533	65,713,929
Total	**26,604,956**	**61,352,958**	**87,957,914**

NOTE 8 - OTHER FINANCIAL ASSETS, LEASES (continued)

8.1 Finance lease receivables (Continued)

December 31, 2017

Period in years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	834,163	2,614,170	3,448,333
1-5	4,803,073	12,535,691	17,338,764
Over 5	19,356,723	43,964,107	63,320,830
Total	**24,993,959**	**59,113,968**	**84,107,927**

Movements in finance leases:

	Balance as of	
	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Opening balance	**24,993,959**	**12,529,212**
Additions	-	14,380,951
Amortization	(652,475)	(1,120,335)
Translation difference	2,263,472	(795,869)
Ending balance	**26,604,956**	**24,993,959**

The amortization corresponding to the nine-month period ended September 30, 2017 was ThCh$ ().

8.2 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, 2018 ThCh$	December 31, 2017 ThCh$
Real estate lease	891,039	1,003,163
Other leases	123,716	899,565
Total operating leases	**1,014,755**	**1,902,728**

NOTE 8 - OTHER FINANCIAL ASSETS, LEASES (continued)

8.2 Operating leases payable (continued)

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

	Up to 1 year ThCh$	1 to 5 years ThCh$	More than 5 Years ThCh$
Real estate lease	1,188,052	4,752,208	-
Other leases	164,955	659,820	-
Total operating leases	1,353,007	5,412,028	-

NOTE 9 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of September 30, 2018 and December 31, 2017:

Intangible assets, net	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
Rights of way (*)	175,339,977	173,991,593
Software	5,560,510	6,370,762
Total intangible assets	**180,900,487**	**180,362,355**
Goodwill	343,059,078	343,059,078
Total intangible assets, net	**523,959,565**	**523,421,433**

(*) As of September 30, 2018 and December 31, 2017 Transelec S.A. present intangible assets with indefinite useful lives under the classification of rights of way.

Intangible assets, gross	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
Rights of way	175,339,977	173,991,593
Software	15,677,168	14,631,672
Goodwill	343,059,078	343,059,078
Total intangible assets	**534,076,223**	**531,682,343**

Accumulated amortization and impairment	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
Software	(10,116,658)	(8,260,910)
Total accumulated amortization	**(10,116,658)**	**(8,260,910)**

NOTE 9 - INTANGIBLE ASSETS (continued)

The composition and movements of intangible assets as of September 30, 2018 and December 31, 2017 are the following:

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2018	**173,991,593**	**6,370,762**	**343,059,078**	**523,421,433**
Movements in intangible assets				
Additions	1,348,384	1,045,497	-	2,393,881
Amortization	-	(1,855,749)	-	(1,855,749)
Ending balance of intangible assets as of September 30 , 2018	**175,339,977**	**5,560,510**	**343,059,078**	**523,959,565**

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2017	**173,854,650**	**4,034,231**	**342,651,175**	**520,540,056**
Movements in intangible assets				
Additions	308,419	4,207,718	407,903	4,924,040
Amortization	-	(1,871,187)	-	(1,871,187)
Other increases (decreases)	(171,476)	-	-	(171,476)
Ending balance of intangible assets as of December 31 , 2017	**173,991,593**	**6,370,762**	**343,059,078**	**523,421,433**

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, 2018 and December 31, 2017 to be recovered.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

10.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Land	20,696,130	20,696,130
Buildings and infrastructure	882,485,014	897,872,721
Work in progress	108,784,799	92,667,010
Machinery and equipment	450,086,029	439,189,740
Other property, plant and equipment	6,252,062	5,842,514
Property, plant and equipment, net	**1,468,304,034**	**1,456,268,115**

Property, plant and equipment, gross	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Land	20,696,130	20,696,130
Buildings and infrastructure	1,163,414,626	1,160,962,544
Work in progress	108,784,799	92,667,010
Machinery and equipment	671,389,484	643,508,830
Other property, plant and equipment	6,252,062	5,842,514
Total property, plant and equipment, gross	**1,970,537,101**	**1,923,677,028**

Total accumulated depreciation of property, plant and equipment, net	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Buildings and infrastructure	(280,929,612)	(263,089,823)
Machinery and equipment	(221,303,455)	(204,319,090)
Total accumulated depreciation of property, plant and equipment	**(502,233,067)**	**(467,408,913)**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (continued)

10.2 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, 2018 and December 31, 2017:

		Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2018		**20,696,130**	**897,872,721**	**439,189,740**	**92,667,010**	**5,842,514**	**1,456,268,115**
Movement	Additions	-	-	-	49,995,963	409,548	50,405,511
	Retirements	-	(549,601)	(689,870)	(710,409)	-	(1,949,880)
	Transfer to operating assets	-	3,728,695	29,439,070	(33,167,765)	-	-
	Depreciation	-	(18,566,801)	(17,852,911)	-	-	(36,419,712)
Balance as of September 30, 2018		**20,696,130**	**882,485,014**	**450,086,029**	**108,784,799**	**9,252,062**	**1,468,304,034**

		Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2017		**20,624,732**	**879,122,021**	**427,854,711**	**107,899,910**	**5,735,878**	**1,441,237,252**
Movement	Additions	-	13,579,482	2,046,352	115,546,434	106,636	131,278,904
	Retirements	-	(8,522,732)	(10,588,897)	(47,759,954)	-	(66,871,583)
	Transfer to operating assets	71,398	38,528,621	44,419,361	(83,019,380)	-	
	Depreciation	-	(24,168,848)	(23,265,482)	-	-	(47,434,330)
	Other increases (decreases)	-	(665,823)	(1,276,305)	-	-	(1,942,128)
Balance as of December 31, 2017		**20,696,130**	**897,872,721**	**439,189,740**	**92,667,010**	**5,842,514**	**1,456,268,115**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (continued)

10.3 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, 2018 and December 31, 2017 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engineering-Procurement-Construction) in the amount of ThCh$48,471,361 and ThCh$90,814,441, respectively.

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

	September 30, 2018	December 31, 2017
Capitalization rate (Annual basis)	5.08%	5.14%
Capitalized interest costs (ThCh$)	2,331,753	4,085,618

Work in progress balances amounts to ThCh$108,784,799 and ThCh$92,667,010 as of September 30, 2018 and December 31, 2017 respectively.

NOTE 11 - DEFERRED TAXES

11.1 Detail of deferred tax assets

The origin of deferred taxes recorded as of September 30, 2018 and December 31, 2017, corresponding to the company Transmisión Del Melado SpA is detailed as follows:

Temporary Difference	Net deferred taxes	
	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Depreciable fixed assets	-	(340,807)
Tax Loss	-	375,217
Total deferred tax assets	**-**	**34,410**

11.2 Detail of deferred tax liabilities

The origin of deferred taxes recorded as of September 30, 2018 and December 31, 2017, corresponding to the company Transelec is detailed as follows:

Temporary differences	Net deferred taxes	
	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Depreciable fixed assets	(142,415,764)	(127,866,573)
Financial expenses	(434,998)	(579,073)
Leased assets	(2,991,851)	(1,337,098)
Materials and spare parts	91,330	57,291
Tax losses	57,591,551	53,505,999
Staff severance indemnities provision	140,620	123,086
Deferred income	1,578,015	1,658,524
Investment value provision	12,955	12,955
Obsolescence provision	926,866	926,893
Work in progress	1,174,238	847,814
Vacation provisions	447,943	456,889
Intangible assets	(6,129,777)	(7,155,939)
Adjustment of effective interest rate of bonds	(2,944,111)	(2,800,614)
Land	1,547,497	1,399,435
Allowance for doubtful receivables	989,984	375,944
Goodwill	375,943	1,070,525
Net deferred tax assets/(liabilities)	**(90,039,559)**	**(79,303,942)**
Reflected in the statement financial position as follows:		
Deferred tax assets	-	34,410
Deferred tax liabilities	(90,039,559)	(79,303,942)
Net deferred tax assets/(liabilities)	**(90,039,559)**	**(79,269,532)**

NOTE 11 - DEFERRED TAXES (continued)

11.3 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, 2018 and December 31, 2017 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2017	**-**	**47,566,763**
Increase (decrease)	34,410	31,737,179
Balance as of December 31, 2017	**34,410**	**79,303,942**
Increase (decrease)	(34,410)	10,735,617
Balance as of September 30, 2018	**-**	**90,039,559**

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 12 - FINANCIAL LIABILITIES

12.1 Other financial liabilities

The current and non-current portion of this account as of September 30, 2018 and December 31, 2017 is as follows:

Interest bearing loans	September 30, 2018		December 31, 2017	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	14,126,664	1,413,058,263	26,828,532	1,339,291,031
Total bonds payable	**14,126,664**	**1,413,058,263**	**26,828,532**	**1,339,291,031**
Bank loans	-	-	20,230,833	-
Swap contract (Note 15)	1,880,585	19,975,274	4,070,488	13,611,996
Total obligations with banks	**1,880,585**	**19,975,274**	**24,301,321**	**13,611,996**
Total	**16,007,249**	**1,433,033,537**	**51,129,853**	**1,352,903,027**

NOTE 12 - FINANCIAL LIABILITIES (continued)

12.2 Detail of other financial liabilities

1. Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of September 30, 2018 and December 31, 2017 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, 2018 ThCh$	December 31, 2017 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	At maturity	Semiannually	12-15-2027	370,659,653	359,042,847
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	At maturity	Semiannually	08-01-2031	82,756,236	82,011,051
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	At maturity	Semiannually	09-01-2031	43,909,531	43,492,151
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	At maturity	Semiannually	06-15-2032	40,645,930	39,383,678
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	At maturity	Semiannually	06-15-2032	50,921,985	49,321,317
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	At maturity	Semiannually	12-15-2038	79,773,336	77,292,792
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	At maturity	Semiannually	10-15-2042	85,588,711	83,021,322
76.555.400-4	Transelec S.A	Chile	Foreign	1st issuance	Sr N	US$	5.10%	4.63%	At maturity	Semiannually	07-26-2023	198,062,153	186,381,107
76.555.400-4	Transelec S.A	Chile	Foreign	2nd issuance	Sr N	US$	4.66%	4.25%	At maturity	Semiannually	01-14-2025	246,813,665	231,994,945
76.555.400-4	Transelec S.A	Chile	Foreign	3rd issuance	Sr N	US$	4.31%	3.88%	At maturity	Semiannually	01-12-2029	228,053,727	214,178,353
											Total	**1,427,184,927**	**1,366,119,563**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1,553,921,792 and ThCh$1,537,491,944 as of September 30, 2018 and December 31, 2017, respectively (it does not include other current and non-current liabilities such as swap agreements which are presented in the Interim Consolidated Financial Statements at fair value). The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities. This value is categorized as level 2 according to the hierarchy of fair value.

NOTE 12 - FINANCIAL LIABILITIES (continued)

12.2 Detail of other financial liabilities (continued)

1. Bonds payable (continued)

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	September 30, 2018 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity more than 5 years ThCh$	September 30, 2018 Non-current ThCh$
76.555.400-4	Transelec S.A	480	3,939,622	-	3,939,622	-	-	366,720,031	366,720,031
76.555.400-4	Transelec S.A	599	-	632,592	632,592	-	-	82,123,644	82,123,644
76.555.400-4	Transelec S.A	599	-	158,983	158,983	-	-	43,750,548	43,750,548
76.555.400-4	Transelec S.A	599	424,773	-	424,773	-	-	40,221,157	40,221,157
76.555.400-4	Transelec S.A	599	539,399	-	539,399	-	-	50,382,586	50,382,586
76.555.400-4	Transelec S.A	599	834,881	-	834,881	-	-	78,938,455	78,938,455
76.555.400-4	Transelec S.A	744	1,522,797	-	1,522,797	-	-	84,065,914	84,065,914
76.555.400-4	Transelec S.A	1st issuance	-	1,714,772	1,714,772	-	196,347,381	-	196,347,381
76.555.400-4	Transelec S.A	2nd issuance	-	2,327,613	2,327,613	-	-	244,486,052	244,486,052
76.555.400-4	Transelec S.A	3rd issuance	-	2,031,232	2,031,232	-	-	226,022,495	226,022,495
		Total	**7,261,472**	**6,865,192**	**14,126,664**	**-**	**196,347,381**	**1,216,710,882**	**1,413,058,263**

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	December 31, 2017 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity more than 5 years ThCh$	December 31, 2017 Non-current ThCh$
76.555.400-4	Transelec S.A	480	7,786,368	-	7,786,368	-	-	351,256,479	351,256,479
76.555.400-4	Transelec S.A	599	1,585,286	-	1,585,286	-	-	80,425,765	80,425,765
76.555.400-4	Transelec S.A	599	648,266	-	648,266	-	-	42,843,885	42,843,885
76.555.400-4	Transelec S.A	599	834,173	-	834,173	-	-	38,549,505	38,549,505
76.555.400-4	Transelec S.A	599	1,059,190	-	1,059,190	-	-	48,262,127	48,262,127
76.555.400-4	Transelec S.A	599	1,639,123	-	1,639,123	-	-	75,653,669	75,653,669
76.555.400-4	Transelec S.A	744	687,436	-	687,436	-	-	82,333,886	82,333,886
76.555.400-4	Transelec S.A	1st issuance	3,814,781	-	3,814,781	-	-	182,566,326	182,566,326
76.555.400-4	Transelec S.A	2nd issuance	4,714,641	-	4,714,641	-	-	227,280,304	227,280,304
76.555.400-4	Transelec S.A	3rd issuance	4,059,268	-	4,059,268	-	-	210,119,085	210,119,085
		Total	**26,828,532**	**-**	**26,828,532**	**-**	**-**	**1,339,291,031**	**1,339,291,031**

NOTE 12 - FINANCIAL LIABILITIES (continued)

12.2 Detail of other financial liabilities (continued)

2. Bank loans

Bank loans by financial institution, currency, established rate and maturity as of September 30, 2018 and December 31, 2017, 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, 2018 ThCh$	December 31, 2017 ThCh$
76.555.400-4	Transelec S.A	Chile	97.006.000-6	Banco Crédito e Inversiones	Chile	CH$	Semestral	2.77%	2.77%	2018	-	20,230,833
										Total	**-**	**20,230,833**

NOTE 12 - FINANCIAL LIABILITIES (continued)

12.2 Detail of other financial liabilities (continued)

2. Bank loans (Continued)

Debtor Company RUT	Debtor Company Name	Creditor Company Name	Current: Maturity in less than 90 days ThCh$	Current: Maturity in over 90 days ThCh$	September 30, 2018 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity over 5 years ThCh$	September 30, 2018 Non-current ThCh$
76.555.400-4	Transelec S.A	Banco Crédito e Inversiones	-	-	-	-	-	-	-
		Total	-	-	-	-	-	-	-

Debtor Company RUT	Debtor Company Name	Creditor Company Name	Current: Maturity in less than 90 days ThCh$	Current: Maturity in over 90 days ThCh$	December 31, 2017 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity over 5 years ThCh$	December 31, 2017 Non-current ThCh$
76.555.400-4	Transelec S.A	Banco Crédito e Inversiones	-	20,230,833	20,230,833	-	-	-	-
		Total	**-**	**20,230,833**	**20,230,833**	**-**	**-**	**-**	**-**

NOTE 12 - FINANCIAL LIABILITIES (continued)

12.3 Other aspects

As of September 30, 2018 and December 31, 2017, 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 13 - TRADE AND OTHER PAYABLES

Trade and other payables as of September 30, 2018 and December 31, 2017, are detailed as follows:

	Current		Non- current	
Trade and other payables	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
Trade and other payables	49,489,018	54,877,542	-	-
Other accounts payable	1,581,570	1,616,823	-	-
Total	**51,070,588**	**56,494,365**	**-**	**-**

The average payment period for suppliers in the periods ended 2018 and 2017 was 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

NOTE 14 - DERIVATIVE INSTRUMENTS

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

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

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

NOTE 14 - DERIVATIVE INSTRUMENTS (continued)

14.1 Derivatives assets and liabilities

	September 30, 2018				December 31, 2017			
	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)	(19,975,274)	-	-	(4,070,488)	(13,611,996)
Currency and rate non hedge swap	35,271	-	-	-	39,170	-	-	-
Total	**35,271**	**-**	**(1,880,585)**	**(19,975,274)**	**39,170**	**-**	**(4,070,488)**	**(13,611,996)**

14.2 Other Information

The following table details Transelec's derivatives as of September 30, 2018 and December 31, 2017, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value	Before 1 year	Maturity 2019	2020	2021	2022	Subsequent years	September 30, 2018 Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Currency hedge Swap	(21,855,859)	(1,880,585)	-	-	-	-	(19,975,274)	(21,855,859)
Interest rate Swap (non-hedging)	35,271	35,271	-	-	-	-	-	35,271

Financial derivatives	Fair value	Before 1 year	Maturity 2019	2020	2021	2022	Subsequent years	December 31, 2017 Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Currency hedge Swap	(17,682,484)	(4,070,488)	-	-	-	-	(13,611,996)	(17,682,484)
Interest rate Swap (non-hedging)	39,170	39,170	-	-	-	-	-	39,170

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, 2018 and December 31, 2017, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

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

NOTE 14 - DERIVATIVE INSTRUMENTS (continued)

14.3 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, 2018.

Financial instrumental measured at fair value	September 30, 2018	Fair value measured at the end of the reporting period using Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	(21,855,859)	-	(21,855,859)	-
Cash flows derivatives (non-hedging)	35,271	-	35,271	-
Total, net	**(21,820,588)**	**-**	**(21,820,588)**	**-**

The following table details financial assets and liabilities measured at fair value as of December 31, 2017.

Financial instrumental measured at fair value	December 31, 2017	Fair value measured at the end of the reporting period using Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	(17,682,484)	-	(17,682,484)	-
Cash flows derivatives (non-hedging)	39,170	-	39,170	-
Total, net	**(17,643,314)**	**-**	**(17,643,314)**	**-**

NOTE 15 - FINANCIAL INSTRUMENTS

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

September 30, 2018	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	40,409,416	-	-	-	-	40,409,416
Other financial assets, current	-	958,126	35,271	-	-	993,397
Trade and other receivables	-	56,141,030	-	-	-	56,141,030
Other financial assets, non-current	-	25,646,830	-	-	15,286	25,662,116
Receivables from related parties, current	-	28,141,751	-	-	-	28,141,751
Receivables from related parties, non-current	-	219,199,802	-	-	-	219,199,802
Total	**40,409,416**	**330,087,539**	**35,271**	**-**	**-**	**370,547,512**

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
		For profit or loss	For other comprehensive income	Hedge	No Hedge	
September 30, 2018	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash and cash equivalents	-	40,409,416	-	-	-	40,409,416
Other financial assets, current	958,126	-	-	-	35,271	993,397
Trade and other receivables	56,141,030	-	-	-	-	56,141,030
Other financial assets, non-current	25,646,830	15,286	-	-	-	25,662,116
Receivables from related parties, current	28,141,751	-	-	-	-	28,141,751
Receivables from related parties, non-current	219,199,802	-	-	-	-	219,199,802
Total	**330,087,539**	**40,424,702**	**-**	**-**	**35,271**	**370,547,512**

NOTE 15 - FINANCIAL INSTRUMENTS (continued)

December 31, 2017	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	61,628,069	-	-	-	-	61,628,069
Other financial assets, current	-	834,163	39,170	-	-	873.333
Trade and other receivables	-	45,225,066	-	-	-	45,225,066
Other financial assets, non-current	-	24,159,796	-	-	15,285	24,175.081
Receivables from related parties, current	-	34,323,681	-	-	-	34,323,681
Receivables from related parties, non-current	-	190,683,003	-	-	-	190,683,003
Total	**61,628,069**	**295,225,709**	**39,170**	**-**	**15,285**	**356,908,233**

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
		For profit or loss	For other comprehensive income	Hedge		For profit or loss
December 31, 2017	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalents	-	61,628,069	-	-	-	61,628,069
Other financial assets, current	834,163	-	-	-	39,170	873,333
Trade and other receivables	45,225,066	-	-	-	-	45,225,066
Other financial assets, non-current	24,159,796	15,285	-	-	-	24,175,081
Receivables from related parties, current	34,323,681	-	-	-	-	34,323,681
Receivables from related parties, non-current	190,683,003	-	-	-	-	190,683,003
Total	**295,225,709**	**61,643,354**	**-**	**-**	**39,170**	**356,908,233**

NOTE 15 - FINANCIAL INSTRUMENTS (continued)

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

September 30, 2018	Other financial liabilities ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Total ThCh$
Other financial liabilities, current	14,126,664	-	1,880,585	16,007,249
Trade and other payables	51,070,588	-	-	51,070,588
Other financial liabilities, non-current	1,413,058,263	-	19,975,274	1,433,033,537
Total	**1,478,255,515**	**-**	**21,855,859**	**1,500,111,374**

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
		For Profit or Loss	For other comprehensive income		For Profit or Loss	
September 30, 2018	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other financial liabilities, current	14,126,664	-	-	1,880,585	-	16,007,249
Trade and other payables	51,070,588	-	-	-	-	51,070,588
Other financial liabilities, non-current	1,413,058,263	-	-	19,975,274	-	1,433,033,537
Total	**1,478,255,515**	**-**	**-**	**21,855,859**	**-**	**1,500,111,374**

NOTE 15 - FINANCIAL INSTRUMENTS (continued)

December 31, 2017	Other financial liabilities ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Total ThCh$
Other financial liabilities, current	47,059,365	-	4,070,488	51,129,853
Trade and other payables	56,494,365	-	-	56,494,365
Other financial liabilities, non-current	1,339,291,031	-	13,611,996	1,352,903,027
Total	**1,442,844,761**	**-**	**17,681,484**	**1,460,527,245**

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
		For Profit or Loss	For other comprehensive income	Hedge	No Hege	
December 31, 2017	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other financial liabilities, current	47,059,365	-	-	4,070,488	-	51,129,853
Trade and other payables	56,494,365	-	-	-	-	56,494,365
Other financial liabilities, non-current	1,339,291,031	-	-	13,611,996	-	1,352,903,027
Total	**1,442,844,761**	**-**	**-**	**17,682,484**	**-**	**1,460,527,245**

NOTE 16 - PROVISIONS

16.1 Detail of provisions

As of September 30, 2018 and December 31, 2017, this account is detailed as follows:

Detail	Current		Non-current	
	September 30, 2018 ThCh$	December 31, 2017 ThCh$	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Staff severance indemnities	520,359	189,823	6,427,412	4,533,592
Accrued vacations	1,659,046	1,692,184	-	-
Profit sharing benefits	3,410,869	4,735,588	-	-
Other provisions	205,447	205,447	-	-
Total	**5,795,721**	**6,823,042**	**6,427,412**	**4,533,592**

16.2 Provision movements

In 2018 and 2017, 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, 2018	4,723,415	4,735,588	1,692,184	205,447	11,356,634
Movements in provisions:					
Provisions during the year	2,625,430	4,063,359	904,436	-	7,593,225
Payments	(401,074)	(5,388,078)	(937,574)	-	(6,726,726)
Ending balance as of September 30, 2018	**6,947,771**	**3,410,869**	**1,659,046**	**205,447**	**12,223,133**

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	519,696	5,456,356	1,146,823	-	7,122,875
Payments	(335,104)	(5,035,479)	(1,110,161)	-	(6,480,744)
Ending balance as of December 31, 2017	**4,723,415**	**4,735,588**	**1,692,184**	**205,447**	**11,356,634**

NOTE 16 - PROVISIONS (continued)

16.2 Provision movements (continued)

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

As of September 30, 2018

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	520,359	509,338	340,522	5,577,552
Accrued vacations	1,659,046	-	-	-
Profit sharing benefits	3,410,869	-	-	-
Other provisions	205,447	-	-	-
Total	**5,795,721**	**509,338**	**340,522**	**5,557,552**

As of December 31, 2017

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities	189,823	509,338	340,522	3,683,732
Accrued vacations	1,692,184	-	-	-
Profit sharing benefits	4,735,588	-	-	-
Other provisions	205,447	-	-	-
Total	**6,823,042**	**509,338**	**340,522**	**3,683,732**

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

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

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

NOTE 16 - PROVISIONS (continued)

16.2 Provision movements (continued)

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

16.3 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, 2018 the Company has established a provision for these and other contingents liabilities totaling to ThCh$1,348,067 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, 2018, 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).

NOTE 16 - PROVISIONS (continued)

16.3 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 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

17.1 Detail of account

Employee benefit obligations	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Staff severance indemnity provision – current	520,359	189,823
Staff severance indemnity provision non – current	6,427,412	4,533,592
Total Employee benefit obligations Current and Non-current	**6,947,771**	**4,723,415**

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

17.2 Detail of obligations to employees

As of September 30, 2018 and December 31, 2017, this account is detailed as follows:

	Staff severance indemnity	
	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Present value of defined benefit plan obligations opening balance	4,723,415	4,538,823
Current service cost of defined benefit plan obligations	2,625,430	519,696
Liquidations obligation defined benefit plan	(401,074)	(335,104)
Present value of defined benefit obligations ending balance	**6,947,771**	**4,723,415**

17.3 Balance of obligations to employees

	Staff severance indemnity	
	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Present value of defined benefit obligations, ending balance	**6,427,412**	**4,723,415**
Present obligation with defined benefit plan funds	6,427,412	4,723,415
Balance of defined benefit obligations, ending balance	**6,427,412**	**4,723,415**

17.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2018 to September 30, 2018 ThCh$	January 1, 2017 to September 30, 2017 ThCh$	
Current service cost of defined benefit plan	335,375	437,407	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	428,138	172,456	Cost of sales and Administrative expenses
Total expense recognized in income statement	**763,513**	**609,863**	

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

17.5 Actuarial hypothesis

Detail	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Discount rate used	1.95%	1.95%
Inflation rate	1.3%	1.3%
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,

17.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of September 30, 2018:

	Discount rate used		Inflation rate		Future salary increase	
Level of Sensitivity	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**
Impact on current and non-current of employment benefit obligation	(317,433)	353,919	5,127	(5,127)	323,712	(295,705)

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, 2018.

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

	September 30, 2018 ThCh$	December 31, 2017 ThCh$
During the upcoming 12 month	520,359	189,823
Between 2 to 5 years	1,107,095	852,772
Between 5 to 10 years	1,180,606	1,692,823
More than 10 years	4,139,711	1,987,997
Total Payments Expected	**6,947,771**	**4,723,415**

NOTE 18 - EQUITY

18.1 Subscribed and paid capital

As of September 30, 2018 and December 31, 2017 authorized, subscribed and paid share capital amounts to ThCh$ 776,355,048.

18.2 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.

18.3 Dividends

On April 27, 2017, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a final dividend with debit to 2016 income, in the amount of ThCh$19,757,324 which will be paid as of May 23, 2017, to the shareholders listed in the respective registry as of May 17, 2017. As of December 31, 2017, this dividend has been paid in full.

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 December 31, 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 December 31, 2017, this dividend has been paid in full.

At the Board of Directors Meeting held on November 22, 2017, the directors agreed to distribute an interim dividend with a charge to 2017, amounting to ThCh$22,499,000, to be paid as of December 20, 2017, to the shareholders registered in the respective Shareholders' Registry on December 14, 2017. As of December 31, 2017, this dividend has been paid in full.

On April 27, 2018, the company's Ordinary Shareholders' Meeting was held, where it was agreed to distribute a definitive dividend for 2017 for a total of ThCh$18,712,012 which shall be paid as of May 29, 2018, to shareholders listed in the respective registry on May 23, 2018. As of June 30, 2018, this dividend has been fully paid.

At Board of Directors' Meeting held on May 23, 2018, it was agreed to distribute a provisional dividend with debit to the 2018 income, in the amount of ThCh$19,404,000, which will be paid as of June 19, 2018, to the shareholders listed in the respective registry as of June 13, 2018. As of June 30, 2018, this dividend has been fully paid.

At Board of Directors' Meeting held on August 22, 2018, it was agreed to distribute a provisional dividend with debit to the 2018 income, in the amount of ThCh$20,483,000, which will be paid as of September 25, 2018, to the shareholders listed in the respective registry as of September 15, 2018. As of September 30, 2018, this dividend has been fully paid.

NOTE 18 – EQUITY (continued)

18.4 Other reserves

Other reserves as of September 30, 2018 and December 31, 2017 are detailed as follows:

Description	September 30, 2018 ThCh$	December 31, 2017 ThCh$
Net investment hedge	1,068,215	2,545,569
Cash flow hedge (Exchange rate)	(53,033,169)	(14,042,004)
Actuarial calculation exchange differences	(431,169)	(431,169)
Deferred taxes	14,146,953	3,220,453
Total	**(38,249,170)**	**(8,707,151)**

The Movement and reclassifications of other comprehensive income for the period 2018 are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2018	**1,858,266**	**(10,250,663)**	**(314,754)**	**(8,707,151)**
Translation adjustment	(1,477,355)	(38,991,165)	-	(40,468,520)
Deferred tax	398,886	10,527,615	-	10,926,501
Closing balance as of September 30, 2018	**779,797**	**(38,714,213)**	**(314,754)**	**(38,249,170)**

18.5 Capital management

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

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

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

NOTE 18 – EQUITY (continued)

18.5 Capital management (continued)

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$ 407.381.550 as of September 30, 2018. 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, 2018 and December 31, 2017 - the calculation of the two covenants mentioned above and also a calculation of a third ratio that the Company has to comply, which does not depend on capital (equity) amount.

Covenant 1	**Total debt / Total capitalization ratio** **Lower or equal to 0.70**	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
A	Other financial liabilities, current	16,007	51,130
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,433,034	1,352,903
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,449,041**	**1,404,033**
G	Debt with guarantees (1)	-	-
DT=E+G	**Total debt**	**1,449,041**	**1,404,033**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	760,196	786,360
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	**2,234,207**	**2,215,363**
DT/CT	**Total debt / Total capitalization ratio**	**0.65**	**0.63**

Covenant 2	**Minimum equity** **Greater than or equal to UF 15 million/ Greater or equal to ThCh$ 350,000**	**September 30, 2018 ThCh$**	**December 31, 2017 ThCh$**
P	Equity attributable to owners of the parent	760,196	786,360
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	**785,166**	**811,330**
UF	UF value	27,357.45	26,798.14
(I+P)/UF	**Equity (in UF millions)**	**28.70**	**30.28**

NOTE 18 – EQUITY (continued)

18.5 Capital management (continued)

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1.5	September 30, 2018 ThCh$	December 31, 2017 ThCh$
FO	Cash flow from operations	187,986	187,507
CF	Financial costs	68,170	69,326
IG	Income tax expense	26,994	25,029
FNO=FO+CF+IG	**Funds from operations**	**283,149**	**281,862**
FNO/CF	**Funds from operations / Financial costs**	**4.15**	**4.07**

Covenant N° 4	Total debt / Adjusted EBITDA Lower or equal to 0.70	September 30, 2018 ThCh$	December 31, 2017 ThCh$
A	Other financial liabilities, current	16,007	51,130
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,433,034	1,352,903
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,449,041**	**1,404,033**
F	Debt with guarantees	-	-
G=E+F	**Total debt**	**1,449,041**	**1,404,033**
H	Cash and cash equivalents	(40,409)	(61,628)
DN=G-H	**Net debt**	**1,408,631**	**1,342,405**
I	Operating revenues	291,103	278,599
J	Cost of sales	(83,749)	(83,319)
K	Administrative expenses	(25,848)	(22,953)
L	Depreciation and amortization	54,915	55,379
N	Other gains	2,774	3,555
O	Finance lease amortization	1,018	1,120
EA=I+J+K+L+N+O	**Adjusted EBITDA**	**240,213**	**232,381**
(G-H)/EA	**Net debt /Adjusted EBITDA**	**5.86**	**5.78**

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.

NOTE 19 - REVENUE

19.1 Revenue

The following table details revenue for the nine-month periods ended September 30, 2018 and 2017:

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Revenues from regulated transmission services	158,496,600	145,267,457	56,961,978	48,095,309
Revenues from contractual transmission services	59,486,241	61,932,668	19,771,383	20,636,253
Leases revenue	2,446,548	726,268	822,772	431,453
Total revenues	**220,429,389**	**207,926,393**	**77,556,133**	**69,163,015**

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Customers from regulated transmission services	158,793,642	145,425,602	57,048,705	48,165,784
Customers from contractual transmission services	59,188,664	61,774,523	19,684,120	20,565,778
Other	2,447,083	726,268	823,308	431,453
Total	**220,429,389**	**207,926,393**	**77,556,133**	**69,163,015**
National Revenue	138,420,836	130,079,499	49,269,312	42,978,300
Local Revenue	34,121,348	32,864,400	11,208,859	10,971,146
Dedicated Revenue	40,746,136	38,619,649	14,683,976	11,796,417
Revenue from services	4,693,986	5,636,577	1,570,678	2,985,699
Other	2,447,083	726,268	823,308	431,453
Total	**220,429,389**	**207,926,393**	**77,556,133**	**69,163,015**
Transferred assets in a specific moment	-	-	-	-
Transferred services by a long time	220,429,389	207,926,393	77,556,133	69,163,015
Total revenue	**220,429,389**	**207,926,393**	**77,556,133**	**69,163,015**

NOTE 19 – REVENUE (continued)

19.2 Other operating income

The following table details operating income for the nine -month periods ended September 30, 2018 and 2017:

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Financial income (Note 21,4)	7,155,285	6,761,505	2,492,083	2,156,001
Other gains (losses), net	1,955,743	2,737,328	767,520	906,391
Total other operating income	**9,111,028**	**9,498,883**	**3,259,603**	**3,062,392**

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS

20.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the nine-month periods ended September 30, 2018 and 2017:

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Personnel expenses	19,476,591	15,421,408	7,363,120	5,114,302
Operating expenses	11,796,921	14,048,407	4,165,364	5,540,478
Maintenance expenses	6,522,616	4,057,778	2,191,553	1,523,858
Depreciation and write-offs	39,529,949	39,993,908	13,289,850	14,353,404
Other	1,733,231	2,213,065	809,144	816,722
Total	**79,059,308**	**75,734,566**	**27,819,031**	**27,348,764**

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

20.2 Personnel expenses

As of September 30, 2018 and 2017, this account is detailed as follows:

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Salaries and wages	14,147,689	13,627,152	4,766,917	4,577,879
Short-term employee benefits	2,318,490	714,499	377,194	306,366
Staff severance indemnity	763,513	609,863	303,806	269,507
Other long-term benefits	909,159	880,713	313,487	314,651
Other personnel expenses	7,455,789	5,713,353	3,843,155	1,860,654
Expenses capitalized on construction in progress	(6,118,049)	(6,124,172)	(2,241,439)	(2,214,755)
Total	**19,476,591**	**15,421,408**	**7,363,120**	**5,114,302**

20.3 Depreciation and amortization

The following table details depreciation and amortization for the nine-month periods ended September 30, 2018 and 2017:

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Depreciation	36,419,712	35,389,717	12,237,855	11,811,069
Amortization	1,855,749	1,362,094	635,264	502,576
Losses from damages (1)	1,254,488	3,242,097	416,731	2,039,759
Total	**39,529,949**	**39,993,908**	**13,289,850**	**14,353,404**

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

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

20.4 Financial results

The Company's financial result for the nine-month periods ended September 30, 2018 and 2017 is detailed as follows:

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Financial income:	**7,155,285**	**6,761,505**	**2,492,083**	**2,156,001**
Commercial interest earned	211,943	23,451	95,296	(34,488)
Bank interest earned	1,052,078	822,727	289,020	193,533
Interest earned from related parties	5,891,264	5,915,327	2,107,767	1,996,956
Financial expenses:	**(50,906,965)**	**(52,063,406)**	**(17,329,183)**	**(19,179,182)**
Interest on bonds	(43,758,969)	(42,917,048)	(14,979,583)	(14,280,755)
Commercial interest incurred	-	(76,737)	-	(41,628)
Interest rate Swap	(6,502,195)	(7,238,733)	(2,169,976)	(3,554,985)
Other expenses	(645,801)	(1,830,888)	(179,624)	(1,301,814)
Gain (loss) from indexation of UF	**(14,952,886)**	**(8,447,903)**	**(5,344,796)**	**216,730**
Foreign exchange gains (losses), net	**(884,230)**	**196,089**	**(167,706)**	**146,796**
Obligations with public	(46,528,123)	31,968,220	(9,224,873)	26,642,126
Intercompany Loan	11,943,216	(8,880,704)	2,373,611	(7,431,469)
Financial Instruments	32,441,997	(22,497,834)	6,531,528	(18,767,210)
Other	1,258,680	(393,593)	152,028	(296,651)
Total financial result, net	**(59,588,796)**	**(53,553,715)**	**(20,349,602)**	**(16,659,655)**

NOTE 21 - INCOME TAX RESULT

Income tax expense	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Current tax expense	63,062	114,936	15,464	39,382
Current tax expense, net, total	**63,062**	**114,936**	**15,464**	**39,382**
Deferred tax expense relating to origination and reversal of temporary differences	21,696,527	19,679,962	8,049,117	7,058,502
Deferred tax expense, net, total	**21,696,527**	**19,679,962**	**8,049,117**	**7,058,502**
Effect of change in tax situation of the entity or its shareholders	-	-	-	-
Income tax expense	**21,759,589**	**19,794,898**	**8,064,581**	**7,097,884**

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, 2018 and 2017:

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Tax expense at statutory rate	**(22,608,998)**	**(20,845,658)**	**(8,141,856)**	**(6,740,472)**
Correction of opening balance tax loss	168,044	283,123	25,097	(562,086)
Change in income tax rate, Tax Reform Law 20,780	-	(1,145,188)	-	(408,301)
Incorporation of Assets and Liabilities from TDM Acquisition	-	568,453	-	(92,929)
Other differences increase (decrease)	681,365	1,344,372	52,178	705,904
Total adjustments to tax expense using statutory rate	**849,409**	**1,050,760**	**77,275**	**(357,412)**
Tax Expense at effective Rate	**(21,759,589)**	**(19,794,898)**	**(8,064,581)**	**(7,097,884)**

NOTE 21 - INCOME TAX RESULT (continued)

	01/01/2018 09/30/2018 ThCh$	01/01/2017 09/30/2017 ThCh$	07/01/2018 09/30/2018 ThCh$	07/01/2017 09/30/2017 ThCh$
Statutory Tax Rate	27.00%	25.50%	27.00%	25.50%
Price level restatement of equity	(0.20%)	(0.35%)	(0.09%)	2.13%
Change in income tax rate, Tax Reform Law 20.780	-	1.40%	-	1.54%
Incorporation of Assets and Liabilities from TDM Acquisition	-	(0.70%)	-	0.35%
Other differences increase (decrease)	(0.81%)	(1.64%)	(0.17%)	(2.67%)
Adjustments to Statutory Tax Rate, Total	**(1.01%)**	**(1.29%)**	**(0.25%)**	**1.35%**
Effective Tax Rate	**25.99%**	**24.21%**	**26.74%**	**26.85%**

The tax rate used for the periods 2018 and 2017 reconciliations corresponds to 27% and 25.5%, 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 22 - EARNINGS PER SHARE

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

Basic Earnings per Share	**September 30, 2018**	**September 30, 2017**
Profit attributable to equity holders of parent (ThCh$)	61,977,439	61,580,542
Earnings available to common shareholders, basic (ThCh$)	61,977,439	61,580,542
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	61,977	61,581

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

NOTE 23 - 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.

NOTE 23 - SEGMENT REPORTING (continued)

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.

Information about products and services

	September 30, 2018 ThCh$	September 30, 2017 ThCh$
Revenues from regulated transmission services	158,496,600	145,267,457
Revenues from contractual transmission services and others	61,932,789	62,658,936
Total revenues	**220,429,389**	**207,926,393**

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, 2018. The amount of revenue recognized for those clients in 2018 is ThCh$76,995,844, ThCh$32,766,858 and ThCh$30,847,560, respectively. As of September 30, 2017, 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 2017 was ThCh$87,717,127, ThCh$37,826,998 and ThCh$35,802,814, respectively.

NOTE 24 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS (UNAUDITED)

As of September 30, 2018, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$20,169,824 (ThCh$25,354,104 as of December 31, 2017).

NOTE 25 - DISTRIBUTION OF PERSONNEL

As of September 30, 2018 and December 31, 2017, personnel employed by Transelec S.A. are detailed as follows:

	September 30, 2018				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	8	392	132	532	530

	December 31, 2017				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	8	389	132	529	522.8

NOTE 26 - 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, 2018 and 2017, the Company has made the following environmental disbursements:

Company making disbursement	Project	September 30, 2018 ThCh$	September 30, 2017 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	324,074	654,859
Total		**324,074**	**654,859**

NOTE 27 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	September 30, 2018		December 31, 2017	
			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$	132,412	-	15,888,701	-
	Other Currency	CH$	30,344	-	28,717	-

Current Liabilities	Foreign Currency	Functional Currency	September 30, 2018		December 31, 2017	
			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$	1,880,585	6,073,617	4,031,317	13,611,996

NOTE 27 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY (continued)

			September 30, 2018			December 31, 2017		
			1 to 3 year	3 to 5 year	More than 5 year	1 to 3 year	3 to 5 year	More than 5 year
Non-Current Liabilities	**Foreign Currency**	**Functional Currency**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, non-current	Dollars	CH$	-	-	686,831,201	-	-	619,965,715
	Other Currency	CH$	-	-	-	-	-	-

NOTE 28 – 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)	**8,739,171**
Assets acquired and liabilities assumed	
Total current assets	2,643,265
Property, plant and equipment	15,626,371
Intangible assets	1,556
Other non-current assets	2,024,189
Total Assets	**20,295,381**
Total current liabilities	(245,858)
Other non-current financial liabilities	(10,191,902)
Deferred tax liabilities	(1,082,981)
Other non-current liabilities	(443,372)
Total Liabilities	**(11,964,113)**
Total Net Assets Acquired (B)	**8,331,268**
Goodwill on the Acquisition (A) - (B)	**407,903**

NOTE 29 - SUBSEQUENT EVENTS

On October 5, 2018, the 6T Decree was published in the Official Gazette which establishes the value and revenues of the Zonal and Dedicated transmission facilities for 2018 and 2019. This implies a change in the revenue recognition for the entire 2018 period. The effect will be retroactively recognized as revenues in 2018's last quarter.

Between September 30, 2018, closing date of these interim consolidated financial statements and the date of issuance, there has been no other significant financial and accounting events that may affect the equity of the Company 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 30th, 2018

SUMMARY

As of September 30th, 2018, Revenues reached MCh$220,429 showing an increase of 6.0% compared to the same period of 2017 (MCh$207,926). The increase of Revenues is mainly explained by commissioning of new projects in 2017 and 2018 and macroeconomic effects, explained mostly by higher Consumer Price Index (local and international) partly compensated by the revaluation of the Peso (CLP / USD exchange rate).

As of September 30th, 2018, Transelec obtained an EBITDA[1] of MCh$183,610, a 4.5% higher than the obtained in the same period of 2017 (MCh$175,677), with an EBITDA Margin[2] of 83.3%.

Net Income recorded by the Company as of September 30th, 2018 was MCh$61,976, which is 0.6% higher compared to the same period of 2017 (MCh$61,581).

The loss in Non-Operating Income as of September 30th, 2018 was MCh$57,633, representing an increase of 13.4% compared to the same period of 2017 (MCh$50,816). The main item that explain this increase is higher losses for indexed assets and liabilities of MCh$6,505, which mostly measures the inflation impact on the UF denominated debt of the Company.

During the nine-month period ended on September 30th, 2018, the Company incorporated US$48.2 million of new facilities, which correspond to a new National project commissioning, two expansions in the National System and one expansion in the Zonal segment. Similarly, on the last 12 months, the Company incorporated facilities for US$97.6 million.

[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 March 15, 2018, the purchase and sale of shares between Brookfield Asset Management (BAM) and China Southern Power Grid International (CSGI) took place, therefore, CSGI became shareholder of the 27.8% that BAM indirectly owned in Transelec SA. The other 3 indirect shareholders remain unchanged (Canada Pension Plan (CPP), British Columbia Investment Management Corporation (bcIMC) and Public Sector Pension Investment (PSP)).

- On April 27, 2018, the Ordinary Shareholders Meeting was held, it was approved, among others:
  - Approve the Financial Statements
  - Approve Deloitte as the External Auditors for 2018 exercise.

- During 2018, international risk rating agencies, Moody's, Fitch Ratings and Standard & Poors affirmed Transelec's ratings in Baa1, BBB and BBB. The same was done by the local risk rating agencies Humphreys and Fitch Ratings, maintaining the classifications in AA-. Additionally, Humphreys changed the Transelec outlook from Stable to Positive (the other two local agencies kept it Stable).

- On August 3rd, 2018, Transelec paid MCh$20,000 for the Promissory Note held with Banco BCI at its maturity.

- During 2018, Transelec have distributed the following amounts to the shareholders:
  - MCh$18,712 as the definitive dividend of 2017 exercise, distributed on May 23rd, 2018.
  - MCh$19,404 as the first provisory dividend of 2018, distributed on June 19th, 2018.
  - MCh$20,483 as the second provisory dividend of 2018, distributed on September 25th, 2018.

1- INCOME STATEMENT ANALYSIS

ITEMS	September 2018 MCh$	September 2017 MCh$	Variation 2018/2017 MCh$	Variation 2018/2017 %
Revenues	**220,429**	**207,926**	**12,503**	**6.0%**
Toll sales	215,735	202,289	13,446	6.6%
Services	4,694	5,637	-943	-16.7%
Operation Costs and Expenses	**-79,059**	**-75,735**	**-3,324**	**-4.4%**
Sales Costs	-23,572	-21,804	-1,768	-8.1%
Administrative Expenses	-15,958	-13,937	-2,021	-14.5%
Depreciation	-39,530	-39,994	464	1.2%
Operating Income	**141,369**	**132,191**	**9,178**	**6.9%**
Financial Income	7,155	6,762	393	5.8%
Financial Costs	-50,907	-52,063	1,156	2.2%
Foreign exchange differences	-884	196	-1,080	N/A
Gain (loss) for indexed assets and liabilities	-14,953	-8,448	-6,505	-77.0%
Other income (Losses)	1,956	2,737	-781	-28.6%
Non-Operating Income	**-57,633**	**-50,816**	**-6,817**	**-13.4%**
Income before Taxes	**83,736**	**81,375**	**2,361**	**2.9%**
Income Tax	-21,760	-19,795	-1,965	-9.9%
Net Income	**61,976**	**61,581**	**395**	**0.6%**
EBITDA [1]	**183,610**	**175,677**	**7,933**	**4.5%**
EBITDA Margin [2]	**83.3%**	**84.5%**		

[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 in September 30th, 2018, the Revenues reached MCh$220,429 increasing a 6.0% compared to the same period of 2017 (MCh$207,926). The increase is explained by higher revenues from Toll Sales which at the end of September totaled MCh$215,735, a 6.6% higher than the obtained in the same period of 2017 (MCh$202,289). The Services revenues as of September 30th, 2018 reached MCh$4,694, a 16.7% lower than the same period of 2017 (MCh$5,637).

The increase in Toll Sales Revenues is explained by an increase of MCh$8,341 in the National segment, MCh$1,257 in the Zonal segment and MCh$3,847 in the Dedicated segment.

As a whole, the increase in Revenues is mainly explained by new projects in 2018 that became operative between 2017 and 2018 of MCh$9,521 and macroeconomic effects by MCh$1,567.

Total Transelec Operational Costs and Expenses as of September 30th, 2018 were MCh$79,059, a 4.4% higher than the comparison period in 2017 that reached MCh$75,735. Total costs are composed by the following main items.

Cost of sales during the analysis period totaled MCh$23,572, an 8.1% higher than the same period of 2017 (MCh$21,804). The increase is mainly explained by higher maintenance costs associated to the increase of preventive activities, in which main focus has been vegetation control and line-insulator wash, and a payment associated to the end of a negotiation with one of the unions. This is partially offset by lower payments associated to the coordinator functioning because the new Transmission Law doesn't consider this costs.

Administrative Expenses amounted MCh$15,958 in September 2018, 14.5% higher than those obtained in the same period in 2017 (MCh$13,937). The increase is mainly due to higher personnel expenses in 2018, related to the end of a negotiation with one of the unions and higher expenses in business consultant.

Total Depreciation (considering Costs and Expenses) as of September 30th, 2018 reached MCh$39,530, a 1.2% lower than the same period in 2017 (MCh$39,994). The decrease is mainly to higher wright-off in 2017 due to equipment replacement. This is partially compensated by new commissioning and higher amortizations due to software investments between both periods.

b) Non-Operating Income

The Non-Operating Income of the first nine months of 2018 was a loss of MCh$57,633, a 13.4% higher than the same period of 2017 (MCh$50,816), mainly explained by higher Losses for Indexed Assets and Liabilities.

The loss for Indexed Assets and Liabilities was MCh$14,953 as of September 30th, 2018, a 77.0% higher than the loss recorded in the same period of 2017 (MCh$8,448). This is mainly due to the readjustment of local bonds in UF because of the variation in the value of the UF that for the first nine months of 2018 corresponds to 2.09% compared to a 1.17% for the same period of 2017, due to lower inflation in that period. It should be reminded that this accrual is a non-cash effect.

The Financial Costs recorded as of September, 2018 amounted to MCh$50,907, a 2.2% lower than the same period of 2017 (MCh$52,063), the decrease is mainly explained by lower bank fees. Revolving Credit Facility renegotiation and the Promissory Note with Banco BCI took place in 2017 which incremented costs in that year.

Other Income as of September 30th, 2018, reached MCh$1,956 a 28.6% lower than the same period of 2017 (MCh$2,737). This is mainly explained by regularization with suppliers and revenues due to

Foreign Exchange Differences as of September, 2018 remain low, associated with the foreign currency hedging policy of the balance sheet, resulting in a loss of MCh$884.

Financial Income registered as of September, 2018 reached MCh$7,155, being a 5.8% higher than the same period of 2017 (MCh$6,762).

c) Income tax

Income Tax as of September 30th, 2018 was MCh$21,760, increasing by 9.9% in relation to the same period of 2017 (MCh$19,795). The increase is mainly due higher Income before taxes and effects due to an adjustment made in 2017 decreasing taxes that year.

2. BALANCE SHEET ANALYSIS

ITEMS	September 2018 MCh$	December 2017 MCh$	Variation 2018/2017 MCh$	Variation 2018/2017 %
Current assets	129,038	145,839	-16,801	-11.5%
Non-current assets	2,243,328	2,199,796	43,532	2.0%
Total Assets	**2,372,366**	**2,345,635**	**26,731**	**1.1%**
Current liabilities	77,023	116,590	-39,567	-33.9%
Non current liabilities	1,535,147	1,442,685	92,462	6.4%
Equity	760,196	786,360	-26,164	-3.3%
Total Liabilities & Equity	**2,372,366**	**2,345,635**	**26,731**	**1.1%**

The increase in Assets between December 2017 and September 2018 is explained by an increase in Non-current Assets, partially offset by a decrease in Current Assets. The increase in Non-current Assets is mainly due to an increase in accounts receivable from related companies and a higher balance of property, plant and equipment, for works in progress. The decrease in Current Assets is mostly explained by lower Cash and lower balance of accounts receivable from related entities, partially compensated by higher accounts receivable from customers.

The increase in total Liabilities and Equity is due to an increase in Non-Current Liabilities, partially offset by decreases in Current Liabilities and Equity. The rise in Non-Current Liabilities is due to an increase in financial liabilities associated with the revaluation of the debt and, to a lesser extent, to hedge contracts. The lower current liabilities are mainly due to lower financial liabilities due to the Promissory Note payment of MCh$20,000 to Banco BCI. The decrease in Equity is almost entirely due to a lower accumulated balance in Other Reserves.

Value of the Main PPE in Operation

ASSETS	September 2018 MCh$	December 2017 MCh$	Variation 2018/2017 MCh$	Variation 2018/2017 %
Land	20,696	20,696	0	0.0%
Building, Infraestucture, works in progress	1,163,415	1,160,963	2,452	0.2%
Work in progress	108,785	92,667	16,118	17.4%
Machinery and equipment	671,389	643,509	27,880	4.3%
Other fixed assets	6,252	5,843	409	7.0%
Depreciation (less)	-502,233	-467,409	-34,824	-7.5%
Total	**1,468,304**	**1,456,268**	**12,036**	**0.8%**

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital)	
					September 2018	December 2017
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	3.65%	Floating	03-Aug-20	-	-
Revolving Credit Facility[1]	UF	0.46%	Fixed	03-Aug-20	-	-
Local Promissory Note	CLP	2.77%	Fixed	03-Aug-18	-	20,000.00

[1] Revolving Credit Facility: USD Tranche MM US$150: The floating rate of 3.65% breaks down in 3 months Libor rate plus a margin of 1.25%. At March 31, 2018, the Company did not utilize this line therefore does not pay interest of 3.65% 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 0.46% breaks down in TAB UF 180 rate plus a margin of 0.25%. At March 31, 2018, the Company did not utilize this line therefore does not pay interest of 0.46% and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

On August 3rd, 2018, Transelec paid MCh$20,000 for the Promissory Note held with Banco BCI at its maturity.

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 2018 MM$	September 2017 MM$	Variation 2018/2017 MM$	Variation 2018/2017 %
Cash flows provided by (used in) operating activities	131,740	131,262	478	0.4%
Cash flows provided by (used in) investing activities	-73,798	-117,878	44,080	37.4%
Cash flows provided by (used in) financing activities	-79,161	-46,999	-32,162	-68.4%
Net increase (decrease) of cash and cash equivalent	**-21,219**	**-33,614**	**12,395**	**36.9%**
Cash and cash equivalent at the begining of the period	61,628	54,647	6,981	12.8%
Cash and cash equivalent at the end of the period	**40,409**	**21,032**	**19,377**	**92.1%**

As of September 30th, 2018, the flow of activities of the operation reached MCh$131,740, which increased by 0.4% than the same period of 2017 (MCh$131,262). The difference is mainly explained by lower payment to suppliers by MMCh$6,514 which is compensated almost totally by lower sales charges of MCh$6,169.

During the same period, the cash flow used in investment activities was MCh$73,798, a 37.4% lower than the amount allocated as of September 30th, 2017 (MCh$117,878). The decrease is mainly explained by lower loan to related entities of MCh$39,722.

As of September 2018, the cash flow used in financing activities reached MCh$79,161, increasing by 68.4% in relation to the same period of 2017 (MCh$46,999). The increase is explained by the debt acquired in 2017 with Banco BCI which reduce the cash flow used in that period. The payment of that debt increases the cash flow used in this period.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of September 30th, 2018 the company has the following committed credit line (Revolving Credit Facility), which was renegotiated in 2017 and is fully available:

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	Debt Contract	Limit	September 2018	December 2017
Capitalization Ratio[1]	All local Bonds	< 0.70	0.65	0.63
Shareholder's Equity[1] MMUF	D, H, K, M and N local Bonds	> 15.00	28.70	30.28
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	785,166	811,330
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	5.86	5.78

Test	Bonds	Limit	September 2018	December 2017
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	4.15	4.07

[1]Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and March 31, 2018 amounted to MCh$24.970.

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

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

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

RATIOS		September 2018	December 2017	Variation 2018/2017
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	10.3%	10.0%	30 pbs
Assets profitability[3]	(%)	3.3%	3.3%	0 pbs
Operating assets profitability[4]	(%)	5.4%	5.4%	0 pbs
Earnings per share[5]	($)	78,644	78,249	0.5%
Liquidity & Indebtedness				
Current Ratio	(times)	1.68	1.25	34.4%
Acid-Test Ratio	(times)	1.67	1.25	33.6%
Debt to Equity	(times)	2.12	1.98	7.1%
Short term debt/Total debt	(%)	4.8%	7.5%	-270 pbs
Log term debt/Total debt	(%)	95.2%	92.5%	270 pbs
Financial expenses coverage	(times)	3.61	3.35	7.8%

[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 TRANSMISION 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 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. Finally, the purpose of the distribution sector is to carry electricity to the physical location where each end user will use this electricity.

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 Law 20.936 issued on July 20, 2016, stablishes a new electric transmission system and creates an independent coordinator of the National Electric System (The Transmission Law). Additionally, those who explodes and operates transmission facilities must follow at every time the Technical Standard on Reliability and Service Quality (Exempt Resolution CNE No. 40 of May 16, 2005) and its subsequent modifications.

The The Transmission Law redefines transmission systems classifying them into: National Transmission System (previously trunk), the Transmission Systems Zonal (previously subtransmission) Systems Dedicated (previously additional transmission), and create two new segments: 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, among other topics.

Transelec's business is focused on the economic retribution for the transmission service delivered by its facilities, aligned to the security and quality service standards established. Transelec has the wright to annually receive the Annual Value of Transmission per tranche (VATT) for its National and Zonal transmission facilities, defined in the tariff processes or in the expansion projects adjudication decrees. For the Dedicated System facilities, Transelec signs private agreements of transmission with the respective users to define the payment for the use of these.

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 (in case of the rights of way it is considered the effective payment), which are annualized considering the assets life determined every three tariff periods and whit a variable discount rate, which will not be less than 7% or higher than 10% after taxes. 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 Transmission Law 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 Transmission Law, 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, without prejudice to which this decree is still in force until the new Decree establishes the Zonal and Dedicated transmission facilities tariffs for 2018-2019 period. These payments will not be covered or absorbed by the subtransmission users. The Ministry of Energy, on May 27th, 2017 issued the 1T Decree to define adjustments to the Decree No. 14 to implement the exemption from power plants and for consistent implementation of 23T Decree. Therefore, subtransmission revenues collected since January 1st, 2016 until 1T Decree issuance are being reassessed under the provisions contained in the decree.

According to the twelfth article of the Transmission Law, during the period of Decree 14 or 1T Decree is in place the new Subtransmission tariffs will be set for the January 1st, 2018 to December 31st, 2019. These tariffs and indexation formulas will be set through 6T Decree to be published, they are determined according to the Subtransmission Systems Studies that begun in 2014 for the period 2016 – 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.

Additionally, must also be considered that the Transmission Law establishes that The Commission, every four years, has to qualify lines and substations of the System to determine to which transmission segment they belong. Therefore, every four years there is the possibility that the facilities are moved from a regulated system to a dedicated one, or vice versa. This change implies a modification in the payment received from the facilities.

The Transmission Law considers the promulgation of several regulations, has some already published (Reglamento del Coordinador Eléctrico, del Panel de Expertos, de Determinación de Franjas Preliminares, para Dictación de Normas Técnicas y para la Determinación y Pago de Compensaciones) and others are in development such as Coordinación y Operación, Planificación y de Valorización and publication is expected in the second half of 2018. 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 Transmission Law stablishes about the National, Zonal, International Interconnection, Development Poles Transmissions Systems and Dedicated Systems when technical capacity is available, it is possible to detect a risk directly associated to scope and application of this reform, since the authority will be the one stablishing the particular conditions of implementation of this regime in the respective bylaw. Notwithstanding this, the National Energy Commission issued on March 30th, 2017 the Excent CNE 154 Resolution and its modifications that regulates in detail this matter, 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.

On July 31st, 2018, the Government presented a project of law to modernize the SEIA and has for main objective to strengthen this instrument as the main environmental tool.

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.

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:

	September 2018		December 2017	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	670,409	674,531	637,899	632,905
Chilean peso	1,700,471	1,696,349	1,704,719	1,733,231

The Exchange rates (Observed Dollar) in Chilean peso per US Dollar are shown below:

MONTH	Average 2018 ($)	Last Day 2018 ($)	Average 2017 ($)	Last Day 2017 ($)
January	605.53	603.25	661.19	646.19
February	596.84	593.61	643.21	648.88
March	603.45	603.39	661.20	663.97
April	600.55	610.98	655.74	665.41
May	626.12	631.29	671.54	672.35
June	636.15	651.21	665.15	664.29
July	652.41	639.20	658.17	652.23
August	656.25	680.48	644.24	628.89
September	680.91	660.42	625.54	637.93
Average of the period	**628.69**	**630.43**	**654.00**	**653.35**

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 30th, 2018, the Company has five clients which represent individually between 1.5% and 34.9% of total revenues. These are Enel Group (MCh$76,996), Colbún Group (MCh$32,363), AES Gener Group (MCh$30,848), Engie (MCh$3,338) and Pacific Hydro-LH-LC Group (MCh$17,526). The total sum of these main customers corresponds to a 73.25% of the total income of the Company. In the same period of 2017, the Company had a similar structure of clients, whose revenues reached to MCh$87,717, MCh$37,827, MCh$35,803, MCh$10,397 and MCh$5,218 respectively, with a percentage of total incomes of 85.1%.

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$165,085,225. 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, 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 30th, 2018 and December 31st, 2017.

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
September 30, 2018	60,321	120,641	318,767	828,164	735,751	2,063,645
December 31, 2017	77,923	115,384	115,384	1,006,579	728,358	2,043,629

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 June 30, 2018, and as of December 31, 2017, 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 2018 ($)	Last Day 2018 ($)	Average 2017 ($)	Last Day 2017 ($)
January	26,811.97	26,824.94	26,340.76	26,318.21
February	26,864.09	26,923.70	26,336.93	26,392.09
March	26,961.32	26,966.89	26,442.88	26,471.94
April	26,980.73	27,004.63	26,512.42	26,561.42
May	27,040.06	27,078.32	26,603.14	26,630.98
June	27,119.59	27,158.77	26,651.22	26,665.09
July	27,187.19	27,202.48	26,643.94	26,597.33
August	27,237.98	27,287.57	26,584.37	26,604.10
September	27,329.01	27,357.45	26,631.13	26,656.79
Average of the period	**27,059.10**	**27,089.42**	**26,527.42**	**26,544.22**

Subsequent events:

On October 5, 2018, the 6T Decree was published in the Official Gazette which establishes the value and revenues of the Zonal and Dedicated transmission facilities for 2018 and 2019. This implies a change in the revenue recognition for the entire 2018 period. The effect will be retroactively recognized as revenues in 2018's last quarter.

CONSOLIDATED MATERIAL FACTS

TRANSELEC S.A.

1) On March 2, 2018, and in accordance with article 9 and subsection 2 of article 10 of Law No. 18,045 on the Securities Market and General Standard No. 30 of the Superintendency of Exchange and Securities, today the Commission for the Financial Market, it was informed as an essential fact that on March 1, 2018, Mr. José Ramón Valente communicated his resignation as Director to the Chairman of the Board of Transelec S.A.

2) On March 15, 2018, and in compliance with article 9 and subsection 2 of article 10 of Law No. 18,045 on Stock Market and General Standard No. 30, it was reported as an essential fact that in a special Meeting of the Board of Directors of Transelec S.A., dated March 15, 2018, and according to what was reported by essential fact on December 26, 2017, that the respective authorizations have been obtained by the government of the People's Republic of China. As a result, the purchase and sale of shares between BIP (Barbados) Holdings II Limited ("Brookfield") and the company Coron Investments, S.L.U. ("CSGI"), by virtue of which, CSGI becomes a shareholder of 27.7% that Brookfield indirectly owned in Transelec S.A.

3) On March 15, 2018, and in compliance with the provisions of article 9 and in the second paragraph of article 10 of Law No. 18,045 on the Securities Market, and the provisions of NCG No. 30, it was reported as an essential fact that in the special Meeting of the Board of Directors of Transelec S.A., dated March 15, 2018, the Board of Transelec S.A., took knowledge and accepted the resignation presented by Mr. Benjamin Vaughn, to his position as Chairman and Director of the company, as well as the resignation of his alternate director Mr. Jeffrey Rosenthal, all since March 15, 2018. In addition, the Board of Directors of Transelec S.A. took notice and accepted the resignation presented by Mr. Etienne Middleton to his position as alternate director of the company, effective as of April 27, 2018. Given the previously mentioned, in the same special Meeting of the Board of Directors of Transelec S.A. Mr. Han Rui was appointed as subsitute director and Ms. Brenda Eaton as Chair of the Board.

4) On March 22, 2018 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 21, 2018, agreed on informing as a material fact the calling for the annual Shareholders Meeting to be held on April 27, 2018, 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, 2017.

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 2017, for a total amount of CLP 18.712.012.037, 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.

5) On March 22, 2018, and in compliance with the provisions of article 9 and the second paragraph of article 10 of Law No. 18,045 on the Securities Market, and the provisions of NCG No. 30, it was reported as an essential fact that in the Board Meeting of Transelec S.A., dated March 21, 2018, the Board of Transelec S.A. took knowledge and accepted the resignation presented by Mr. Bruno Philippi to his position as the company's Director, this resignation is as of April 1, 2018.

6) On April 27, 2018, 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, 2018, 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, 2017.

2. Approval of the distribution of a final dividend for the year 2017, for the amount of $18.712.012.037, which will be paid starting from May 29, 2018 to shareholders registered in the respective registry on May 23, 2018 (the Form No. 1 about dividend distribution regarding circular 660 was attached in an essential fact informed later on April 27th, 2018).

3. It was agreed to renew the members of the Board, which will be composed as follows: Brenda Eaton as director and Jordan Anderson as his alternate; Han Rui as director and Sihong Zhong as his alternate; Paul Dufresne as director and Jean Daigneault as her alternate; Alfredo Ergas Segal as director and Ricardo Szlejf 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; Alejandro Jadresic Marinovic as director and Valeria Ruz Hernández as his alternate; Nicolás Ubilla Pareja as director and Stella Muñoz Schiattino as his alternate; and Josefina Court Spikin as titular and Mario Valderrama Venegas as his alternate.

4. Set the remuneration of the Board and the Audit Committee.

5. Approval of the appointment of Deloitte as external auditors of the company for the year 2018.

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.

7) On April 27, 2018, 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, today the Commission for the Financial Market, the following material fact was reported:

   That Transelec S.A. Shareholders Extraordinary Meeting held on April 27, 2018, approved a guarantee and collateral guarantee regarding the obligations of Transelec Concesiones S.A. in the indemnity agreement regarding “Nueva Línea 2x220 kV 1500 MW entre S/E Los Changos y S/E Kapatur” project, in accordance to article 29 of the Bylaws and article 57 of the law No 18,045 of Securities Market.

8) On May 23, 2018, 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 in Transelec S.A.'s Board of Directors number 170, held on May 23, 2018, agreed to elect Ms. Brenda Eaton as Chair of Board of Directors.

9) On May 24, 2018, 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, today the Commission for the Financial Market, the following material fact was reported:

   That Transelec S.A.'s Board of Directors, at its Meeting held on May 23, 2018, approved the distribution of the interim dividend of CLP $19.404.000.000 corresponding to year 2018, to be paid from June 19, 2018 to the shareholders registered at the pertinent registrar on June 13, 2018.

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

10) On August 23, 2018, 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, today the Commission for the Financial Market, the following material fact was reported:

   That Transelec S.A.'s Board of Directors, at its Meeting held on August 22, 2018, took knowledge and accepted the resignation presented by Mr. Nicolás Ubilla Pareja to his position as Director of the company, and of his Alternate Director Ms. Stella Muñoz Schiattino. In addition, the Board of Transelec S.A. took knowledge and accepted the resignation presented by Ms. Josefina Court Spikin to her position as Director of the Company, and of her Alternate Director Mr. Rodrigo Valderrama Venegas.

   Given the previously mentioned, in the same Meeting of the Board of Directors of Transelec S.A., Ms. Patricia Nuñez Figueroa and Mr. Juan Ramon Benabarre Benaiges were appointed as Interim Directors of the Company.

11) On August 23, 2018, and according to the Circular No. 660 of the Superintendence of Securities and Insurance, today the Commission for the Financial Market, the following material fact was reported:

   That Transelec S.A.'s Board of Directors, at its Meeting held on August 22, 2018, approved the distribution of the interim dividend of CLP $20.483.000.000 corresponding to year 2018, to be paid from September 25, 2018 to the shareholders registered at the pertinent registrar on September 15, 2018.

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