



A N N U A L   R E P O R T   2 0 1 3





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# 01 IDENTITY







**IDENTITY**

Name: Transelec S.A.

National Securities Registration: Number 974

Legal Domicile: Santiago, while not restricting the establishment of agencies, branches or offices in other parts of the country or overseas.

Tax list number: 76.555.400-4

Address: Avenida Apoquindo N° 3721, 6th Floor, Las Condes (\*)

Phone: (56-2) 2467 7000

E-mail: transelec@transelec.cl

Webpage: www.transelec.cl

(\*) Transelec S.A. offices will be located at Orinoco 90, 14th floor, Las Condes starting in April.

**SHARE OWNERSHIP**

TRANSELEC CAPITAL IS DIVIDED INTO 1,000,000 NOMINATIVE ORDINARY SHARES WITH NO NOMINAL VALUE. TRANSELEC HOLDING RENTAS LIMITADA OWNS 999,900 SHARES AND RENTAS ELÉCTRICAS I LIMITADA OWNS 100 SHARES.

**THE COMPANY**

TRANSELEC IS THE LEADING SUPPLIER OF HIGH VOLTAGE POWER TRANSMISSION SYSTEMS IN CHILE AND THE ONLY COMPANY THAT OPERATES 500 KV AND 220 KV POWER LINES AND SUBSTATIONS THROUGHOUT CHILE. LIKEWISE, TRANSELEC FACILITIES SHAPE THE TWO MAIN NATIONAL INTERCONNECTED POWER GRIDS, IN THE FAR NORTH (SING) AND

IN THE AREA RANGING FROM TAL TAL AS FAR AS ISLA DE CHILOÉ (SIC).

TRANSELEC'S POWER TRANSMISSION SYSTEM FEATURES A TOTAL 9,271 KILOMETERS OF SINGLE AND DOUBLE CIRCUIT POWER LINES, AS WELL AS 56 SUBSTATIONS. THE COMPANY OWNS 85% OF ALL POWER LINES BELONGING TO THE TRUNK SYSTEM IN THE SIC POWER GRID AND 100% OF ALL POWER LINES IN THE SING POWER GRID.

THROUGHOUT ITS CORPORATE HISTORY, TRANSELEC HAS GAINED EXTENSIVE EXPERIENCE IN EACH OF THE LINKS MAKING UP THE POWER TRANSMISSION SERVICE VALUE CHAIN: RANGING FROM PROJECT EVALUATION, BASIC AND CONCEPTUAL ENGINEERING, SYSTEMATIC STUDY EXECUTION AND POWER TRANSMISSION AND CONNECTION SOLUTION DESIGN TO PROJECT MANAGEMENT AND CONSTRUCTION, COMMISSIONING CONSULTANCY, OPERATION, MAINTENANCE AND MANAGEMENT OF NEW FACILITIES.

TRANSELEC CURRENTLY CONTRIBUTES ITS EXTENSIVE EXPERIENCE AND KNOW-HOW REGARDING THE EXECUTION OF POWER PROJECTS TO A WIDE RANGE OF CLIENTS FROM THE POWER, MINING AND INDUSTRIAL SECTORS THROUGHOUT CHILE. THESE CLIENTS HAVE PUT THEIR TRUST IN THE SUPPORT AND EXCELLENCE OF INTEGRAL POWER TRANSMISSION SOLUTIONS PROVIDED BY THE COMPANY.







# LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

## MESSRS. SHAREHOLDERS,

ON BEHALF OF THE TRANSELEC S.A. BOARD OF DIRECTORS, IT IS WITH GREAT PLEASURE THAT WE PRESENT THE COMPANY'S ANNUAL REPORT CORRESPONDING TO THE 2013 FISCAL YEAR FOR THE CONSIDERATION OF TRANSELEC SHAREHOLDERS. DURING THE YEAR, THE COMPANY WAS VERY ACTIVE IN SERVICING THE NEEDS OF ITS CUSTOMERS, COMMISSIONING SEVERAL PROJECTS TO ENHANCE, EXPAND AND IMPROVE THE RELIABILITY OF THE COUNTRY'S TRANSMISSION SYSTEM. TRANSELEC ALSO ENHANCED ITS ACCESS TO CAPITAL AND STRENGTHENED ITS FINANCIAL POSITION BY COMPLETING ITS FIRST PROJECT FINANCING AND INCREASED ITS INTERNATIONAL CREDIT RATINGS.

IN 2013, TRANSELEC TENDERED SEVENTEEN PROJECTS TOTALING USD 100 MILLION IN VALUE. ADDITIONALLY, IT WAS CARRIED OUT THE INSTALLATION OF S.V.C.

PLUS EQUIPMENT AT THE DIEGO DE ALMAGRO SUBSTATION AND THE COMMISSIONING OF STATIC REACTIVE COMPENSATION (SRC) EQUIPMENT AT THE CARDONES SUBSTATION. THE COMPANY

ALSO COMMISSIONED THE RAHUE SUBSTATION IN THE DISTRICT OF OSORNO, IN THE SOUTH OF CHILE, AND THE THIRD AUTOTRANSFORMER BANK AT THE CHARRÚA SUBSTATION. THESE PROJECTS HAVE EXPANDED THE CAPACITY AND REINFORCED THE SYSTEM USING INNOVATIVE IDEAS AND STATE-OF-THE-ART TECHNOLOGY, AND WERE COMPLETED WITHIN VERY SHORT DEADLINES IN ORDER TO MEET OUR CUSTOMERS' NEEDS.

WE STRIVE TO ACHIEVE EXCELLENCE IN SAFETY, SECURITY, AND ENVIRONMENTAL PERFORMANCE AND ARE COMMITTED TO PROTECTING OUR EMPLOYEES, OUR CONTRACTORS AND THE NATURAL ENVIRONMENT. IN THE CURRENT YEAR, THE COMPANY REPORTED ITS LOWEST ACCIDENT RATE OVER THE LAST FIVE YEARS, A REFLECTION OF INITIATIVES IMPLEMENTED DURING THE YEAR AND OUR COMMITMENT TO CONTINUOUS IMPROVEMENT.

THE COMPANY ALSO ENHANCED ITS ACCESS TO CAPITAL MARKETS BY SUCCESSFULLY COMPLETING THE ISSUANCE OF USD 300 MILLION OF CORPORATE BONDS IN INTERNATIONAL MARKETS IN THE SECOND HALF OF 2013. THIS BOND ISSUANCE WAS RATED BAA1 BY MOODY'S, A REFLECTION OF THE FINANCIAL STRENGTH OF THE COMPANY. PROCEEDS OF THESE BOND ISSUANCES



WERE PRIMARILY USED TO REPAY EXISTING DEBT, EXTENDING THE TERM OF THE COMPANY’S OVERALL DEBT MATURITY PROFILE AND INCREASE OUR AVAILABLE LIQUIDITY. IN THE FIRST HALF OF 2013, THE COMPANY ALSO ISSUED UF 3.1 MILLION OF CORPORATE BONDS ON THE SANTIAGO STOCK EXCHANGE. THESE BONDS MATURE IN 2042, AND ARE THE LONGEST TERM BONDS EVER ISSUED BY TRANSELEC.

IN ADDITION TO ACCESSING THE CAPITAL MARKETS, WE ALSO COMPLETED OUR FIRST EVER PROJECT FINANCING, RAISING OVER US 146 MILLION ASSOCIATED WITH THE CONSTRUCTION OF THE 2X220 KV POWER TRANSMISSION SYSTEM FOR THE “CASERONES MINE” THAT WAS COMPLETED LAST YEAR.

THE SUCCESSES ABOVE WERE A RESULT OF THE HARD WORK, DEDICATION AND PROFESSIONALISM OF OUR EMPLOYEES. THIS COMMITMENT DID NOT GO UNNOTICED AS TRANSELEC WAS CHOSEN AS A FINALIST FOR THE CARLOS VIAL ESPANTOSO AWARD; AN AWARD GIVEN TO COMPANIES WHO BUILD WORKING RELATIONSHIPS OF TRUST AND APPRECIATE THE CONTRIBUTION OF PEOPLE TO THEIR RESULTS. THE COMPANY WAS AWARDED THE “SELLO PROPYME” SEAL, AN AWARD GIVEN

BY THE MINISTRY OF ECONOMY. TRANSELEC WAS ALSO RECOGNIZED FOR ITS COMMITMENT TO THE REGIONS IN WHICH WE OPERATE. OUR CORPORATE SOCIAL RESPONSIBILITY PROGRAM “JUEGA + CON TRANSELEC” WAS AWARDED THE “SELLO MÁS POR CHILE 2013” SEAL FOR THE SECOND YEAR IN A ROW. THIS IS AN AWARD GIVEN BY THE MINISTRY OF SOCIAL DEVELOPMENT TO PROJECTS BY COMPANIES, FOUNDATIONS AND CORPORATIONS WHO AIM TO IMPROVE QUALITY OF LIFE FOR PEOPLE IN THE COUNTRY’S MOST VULNERABLE SECTORS.

AS WE LOOK FORWARD, I BELIEVE THAT THE ENERGY SECTOR REMAINS A KEY PRIORITY FOR THE COUNTRY AS A RESULT OF THE GROWING DEMAND FOR ENERGY AND THE CORRESPONDING NEED FOR POWER INFRASTRUCTURE. IN THIS SENSE, IT IS OF CRUCIAL IMPORTANCE TO LOOK AFTER THE SECTOR AS A KEY SEGMENT FOR DEVELOPING THE GENERATION AND THE DISTRIBUTION OF ENERGY PROPERLY, HAVING A DIRECT IMPACT ON THE QUALITY OF LIFE OF THE PEOPLE.

WE BELIEVE THAT TRANSELEC, AS ONE OF THE LARGEST PLAYERS IN THE INDUSTRY, HAS PLAYED A CONSTRUCTIVE AND KEY ROLE BY PARTICIPATING IN MANY FORUMS WHICH SUPPORTED CHANGES

THAT WOULD LEAD TO NEW AND INNOVATIVE PROJECTS TO SUPPORT CHILE’S ONGOING ENERGY NEEDS AND IMPROVE THE QUALITY OF SERVICE FOR ALL CUSTOMERS.

I LOOK FORWARD TO REPORTING ON OUR CONTINUED PROGRESS IN THE COMING YEAR AND WANT TO TAKE THE OPPORTUNITY TO THANK ALL OF OUR EMPLOYEES AND BUSINESS PARTNERS FOR THEIR EFFORTS AND ONGOING SUPPORT.

**RICHARD LEGAULT**

CHAIRMAN OF THE  
BOARD OF DIRECTORS

## **OUR HISTORY,TRANSELEC: UNITING CHILE WITH ENERGY**

### **1943**

CORFO CREATED EMPRESA NACIONAL DE ELECTRICIDAD (ENDESA) IN ORDER TO EXECUTE A NATIONAL ELECTRIFICATION PLAN FEATURING CONSTRUCTION OF NEW POWER GENERATION UNITS AND ESPECIALLY A NETWORK OF REGIONAL POWER LINES TO CONNECT THESE UNITS.

### **1954**

THERE WERE FOUR INDEPENDENT REGIONAL SYSTEMS IN CHILE: LA SERENA-PUNITAQUI, LA LIGUA-TALCA, CHILLÁN-VICTORIA AND VALDIVIA PUERTO MONTT. ONLY SOME ISOLATED CITIES THROUGHOUT THE REST OF THE COUNTRY HAD THEIR OWN POWER PLANTS AT THE TIME.

### **1955**

THE CENTRAL INTERCONNECTED SYSTEM (SIC) WAS CREATED BY CONNECTING THE RECENTLY BUILT CIPRESES POWER PLANT BY MEANS OF THE 154 KV CIPRESES-SANTIAGO AND CHARRÚA ITAHUE POWER LINES TO CONSUMPTION CENTERS IN SANTIAGO AND CONCEPCIÓN.

### **1965**

A SUBMARINE CABLE WAS LAID ACROSS THE CHACAO CANAL (NOW AN AERIAL CABLE), SUPPLYING POWER FOR ISLA GRANDE DE CHILOÉ. ANOTHER IMPORTANT MILESTONE WAS CONSTRUCTION OF THE FIRST 220 KV POWER LINE, RAPEL-CERRO NAVIA. THIS CONNECTED THE RAPEL POWER PLANT TO GROWING ELECTRICITY DEMAND FROM THE CENTRAL ZONE IN 1966.

### **1974**

THE 220 KV KV SYSTEM EXPANDED WESTWARD, SUPPLYING CONCEPCIÓN, AND NORTHWARD IN ORDER TO TRANSPORT POWER TO SANTIAGO. IN ADDITION, THE SIC POWER GRID EXPANDED NORTHWARD WITH THE CONSTRUCTION OF 110 KV SYSTEMS AND THE MAITENCILLO-CARDONES AND PAN DE AZÚCAR-MAITENCILLO POWER LINES.

### **1978**

INTERCONNECTION WITH CHILE'S NEAR NORTH WAS INTENSIFIED WITH POWER LINES CONNECTING SAN ISIDRO (PRESENTLY QUILLOTA) AND CARDONES. IN THE EARLY 80S, THE SIC POWER GRID WAS EXTENDED TO DIEGO DE ALMAGRO IN ORDER TO CONNECT THE EL SALVADOR MINE, WHILE 220 KV POWER LINES WERE LAID AS FAR AS PUERTO MONTT IN SOUTHERN CHILE.

### **1986**

THE EXTRA HIGH VOLTAGE ERA STARTED WITH THE COMMISSIONING OF THE FIRST 500 KV POWER LINES (ANCOA-ALTO JAHUEL 1 AND 2) REQUIRED IN ORDER TO INJECT POWER GENERATED BY THE COLBÚN-MACHICURA COMPLEX INTO THE SIC POWER GRID.

### **1993**

ENDESA TRANSFORMED ITS POWER



TRANSMISSION DIVISION INTO THE SUBSIDIARY COMPAÑÍA NACIONAL DE TRANSMISIÓN ELÉCTRICA S.A., FOLLOWED BY THE CREATION OF TRANSELEC S.A., DESIGNED TO PLAN, OPERATE AND MAINTAIN THE SYSTEM, PROVIDING SERVICES TO DIFFERENT USER POWER COMPANIES IN THE SIC. THE AERIAL CROSSING OF CHACAO CANAL WAS COMMISSIONED THIS SAME YEAR, CONSISTING OF TWO 179-METER TOWERS AND POWER LINES SPANNING A LENGTH OF 2,680 METERS.

#### **1996**

TRANSELEC LAID ITS FIRST 220 KV POWER LINE BETWEEN CHARRÚA AND ANCOA TO CONNECT THE PANGUE POWER PLANT (460 MW), WHICH WAS LATER EXPANDED IN ORDER TO CONNECT THE RALCO POWER PLANT.

#### **2000**

ALL TRANSELEC SHARES WERE PURCHASED BY THE CANADIAN COMPANY HYDRO-QUÉBEC. 2003 TRANSELEC ENTERED THE SING POWER GRID AFTER PURCHASING 924 KILOMETERS OF 220 KV POWER LINES.

#### **2003**

TRANSELEC ENTERED THE SING POWER GRID AFTER PURCHASING 924 KILOMETERS OF 220 KV POWER LINES.

#### **2004**

THE LARGEST POWER TRANSMISSION DEVELOPMENT IN HISTORY WAS COMPLETED: POWERING UP THE SYSTEM BETWEEN CHARRÚA AND ALTO JAHUEL TO 500 KV, WHICH ENABLED CONNECTION OF THE RALCO POWER PLANT (690 MW).

#### **2006**

THE CANADIAN CONSORTIUM LED BY BROOKFIELD ASSET MANAGEMENT PURCHASED

A 100% STAKE IN TRANSELEC, CONTRIBUTING ITS SOLID FINANCIAL STRENGTH AT THE SERVICE OF CHILE'S GROWTH REQUIREMENTS.

#### **2008**

ENERGIZATION OF THE ALTO JAHUEL-POLPAICO 500 KV DOUBLE CIRCUIT POWER LINE BROUGHT NORTHBOUND NETWORK SATURATION TO AN END AND WAS LARGELY RESPONSIBLE FOR CREATION OF A 500 KV RING SURROUNDING SANTIAGO, ONE OF THE KEY DEVELOPMENTS FOR THE SYSTEM'S FUTURE.

#### **2009**

THE NOGALES SUBSTATION WAS COMMISSIONED, WHICH WILL ENABLE EFFICIENT EXPANSION OF THE SYSTEM FROM CHILE'S 5TH REGION NORTHWARD.

#### **2010**

TRANSELEC PURCHASED THE PUNTA COLORADA SUBSTATION FROM BARRICK GOLD IN ORDER TO CONSOLIDATE SERVICE PROVISION TO THE MINING SECTOR AND PURCHASED THE TINGURIRICA SUBSTATION FROM HIDROELÉCTRICA LA HIGUERA. THE COMPANY ALSO COMMISSIONED THE LAS PALMAS SUBSTATION, WHICH IS THE CORE WIND POWER CONTRIBUTION TO THE SIC POWER GRID.

#### **2011**

TRANSELEC SIGNED A CONTRACT WITH MINERA LUMINA COPPER CHILE FOR EXECUTION OF THE CASERONES PROJECT, ONE OF THE MOST IMPORTANT PROJECTS IN THE MINING INDUSTRY. THE COMPANY ALSO COMMISSIONED THE NOGALES-POLPAICO PROJECT (NOGALES SUBSTATION, NOGALES POWER LINE DIAGONAL, BAYS AT THE POLPAICO STATION AND THE NOGALES-POLPAICO POWER LINE). IN ADDITION, SIXTEEN NEW PROJECTS WERE UNDERTAKEN, INCLUDING THE MAITENCILLO-CASERONES

POWER LINE (INCLUDING EXPANSION OF THE MAITENCILLO GIS SUBSTATION), AS WELL AS THE NEPTUNO SUBSTATION AND ITS CONNECTION TO THE SIC POWER GRID.

## 2012

TRANSELEC FINISHED CONSTRUCTION OF A TRANSMISSION SYSTEM FOR THE “CASERONES MINE” PROJECT LOCATED IN CHILE’S THIRD REGION, POSITIONING THE COMPANY AS A SUCCESSFUL AGENT IN THE DEVELOPMENT AND EXECUTION OF HIGHLY COMPLEX POWER TRANSMISSION SOLUTIONS FOR CUSTOMERS FROM THE MINING INDUSTRY. IN ADDITION, THE COMPANY PURCHASED A 100% STAKE IN TRANSAM CHILE, WHICH INCLUDES THE POWER COMPANIES ABENOR, ARAUCANA AND HUEPIL. TRANSELEC ALSO PURCHASED THE 173-KM CRUCERO-LAGUNAS POWER LINE IN THE SING POWER GRID AT A PRIVATE TENDER CONDUCTED BY E-CL.

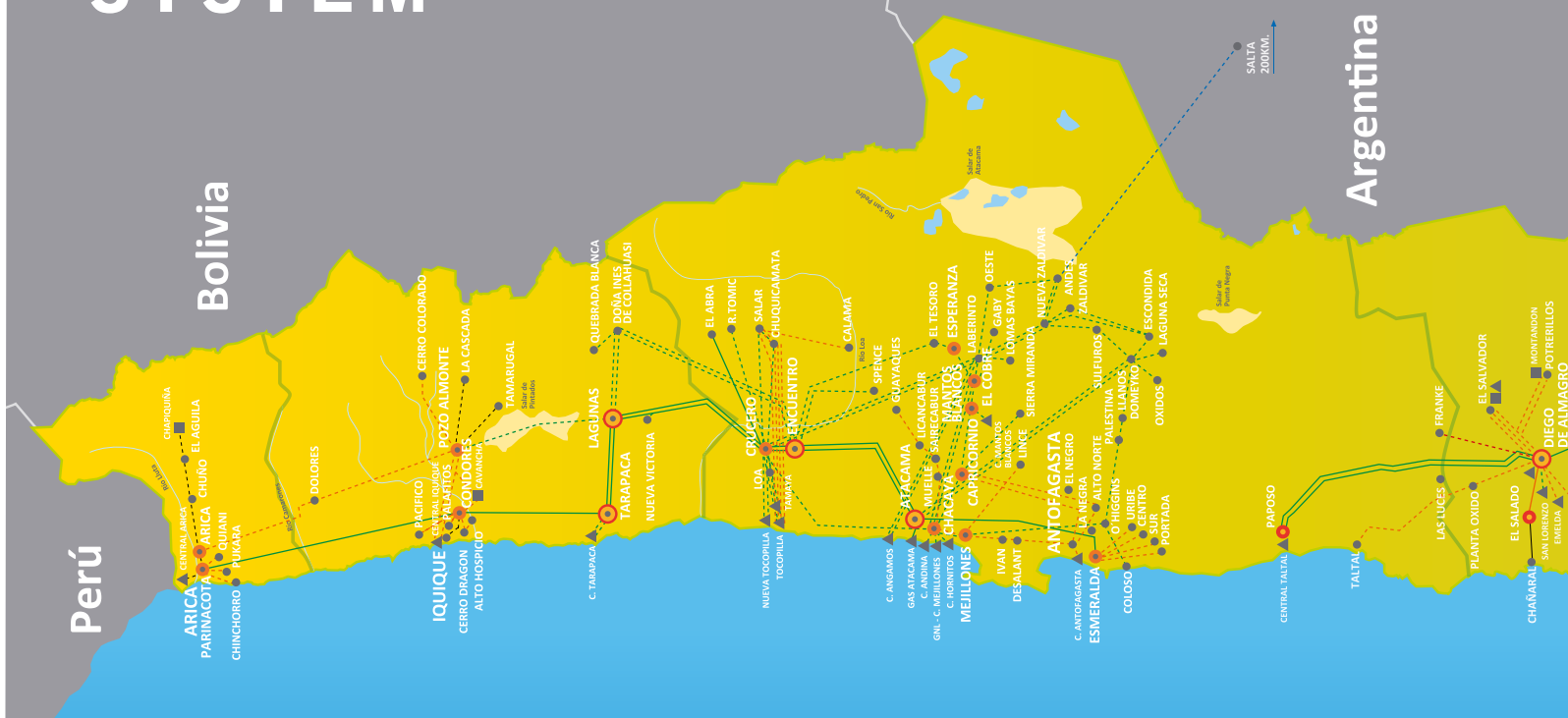
THE COMPANY WAS AWARDED NEW TRUNK TRANSMISSION WORKS FOR THE LO AGUIRRE SUBSTATION AND INSTALLATION OF SRC EQUIPMENT AT THE CARDONES SUBSTATION. IN ADDITION, 350 MVA FLOW CONTROL EQUIPMENT WERE COMMISSIONED INDEPENDENTLY FOR EACH CIRCUIT OF THE 220 KV POLPAICO – CERRO NAVIA POWER LINE, WHICH PROVIDES INCREASED FLEXIBILITY FOR TRANSPORTING POWER TO THE METROPOLITAN REGION. LASTLY, THE COMPANY WAS GIVEN THE 2012 SOFOFA AND CAPITAL MAGAZINE CORPORATE SOCIAL RESPONSIBILITY AWARD IN THE LARGE CORPORATIONS CATEGORY.

## 2013

S.V.C. PLUS EQUIPMENT WAS COMMISSIONED AT THE DIEGO DE ALMAGRO SUBSTATION AND STATIC REACTIVE COMPENSATION (SRC) EQUIPMENT WAS COMMISSIONED AT

THE CARDONES SUBSTATION. IN ADDITION, THE THIRD AUTOTRANSFORMER BANK WAS COMMISSIONED AT THE CHARRÚA SUBSTATION. THE EVENT WAS ATTENDED BY ENERGY MINISTER JORGE BUNSTER. IN THE FINANCIAL SECTOR, THE COMPANY ISSUED CORPORATE BONDS IN THE LOCAL MARKET (THE SANTIAGO STOCK EXCHANGE) AMOUNTING TO A TOTAL UF 3,100,000 AND IN INTERNATIONAL MARKETS AMOUNTING TO USD 300,000,000. TRANSELEC WAS SELECTED AS A FINALIST FOR THE 2013 CARLOS VIAL ESPANTOSO AWARD DURING THE FISCAL YEAR. THIS AWARD IS PRESENTED TO COMPANIES WHO BUILD LABOR RELATIONS OF MUTUAL TRUST AND WHICH APPRECIATE HOW PEOPLE CONTRIBUTE TO THEIR RESULTS. IN ADDITION, THE COMPANY WAS AWARDED “SELLO MÁS POR CHILE 2013” SEAL FOR THE SECOND YEAR IN THE ROW. THIS SEAL RECOGNIZES ITS CORPORATE SOCIAL RESPONSIBILITY PROGRAM “JUEGA + CON TRANSELEC” AND IS PRESENTED BY THE MINISTRY OF SOCIAL DEVELOPMENT. LASTLY, THE COMPANY WAS AWARDED THE “SELLO PROPYME” SEAL PRESENTED BY THE MINISTRY OF ECONOMY TO COMPANIES WITH OUTSTANDING COMMITMENT AND COMPLIANCE WITH REGARD TO PAYING THEIR SUPPLIERS.

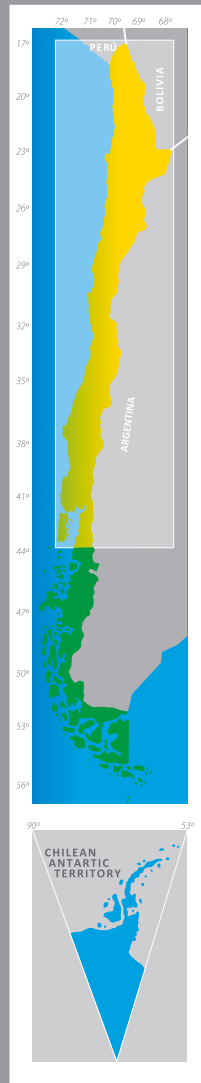
# THE SING - SIC POWER TRANSMISSION SYSTEM







# Pacific Ocean



CIRCULATION AUTHORIZED BY NATIONAL  
STATE BORDERS AND BOUNDARIES  
DEPARTEMENT RESOLUTION N° 15 DATED  
23 JANUARY 2003. PUBLICATION AND  
CIRCULATION OF MAPS, GEOGRAPHIC  
CHARTS, OTHER PRINTED COPIES OR  
DOCUMENTS RELATED OR REFERRING TO  
CHILE'S BORDERS AND BOUNDARIES DO  
NOT IN ANY WAY COMPROMISE THE CHILEAN  
STATE, IN ACCORDANCE WITH ARTICLE 2,  
LETTER G) OF MINISTRY OF FOREIGN AFFAIRS  
SD N° 83 DATED 1979.

TRANSELEC		OTHER COMPANIES
	LINES -kV	
	500	
	345	
	220	
	154	
	110	
	66 or less	
	EOLIC POWER PLANT	
	HYDRO POWER PLANT	
	COAL POWER PLANT	
	SUBSTATION	
	NODE	
	BELONG TO CyT, RELATED TO TRANSELEC	

02

## CORPORATE GOVERNANCE







**BOARD OF DIRECTORS**

ACCORDING TO THE COMPANY'S ARTICLES OF INCORPORATION, THE BOARD OF DIRECTORS IS MADE UP OF NINE MEMBERS ELECTED BY THE SHAREHOLDERS AT THE RESPECTIVE SHAREHOLDERS MEETING. THE AFOREMENTIONED MEMBERS HOLD THESE POSITIONS FOR TWO YEARS AND ARE ELIGIBLE FOR RE-ELECTION. THERE IS ONE ALTERNATE DIRECTOR FOR EACH DIRECTOR. THE CHAIRMAN OF THE BOARD OF DIRECTORS IS ELECTED BY DIRECTORS CHOSEN AT THE SHAREHOLDERS MEETING.

IN CONFORMITY WITH THE LAW AND ITS BY LAWS, THE BOARD OF DIRECTORS SHALL MEET AT LEAST ONCE A MONTH. THROUGHOUT THE 2013 FISCAL YEAR, TRANSELEC S.A. CORPORATION HELD TWELVE SHAREHOLDERS MEETINGS AND TWO SPECIAL BOARD OF DIRECTORS MEETINGS.

THE BOARD OF DIRECTORS IS CURRENTLY MADE UP OF MESSRS. RICHARD LEGAULT, PATRICK CHARBONNEAU, BRENDA EATON, BRUNO PHILIPPI IRARRÁZABAL, MARIO VALCARCE DURÁN, BLAS TOMIC ERRÁZURIZ, JOSÉ RAMÓN VALENTE VIAS, ALEJANDRO JADRESIC MARINOVIC, AND REPLACEMENT DIRECTOR MR. ALFREDO ERGAS, AND THEIR RESPECTIVE ALTERNATE DIRECTORS MESSRS. FELIPE PINEL, PAUL DUFRESNE, JERRY DIVOKY, ENRIQUE MUNTA LUCA, JUAN JOSÉ EYZAGUIRRE LIRA, FEDERICO GREBE LIRA, JUAN PAULO BAMBACH SALVATORE AND JUAN IRARRÁZABAL COVARRUBIAS.

**BOARD OF DIRECTORS COMPENSATION**

IT WAS AGREED AT THE SIXTEENTH TRANSELEC S.A. SHAREHOLDERS MEETING HELD 21 JUNE 2013 THAT DIRECTORS' COMPENSATION WOULD BE INCREASED FROM US\$ 70,000 TO THE FIXED GROSS AMOUNT OF US\$ 90,000 PER YEAR STARTING IN THE THIRD QUARTER OF 2013.

DIRECTORS RICHARD LEGAULT, PATRICK CHARBONNEAU, BRENDA EATON AND THEIR RESPECTIVE ALTERNATE DIRECTORS WAIVED PAYMENT CORRESPONDING TO THE 2013 FISCAL YEAR. DIRECTOR ALFREDO ERGAS DID NOT RECEIVE PAYMENT IN 2013, SINCE HE WAS APPOINTED TO HIS POSITION AT THE 20 NOVEMBER 2013 BOARD OF DIRECTORS MEETING. COMPENSATION PAID TO DIRECTORS THROUGHOUT THE 2013 FISCAL YEAR IS THUS LISTED AS FOLLOWS:

BRUNO PHILIPPI IRARRÁZABAL  
CLP 35,473,882

MARIO VALCARCE DURÁN  
CLP 35,473,882

BLAS TOMIC ERRÁZURIZ  
CLP 35,473,882

JOSÉ RAMÓN VALENTE VIAS  
CLP 35,473,882

ALEJANDRO JADRESIC MARINOVIC  
CLP 35,473,882











AS FOR THE TRANSELEC S.A. SUBSIDIARY TRANSELEC NORTE S.A., DIRECTORS ARE NOT COMPENSATED FOR THEIR SERVICES IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 8 OF THE SUBSIDIARY'S BY-LAWS.

#### **BOARD OF DIRECTORS EXPENSES**

NO PAYMENT ASSOCIATED TO DIRECTORS' EXPENSES WAS MADE THROUGHOUT THE FISCAL YEAR.

#### **AUDIT COMMITTEE**

CREATION OF AN AUDIT COMMITTEE DIFFERENT FROM THAT ESTABLISHED IN THE CORPORATIONS LAW WAS APPROVED IN APRIL 2007. THE AUDIT COMMITTEE'S DUTIES INCLUDE REVIEWING THE COMPANY'S AUDITOR REPORTS, BALANCE SHEETS, OTHER FINANCIAL STATEMENTS AND INTERNAL SYSTEMS, AMONG OTHERS. TRANSELEC'S AUDIT COMMITTEE IS MADE UP OF FOUR DIRECTORS ELECTED BY THE BOARD OF DIRECTORS. THESE DIRECTORS SERVE A TERM OF TWO YEARS AND ARE ELIGIBLE FOR RE-ELECTION. THE COMMITTEE APPOINTS A CHAIRMAN FROM AMONG ITS MEMBERS AND A SECRETARY, WHO MAY BE ONE OF ITS MEMBERS OR THE SECRETARY OF THE BOARD OF DIRECTORS. THE COMMITTEE HELD FOUR MEETINGS IN 2013.

AS OF 31 DECEMBER 2013, THE AUDIT COMMITTEE WAS MADE UP OF ITS CHAIRMAN MR. MARIO VALCARCE DURÁN, DIRECTORS PATRICK CHARBONNEAU, MS. BRENDA EATON,

MR. JOSÉ RAMÓN VALENTE VÍAS AND SECRETARY MR. ARTURO LE BLANC CERDA.

MEMBERS OF THE COMMITTEE ARE ENTITLED TO PAYMENT AS DETERMINED AT THE SHAREHOLDERS MEETING.

IT WAS AGREED AT THE SIXTH TRANSELEC S.A. SHAREHOLDERS MEETING HELD 26 APRIL 2013 THAT EACH OF THE COMMITTEE MEMBERS WOULD CONTINUE TO BE PAID AN ANNUAL SUM OF USD 10,000 PER YEAR FOR THEIR SERVICES.

DIRECTORS MR. PATRICK CHARBONNEAU AND MS. BRENDA EATON WAIVED PAYMENT CORRESPONDING TO THE 2013 FISCAL YEAR.

COMPENSATION FOR SERVICES RENDERED BY MEMBERS OF THE AUDIT COMMITTEE THROUGHOUT THE 2013 FISCAL YEAR IS LISTED AS FOLLOWS:

MARIO VALCARCE	CLP 4,319,640
JOSÉ RAMÓN VALENTE	CLP 4,319,640

# BOARD OF DIRECTORS

**Richard Legault**

CHAIRMAN

Bachelor of Accounting  
Universite du Quebec  
Canadian

**Brenda Eaton**

DIRECTOR

Economist, Master's Degree in Economics  
University of Victoria  
Canadian

**Patrick Charbonneau**

DIRECTOR

Chartered Financial Analyst  
Bachelor of Business Administration,  
Bishop's University  
Canadian

**Alfredo Ergas**

DIRECTOR

Commercial Engineer  
Universidad de Chile  
MBA Trium Global Executive  
alliance between NYU, HEC and LSE  
Tax ID Number 9.574.296-3

**Blas Tomic Errázuriz**

DIRECTOR

Civil Industrial Engineer, Ph. D. in Economic  
Development, Sussex University  
Tax ID Number 5.390.891-8

**Bruno Philippi Irarrázabal**

DIRECTOR

Civil Engineer, M. Sc. Operation Research  
Ph. D. Engineering Economic System  
Stanford University  
Tax ID Number 4.818.243-7

**Mario Valcace Durán**

DIRECTOR

Commercial Engineer  
Pontificia Universidad Católica de Valparaiso  
Tax ID Number 5.850.972-8

**José Ramón Valente Vías**

DIRECTOR

Commercial Engineer  
MBA, University of Chicago  
Tax ID Number 8.533.255-4

**Alejandro Jadresic Marinovic**

DIRECTOR

Civil Industrial Engineer  
Ph. D. in Economics  
Harvard University  
Tax ID Number 7.746.199-K

**Arturo Le Blanc Cerda**

SECRETARY OF THE BOARD OF DIRECTORS



# MANAGEMENT TEAM

## Andrés Kuhlmann Jahn

GENERAL MANAGER

Civil Industrial Engineer  
Pontificia Universidad Católica de Chile  
Tax ID Number 6.554.568-3

## Rodrigo López Vergara

VICE PRESIDENT OF OPERATIONS

Civil Industrial Engineer  
Universidad de Chile  
Tax ID Number 7.518.088-8

## Claudio Aravena Vallejo

VICE PRESIDENT OF HUMAN RESOURCES

Commercial Engineer  
Pontificia Universidad Católica de Chile  
Tax ID Number 9.580.875-1

## Francisco Castro Crichton

VICE PRESIDENT OF FINANCE

Civil Industrial Engineer  
Pontificia Universidad Católica de Chile  
Tax ID Number 9.963.957-1

## Arturo Le Blanc Cerda

VICE PRESIDENT OF LEGAL AFFAIRS  
AND GENERAL COUNSEL

Lawyer  
Universidad de Chile  
LLM Duke University  
Tax ID Number 10.601.441-8

## Jorge Lagos Rodriguez

CORPORATE AFFAIRS AND  
SUSTAINABILITY MANAGER

Biologist, Pontificia Universidad Católica de Chile  
Master's Degree in Human Settlements and the  
Environment Pontificia Universidad Católica de Chile  
Tax ID Number 10.502.232-8

## Eric Ahumada Gómez

VICE PRESIDENT OF BUSINESS  
DEVELOPMENT

Civil Electric Engineer  
Universidad de Chile  
Tax ID Number 9.899.120-4

## Alexandros Semertzakis Pandolfi

VICE PRESIDENT OF ENGINEERING AND  
PROJECT DEVELOPMENT

Civil Engineer  
Universidad de Santiago  
Post-graduate Diploma in Administration  
Universidad Adolfo Ibáñez  
Tax ID Number 7.053.358-8







# 03 OUR PEOPLE







## OUR PEOPLE

### HUMAN RESOURCES

ONE OF THE FUNDAMENTAL PILLARS THAT TRANSELEC'S STRATEGIC PLAN RESTS ON IS THE COMPANY'S COLLABORATORS. HIGH QUALITY STANDARDS AND COMPLEXITY IN THE INDUSTRY, AS WELL AS THE COMPANY'S FUTURE CHALLENGES MEAN THAT TRANSELEC SEEKS TO RECRUIT AND RETAIN THE BEST PROFESSIONALS THE MARKET HAS TO OFFER AT DIFFERENT PERFORMANCE LEVELS.

IN THIS CONTEXT, TRANSELEC HAS INCENTIVE PLANS, BENEFITS AND COMPENSATION POLICIES THAT MAKE THE COMPANY COMPETITIVE IN TERMS OF TRAINING AND TALENT RETENTION.

THE COMPANY HAS ALSO IMPLEMENTED AND CONTINUED TRAINING PROGRAMS IN ORDER TO MAINTAIN ITS STANDARDS OF PRESENT HIGH PROFESSIONAL QUALITY, DEVELOPING THE CONCEPT OF KNOWLEDGE MANAGEMENT, WHICH IS CRUCIAL FOR THE MEETING OF HIGH TECHNICAL STANDARDS.

WE HAVE CONTINUED TO PLACE SPECIAL EMPHASIS HAS ON THE CREATION OF SPACES TO IMPROVE TRANSELEC WORKERS' QUALITY OF LIFE THROUGHOUT 2013. THIS HAS INCLUDED OUTREACH, CULTURE AND RECREATION PROGRAMS TO SUPPORT WORKERS' INTEGRAL DEVELOPMENT, CONVINCED OF THE DIRECT CONTRIBUTION THIS WILL PROVIDE IN TERMS OF PRODUCTIVITY. WE CONSEQUENTLY WISH TO

HIGHLIGHT THE PAUSE GYMNASTICS PROGRAM STARTED IN 2011, AN ONGOING PROGRAM THROUGHOUT THE ENTIRE COMPANY.

THE COMPANY'S SPONSORSHIP FOR THE TRANSELEC SPORTS CLUB CONTINUED IN 2013 BY MEANS OF ONE TO ONE SPONSORSHIP TO ENCOURAGE ACTIVITIES OF ALL KINDS.

AS ONE FACET OF ITS FAMILY INTEGRATION PROGRAM, THE COMPANY HOSTED ITS THIRD 'OPEN DAY' IN 2013. THIS IS A DAY WHEN PARENTS ARE ENCOURAGED TO BRING THEIR CHILDREN TO VISIT THE PLACE WHERE THEY WORK. CHILDREN SPEND MOST OF THE DAY THERE AND THIS IS A CONTRIBUTION TO THE COMPANY AND TO SOCIETY, AS IS THE TRADITIONAL CHRISTMAS PARTY CELEBRATED TOGETHER WITH OUR WORKERS' FAMILIES.

### OUR EMPLOYEES AND IMPORTANT MILESTONES

TRANSELEC EMPLOYED 508 WORKERS AS OF 31 DECEMBER 2013.

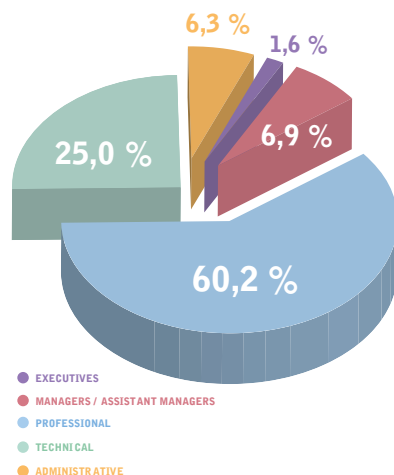
THIS MEANS THAT WORKERS ARE A FUNDAMENTAL COMPONENT FOR THE COMPANY TO BE ABLE TO MAINTAIN ITS STRINGENT TECHNICAL STANDARDS AND CONTINUE TO PROVIDE QUALITY SERVICE REQUIRED BY SOCIETY.

76.38% OF THE COMPANY'S WORKERS ARE EMPLOYED IN THE OPERATIONS, ENGINEERING AND PROJECT DEVELOPMENT DIVISIONS.





## EMPLOYEE DISTRIBUTION



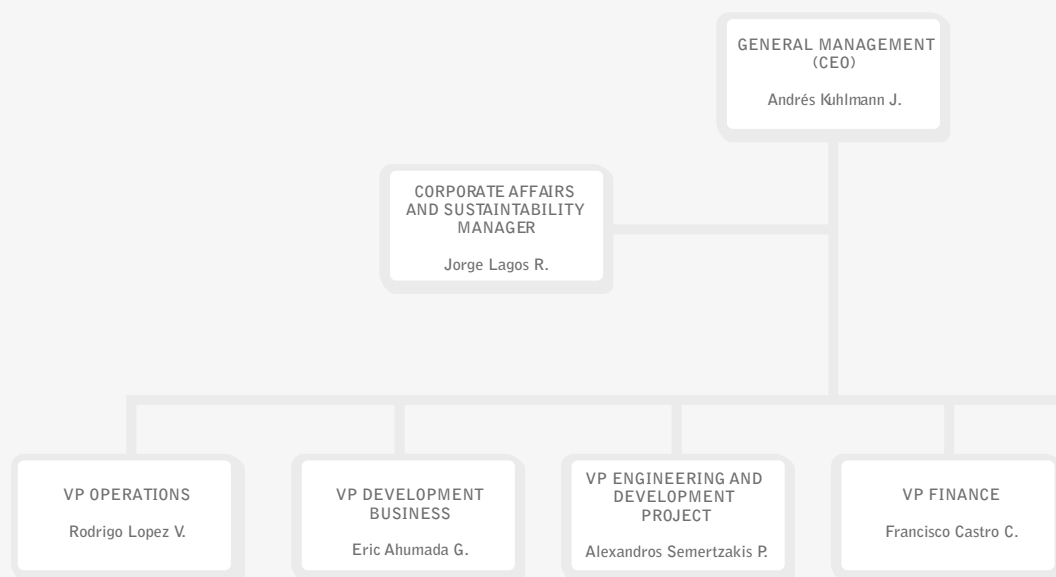
Note: Project personnel are not included.

## LABOR RELATIONS

A THIRD ORGANIZATIONAL HEALTH SURVEY WAS UNDERTAKEN IN NOVEMBER 2013. THE SURVEY WAS DESIGNED TO ASSESS THE COMPANY'S WORK CLIMATE, TOGETHER WITH OTHER KEY FACTORS FOR ACHIEVING EXCELLENCE AT AN ORGANIZATION, SUCH AS LEADERSHIP.

THIS SURVEY HAS EVIDENCED IMPORTANT PROGRESS THROUGHOUT THE THREE YEARS IT HAS BEEN APPLIED AND THIS PROGRESS IS IN LINE WITH THE COMPANY'S FINANCIAL RESULTS.

## THE COMPANY'S ORGANIZATIONAL CHART



## KNOWLEDGE MANAGEMENT

TOTAL TRAINING TIME IN 2013 CAME TO 31,731 HOURS, WHICH AMOUNTS TO A MONTHLY AVERAGE OF 5.2 HOURS PER WORKER, OR 2.9% OF THE TOTAL NORMAL WORKING HOURS IN ONE MONTH.

IN ALL, 90.6% OF TRANSELEC'S WORKERS ATTENDED TRAINING PROGRAMS RELATED TO OPERATING DIVISIONS, MANAGEMENT SUPPORT, INNOVATION, SAFETY, ENGINEERING, POST-GRADUATE

DEGREES AND POST GRADUATE DIPLOMAS, LANGUAGES AND INFORMATION TECHNOLOGY.

THE COMPANY'S KNOWLEDGE MANAGEMENT STRATEGIC INITIATIVE WAS FURTHER DEVELOPED IN 2013. SEVERAL TALKS RELATED TO THE COMPANY'S ACTIVITIES WERE TRANSMITTED AS VIDEOCONFERENCES, THUS TAKING KNOWLEDGE TO WORKERS THROUGHOUT CHILE'S DIFFERENT REGIONS.

IN ADDITION, FOUR TEACHER TRAINING WORKSHOPS WERE HOSTED IN ORDER TO TRANSFER COMPANY KNOWLEDGE FROM PEOPLE WITH EXTENSIVE EXPERIENCE TO YOUNGER PROFESSIONALS.

## EXECUTIVE SALARIES

TRANSELEC PAID EXECUTIVE SALARIES AMOUNTING TO CLP 2,229,481,000 IN 2013. THIS AMOUNT INCLUDES SALARIES PAID TO EXECUTIVES EMPLOYED AS OF 31 DECEMBER 2013 AND EXECUTIVES WHO RETIRED IN 2013.

## BONUS PLANS

TRANSELEC HAS AN ANNUAL BONUS PLAN FOR ALL PERSONNEL. THIS PLAN IS RELATED TO THE MEETING OF GOALS, WHICH ARE SET BASED ON THE COMPANY'S STRATEGY AND DEVELOPED ACCORDING TO THE LEVEL OF DETAIL AND RESPONSIBILITY IN TRANSELEC'S CORPORATE HIERARCHY.

VP HUMAN RESOURCES

Claudio Aravena V.

VP LEGAL AFFAIRS

Arturo Le Blanc C.



# 04 THE BUSINESS







## REGULATORY SCENARIO

TRANSELEC'S BUSINESS IS POWER TRANSMISSION. THE LEGAL FRAMEWORK REGULATING THE POWER TRANSMISSION BUSINESS IN CHILE DEFINES POWER TRANSMISSION SYSTEMS, CLASSIFYING POWER TRANSMISSION FACILITIES INTO THREE CATEGORIES (TRUNK TRANSMISSION SYSTEMS, SUBTRANSMISSION SYSTEMS AND ADDITIONAL SYSTEMS), AND ESTABLISHES AN OPEN ACCESS LAYOUT FOR THE FIRST TWO SYSTEMS AND FOR ADDITIONAL POWER LINES MAKING USE OF RIGHTS OF WAY AND THOSE THAT USE NATIONAL PUBLIC GOODS FOR THEIR LAYOUT, SPECIFYING THAT THESE RESPECTIVE FACILITIES CAN BE USED BY THIRD PARTIES UNDER NON-DISCRIMINATORY TECHNICAL AND ECONOMIC CONDITIONS. IN ADDITION, THIS FRAMEWORK ESTABLISHES CRITERIA AND PROCEDURES FOR DETERMINING COMPENSATION POWER TRANSMISSION FACILITIES OWNERS ARE ENTITLED TO.

TRUNK FACILITIES ARE DEFINED AS THE SET OF ECONOMICALLY EFFICIENT POWER LINES AND SUBSTATIONS REQUIRED IN ORDER TO SUPPLY ALL DEMAND STEMMING FROM DIFFERENT POWER GENERATION AVAILABILITY SCENARIOS.

SUBTRANSMISSION SYSTEMS ARE MADE UP OF FACILITIES INTERCONNECTED TO THE ELECTRICAL SYSTEM AVAILABLE FOR THE EXCLUSIVE SUPPLY OF GROUPS OF FREE OR REGULATED END CONSUMERS LOCATED IN DISTRIBUTION COMPANIES' CONCESSION AREAS.

IN TURN, ADDITIONAL SYSTEMS ARE MADE UP OF POWER LINES AND TRANSMISSION EQUIPMENT MAINLY DESIGNED FOR SUPPLYING ELECTRICAL ENERGY TO NON REGULATED CUSTOMERS OR FOR EVACUATING PRODUCTION OF A POWER PLANT OR A LIMITED GROUP OF POWER PLANTS.

## TRUNK TRANSMISSION

TRANSELEC'S REVENUE CONSISTS OF THE "ANNUAL TRANSMISSION VALUE BY SEGMENT" (VATT), WHICH IS CALCULATED BASED ON THE "ANNUAL INVESTMENT VALUE" (AIV), PLUS "OPERATING, MAINTENANCE AND ADMINISTRATION COSTS" (OMAC) FOR EACH OF THE SEGMENTS THAT MAKE UP THE CURRENT TRUNK SYSTEM. VATT IS DETERMINED EVERY FOUR YEARS BY A CONSULTANT THAT PERFORMS A STUDY KNOWN AS THE TRUNK TRANSMISSION STUDY (TTS). DURING THE FOUR-YEAR PERIOD BETWEEN TWO CONSECUTIVE TTS, BOTH THE AIV AND THE OMAC OF EACH SEGMENT ARE INDEXED USING FORMULAS DESIGNED TO MAINTAIN THE REAL VALUE OF THE AIV AND THE OMAC DURING THIS PERIOD. BOTH INDEXING FORMULAS AND APPLICATION FREQUENCY ARE DETERMINED IN THE TTS.

IN ADDITION, THE CONSULTANT ESTABLISHES UPGRADE PLANS FOR THE TRUNK SYSTEM IN SAID TTS, TOGETHER WITH REFERENCE INVESTMENT VALUES. THESE UPGRADE PLANS FEATURE INVESTMENT THAT MUST BE CLASSIFIED AS NEW PROJECTS OR AS UPGRADES.



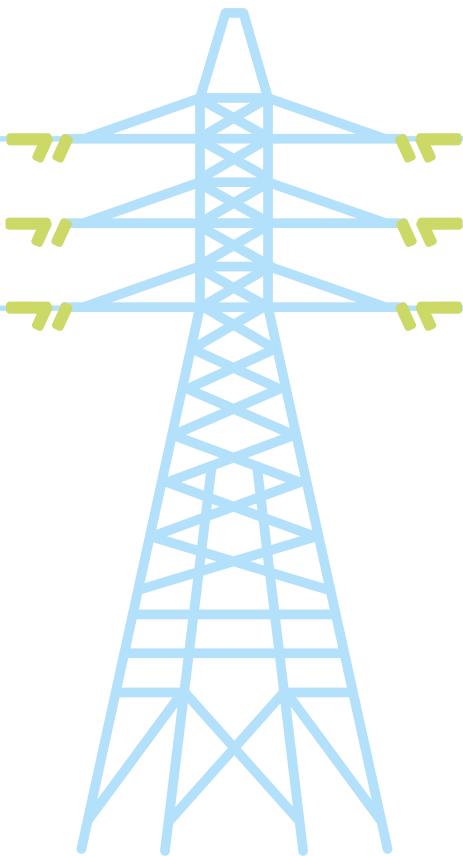




## PARTICIPATION MARKET

(PARTICIPATION BY KM. ONLINE)

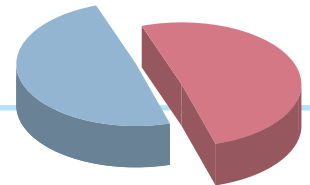
- TRANSELEC
- OTHERS



500 kV

100 %

49 %  
51 %



220 kV

THE NATIONAL ENERGY COMMISSION FORMULATES A TECHNICAL REPORT BASED ON TTS RESULTS AND THE MINISTRY OF ENERGY USES THIS REPORT TO SET TARIFFS FOR THE TRUNK TRANSMISSION SYSTEM FOR THE NEXT FOUR YEAR PERIOD.

THE FACILITY OWNER, WHO SHALL BE REQUIRED TO EXECUTE A PROJECT CONSTRUCTION BID, SHALL EXECUTE CURRENT FACILITY UPGRADES. IN THE CASE OF NEW PROJECTS, EXPLOITATION AND EXECUTION RIGHTS ARE AUCTIONED BY THE RESPECTIVE ECONOMIC LOAD DISPATCH CENTER (CDEC) BY MEANS OF AN INTERNATIONAL TENDER AND AWARDED TO THE BIDDER PRESENTING THE LOWEST VATT FOR THE PROJECT BID.

THE CDEC ANALYZES CONSISTENCY OF THE UPGRADE PLAN AND TRUNK SYSTEM FACILITIES CONTAINED IN THE TTS ON AN ANNUAL BASIS, TOGETHER WITH EFFECTIVE SYSTEM DEVELOPMENTS IN TERMS OF POWER GENERATION, TRANSMISSION AND DEMAND PERFORMANCE. THE NATIONAL ENERGY COMMISSION (CNE) SUBSEQUENTLY DETERMINES THE UPGRADE PLAN FOR THE FOLLOWING 12 MONTHS.

## MARKET SHARE

TRANSELEC OWNS 100% OF THE 500 KV POWER

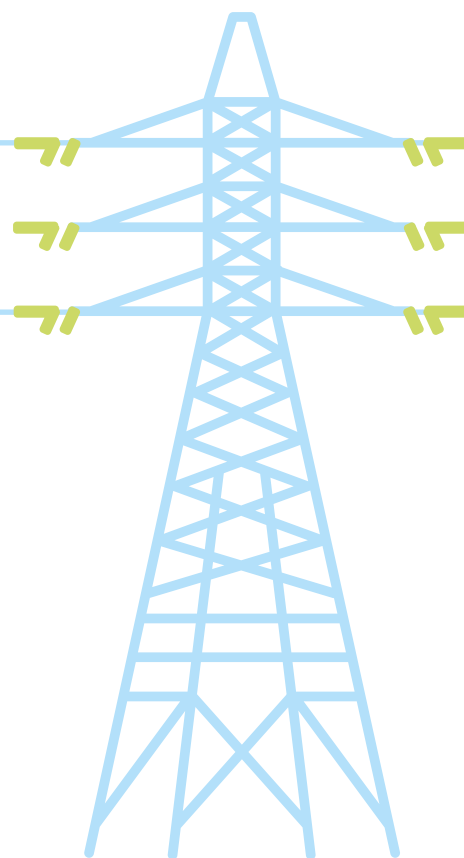
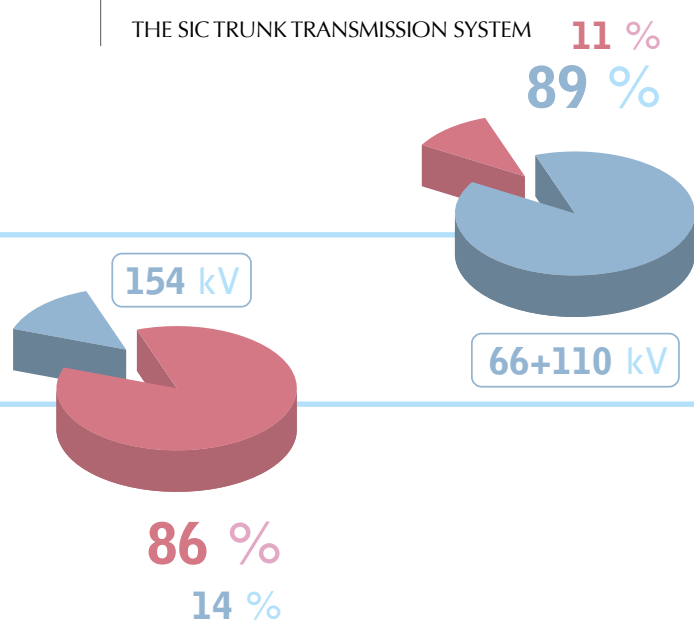
LINES THAT HAVE BEEN BUILT AND HAS A 51% STAKE IN THE 220 KV POWER LINES. THE COMPANY THEREFORE HAS AN 86% MARKET SHARE FOR 154 KV POWER LINES AND AN 11% SHARE FOR 110 KV AND 66 KV POWER LINES.

## TRUNK SYSTEM PROJECTS

### A. NEW PROJECTS

#### A.1 STUDIES

EXCEPTIONAL DECREE N° 310 DESCRIBING THE SIC TRUNK TRANSMISSION SYSTEM



UPGRADE PLAN - NEW WORKS FOR 2013 WAS PUBLISHED IN THE OFFICIAL GAZETTE ON 08 AUGUST 2013 UNDER THE PROVISIONS OF THE GENERAL ELECTRICITY SERVICES LAW, CDEC SIC MADE A CALL TO INTERNATIONAL PUBLIC TENDER FOR EXECUTION AND EXPLOITATION OF THE FOLLOWING PROJECTS:

- A NEW 500/220 KV, 750 MVA AUTOTRANSFORMER BANK AT THE CARDONES SUBSTATION.
- A NEW 500/220 KV, 750 MVA AUTOTRANSFORMER BANK AT THE



transelec



MAITENCILLO SUBSTATION.

- A NEW 500/220 KV, 750 MVA AUTOTRANSFORMER BANK AT THE PAN DE AZÚCAR SUBSTATION.

- A THIRD 500/220 KV, 750MVA AUTOTRANSFORMER BANK AT THE ALTO JAHUEL SUBSTATION.

- A NEW 2X220 KV LO AGUIRRE – CERRO NAVIA POWER TRANSMISSION LINE.

TRANSELEC COMPLETED STUDIES REQUIRED FOR EVALUATION OF ITS PARTICIPATION IN THE TENDERING PROCESS AND EXPECTS TO SUBMIT BIDS IN MAY 2014. EXECUTION OF THE PROJECTS AWARDED SHOULD START IN AUGUST 2014.

## **A.2 PROJECTS AWARDED**

EXCEPTIONAL DECREE N° 82 DESCRIBING THE SIC TRUNK TRANSMISSION SYSTEM UPGRADE SYSTEM - NEW WORKS FOR 2012 WAS PUBLISHED IN THE OFFICIAL GAZETTE 24 MARCH 2012. IN THE FRAMEWORK OF THE GENERAL ELECTRICITY SERVICES LAW, CDEC-SIC MADE A CALL TO INTERNATIONAL PUBLIC TENDER FOR EXECUTION AND EXPLOITATION OF THE FOLLOWING PROJECTS:

- A SECOND 500/220 KV TRANSFORMER AT ANCOA.
- A NEW 1X220 KV A. MELIPILLA – RAPEL POWER TRANSMISSION LINE AND A NEW

2X220 KV LO AGUIRRE – A. MELIPILLA POWER TRANSMISSION LINE WITH ONE CIRCUIT LAID.

- A NEW 2X220 KV LO AGUIRRE – CERRO NAVIA POWER TRANSMISSION LINE.

CDEC-SIC DECLARED THE BIDDING PROCESS FOR THE “NEW 2X220 KV LO AGUIRRE – CERRO NAVIA POWER TRANSMISSION LINE” PROJECT VOID 22 APRIL 2013 DUE A LACK OF BIDDERS.

ECONOMIC BIDS WERE OPENED FOR THE “SECOND 500/220 KV TRANSFORMER AT ANCOA” PROJECT 11 JUNE 2013. TRANSELEC OFFERED THE LOWEST ANNUAL TRANSMISSION VALUE BY SEGMENT (VATT) AND DECREE N° 7 T CONFIRMING THAT TRANSELEC WOULD BE AWARDED THE CONTRACT WAS PUBLISHED 16 OCTOBER 2013, ESTABLISHING VATT AMOUNTING TO US\$ 1.77 MILLION. THE PROJECT FEATURES INSTALLATION OF A 500/220 KV AUTOTRANSFORMER BANK AMOUNTING TO A TOTAL 750 MVA, PLUS ONE STANDBY UNIT. THE CONSTRUCTION DEADLINE ESTABLISHED IS 36 MONTHS AND THE REFERENCE INVESTMENT VALUE (IV) AMOUNTS TO US\$ 20.45 MILLION.

ECONOMIC BIDS WERE OPENED FOR THE “NEW 1X220 KV A. MELIPILLA – RAPEL POWER TRANSMISSION LINE AND NEW 2X220 KV LO AGUIRRE – A. MELIPILLA POWER TRANSMISSION LINE, WITH ONE CIRCUIT LAID” PROJECTS 11 JUNE 2013. TRANSELEC PRESENTED THE SECOND-BEST BID.

### A.3 PROJECT DEVELOPMENT

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 115 DATED 2011, TRANSELEC CONTINUED TO DEVELOP THE FOLLOWING PROJECT:

- “LO AGUIRRE SECTIONING SUBSTATION: STAGE I” FEATURING CONSTRUCTION OF THE LO AGUIRRE 500/220 KV LO AGUIRRE SECTIONING SUBSTATION, A BANK OF FOUR SINGLE PHASE 500/ $\sqrt{3}$ :220/ $\sqrt{3}$  KV AUTOTRANSFORMERS AMOUNTING TO A TOTAL 1000 MVA, WITH SPACE FOR A SECOND 500/220 KV TRANSFORMER BANK.

THE CONSTRUCTION DEADLINE ESTABLISHED IS 36 MONTHS WITH A REFERENCE INVESTMENT VALUE (IV) AMOUNTING TO US\$ 69.02 MILLION.

### A.4 COMMISSIONING

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 115 DATED 2011, TRANSELEC COMMISSIONED THE FOLLOWING PROJECT:

- 13 DECEMBER: “CER INSTALLATION AT THE CARDONES SUBSTATION”. THE PROJECT FEATURED INSTALLATION OF STATIC SHUNT COMPENSATION EQUIPMENT AT THE CARDONES SUBSTATION, CONNECTED TO THE 220 KV SYSTEM BY INSTALLING A 220 KV CONNECTION BAY.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 16 MONTHS WITH A REFERENCE INVESTMENT VALUE (IV) AMOUNTING TO US\$ 20.70 MILLION.

## B. UPGRADES

### B.1 STUDIES

EXCEPTIONAL DECREE N° 310 DESCRIBING THE SIC - SING TRUNK TRANSMISSION SYSTEM UPGRADE PLAN, UPGRADE WORKS FOR THE 2012-2013 PERIOD WAS PUBLISHED IN THE OFFICIAL GAZETTE 08 AUGUST 2013. UNDER THE PROVISIONS OF THIS DECREE, TRANSELEC AND TRANSELEC NORTE WERE DECLARED TO BE RESPONSIBLE FOR THE TENDERING, CONTRACT AWARD AND CONSTRUCTION OF THE FOLLOWING PROJECTS:

### TRANSELEC

- 220 KV DIEGO DE ALMAGRO SUBSTATION UPGRADE.
- 220 KV CARDONES SUBSTATION UPGRADE.
- 220 KV MAITENCILLO SUBSTATION UPGRADE.
- 220 KV PAN DE AZÚCAR SUBSTATION UPGRADE.
- 220 KV LAS PALMAS SUBSTATION UPGRADE.
- 500 KV POLPAICO SUBSTATION UPGRADE AND REPLACEMENT OF A CIRCUIT BREAKER FOR THE 52JR COUPLING BAY.
- 220 KV CERRO NAVIA SUBSTATION UPGRADE.
- REPLACEMENT OF A CIRCUIT BREAKER FOR THE 52JR COUPLING BAY AT ALTO JAHUEL SUBSTATION.







- 220 KV RAPEL SUBSTATION UPGRADE AND 52JS CIRCUIT BREAKER INSTALLATION.
- 220 KV ANCOA SUBSTATION UPGRADE.
- 500 KV CHARRUA SUBSTATION UPGRADE AND CIRCUIT BREAKER REPLACEMENT FOR COUPLING BAYS 52JR1, 52JR2 AND 52JR3.
- SWITCHGEAR REPLACEMENT FOR BAYS J3, J4 AND JR AT THE QUILLOTA SUBSTATION AND JR SWITCHGEAR AT THE POLPAICO SUBSTATION.

#### **TRANSELEC NORTE**

- 220 KV CIRUELOS SUBSTATION UPGRADE.
- 220 KV LAGUNAS SUBSTATION UPGRADE, 60 MVAR CONDENSER BANK AND TTCC REPLACEMENT FOR BAYS J1 AND J2.
- 220 KV ENCUENTRO SUBSTATION UPGRADE, CAPACITY UPGRADE FOR THE 2X22 KV CRUCERO-ENCUENTRO POWER TRANSMISSION LINE AND TTCC AND LINE TRAP REPLACEMENT FOR BAY J5 AT THE CRUCERO SUBSTATION.
- A NEW 220 KV SECTIONING BUSBAR AT THE ENCUENTRO SUBSTATION.
- 220 KV SECTIONING BUSBAR AT THE TARAPACÁ SUBSTATION.

TRANSELEC OPENED 12 ECONOMIC BIDS IN DECEMBER 2013 AND 11 PROJECTS WERE CONSEQUENTLY AWARDED DURING JANUARY

2014, WHILE THE ANCOA SUBSTATION UPGRADE PROJECT WAS DECLARED VOID. THE INVESTMENT VALUE (IV) OF THE PORTFOLIO TO BE AWARDED AMOUNTS TO US\$ 48.14 MILLION.

DURING THE SAME TENDERING PROCESS, TRANSELEC NORTE OPENED 5 ECONOMIC BIDS AND ALL OF THESE PROJECTS WERE CONSEQUENTLY AWARDED IN JANUARY 2014. THE INVESTMENT VALUE (IV) OF THE PORTFOLIO TO BE AWARDED IS US\$ 46.81 MILLION.

#### **B.2 PROJECTS AWARDED**

EXCEPTIONAL DECREE N° 82 DESCRIBING THE SIC - SING TRUNK TRANSMISSION SYSTEM UPGRADE PLAN - UPGRADE WORKS FOR THE 2011-2012 PERIOD WAS PUBLISHED IN THE OFFICIAL GAZETTE 24 MARCH 2012. UNDER THE PROVISIONS OF THIS DECREE, E-CL IS DECLARED RESPONSIBLE FOR THE TENDERING, AWARD AND CONSTRUCTION OF THE "1X220 KV CRUCERO - LAGUNAS N° 1 POWER TRANSMISSION LINE CAPACITY UPGRADE" PROJECT FROM 122 TO 183 MVA WITH 35°C IN THE SUN FOR A SEGMENT SPANNING 173.2 KM.

TRANSELEC PURCHASED THE 1X220 KV CRUCERO - LAGUNAS N° 1 POWER TRANSMISSION LINE FROM E-CL 31 DECEMBER 2012 AND BY RELEASE FROM A CONTRACT DATED 14 JANUARY 2013, THE COMPANY CONTINUES TO EXECUTE THE PROJECT UNDERTAKEN IN AUGUST 2012.

#### **B.3 PROJECT DEVELOPMENT**

UNDER THE PROVISIONS OF DECREE N° 259 DATED 2008, TRANSELEC CONTINUED TO DEVELOP THE FOLLOWING PROJECTS:



- “1X500 KV ANCOA - POLPAICO POWER TRANSMISSION LINE: SECTIONING”, FEATURING SECTIONING OF THE 1X500 KV ANCOA - POLPAICO POWER TRANSMISSION LINE AND TRANSFORMATION OF THE SAME INTO ANCOA - ALTO JAHUEL AND ALTO JAHUEL - POLPAICO SEGMENTS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 36 MONTHS WITH A REFERENCE INVESTMENT VALUE (IV) AMOUNTING TO US\$ 15.3 MILLION.

- “2X500 KV ALTO JAHUEL FEEDER LINE” FEATURING CONSTRUCTION OF A POWER TRANSMISSION LINE MEASURING APPROXIMATELY 9.5 KM IN ORDER TO SECTION THE 1X500 KV ANCOA - POLPAICO TRANSMISSION LINE, ENTER THE ALTO JAHUEL SUBSTATION AND CONNECT IT TO THE POLPAICO SUBSTATION.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 36 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 9.33 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 942 DATED 2009 AND AMENDMENT OF THE SAME BY MEANS OF EXCEPTIONAL DECREE N° 1403 DATED 2009, TRANSELEC CONTINUED TO DEVELOP THE FOLLOWING PROJECT:

- “2X220 KV PUNTA CORTÉS - TUNICHE POWER TRANSMISSION LINE” FEATURING CONSTRUCTION OF A POWER TRANSMISSION

LINE SPANNING APPROXIMATELY 10 KM BETWEEN THE PUNTA CORTÉS SUBSTATION AND TUNICHE SUBSTATION (CURRENT TAP-OFF CONNECTION POINT TO RANCAGUA).

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 40 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 3.69 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 116 DATED 2011, TRANSELEC CONTINUED TO DEVELOP THE FOLLOWING PROJECT:

- “INCORPORATION OF A 220 KV TRANSFER BUSBAR AT THE LOS VILOS SUBSTATION” FEATURING INSTALLATION OF TWO TRANSFER BAYS, AS WELL AS OTHER WORKS REQUIRED FOR INCORPORATION OF A TRANSFER BUSBAR AND ADJUSTMENTS REQUIRED FOR THE CONTROL, PROTECTION, TELECOMMUNICATION AND MEASUREMENT SYSTEMS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 28 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 10.4 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 82 DATED 2012, TRANSELEC NORTE CONTINUED DEVELOPMENT FOR THE FOLLOWING PROJECT:

- “220 KV SECTIONING BUSBAR AT THE LAGUNAS SUBSTATION” FEATURING







CONSTRUCTION OF A SECOND MAIN 220 KV BUSBAR, WITH ITS RESPECTIVE SECTIONING BAY AND BUSBAR CIRCUIT CONNECTION.

THE CONSTRUCTION DEADLINE ESTABLISHED IS 22 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 3.78 MILLION.

#### **B.4 COMMISSIONING**

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 243 DATED 2010, TRANSELEC COMMISSIONED THE FOLLOWING PROJECTS:

- 11 APRIL: "ANCOA SUBSTATION UPGRADE". THE PROJECT FEATURED EXTENSION OF THE BUSBAR AND GROUNDING GRID IN ORDER TO PREPARE FOR THE CONNECTION OF FOUR NEW 500 KV BAYS WITH ENOUGH SPACE FOR THE INSTALLATION OF A BUSBAR SECTIONING SWITCH.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 18 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 10.51 MILLION.

- 14 APRIL: "CIRCUIT BREAKER REPLACEMENT AT THE ANCOA SUBSTATION". THE PROJECT FEATURED CIRCUIT BREAKER REPLACEMENT FOR BAY T2, IN ORDER TO ENABLE INSTALLATION OF A 500 KV SYNCHRONIZED SIDE CLOSING DEVICE. THIS EQUIPMENT SHOULD ENABLE MINIMUM SHORT-CIRCUIT CURRENT AMOUNTING TO 40 KA.

THE ORIGINAL CONSTRUCTION DEADLINE WAS 19 MONTHS WITH AN INVESTMENT VALUE (IV)

AMOUNTING TO US\$ 1.46 MILLION.

- 31 AUGUST: "500/220 KV, 750 MVA AUTOTRANSFORMER BANK AT THE CHARRUA SUBSTATION". THE PROJECT FEATURED INSTALLATION OF A NEW BANK WITH FOUR  $500/\sqrt{3}$  :  $220/\sqrt{3}$  KV SINGLE PHASE AUTOTRANSFORMERS FOR A TOTAL 750 MVA, TOGETHER WITH THEIR RESPECTIVE 500 KV AND 220 KV TRANSFORMATION BAYS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 30 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 35.39 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 115 DATED 2011, TRANSELEC COMMISSIONED THE FOLLOWING PROJECT:

- 25 JANUARY: "STATIC CONDENSER INSTALLATION AT THE 220 KV PAN DE AZÚCAR SUBSTATION". THE PROJECT FEATURED INSTALLATION OF A 75 MVAR STATIC CONDENSER BANK CONNECTED TO THE 220 KV BUSBAR BY MEANS OF A CONNECTION BAY. THE PROJECT ALSO FEATURED ADJUSTMENTS REQUIRED FOR THE CONTROL, PROTECTION, COMMUNICATION AND MEASUREMENT SYSTEMS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 18 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 3.81 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 116 DATED 2011, TRANSELEC



COMMISSIONED THE FOLLOWING PROJECTS:

- 28 APRIL: "CIRCUIT BREAKER REPLACEMENT AT THE 220 KV ALTO JAHUEL SUBSTATION AND 220 KV POLPAICO SUBSTATION". THE PROJECT FEATURED REPLACEMENT OF 8 CIRCUIT BREAKERS WITH OTHER CIRCUIT BREAKERS WITH HIGHER BREAKING CAPACITY.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 20 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 5.0 MILLION.

- 08 AUGUST: "INCORPORATION OF A 220 KV TRANSFER BUSBAR AT THE CARRERA PINTO SUBSTATION". THE PROJECT FEATURED INCORPORATION OF A TRANSFER BUSBAR WITH ITS CORRESPONDING COUPLING BAY. IN ADDITION, THE PROJECT INCLUDED UPGRADING THE 220 KV YARD PLATFORM AND EXTENSION OF THE MAIN BUSBAR, INCLUDING WORKS DESIGNED TO INCORPORATE A TRANSFER BUSBAR. IN ADDITION, THIS INCLUDED ADJUSTMENTS REQUIRED FOR THE CONTROL, PROTECTION, COMMUNICATION AND MEASUREMENT SYSTEMS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 24 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 7.42 MILLION.

- 10 AUGUST: " 220 KV CHENA SUBSTATION NORMALIZATION". THE PROJECT FEATURED NORMALIZATION OF THE CURRENT TAP-OFF CONNECTION AT THE CHENA SUBSTATION AND SECTIONING OF THE POWER TRANSMISSION

LINE. THE PROJECT FEATURED CONSTRUCTION OF TWO 220 KV GIS POWER TRANSMISSION LINE BAYS AND THE CONSTRUCTION OF A DOUBLE CIRCUIT BETWEEN THE CHENA TAP AND THE SUBSTATION, WITH 400 MVA CAPACITY PER CIRCUIT. IN ADDITION, THIS INCLUDED ADJUSTMENTS FOR THE CHENA TAP SEGMENT AND ADJUSTMENTS FOR THE CONTROL, PROTECTION, COMMUNICATION AND MEASUREMENT SYSTEMS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 24 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 17,791 MILLION.

- 27 AUGUST: "INCORPORATION OF A 220 KV TRANSFER BUSBAR AT THE VALDIVIA SUBSTATION". THE PROJECT FEATURED INCORPORATION OF A 220 KV TRANSFER BUSBAR WITH ITS CORRESPONDING COUPLING BAY. THE UPGRADE ALSO FEATURES ADJUSTMENTS REQUIRED FOR THE CONTROL, PROTECTION, COMMUNICATION AND MEASUREMENT SYSTEMS

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 24 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 7,190 MILLION.

- 29 SEPTEMBER: "220 KV RAHUE SECTIONING SUBSTATION". THE PROJECT FEATURED SECTIONING OF THE CIRCUIT WHERE THE 220/66 KV BARRO BLANCO SUBSTATION CONNECTS. THE UPGRADE ALSO FEATURES TWO 220 KV POWER LINE CIRCUIT BREAKERS, A 220 KV MAIN BUSBAR AND A TRANSFER





BUSBAR WITH ITS CORRESPONDING COUPLING BAY. IN ADDITION, THE PROJECT INCLUDES ADJUSTMENTS REQUIRED FOR THE CONTROL, PROTECTION, COMMUNICATION AND MEASUREMENT SYSTEMS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 24 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 9,679 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 143 DATED 2011, TRANSELEC COMMISSIONED THE FOLLOWING PROJECT:

- 23 NOVEMBER: "ALTO JAHUEL SUBSTATION UPGRADE". THE PROJECT FEATURED EXTENSION OF THE BUSBAR AND GROUNDING GRID FOR THE ALTO JAHUEL SUBSTATION IN ORDER TO PREPARE CONNECTION OF TWO BAYS FOR THE 500 KV POWER TRANSMISSION LINE, INCLUDING SPACE FOR THE INSTALLATION OF TWO BUSBAR SECTIONING BAYS.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 18 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 9.0 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 82 DATED 2012 AND PURCHASE OF THE 1X220 KV CRUCERO - LAGUNAS N° 1 POWER TRANSMISSION LINE, TRANSELEC COMMISSIONED THE FOLLOWING PROJECT:

- 16 JULY: "1X220 KV CRUCERO - LAGUNAS N° 1 POWER TRANSMISSION LINE CAPACITY UPGRADE". THE PROJECT CONSISTED OF A CAPACITY UPGRADE FOR THE 174 KM CRUCERO - LAGUNAS N° 1 POWER TRANSMISSION LINE FROM 122 TO 183 MVA WITH 35°C IN THE SUN.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 14 MONTHS WITH AN INVESTMENT VALUE (IV) AMOUNTING TO US\$ 12.52 MILLION.

UNDER THE PROVISIONS OF EXCEPTIONAL DECREE N° 82 DATED 2012, TRANSELEC NORTE COMMISSIONED THE FOLLOWING PROJECT:

- 07 MAY: "1X220 KV CRUCERO - LAGUNAS N° 2 POWER TRANSMISSION LINE CAPACITY UPGRADE". THE PROJECT CONSISTED OF A CAPACITY UPGRADE FOR THE 174 KM CRUCERO - LAGUNAS POWER TRANSMISSION LINE N° 2 FROM 122 TO 183 MVA WITH 35°C IN THE SUN.

THE CONSTRUCTION DEADLINE ESTABLISHED WAS 14 MONTHS WITH A REFERENCE INVESTMENT VALUE (IV) OF US\$ 8.08 MILLION.



## MAJOR PROJECTS DURING TRANSELEC 2013.TRANSMISSION SYSTEM CORE

FIGURES IN THOUSANDS OF U.S. \$

PROJECT TYPE	PROJECT	REAL INVESTMENT	STATE	COMMISSIONING DATE
STUDIES	Project studies	1.323	-	-
NEW WORKS	S7E Seccionadora Lo Aguirre Stage I	9.097	In Execution	29/09/2015
	Installing a CER in S / E Cardones	15.572	In Service	11/12/2013
UPGRADE WORKS	Ancoa second transformer 500/220 kV	131	In Execution	16/10/2016
	Large yard 500 kV S / E Ancoa	11.940	In Service	11/04/2013
	Changing Switches in SS / EE and Polpaico Alto Jahuel 220 kV	4.371	In Service	28/04/2013
	Switching in S / E Alto Jahuel.	1.182	In Execution	20/02/2014
	2x500 kV line section The Rodeo - Alto Jahuel.	3.702	In Execution	20/02/2014
	Punta de Cortés-line 2x220 kV Tuniche.	1.048	In Execution	01/06/2015
	Change Switch S / E 220 kV Ancoa	1.171	In Service	14/04/2013
	Autotransformer Bank S / E Charrua 500/220 kV, 750 MVA	30.344	In Service	31/08/2013
	Large S / E Alto Jahuel	533	In Service	23/11/2013
	Standardization S / E Chena 220 kV	16.231	In Service	10/08/2013
	S/E Seccionadora Rahue 220 kV	7.979	In Service	29/09/2013
	Transfer bar 220 kV S / E Carrera Pinto	6.836	In Service	08/08/2013
	Transfer bar 220 kV S / E Los Vilos	523	In Execution	26/01/2014
	Transfer bar 220 kV S / E Valdivia	6.672	In Service	27/08/2013
	Bank CCEE in S / E 220 kV Pan de Azucar	3.380	In Service	25/01/2013
	Increased capacity of 1x220 kV Line Cruise - Lagunas no.1	10.923	In Service	16/07/2013
	Increased capacity of 1x220 kV Line Cruise - Lagunas no.2 (SING)	6.951	In Service	07/05/2013
	Barra splitting the 220 kV S / E Lagunas (SING)	494	In Execution	19/01/2014
CARRY-OVER (*)		10.912	In Service	-
<b>TOTAL PROJECT CORE SYSTEM</b>		<b>151.317</b>		

(\*) Applies to payments made in 2013 of projects placed in service in 2012 or previous.



## SUBTRANSMISSION SYSTEM PROJECTS

TRANSELEC AND TRANSELEC NORTE DID NOT DEVELOP PROJECTS IN THE SUBTRANSMISSION SYSTEM THROUGHOUT 2013. HOWEVER, THEY HAVE CONDUCTED STUDIES FOR ESTIMATING DEMAND, LOSSES AND TARIFFS REQUIRED IN ORDER TO ENCOURAGE INVESTMENT IN PROJECTS THAT MEET PUBLIC SERVICE PROVISION CONDITIONS.

## ADDITIONAL SYSTEMS PROJECTS

ADDITIONAL TRANSMISSION SYSTEMS CONSIST OF TRANSMISSION FACILITIES DESIGNED TO SUPPLY ELECTRICAL ENERGY TO USERS WHO ARE NOT SUBJECT TO PRICE REGULATION, AS WELL AS FACILITIES DESIGNED TO ALLOW POWER COMPANIES TO INJECT THEIR PRODUCTION IN THE ELECTRICITY SYSTEM WITHOUT BECOMING PART OF THE TRUNK TRANSMISSION SYSTEM OR SUBTRANSMISSION SYSTEMS. TRANSPORT BY MEANS OF THESE SYSTEMS IS REGULATED BY PRIVATE CONTRACTS BETWEEN THE PARTIES.

## D.1 STUDIES

TRANSELEC AND TRANSELEC NORTE WENT OUT TO LOOK FOR NEW OPPORTUNITIES IN THE BUSINESS IN 2013. THEY AIMED TO ESTABLISH AND STRENGTHEN CUSTOMER RELATIONS, SUPPORTING THESE CUSTOMERS WITH ITS EXPERTISE WHEN IT COMES TO OFFERING TECHNICAL, INNOVATIVE AND COMPETITIVE SOLUTIONS.

ALONG THESE SAME LINES, A SERIES OF STUDIES DESIGNED TO MEET CUSTOMER NEEDS WAS DEVELOPED. THESE INCLUDED THE FOLLOWING:

- DEVELOPING TRANSMISSION SYSTEM CONNECTION SOLUTIONS.
- DEVELOPING SOLUTIONS DESIGNED TO STRENGTHEN SERVICE QUALITY AND SAFETY IN ACCORDANCE WITH TECHNICAL STANDARD REQUIREMENTS.
- DEVELOPING SOLUTIONS TO INCREASE POWER TRANSMISSION LINE CAPACITY.
- DEVELOPING SOLUTIONS FOR THE

## TRANSELEC MAJOR PROJECTS IN PROGRESS. SUBTRANSMISSION SYSTEM

FIGURES IN THOUSANDS OF US. \$

PROJECT TYPE	PROJECT	REAL INVESTMENT	STATE	START DATE IN SERVICE
STUDIES	several	98	-	-
CARRY-OVER (*)	several drag	995	-	-
<b>TOTAL SUBTRANSMISSION PROJECTS</b>		<b>1.093</b>		

(\*) Applies to payments made in 2013 of projects placed in service in 2012 or previous.



CONSTRUCTION OF GAS INSULATED SUBSTATIONS (GIS)

- DEVELOPING SOLUTIONS FOR DYNAMIC SHUNT COMPENSATION (STATCOM - SVC)
- DEVELOPING BATTERY ENERGY STORAGE SOLUTIONS (BESS)

#### **D.2 PROJECTS AWARDED**

TRANSELEC NORTE SIGNED A CONTRACT WITH CON MOLYB, A CODELCO SUBSIDIARY, IN DECEMBER 2013 IN ORDER TO DEVELOP THE "INSTALLATION OF A 220/23 KV, 30 MVA TRANSFORMER AT THE ATACAMA SUBSTATION" PROJECT. THE PROJECT FEATURED CONSTRUCTION OF A BAY, INSTALLATION OF A NEW 220/23 KV, 30 MVA TRANSFORMER, A 23 KV OUTPUT SWITCH, A NEW CONTROL HOUSE AND ADJUSTMENTS REQUIRED FOR CONTROL, PROTECTION AND COMMUNICATION SYSTEMS. THE CONSTRUCTION PERIOD ESTABLISHED WAS

20 MONTHS AND THE REFERENCE INVESTMENT VALUE (IV) CAME TO US\$ 7.0 MILLION.

#### **D.3 PROJECT DEVELOPMENT**

IN THE FRAMEWORK OF THE CONTRACT SIGNED BETWEEN METRO AND TRANSELEC NORTE, WORK CONTINUED ON THE DEVELOPMENT OF THE "NEPTUNO SUBSTATION" AND THE "NEPTUNO BOOT LINE" PROJECTS, WHICH INCLUDE CONSTRUCTION OF THE NEPTUNO GIS (GAS INSULATED SUBSTATION) TYPE SUBSTATION AND INTERCONNECTION OF THE NEPTUNO SUBSTATION BY MEANS OF A 2X220 KV TRANSMISSION LINE, WHICH RESPECTIVELY CONNECT TO THE ALTO JAHUEL AND CERRO NAVIA SUBSTATIONS.

THE CONSTRUCTION PERIOD ESTABLISHED FOR THIS PURPOSE WAS 46 MONTHS WITH A REFERENCE INVESTMENT VALUE (IV) OF US\$ 21.27 MILLION.











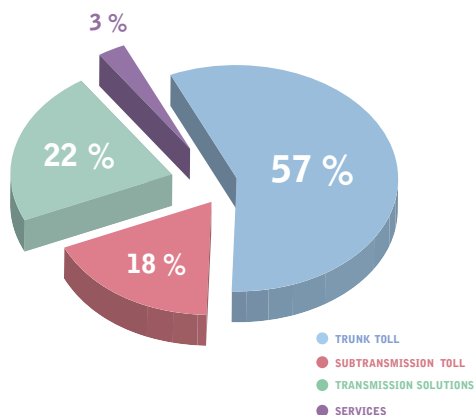
#### D.4 COMMISSIONING

TRANSELEC COMMISSIONED THE “S.V.C. PLUS INSTALLATION AT THE DIEGO DE ALMAGRO SUBSTATION” PROJECT 03 MAY IN THE FRAMEWORK OF PROVISIONS FOR THE FUTURE INVESTMENT AGREEMENT WITH ENDESA. THE PROJECT FEATURED PARALLEL INSTALLATION OF S.V.C PLUS EQUIPMENT WITH CAPACITY AMOUNTING TO +/-100 MVA AND A 40 MVAR CONDENSER BANK, BOTH OF WHICH ARE CONNECTED BY MEANS OF A 100 MVA SELF TRANSFORMER TO THE 220 KV BUSBAR AT THE DIEGO DE ALMAGRO SUBSTATION. THE CONSTRUCTION PERIOD LASTED 15 MONTHS AND THE REFERENCE INVESTMENT VALUE (IV) CAME TO US\$ 24.29 MILLION.

#### OUR CUSTOMERS

WE HAVE EXTENSIVELY FOCUSED ON LISTENING TO OUR CUSTOMERS’ OPINIONS THROUGHOUT 2013, POOLING INFORMATION FROM THE COMPANY’S DIFFERENT DIVISIONS

REVENUE DISTRIBUTION BY SYSTEM

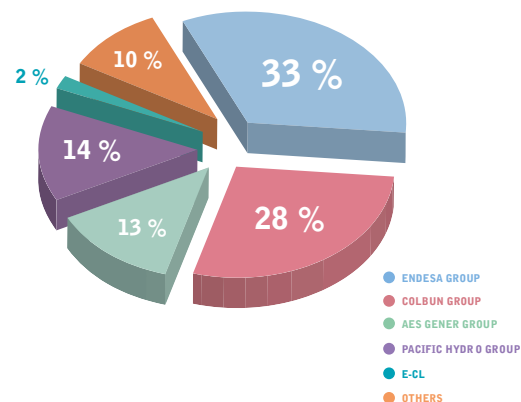


BY MEANS OF THE ANNUAL ASSESSMENT PROGRAM. THIS SURVEY ALLOWED US TO CONDUCT NEW RELATION STRATEGIES WITH SPECIAL DEDICATION TO NEW USERS STARTING THE PROCESS OF CONNECTING TO TRANSELEC’S POWER TRANSMISSION NETWORKS.

THE RESULTS OF STAKEHOLDER SATISFACTION SURVEYS CONDUCTED ANNUALLY BY IDENTIFYING PERCEPTION AND PROMOTION BY OUR CUSTOMERS IS THE CONSOLIDATION OF AN INCREASE WE HAD ALREADY PREDICTED IN 2012. WE WISH TO HIGHLIGHT THAT IMPROVED CUSTOMER EXPERIENCES REPORTED DURING THE EVALUATION CAME AS NO COINCIDENCE, BUT WERE THE RESULT OF REAL INITIATIVES AND CHANGES AT TRANSELEC AND ITS CUSTOMER-CENTERED FOCUS ON THE COMPANY’S OPERATIONS.

IN ADDITION, WE HAVE CONSOLIDATED AN APPROACH TO OUR CUSTOMERS IN ORDER TO GUIDE THEM FROM THE FIRST STAGE OF THEIR

CONSOLIDATED TRANSELEC CUSTOMER SHARE



PROJECTS ON AND TO PROVIDE SUPPORT FOR SPECIFIC REQUIREMENTS, PROVIDING DAILY GUIDANCE IN PURSUIT OF THE FLEXIBILITY REQUIRED TO MANAGE PROJECTS OF DIFFERENT MAGNITUDES.

TRANSELEC AIMS TO BE A STRATEGIC PARTNER FOR PROJECTS THAT REQUIRE THE EXPERTISE OF MARKET LEADERS AND WHICH EXPECT TO RECEIVE AN ADDED VALUE OFFER BY MEANS OF HIGHLY COMPLEX TRANSMISSION SOLUTIONS.

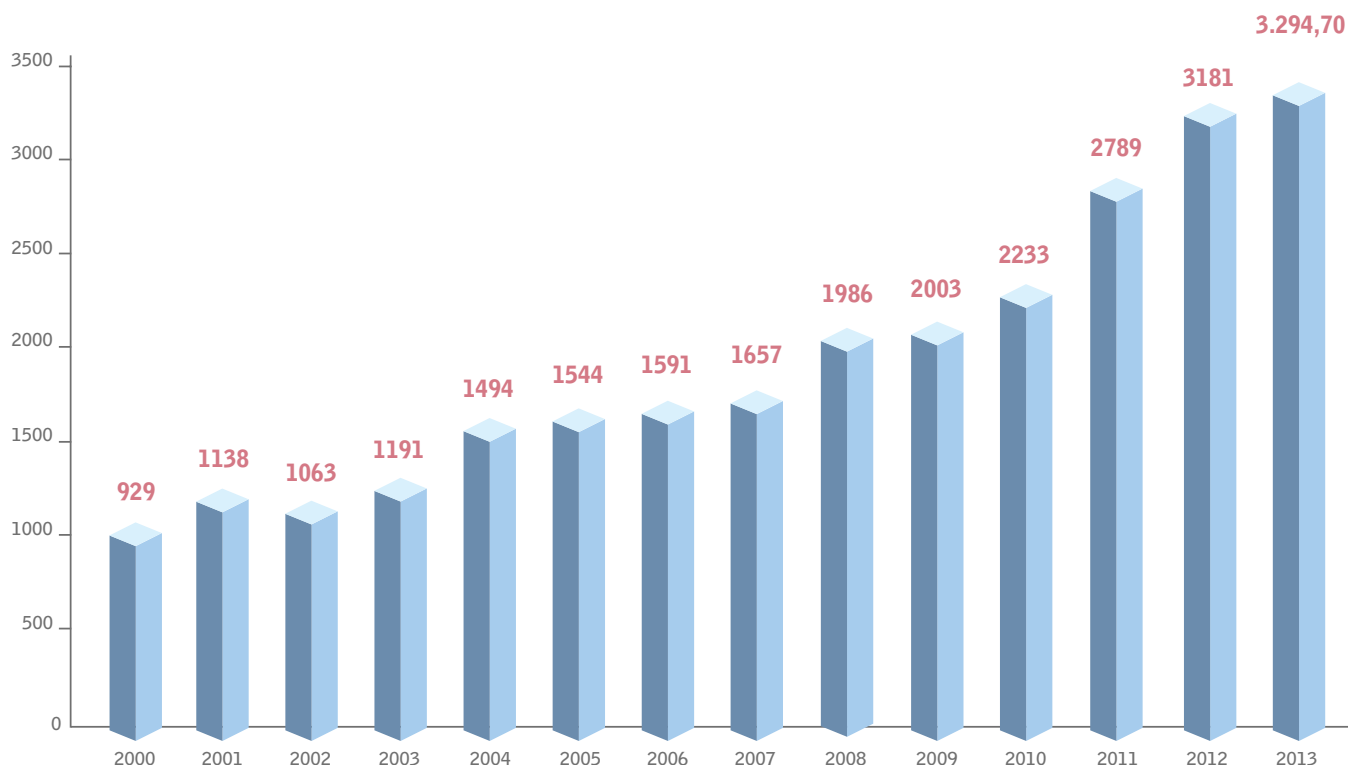
AS PUBLIC SERVICE PROVIDERS, WE REAFFIRM THAT WE AIM TO BE AN ACTIVE AGENT FOR SYSTEM PLANNING DISCUSSIONS, INTEGRATION OF NEW ENERGIES AND CONNECTION OF THESE ENERGIES INTO THE SYSTEM, BECOMING A PART OF OUR COUNTRY'S POWER DEVELOPMENT.

### CUSTOMER SERVICE POLICY

OUR POLICY IS TO INTERPRET AND UNDERSTAND OUR CUSTOMERS' NEEDS, IDENTIFYING OPTIMUM TECHNICAL AND ECONOMIC SOLUTIONS FOR EACH PROJECT AND EXECUTING THEIR PROJECTS IN

### VALUE INVESTMENT (VI) TRANSELEC

(Values in U.S. \$ million at December 31 of each year)



CONFORMITY WITH THE BEST QUALITY, SAFETY AND ENVIRONMENTAL PARAMETERS. THIS IS A COMMITMENT THAT ESTABLISHES A LONG-TERM RELATIONSHIP OVER THE YEARS.

OUR COMMITMENT IS TO WORK CLOSER AND CLOSER TO OUR CUSTOMERS (ONGOING CUSTOMER SERVICE AND CONSULTING) AND ESPECIALLY TO PROVIDE ALL OF OUR EXTENSIVE AND SPECIALIZED KNOWLEDGE REGARDING POWER TRANSMISSION, KEEPING IN MIND THE FINAL GOAL OF ALWAYS MEETING THEIR EXPECTATIONS. CUSTOMER SERVICE AND THEIR TRUST IN OUR KNOW-HOW AS SYSTEM SPECIALISTS ARE THE BASIS FOR CREATING CLOSE RELATIONSHIPS WITH OUR CUSTOMERS AND THE MARKET.

THE DEVELOPMENT OF NEW BUSINESS HAS FOCUSED ON UNCONDITIONAL SUPPORT THROUGHOUT THE CONTRACT PERIOD FOR OUR SERVICES, GENERATING A DIFFERENTIATED VALUE PROPOSAL IN THE MARKET, WHICH HAS BEEN VALIDATED OVER THE YEARS BY OUR CUSTOMERS. OUR SPECIALIZED SUPPLY ALLOWS US TO DEVELOP THE BEST AND MOST INNOVATIVE POWER TRANSMISSION

SOLUTIONS, ESPECIALLY FOR HIGHLY COMPLEX PROJECTS WITH LIMITED DEADLINES, CONSOLIDATING TRANSELEC AS THE BEST OPTION FOR EXECUTING OUR CUSTOMERS' PROJECTS.

#### **INVESTMENT VALUE (IV)**

THE CURRENT REGULATION FRAMEWORK ESTABLISHES CALCULATION AND PUBLICATION MECHANISMS FOR THE VALUATION OF POWER TRANSMISSION COMPANY INVESTMENT AT MARKET PRICES. THIS INFORMATION IS USED FOR SETTING SERVICE TARIFFS.

VALUATION OF TRANSELEC POWER TRANSMISSION FACILITIES AS OF 31 DECEMBER 2013 CAME TO US\$ 3.29 BILLION. TRANSELEC NORTE FACILITIES ACCOUNTED FOR US\$ 157 MILLION OF THIS TOTAL AND TRANSAM FACILITIES ACCOUNTED FOR US\$ 71 MILLION.



## 05 THE OPERATION







## 05 THE OPERATION

TRANSELEC'S COMMITMENT AS AN IMPORTANT COLLABORATOR IN THE COUNTRY'S GROWTH AND DEVELOPMENT MEANS THAT THE ESSENTIAL OBJECTIVE FOR ITS OPERATIONS IS TO SUPPLY POWER WITH HIGH SAFETY AND QUALITY SERVICE STANDARDS. THE COMPANY CONSEQUENTLY OPERATES ITS FACILITIES IN CLOSE COORDINATION WITH DIFFERENT MARKET STAKEHOLDERS EVERY DAY, PROVIDING IMMEDIATE AND ACCURATE ANSWERS TO CONTINGENCIES THAT ARISE IN ORDER TO ENSURE ONGOING SERVICE AND OVER THE LONG TERM.

IN KEEPING WITH THIS OBJECTIVE, TRANSELEC EMPLOYS HIGHLY SPECIALIZED PERSONNEL AND CONTRACTORS TRAINED ON AN ONGOING BASIS. THESE PEOPLE PREPARE AND EXECUTE MAINTENANCE AND ASSET RENEWAL PROGRAMS AS WELL AS PROCEDURES FOR THE OPERATION OF TRANSMISSION SYSTEMS IN COMPLIANCE WITH HIGH STANDARDS, MANY OF WHICH HAVE BEEN ADOPTED BY CURRENT CHILEAN LEGISLATION. FOR THIS PURPOSE, THE COMPANY HAS STATE-OF-THE-ART TELECOMMUNICATIONS, CONTROL AND PROTECTION EQUIPMENT FOR NETWORK OPERATION AND SAFETY.

THE OPERATIONS VICE-PRESIDENCY, WHICH IS RESPONSIBLE FOR NETWORK OPERATION HAS EMPLOYED AN ONGOING STRATEGY FOR CONTINUOUS IMPROVEMENT AND INCORPORATION OF THE BEST PRACTICES. IN 2013, ONE OF THE MOST IMPORTANT OF THESE WAS TO CONTINUE IMPLEMENTING A

MAINTENANCE STRATEGY BASED ON ASSET MANAGEMENT, KNOWN AS THE MEGA PROJECT - EXCELLENCE MAINTENANCE BASED ON ASSET MANAGEMENT. THIS REQUIRED A CHANGE OF PARADIGM, MOVING FROM REGULAR MAINTENANCE PREFERENTIALLY BASED ON TIME AND FOCUSED ON EXTENDING THE SERVICE LIFE OF ASSETS TO MAINTENANCE BASED ON RISKS AND FOCUSED ON THE ASSET LIFE CYCLE. THIS PROJECT, DEVELOPED IN FOUR PHASES, AIMS TO ENSURE CONTINUOUS IMPROVEMENT OF KEY MAINTENANCE PROCESSES IN ORDER TO FACE THE CHALLENGES OF CHALLENGES OF NEW TIMES.

PHASES I AND II OF THIS PROJECT FOCUSED ON THE DEFINITION OF PROCESSES AND THE IMPLEMENTATION OF STRATEGIC INITIATIVES FOR INTERNAL PROVIDERS OF NETWORK SERVICES AND PROCESSES FOR THE ASSET MANAGEMENT AREA. THESE PROCESSES AIM TO DETERMINE WHAT, WHERE AND WHEN ASSET MANAGEMENT TASKS WILL BE EXECUTED. THE FUNDAMENTAL RESULTS OF THESE PHASES WERE THE FIRST CHANGES TO BE MADE TO MAINTENANCE PLANS EXCLUSIVELY BASED ON TIME, DYNAMIC MAINTENANCE PLANNING, WHICH IS NOW EXECUTED IN A CENTRALIZED MANNER, TOGETHER WITH RISK-CLASSIFIED MAINTENANCE ACTIVITIES.

PHASES III AND IV ARE RELATED TO INFORMATION TECHNOLOGY TOOLS TO SUPPORT MANAGEMENT AND CONTINUOUS IMPROVEMENT MECHANISMS. BOTH PHASES ARE BEING EXECUTED AT THE SAME TIME,











TOGETHER WITH THE DEFINITION OF A NEW SAP PM MODULE AND EAM (ENTERPRISE ASSET MANAGEMENT) SOFTWARE, AS WELL AS RMES SOFTWARE IMPLEMENTATION FOR ASSET RELIABILITY. IN KEEPING WITH THE SAME, A NEW METHODOLOGY FOR ASSESSING RISK ASSOCIATED TO ASSETS WAS IMPLEMENTED IN 2013. THIS WILL REPLACE THE CATEGORY OF RISK ACTIVITIES IMPLEMENTED IN PHASE I AND WILL BE USED TO CREATE A MAINTENANCE MODEL POOLING THE BEST ASSET MANAGEMENT PRACTICES IMPLEMENTED BY WORLD-CLASS COMPANIES.

IN ADDITION, THE ONGOING APPLICATION AND CONTINUOUS IMPROVEMENT OF AN OPERATING RISK MANAGEMENT SYSTEM FOR MAINTENANCE ACTIVITIES CONTINUED IN 2013. TOGETHER WITH THE STANDARDIZATION OF INTERNAL PROCEDURES AND ANALYSIS, THIS HAS BEEN AN EFFECTIVE TOOL FOR INCORPORATING OTHER STAKEHOLDERS FROM THE SECTOR INTO A RISK MANAGEMENT, PREVENTION AND MITIGATION PROCESS FOR RISKS APPEARING IN THE SYSTEM WHEN MULTIPLE INTERVENTIONS COME INTO PLAY, IN TERMS OF BOTH MAINTENANCE AND GROWTH BY INCORPORATING NEW FACILITIES AND CONNECTING NEW CUSTOMERS TO THE NETWORK.

THE “TRANSELEC OPERATIONAL CONTINUITY PLAN” WAS COMPLETED AND SUCCESSFULLY COMMISSIONED IN 2013. THIS PROJECT CONSOLIDATED GUIDELINES FOR THE

PREVENTION, MITIGATION, EFFECTIVE AND EFFICIENT RESPONSE TO EMERGENCY SITUATIONS OR CATASTROPHES INTO A SINGLE PROCEDURE IN ORDER TO RECOVER AND PRESERVE OPERATIONAL CONTINUITY FOR THE COMPANY’S FACILITIES. THE PLAN DETERMINES AN ASSIGNMENT STRUCTURE FOR EACH POSITION’S RESPONSIBILITIES AND SCHEDULES TRAINING SESSIONS, TEST PLANS, SIMULATIONS AND A POST-CATASTROPHE EVALUATION FOR THE COMPANY’S FACILITIES IN ORDER TO EVALUATE GENERAL PERFORMANCE AND INTRODUCE IMPROVEMENTS REQUIRED AS THE NEED ARISES.

IMPLEMENTATION OF THESE INITIATIVES IN 2013 BROUGHT TRANSFORMER, CIRCUIT BREAKER, TELECOMMUNICATIONS AND CONTROL SYSTEM FAILURE RATES DOWN SUBSTANTIALLY. THE CHALLENGE FOR THE COMING YEARS WILL BE TO ENSURE THAT THIS EXCELLENT PERFORMANCE REMAINS SUSTAINABLE OVER TIME.

THE COMPANY’S POWER TRANSMISSION LINES REQUIRED SPECIAL ATTENTION IN 2013. A SERIES OF ACTIONS DESIGNED TO CONTROL FAILURE RATES FOR THESE FACILITIES WAS EXECUTED. 100% OF THE POLYMERIC INSULATION FOR SINGLE POWER GRID TRANSMISSION LINES WAS REPLACED WITH GLASS INSULATION DURING THE FIRST QUARTER OF 2013. BASED ON THE ANALYSIS OF POWER OUTAGES CAUSED BY BIRDS IN 2012, PREVENTIVE MEASURES WERE TAKEN IN ORDER TO MITIGATE THE IMPACT OF BIRDS IN SOME SECTORS OF THE 154 KV ITAHUE-CHARRÚA POWER TRANSMISSION LINE, AND 110 KV



HUASCO - MAITENCILLO POWER TRANSMISSION LINES 1 - 2. A SERIES OF TASKS WERE EXECUTED, COMBINING INTERNAL INNOVATION, THE PURSUIT OF THE BEST PRACTICES IMPLEMENTED BY INTERNATIONAL COMPANIES AND MULTIDISCIPLINARY STUDIES WITH UNIVERSITIES IN ORDER TO UNDERSTAND THE INTERACTION OF BIRDS WITH POWER TRANSMISSION LINES IN ORDER TO SUBSEQUENTLY PROPOSE INITIATIVES THAT COULD REDUCE POWER OUTAGES FOR THIS REASON.

FINALLY, REGARDING NETWORK FAILURES, WE WISH TO HIGHLIGHT THAT A TEAM OF PROFESSIONALS BRINGING TOGETHER ALL AREAS MANAGED BY THE VICE-PRESIDENCY OF OPERATIONS WAS CREATED IN 2013. THIS TEAM WORKED TO STANDARDIZE METHODOLOGIES USED FOR THE INVESTIGATION INCIDENTS INVOLVING PEOPLE AND FAILURES AND OPERATIONAL ERRORS AT THE VPO, A FUNDAMENTAL ISSUE FOR SUPPORTING CONTINUOUS IMPROVEMENT.

IN ADDITION, TRANSELEC OPERATIONS, MAINTENANCE AND REINVESTMENT IN THE RENEWAL AND REPLACEMENT OF EQUIPMENT OR SYSTEMS FOR THE COMPANY'S FACILITIES GENERALLY MADE PROGRESS IN ACCORDANCE WITH ANNUAL SCHEDULES.

THE COMPANY'S ANNUAL ACTIVITY EXECUTION COMPLIANCE INDEX CAME TO 94%. THIS INDEX COMPARES THE LEVEL OF WORK EXECUTION WITH SCHEDULING DONE AT THE START OF EACH YEAR AND WEIGHTED ACCORDING TO

ACTIVITY RISK CATEGORY. THIS INDEX ALSO INCLUDES BASIC PREVENTIVE MAINTENANCE, CONSIDERING THE CUTTING AND TRIMMING OF TREES AND VEGETATION ALONG EASEMENT STRIPS AND EXTRAORDINARY MAINTENANCE SCHEDULED. THE GAP REMAINING BETWEEN THIS AND 100% IS MAINLY DUE TO THE CURRENT LACK OF FLOAT FOR THE ELECTRICITY SYSTEM, WHICH HINDERS EXECUTION OF ALL MAINTENANCE ACTIONS SCHEDULED. IT IS IMPORTANT TO HIGHLIGHT THAT RISK CLASSIFICATION MEANS THAT THIS DIFFERENCE MAINLY AFFECTS ACTIVITIES THAT HAVE A MINOR IMPACT ON THE SYSTEM. HOWEVER, NEW RISK EVALUATIONS AND RISK PREVENTION ASSESSMENTS INCENTIVES APPLY IN ORDER TO EVALUATE RISK CONDITIONS. IN THE EVENT THAT UNACCEPTABLE RISK SITUATIONS ARE DETECTED, FORCE MAJEURE MODALITIES CONSIDERED IN THE REGULATIONS ARE USED IN ORDER TO PROVIDE OPERATING CONDITIONS THAT WILL ENSURE THAT THIS MAINTENANCE IS EXECUTED.

CONTINUITY WAS PROVIDED FOR ASSET RENEWAL PLANS THAT EVIDENCED IMPORTANT REINVESTMENT LEVEL INCREASES IN 2013 COMPARED TO FORMER YEARS. TOGETHER WITH OPERATIONAL PROCESS IMPROVEMENTS, THIS HELPS TO MAINTAIN AND INCREASE TRANSELEC'S NETWORK PERFORMANCE STANDARDS. SEVERAL ACTIVITIES WERE CONDUCTED IN 2013 AND WE WISH TO HIGHLIGHT THE REPLACEMENT OF 19 CIRCUIT BREAKERS FOR THE DIFFERENT ZONE DIVISIONS, A PROJECT THAT IS PART OF A PLAN









CORRESPONDING TO THE 2011-2013 PERIOD. IN ADDITION, THE COMPANY CONTINUED TO REPLACE METERING TRANSFORMERS, LIGHTNING RODS, TRANSFORMER DISCONNECTS AND BATTERY BANKS AT SEVERAL SUBSTATIONS.

IN THIS REGARD, THE COMPANY PROCEEDED TO PURCHASE 70 CIRCUIT BREAKERS TO BE INSTALLED BETWEEN 2014 AND 2015. IN ADDITION, WORK CONTINUED ON A NEW REPLACEMENT STRATEGY FOR CONTROL, PROTECTION AND TELEPROTECTION ASSETS. THIS STRATEGY WAS FORMULATED BY EVALUATING CRITICALITY FOR AN INITIAL PERIOD OF SIX YEARS. THE CONTROL AND PROTECTION ASSET REPLACEMENT PLAN IS FUNDAMENTAL FOR INCREASING THE RELIABILITY OF PROTECTION SYSTEMS, REDUCING POWER OUTAGE RATES AND INCREASING THE COMPLIANCE LEVEL FOR STANDARDS SET BY THE CURRENT TECHNICAL STANDARDS FOR SERVICE SAFETY AND QUALITY. 56 PIECES OF PROTECTION EQUIPMENT WERE REPLACED IN 2013 BY USING THE EXTERNAL CONTRACTORS AND USING THE COMPANY'S OWN RESOURCES. IN ADDITION, A REPLACEMENT AND UPDATING STRATEGY WAS IMPLEMENTED FOR TELEPROTECTION EQUIPMENT CORRESPONDING TO THE TRUNK TRANSMISSION SYSTEM, REPLACING 10 LINKS WITH 20 PIECES OF THIS EQUIPMENT IN ORDER TO INCREASE SYSTEM SAFETY.

IN ADDITION, THE NEW TRANSELEC NATIONAL OPERATING CENTER (CNOT) STARTED

OPERATIONS IN 2013, AS THE TRANSELEC REGIONAL AND DISPATCH CENTER WAS MOVED TO A NEW AND MODERN CENTER FEATURING FACILITIES THAT MEET THE HIGHEST STANDARDS APPLICABLE TO CONTROL CENTERS. THIS PROJECT WILL CONTINUE IN 2014 WITH CENTRALIZATION OF ALL TRANSELEC FACILITY OPERATIONS IN REAL TIME, INCLUDING TELECOMMAND FOR THESE FACILITIES AT THE SAME CENTER. AN IMPORTANT PART OF THIS PROCESS IS THE NEW SCADA/EMS SYSTEM THE COMPANY USES IN THE SIC POWER GRID. THIS SYSTEM IS CURRENTLY UNDER CONSTRUCTION AND A CONTRACT WAS AWARDED TO THE COMPANY TECNET FROM THE IBERMÁTICA GROUP IN 2012 IN ORDER TO PURCHASE A WORLD-CLASS SYSTEM DEVELOPED BY OPEN SYSTEM INTERNATIONAL (OSI) FROM MINNEAPOLIS, USA. DURING PROJECT EXECUTION, OPERATING PERSONNEL WERE SUCCESSFULLY TRANSFERRED TO THE NEW FACILITIES AND THE SYSTEM (HARDWARE) FROM THE USA IS NOW IN CHILE. SAT TESTS STARTED AND 95% OF THESE TESTS WERE COMPLETED IN DECEMBER. THE NEW SCADA SYSTEM IS SCHEDULED FOR DELIVERY TO THE OPERATION IN THE FIRST QUARTER OF 2014.

INVESTMENT, IMPROVEMENTS AND MODERNIZATION SUCH AS THOSE INDICATED ABOVE, AS WELL AS THE APPLICATION OF STRINGENT OPERATIONAL PROCEDURES, AIM TO REDUCE EQUIVALENT INTERRUPTION TIME (EIT), AN INDICATOR THAT MEASURES SERVICE SAFETY, TO A LEVEL WITHIN THE EXPECTED PARAMETERS. EIT, WHICH REPRESENTS

TOTAL POWER NOT SUPPLIED TO FREE AND REGULATED CUSTOMERS OVER A TWELVE-MONTH PERIOD, STEMS FROM UNAVAILABILITY AT POWER WITHDRAWAL POINTS FOR THE TRANSELEC POWER TRANSMISSION SYSTEM AND IS EXPRESSED AS “EQUIVALENT INTERRUPTION MINUTES” DURING THE MAXIMUM SYSTEM DEMAND HOUR.

NINETEEN POWER OUTAGES ATTRIBUTABLE TO TRANSELEC WERE REPORTED IN 2013. THESE DISCONNECTIONS CAUSED AN ELECTRICITY SHORTAGE WITH EIT AMOUNTING TO 1.591 SYSTEM-MINUTES.

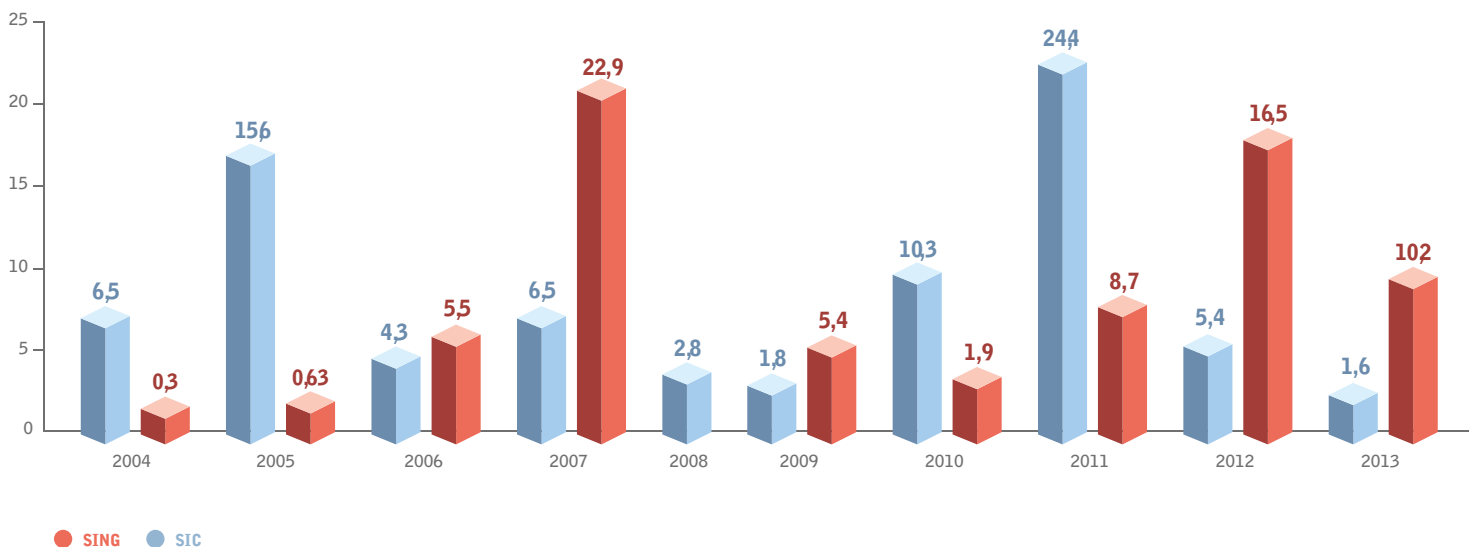
WITH REGARD TO THE SERVICE LEVEL OBTAINED FOR TRANSELEC NORTE FACILITIES IN THE SING POWER GRID, EIT AMOUNTED TO 10.233 SYSTEM-MINUTES.

WITH REGARD TO CABLE THEFT THAT HAS BEEN SERIOUSLY COMPROMISING TRANSELEC POWER LINES THAT USE COPPER CONDUCTORS, 2013 WAS AN IMPORTANT YEAR COMPARED TO THE YEAR BEFORE. THE COMPANY WAS ABLE TO REDUCE THE ANNUAL AVERAGE OF 5.3 METRIC TONS OF COPPER STOLEN FROM HIGH-VOLTAGE TRANSMISSION LINES OVER THE LAST FIVE YEARS TO ZERO METRIC TONS IN 2013. LOSS REDUCTION ALSO CONTRIBUTED TO IMPROVEMENT OF POWER TRANSMISSION LINE AVAILABILITY AND PROVISION OF BETTER SERVICE FOR THE COUNTRY AND THE COMMUNITY IN GENERAL.

DESPITE CHALLENGES ENTAILED BY THE INCORPORATION OF NEW CONTRACTING COMPANIES FOR ASSET MAINTENANCE, IN

## EIT

(minutes - system)





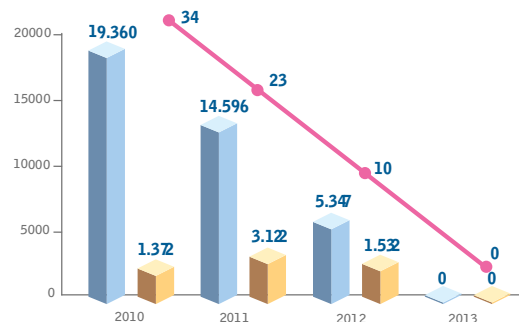




2013 THE VICE-PRESIDENCY OF OPERATIONS REPORTED THE LOWEST ACCIDENT RATE OVER THE LAST FIVE YEARS. THIS REDUCTION IN SERIOUS ACCIDENTS WITH LOST TIME WAS SUBSTANTIALLY INFLUENCED BY IMPLEMENTATION OF OHS BRINGING TOGETHER CONTRACTING COMPANIES, THE C.CH.C. MUTUAL SAFETY ASSOCIATION AND THE TRANSELEC OHS TEAM THAT ACTIVELY INTEGRATED A SERIES OF INITIATIVES AND ACTIVITIES FOR LEVERAGING OBJECTIVES ON SITE.

### COPPER THEFT 2010 - 2013

(amount of copper - kg)



- STOLEN COPPER
- COPPER RECOVERED
- NUMBER OF EVENTS

REGISTERED INSPECTIONS CONDUCTED AS PART OF THE PERSONALIZED PROGRAM ALSO CONTRIBUTED TO THIS REDUCTION WITH 90% OF THE DEVIATIONS SETTLED. 100% OF THE TRAINING PROGRAM WAS COMPLETED AND IMPORTANT HEADWAY WAS MADE IN TERMS OF OHS CONTROL FOR CONTRACTING COMPANIES.

IN ADDITION, THE ABSENCE OF NON-CONFORMITIES IN THE BUREAU VERITAS FOLLOW-UP AUDIT (OHSAS 18001) AND GOOD RESULTS FROM THE INTERNATIONAL AUDIT CONDUCTED BY THE CANADIAN COMPANY URM EVIDENCE A SUBSTANTIAL DEGREE OF MATURITY AT TRANSELEC REGARDING OCCUPATIONAL HEALTH AND SAFETY ISSUE MANAGEMENT.

THE FIRST INTEGRAL MANAGEMENT SYSTEM EXTERNAL AUDIT WAS CONDUCTED BY THE BUREAU VERITAS CERTIFICATION COMPANY THIS YEAR, SUCCESSFULLY CONCLUDING THE AUDIT PROCESS THAT BACKED OUR OSHAS 18001, ISO 9001 AND ISO14001 CERTIFICATION. IN TURN, THE INTEGRAL MANAGEMENT SYSTEM WAS STRENGTHENED BY THE DEVELOPMENT OF INFORMATION TECHNOLOGY TOOLS IN 2013. THIS INCLUDED THE IMPLEMENTATION OF FIVE NEW MODULES THAT ENABLED MANAGEMENT AND DOCUMENTATION TRACEABILITY FOR DEVIATIONS, INCIDENTS, INSPECTIONS AND OBSERVATIONS, SUPPLIER EVALUATION AND ANNUAL AUDIT PROGRAMS. IN ADDITION, THE NEW INTEGRAL MANAGEMENT SYSTEM DOCUMENTATION PLATFORM WAS COMMISSIONED. THIS ENCOMPASSES TECHNICAL DOCUMENTATION AND PROCEDURES FROM THE VICE-PRESIDENCIES AND THE INTEGRAL MANAGEMENT SYSTEM.

MOREOVER, IN COORDINATION WITH THE COMMERCIAL AREA, THE FIRST SPECIFIC

SURVEY (NPS) WAS APPLIED TO THE OPERATION AND MAINTENANCE PROCESS. IN GENERAL TERMS, THE SERVICE HAS BEEN EVALUATED WELL BY OUR CUSTOMERS, WITH NPS RESULTS AMOUNTING TO 42.3%, MUCH BETTER THAN THE LAST RESULTS OBTAINED BY TRANSELEC IN ITS ANNUAL EVALUATION, WHICH IS A VERY GOOD SIGN FOR THIS SERVICE. CUSTOMERS SPONTANEOUSLY HIGHLIGHTED TRANSELEC AS A FUNDAMENTAL AXIS FOR THE GOOD EXPERIENCES THEY HAVE HAD WITH THIS SERVICE, UNDERSTOOD AS SERVICE ORIENTATION, CAPACITY, EFFECTIVENESS, APPROACHABILITY, CORDIALITY AND PROFESSIONALISM.

AS FOR PARTICIPATION AT LOAD ECONOMIC DISPATCH CENTERS, TRANSELEC HAS TWO REPRESENTATIVES AND TWO DEPUTY REPRESENTATIVES SERVING ON THE CDEC-SIC BOARD OF DIRECTORS ASSOCIATED TO THE TRUNK TRANSMISSION SEGMENT. TRANSELEC NORTE HAS THREE DIRECTORS AND TWO ALTERNATE DIRECTORS SERVING ON THE CDEC-SING BOARD OF DIRECTORS AND REPRESENTING THE LANDOWNER SEGMENTS AT TRUNK TRANSMISSION AND SUBTRANSMISSION FACILITIES. THESE REPRESENTATIVES HAVE SUPPORTED AND DRIVEN DIAGNOSIS AND IMPROVEMENT PROCESSES DESIGNED TO IMPROVE PERFORMANCE BY THESE AGENCIES, WITH EVIDENT BENEFITS FOR THE ENTIRE SECTOR. WE WISH TO HIGHLIGHT CONSOLIDATION OF THE N-1 SAFETY

CRITERIA FOR TRUNK TRANSMISSION SYSTEM POWER TRANSFORMERS PIONEERED BY TRANSELEC IN THE SIC POWER GRID AND PARTICIPATION IN THE REVIEW OF A NEW SERVICE QUALITY AND SAFETY TECHNICAL STANDARD PROPOSAL TO BE PUBLISHED BY THE CNE IN 2014.





## 06 FINANCE







95805  
109483  
93705  
07832



**MAIN ACTIVITIES IN THE FINANCIAL AREA**

MAIN FINANCIAL ACTIVITIES OF THE COMPANY DURING 2013 WERE:

I) TRANSELEC ISSUED LOCAL SENIOR CORPORATE BONDS IN MAY 2013 FOR AN AMOUNT OF UF 3,100,000. ARRANGERS TO THIS LOCAL ISSUANCE WERE BANCHILE CITI GLOBAL MARKETS AND LARRAINVIAL. THESE SERIES Q BONDS HAVE A MATURITY OF 29.5 YEARS, THE LONGEST MATURITY EVER ISSUED BY THE COMPANY. THE YIELD AT ISSUANCE FOR THE SERIES Q BOND WAS 3.99%, WITH AN OVERSUBSCRIPTION OVER 2.2 TIMES AND AN INITIAL OFFERING AND A SPREAD OF 127 BASIS POINTS OVER THE REFERENCE RATE

II) IN JULY THE COMPANY ISSUED BONDS IN INTERNATIONAL MARKETS IN COMPLIANCE WITH THE REGULATION S, RULE 144A OF

THE 1933 UNITED STATES SECURITIES ACT FOR USD 300,000,000 FOR A PERIOD OF 10 YEARS AND AT AN ANNUAL RATE OF 4,625%. THE YIELD AT ISSUANCE OF THIS PLACEMENT WAS 4.709%, WITH A SPREAD OVER UNITED STATES OF AMERICA 10-YEAR TREASURY BONDS OF 2.20%. J.P MORGAN SECURITIES LLC AND SCOTIA CAPITAL (USA) INC. ACTED AS ARRANGERS TO THIS ISSUANCE.

III) IN AUGUST, CYT OPERACIONES A SISTER COMPANY TO TRANSELEC RECEIVED LONG TERM FINANCING, USED TO REPAY THE ACQUISITION LOAN GRANTED BY TRANSELEC FOR THE PURCHASE OF ASSETS AND RIGHTS FOR THE CASERONES PROJECT FOR AN AMOUNT OF USD 146,000,000.

IV) IN DECEMBER, THE COMPANY MADE AN INTERCOMPANY LOAN OF USD 150,000,000 TO ITS PARENT COMPANIES. AN

**DEBT AS OF 31 DECEMBRE 2013**

SERIES	DATE OF ISSUE	INTEREST RATE	MATURITY	CURRENT AMOUNT	CURRENCY
SERIES D	14 DIC 06	4,25%	15 DIC 27	13.500.000	UF
SERIES C	21 MAR 07	3,50%	01 SEP 16	6.000.000	UF
SERIES E	13 AGO 09	3,90%	01 AGO 14	3.300.000	UF
SERIES F	13 AGO 09	5,70%	01 AGO 14	33.600.000.000	CLP
SERIES H	13 AGO 09	4,80%	01 AGO 31	3.000.000	UF
SERIES I	03 DIC 09	3,50%	01 SEP 14	1.500.000	UF
SERIES K	04 DIC 09	4,60%	01 SEP 31	1.600.000	UF
SERIES L	19 ENE 11	4,65%	15 DIC 15	2.500.000	UF
SERIES M	19 ENE 11	4,05%	15 JUN 32	3.400.000	UF
SERIES N	19 ENE 11	3,95%	15 DIC 38	3.000.000	UF
SERIES Q	03 MAY 11	3,95%	03 OCT 42	3.100.000	UF
YANKEE BONDS	26 JUL 13	4,63%	26 JUL 23	300.000.000	USD
PF HUEPIL		LIBOR + 1,50 %	10 OCT 23	21.200.000	USD

UF: Unidad de Fomento (a readjustable unit determined by the Central Bank of Chile, Law 18.840)  
All bonds are bullet type (principal is paid when the last coupon expires).





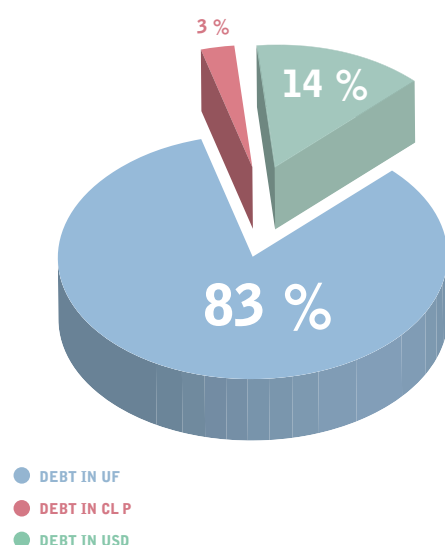




EXTRAORDINARY SHAREHOLDERS MEETING IS SCHEDULED FOR JANUARY 22ND IN ORDER TO APPROVE A CAPITAL REDUCTION, WHICH WILL REPAY THIS INTERCOMPANY LOAN.

#### DEBT PERCENTAGE BY CURRENCY

COMPANY DEBT AS OF DECEMBER 31<sup>st</sup>, 2013 IS BROKEN DOWN AS FOLLOWS:



#### DEBT SERVICE RESERVE

SINCE DECEMBER 2006, TRANSELEC HAS A REQUIREMENT TO FUND A DEBT SERVICE RESERVE FOR THE FOLLOWING SIX MONTHS INTEREST AND PRINCIPAL PAYMENTS OTHER

THAN BULLET MATURITIES, OF ALL PUBLIC DEBT ISSUED BY THE COMPANY, AND CONSIDERS EACH OF THE COMPANY'S PUBLIC DEBTS AND BENEFITS ALL BONDHOLDERS, BOTH LOCAL (BONDS C, D, E, F, H, I, K, L, M, N AND Q) AND INTERNATIONAL (BONDS 144A ISSUED IN 2013). THE BANK OF NEW YORK MELLON ACTS AS TRUSTEE FOR THE DEBT SERVICE RESERVE. CURRENTLY, THIS DEBT SERVICE RESERVE IS CURRENTLY FUNDED ENTIRELY BY TRANSELEC'S FINAL OWNERS. AS OF DECEMBER 31<sup>st</sup>, 2013 THE DEBT SERVICE RESERVE WAS FOR USD 52,644,511.87.

#### REVOLVING CREDIT FACILITY

IN ORDER TO ENSURE THE AVAILABILITY OF SOURCING OF FUNDS, TO COVER TRANSELEC'S GENERAL CORPORATE CASH NEEDS, SUCH AS WORKING CAPITAL, FIXED ASSETS OF NEW INVESTMENTS (FOR POTENTIAL PROJECTS AND PROJECTS UNDER WAY), ACQUISITION OF TRANSMISSION LINES AND POSSIBLE DEBT REFINANCING, THE COMPANY HAS THE FOLLOWING UNSECURED REVOLVING CREDIT FACILITY, WHICH, BY THE END OF 2013, WAS FULLY AVAILABLE IN ACCORDANCE TO THE CONDITIONS DESCRIBED AS FOLLOWED:

BANK	MATURITY	AMOUNT (UP TO)	LOAN TYPE	USE
Scotiabank-DnBNor -BTMU	09 - 07 - 2015U	S \$250.000.000	Unsecured revolving credit facility	Working capital / Capex / Short-term refinancing

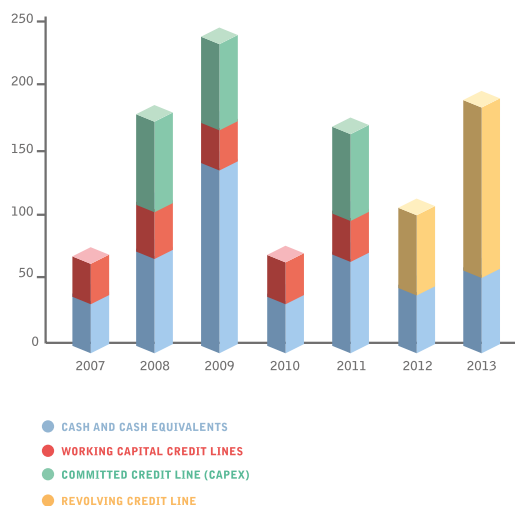
## PERFORMANCE INDICATORS

### LIQUIDITY

DUE TO POSITIVE RESULTS IN 2013, TRANSELEC MAINTAINS PROPER LEVELS OF LIQUIDITY, ALONG WITH A) THE AVAILABILITY OF THE REVOLVING CREDIT FACILITY AND B) PARTIAL REINVESTMENT OF ITS OWN CASH GENERATION ALLOWS THE COMPANY TO FINANCE ITS UPCOMING INVESTMENT PLANS IN NEW TRANSMISSION ASSETS, WHICH IS BACKED BY THE COMMITMENT OF THE COMPANY'S SHARE HOLDERS TO INVEST OR REINVEST IN TRANSELEC WHEN NECESSARY.

#### CURRENT LIQUIDITY

Billion of pesos



### 2013 OPERATING INCOME

THE COMPANY HAS TWO MAIN SOURCES OF REVENUE: A) REGULATED REVENUE COMING FROM SERVICES PROVIDED BY ASSETS OF THE TRUNK TRANSMISSION AND SUB TRANSMISSION SYSTEMS,

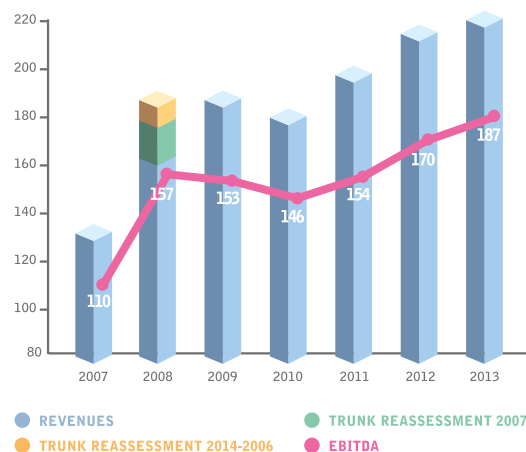
AND B) CONTRACTUAL REVENUE STIPULATED IN BILATERAL CONTRACTS WHICH CONSIDERS ADDITIONAL TRANSMISSION ASSETS AS DEFINED BY SHORT LAW I.

THE COMPANY'S REVENUE STRUCTURE IS PROPERLY PROTECTED BY MARKET CONDITIONS; LEGISLATION, CURRENT REGULATORY FRAMEWORK AND THE SOLID FINANCIAL STATUS OF ITS CUSTOMERS, THIS HAS ALLOWED THE COMPANY TO REPORT STABLE LONG-TERM RESULTS, DESPITE THE UNSTABLE GLOBAL FINANCIAL AND ECONOMIC SCENARIO.

IT'S WORTH NOTING THAT OPERATING REVENUE REPORTED IN 2008 INCLUDED NON-RECURRING REVENUE, CORRESPONDING TO THE RESULTS OF TRUNK TRANSMISSION SYSTEM TOLL RELIQUIDATION FOR THE MARCH 2004 - DECEMBER 2007 PERIOD, ACCORDING TO THE CONDITIONS ESTABLISHED OF DECREE 207 DATED JANUARY 15TH, 2008 FOR A TOTAL CLP 20.97 BILLION. THIS FIGURE IS EXPRESSED IN CURRENCY AS OF DECEMBER 31ST, 2008.

#### INCOME AND EBITDA VARIATION

Billion of pesos









## **RISK FACTORS**

GIVEN THE CHARACTERISTICS OF THE CHILEAN ELECTRICITY MARKET AND THE REGULATION STANDARDS OF THIS SECTOR, TRANSELEC IS NOT EXPOSED TO ANY SUBSTANTIAL RISK IN THE COURSE OF THE OPERATION OF ITS MAIN BUSINESS. HOWEVER, IT'S WORTH MENTIONING AND CONSIDERING THE FOLLOWING RISKS:

### **THE REGULATORY FRAMEWORK**

LEGAL STANDARDS REGULATING CHILE'S ELECTRICITY TRANSMISSION BUSINESS WERE MODIFIED BY THE ENACTMENT OF THE SHORT LAW I (LAW N°19.940), PUBLISHED MARCH 13<sup>TH</sup>, 2004.

DURING 2010, A NEW REASSESSMENT OF ASSETS WAS PERFORMED, WHICH DETERMINED TRUNK TRANSMISSION FACILITIES, SHARED AREA OF INFLUENCE, ASSESSMENT OF TRUNK FACILITIES AND ANNUAL OPERATING, MAINTENANCE AND ADMINISTRATION COSTS; AND THE CORRESPONDING INDEXING FORMULAS. IN ADDITION, THE EVALUATION ALSO DETERMINED THE REFERENTIAL EXPANSION PLAN FOR THE 2011-2014 PERIOD. DECREE N°61 PUBLISHED NOVEMBER 17<sup>TH</sup>, 2011 BY THE MINISTRY OF ENERGY ESTABLISHED THE TARIFFS AND INDEXING FORMULAS FOR THE 2011- 2014 PERIOD BASED ON THE RESULTS OF THIS EVALUATION. THESE WERE RETROACTIVELY APPLIED AS OF JANUARY 1<sup>ST</sup>, 2011 WITH THE CORRESPONDING LIQUIDATION. IN ADDITION,

DECREE 61 ESTABLISHES A SERIES OF ISSUES ALLOWING OWNERS TO COLLECT VATT FROM THEIR TRUNK FACILITIES.

IN TURN, SUB TRANSMISSION RATES WERE DETERMINED BASED ON SUB TRANSMISSION EVALUATIONS PERFORMED IN 2010. THESE WERE SET BY DECREE N° 14 OF MINISTRY OF ENERGY PUBLISHED APRIL 9<sup>TH</sup>, 2013. NEW RATES APPLY RETROACTIVELY AS OF JANUARY 1<sup>ST</sup>, 2011. BETWEEN JANUARY 2011 AND THE DATE WHEN THE TOLL DIRECTION AND THEIR RESPECTIVE CDEC'S ISSUED THE NEW SUB TRANSMISSION TARIFFS, (SEPTEMBER 2013 FOR THE SIC AND JULY 2013 FOR THE SING), SUB TRANSMISSION REVENUE WAS COLLECTED BY APPLYING THE TARIFFS INDICATED IN DECREE N° 320 OF THE MINISTRY OF ENERGY, WHICH SET THE SUB TRANSMISSION TARIFFS FOR THE PERIOD BETWEEN 2007-2010. RELIQUIDATION OF PROVISIONAL SUB TRANSMISSION AND OTHER PAYMENTS USING THE NEW TARIFF DECREE MUST BE EXECUTED ACCORDING THE CALCULATIONS ESTABLISHED BY EACH CDEC. IN THE CASE OF THE SING POWER GRID, THIS RELIQUIDATION WAS EXECUTED ON DECEMBER 2013, WHILE IT REMAINS PENDING FOR THE SIC POWER GRID

### **REVENUE CONCENTRATION**

33% OF TRANSELEC'S REVENUE COMES FROM ONE SINGLE CUSTOMER, EMPRESA NACIONAL DE ELECTRICIDAD S.A., (ENDESA) AND ITS POWER GENERATION SUBSIDIARIES. TRANSMISSION TOLLS TO BE PAID BY ENDESA AND ITS SUBSIDIARIES PANGUE AND PEHUENCHE WILL

GENERATE MOST OF TRANSELEC'S FUTURE CASH FLOWS. THEREFORE ANY SUBSTANTIAL CHANGES IN ENDESA'S BUSINESS MODEL, FINANCIAL STATUS AND/OR OPERATING INCOME COULD AFFECT TRANSELEC NEGATIVELY.

#### **RENEGOTIATION OF BILATERAL CONTRACTS FOR ADDITIONAL FACILITIES**

REVENUE GENERATED BY CERTAIN ADDITIONAL FACILITIES DERIVES FROM LONG-TERM CONTRACTS. ONCE THESE CONTRACTS HAVE EXPIRED, THE COMPANY WILL NEED TO RENEGOTIATE CONDITIONS, INCLUDING NEW TERMS OF PAYMENT, TARIFFS AND THE SPECIFICATION OF TRANSMISSION SERVICES THAT THE COMPANY WILL CONTINUE TO PROVIDE. WE ARE THEREFORE UNABLE TO GUARANTEE THAT ECONOMIC TERMS WILL REMAIN THE SAME ONCE THE RENEGOTIATION PROCESS HAS CONCLUDED.

#### **INCREASING COMPETITION ON THE TRANSMISSION MARKET**

CHILE'S TRANSMISSION MARKET IS BECOMING MORE AND MORE COMPETITIVE. WE BELIEVE THIS TREND WILL CONTINUE OVER THE SHORT AND LONG TERM, SO WE EXPECT TO FACE TOUGHER COMPETITION DURING BIDDING PROCESSES. THIS COULD MEAN THE LOSS OF NEW PROJECTS AND TRANSMISSION NETWORK UPGRADES, WHICH COULD REDUCE OUR MARKET SHARE

AND ALSO HAMPER OUR FUTURE CASH FLOWS.

#### **OPERATING RISKS**

ALTHOUGH OUR ADMINISTRATION BELIEVES TRANSELEC HAS A PROPER RISK COVERAGE POLICY ACCORDING TO THE INDUSTRY STANDARDS, WE CANNOT GUARANTEE THAT OUR CURRENT INSURANCE POLICY WILL BE ENOUGH TO COVER CERTAIN OPERATING RISKS, INCLUDING FORCES OF NATURE, DAMAGES TO TRANSMISSION FACILITIES, WORK ACCIDENTS AND EQUIPMENT FAILURE.

#### **LABOR CONFLICTS**

DELAYS, SUSPENSIONS OR OTHER LABOR CONFLICTS AFFECTING TRANSELEC COULD HAVE A NEGATIVE EFFECT ON THE COMPANY'S BUSINESS, FINANCIAL CONDITIONS, OPERATING INCOME AND OTHER PROJECTIONS. APPROXIMATELY 59.65% OF TRANSELEC'S WORKFORCE BELONGS TO ONE OF ITS TWO UNIONS, ALL OF THEM COVERED BY THE COLLECTIVE AGREEMENTS EXECUTED BETWEEN THE COMPANY AND THESE TWO UNIONS. THESE AGREEMENTS EXPIRE IN 2014 AND 2016. ALTHOUGH TRANSELEC'S MANAGEMENT BELIEVES THAT CURRENT LABOR RELATIONS EVIDENCE MUTUAL COLLABORATION, AND THE FACT THAT THERE HAVEN'T BEEN STRIKES, DELAYS OR SUSPENSIONS SINCE THE COMPANY WAS FOUNDED; THERE IS NO GUARANTEE THESE EVENTS WON'T OCCUR IN THE FUTURE. WE ARE UNABLE TO ESTIMATE THE EFFECT OF THESE









EVENTS ON TRANSELEC'S OPERATIONS.

#### **FINES FROM TRANSMISSION SERVICE SUSPENSION**

CURRENTLY TRANSELEC HAS LEGAL PROCEDURES PENDING WITH THE SUPERINTENDENCE OF ELECTRICITY AND FUELS (SEC) DUE TO CHARGES PRESSED BY THE AUTHORITY STEMMING FROM FORCED SERVICE SUSPENSIONS. SOME OF THESE PROCEDURES HAVE NOT YET BEEN RESOLVED BY THE SEC. IN OTHER CASES TRANSELEC HAS REQUESTED RECONSIDERATION OF SOME RESOLUTIONS, WHILE OTHER CHARGES ARE CURRENTLY BEING PRESSED.

#### **ENVIRONMENTAL INSTITUTIONS AND THE APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES**

TRANSELEC OPERATIONS ARE SUBJECT TO LAW N° 19.300 ON GENERAL ENVIRONMENTAL GUIDELINES (ENVIRONMENTAL LAW), ENACTED IN 1994, AND MODIFIED IN 2010. ENVIRONMENTAL LAW REQUIRE COMPANIES DEVELOPING HIGH-VOLTAGE TRANSMISSION LINES AND ELECTRICAL SUBSTATION PROJECTS TO OBSERVE THE REGULATIONS OF THE ENVIRONMENTAL IMPACT EVALUATION SYSTEM (SEIA) AND TO SUBMIT ENVIRONMENTAL IMPACT EVALUATIONS (EIS) OR ENVIRONMENTAL IMPACT DECLARATIONS (EID) TO THE NEW ENVIRONMENTAL EVALUATION SERVICE.

AS MENTIONED EARLIER THE ENVIRONMENTAL

LAW WAS MODIFIED AND THIS HAS ENTAILED CHANGES TO ENVIRONMENTAL INSTITUTIONS, CREATING NEW ENVIRONMENTAL MANAGEMENT INSTRUMENTS OR CHANGING EXISTING INSTRUMENTS. THEREFORE TRANSELEC WILL ADJUST TO THESE NEW ENVIRONMENTAL REQUIREMENTS. ACCORDING TO RECENT MODIFICATIONS, AMONG OTHER ISSUES, A NEW INSTITUTIONAL FRAMEWORK WAS CREATED AND IT'S CONSTITUTED BY:

- (I) THE MINISTRY OF THE ENVIRONMENT;
- (II) THE COUNCIL OF MINISTERS FOR SUSTAINABILITY;
- (III) THE ENVIRONMENTAL EVALUATION SERVICE; AND
- (IV) THE ENVIRONMENTAL SUPERINTENDENCE
- (V) ENVIRONMENTAL COURTS.

THESE INSTITUTIONS ARE COMMISSIONED TO REGULATE, EVALUATE AND ENFORCE ACTIVITIES GENERATING ENVIRONMENTAL IMPACTS. THESE INSTITUTIONS REPLACED THE NATIONAL ENVIRONMENTAL COMMISSION (CONAMA) AND THE REGIONAL ENVIRONMENTAL COMMISSIONS AND ARE FULLY OPERATIONAL AS OF DECEMBER 31<sup>ST</sup>, 2013.

NEW REQUIREMENTS FOR ENVIRONMENTAL IMPACT EVALUATIONS AND ENVIRONMENTAL IMPACT DECLARATIONS CAME INTO EFFECT AFTER THE UPDATED ENVIRONMENTAL EVALUATION SYSTEM REGULATIONS (SD N° 40/2012) WERE APPROVED DECEMBER 24<sup>TH</sup>, 2013.

IT'S WORTH NOTING THAT THE CREATION AND COMMISSIONING OF ENVIRONMENTAL



COURTS ON DECEMBER 28TH, 2012 MEANS THAT THE ENVIRONMENTAL SUPERINTENDENCE IS NOW FULLY ENTITLED TO AUDIT AND APPLY SANCTIONS. WITHOUT PREJUDICE OF TRANSELEC MEETING THE REQUIREMENTS OF ENVIRONMENTAL LEGISLATION, THERE IS NO GUARANTEE THAT THESE EVALUATIONS OR DECLARATIONS SUBMITTED (EIS OR EID) TO THE ENVIRONMENTAL AUTHORITY WILL BE APPROVED BY THE AUTHORITIES OR THAT EVENTUAL PUBLIC OPPOSITION WILL NOT LEAD TO DELAYS OR MODIFICATIONS FOR THE PROPOSED PROJECTS, OR THAT LAWS AND REGULATIONS WILL NOT CHANGE OR BE INTERPRETED A WAY THAT COULD HAMPER THE COMPANY'S OPERATIONS AND PLANS, SINCE NEW INSTITUTIONS HAS JUST BEEN IMPLEMENTED.

#### **CONSTRUCTION DELAYS FOR NEW TRANSMISSION FACILITIES**

SUCCESS OF THE UPGRADES AND EXPANSIONS PROGRAM FOR THE TRANSMISSION NETWORK WILL DEPEND ON SEVERAL FACTORS, INCLUDING THE COST AND AVAILABILITY OF FINANCING. ALTHOUGH TRANSELEC HAS EXPERIENCE WITH LARGE-SCALE PROJECTS, THE CONSTRUCTION OF NEW FACILITIES MAY BE HAMPERED BY FACTORS COMMONLY ASSOCIATED TO PROJECTS, INCLUDING DELAYS OF LEGAL PERMITS SUCH AS ELECTRICITY CONCESSIONS; LACK OF EQUIPMENT, MATERIALS, LABOR, PRICE VARIATION; ADVERSE WEATHER CONDITIONS; NATURAL DISASTERS AND UNFORESEEN CIRCUMSTANCES OR DIFFICULTIES

WHEN IT COMES TO TAKING OUT LOANS UNDER FAVORABLE CONDITIONS AND AT REASONABLE RATES. ANY OF THESE FACTORS COULD LEAD TO DELAYS IN THE COMPLETION OF THE CAPITAL INVESTMENT PROGRAM, WHILE INCREASING THE COSTS CONSIDERED IN THIS PROGRAM.

#### **EXCHANGE RATE RISK**

DEPENDING ON MARKET FUNDAMENTALS, SPECIFIC FINANCIAL CHARACTERISTICS OF ITS BUSINESS AND OTHER CONSIDERATIONS, TRANSELEC HAS CONDUCTED, WHEN NECESSARY, HEDGING OPERATIONS SUCH AS CROSS CURRENCY SWAPS OR CURRENCY FORWARDS IN ORDER TO SET THE UNDERLYING PORTION IN CHILEAN PESOS CONTAINED IN ITS REVENUE THAT WILL BE INVOICED ACCORDING TO US DOLLAR-CHILEAN PESO PARITY. HOWEVER, WE CANNOT GUARANTEE THAT TRANSELEC WILL BE COVERED BY THE FACT THAT IT HOLDS EXCHANGE RATE HEDGES. IN ADDITION, CROSS CURRENCY SWAPS AND FORWARDS BEAR CREDIT RISK FROM THE COUNTERPART, CASH REQUIREMENTS AT MATURITY DATES AND OTHER ASSOCIATED RISKS.

#### **TECHNOLOGICAL CHANGES**

COMPENSATION FROM TRANSELEC INVESTMENT ON TRANSMISSION FACILITIES IS MADE THROUGH AN ANNUITY ON FACILITY ASSESSMENT (AFA) AT MARKET PRICES, WHICH IS REGULARLY RECALCULATED ACCORDING TO THE PROCESS ESTABLISHED ON CURRENT STANDARDS. IN CASE ANY GROUNDBREAKING TECHNOLOGICAL









ADVANCE IS MADE ON TRANSELEC'S CURRENT EQUIPMENT, THIS ASSESSMENT THIS ASSESSMENT COULD BE DIMINISHED, PREVENTING TO RECOVER THE TOTAL INVESTMENT.

#### **CREDIT RISK**

CREDIT RISK CORRESPONDING TO ACCOUNTS RECEIVABLE STEMMING FROM POWER TRANSMISSION ACTIVITY HAS HISTORICALLY BEEN VERY LOW BECAUSE OF THE LIMITED NUMBER OF CUSTOMERS, THEIR RISK RATINGS AND SHORT COLLECTION TIME (LESS THAN 30 DAYS). HOWEVER, REVENUE IS HIGHLY CONCENTRATED IN A FEW GENERATION CUSTOMERS THAT WILL GENERATE A LARGE PORTION OF TRANSELEC'S FUTURE CASH FLOWS. ANY SUBSTANTIAL CHANGES TO THESE POWER GENERATION COMPANIES' ASSETS, FINANCIAL STATUS AND/OR OPERATING RESULTS COULD NEGATIVELY AFFECT THE COMPANY. IN ADDITION, SPECIFIC INSOLVENCY PROBLEMS WERE OBSERVED FOR SOME MEMBERS OF THE CDEC-SIC POWER GRID BETWEEN 2011 AND 2012 AND THESE SOMEWHAT AFFECTED THE COLLECTION OF TARIFF REVENUE FOR THE POWER TRANSMISSION SYSTEM, WITHOUT IMPLYING ANY SIGNIFICANT RISK FOR TRANSELEC. AS FOR CREDIT RISK ASSOCIATED TO FINANCIAL ASSETS (TERM DEPOSITS, FIXED INCOME MUTUAL FUNDS AND COVENANTS) HELD BY THE COMPANY, TREASURY POLICY SETS LIMITS TO THE EXPOSURE OF A SPECIFIC INSTITUTION DEPENDING ON EACH INSTITUTION'S RISK RATING AND EQUITY. IN THE CASE OF ANY FINANCIAL INVESTMENT, ONLY THE ONES RATED ABOVE A+ LOCALLY BY INDEPENDENT RATING

AGENCIES QUALIFIES AS AN ACCEPTABLE INVESTMENT.

#### **LIQUIDITY RISK**

LIQUIDITY RISK IS THE RISK OF THE COMPANY NOT BEING ABLE TO SATISFY A MONETARY COMMITMENT IN CASH OR MAKE DEBT PAYMENT UPON MATURITY. IT ALSO INCLUDES THE RISK OF NOT BEING ABLE TO LIQUIDATE ASSETS IN A SHORT TIME SPAN OR AT A REASONABLE PRICE. TO ENSURE THAT THE COMPANY CAN REACT QUICKLY TO INVESTMENT OPPORTUNITIES AND TO PAY ITS OBLIGATIONS UPON MATURITY, TRANSELEC HAS A REVOLVING CREDIT FACILITY EQUIVALENT TO USD 250 MILLION, WHICH AS OF DECEMBER 31<sup>ST</sup>, 2013 IS FULLY AVAILABLE.

IN ADDITION, TRANSELEC HAS UNCOMMITTED CREDIT FACILITIES WITH LOCAL BANKS (IN 2013 THE COMPANY WITHDREW THE EQUIVALENT OF USD 120 MILLION FOR A PERIOD OF 90 DAYS). THE COMPANY IS EXPOSED TO RISKS ASSOCIATED TO ITS DEBT, INCLUDING THE RISK OF REFINANCING ITS DEBT UPON MATURITY. THESE RISKS ARE MITIGATED BY THE USE OF LONG-TERM DEBT AND STRUCTURE OF DEBT'S MATURITY EXTENDED OVER TIME.

#### **RISK ASSOCIATED TO THE LIQUIDATION OF TARIFF REVENUE FROM THE TRUNK TRANSMISSION SYSTEM**

IN VIRTUE OF THE MINISTRY OF ECONOMY, DEVELOPMENT AND RECONSTRUCTION SD N°4/20,018 ARTICLES 81, 101, 104 AND 106, AS

WELL AS THEIR COMPLEMENTARY PROVISIONS, TRANSELEC IS ENTITLED TO TEMPORARILY RECEIVE TARIFF REVENUE FROM THE TRUNK SYSTEM PRODUCED IN EACH PERIOD. IN ORDER TO COLLECT THE PAYMENT ESTABLISHED IN THE FIRST PARAGRAPH, ARTICLE N°101 OF THE AFOREMENTIONED STATUTORY DECREE N°4/20,018, TRANSELEC REASSESS THE TARIFF REVENUE TEMPORARILY COLLECTED IN CONFORMITY WITH TARIFFS SET BY LAW AND CALCULATED BY THE CDEC (ECONOMIC LOAD DISPATCH CENTER) BY COLLECTING FROM OR PAYING THE DIFFERENT COMPANIES OWNING POWER GENERATION ASSETS.

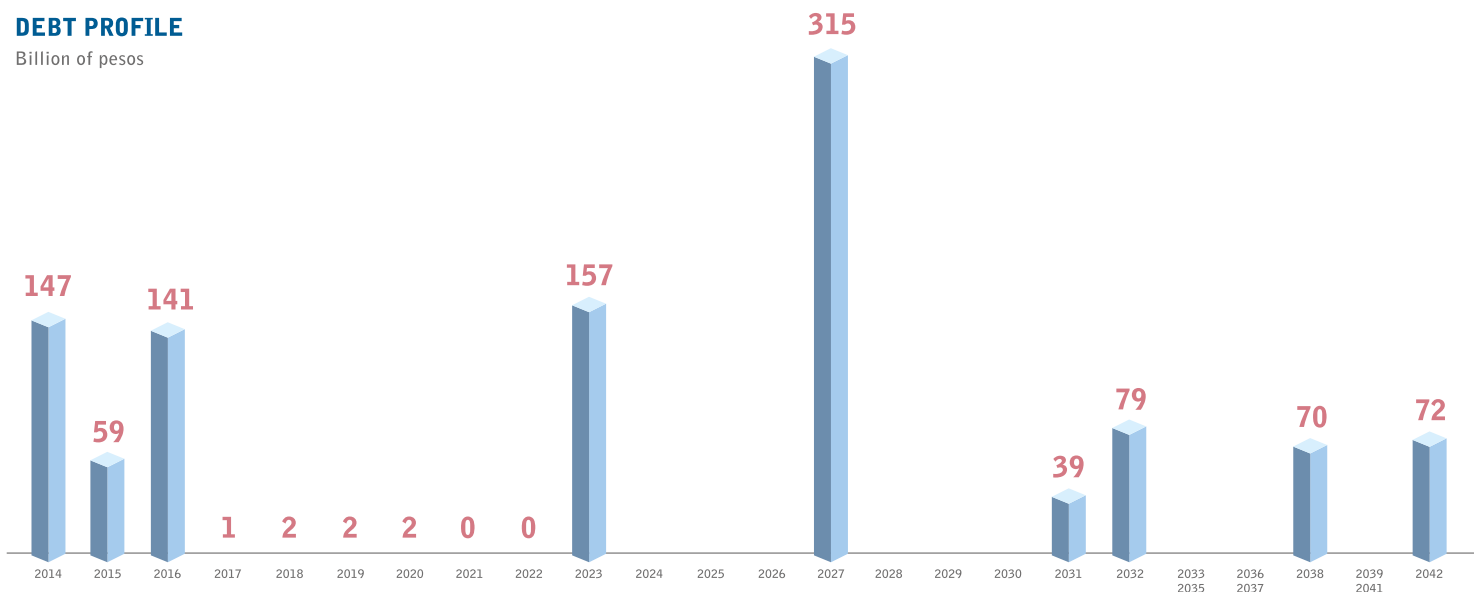
THE COMPANY COULD FACE THE RISK OF NOT COLLECTING REVENUE IN A TIMELY MANNER FROM ANY OF THE POWER GENERATION COMPANIES ESTABLISHED IN CDEC PAYMENT CHARTS, WHICH COULD TEMPORARILY AFFECT

THE LIQUIDITY OF TRANSELEC. IN THIS SENSE AND IN THE COMPANY'S OPINION, ACTIONS EXECUTED BY TRANSELEC REGARDING THE AFORESAID COLLECTION DOES NOT CONSIST OF MANAGING HOW IT CHARGES PAYMENT DUE, INSTEAD IT FOCUSES ON THE MERE COLLECTION AND TRANSFER OF ABSOLUTELY EXTERNAL APPRAISED SURPLUS AND DEFICIT REVENUE TO THIRD PARTIES, WITH THE EXCEPTION OF ESTIMATED TARIFF REVENUE.

ON SEPTEMBER 13<sup>TH</sup>, 2011, THE CAMPANARIO GENERACIÓN S.A. CORPORATION DECLARED BANKRUPTCY. IN VIRTUE OF THE ANNUAL TRUNK TOLL RELIQUIDATION PROCESS CONSIDERED IN THE GENERAL ELECTRICITY SERVICES LAW AND A DECISION MADE BY THE PANEL OF EXPERTS REGARDING THE PROCEDURE TO BE USED BY CDEC FOR THIS REVISION, TRANSELEC WAS ABLE TO COLLECT REVENUE STEMMING FROM

## DEBT PROFILE

Billion of pesos











CAMPANARIO'S INSOLVENCY. TRANSELEC S.A. HAS CONSEQUENTLY RECORDED AN UNCOLLECTIBLE PROVISION EQUIVALENT TO CLP 1,392,383,000 CORRESPONDING TO ACCOUNTS PAYABLE FOR DIFFERENT TARIFF REVENUE CONCEPTS.

#### INTEREST RATE RISK

COMPANY ASSETS ARE MAINLY LONG TERM FIXED ASSETS AND INTANGIBLES. CONSEQUENTLY, FINANCIAL LIABILITIES USED TO FINANCE THESE ASSETS MAINLY CONSIST OF LONG-TERM LIABILITIES AT A FIXED RATE. DEBT IS REPORTED IN THE BALANCE SHEET AT ITS AMORTIZED COST. MANAGEMENT OF THIS RISK AIMS TO CREATE A BALANCED DEBT STRUCTURE AND REDUCE IMPACTS ON FINANCIAL COSTS DUE TO FLUCTUATING INTEREST RATES, REDUCING VOLATILITY OF THE RESULTS ACCOUNT. ALTHOUGH HIGHER INFLATION IN CHILE COULD AFFECT DEBT COSTS EXPRESSED IN UF AND CONSEQUENTLY AFFECT THE COMPANY'S NON-OPERATING RESULTS, THESE IMPACTS ARE CURRENTLY MITIGATED BY THE COMPANY'S REVENUE, WHICH IS ALSO PARTIALLY ADJUSTED ACCORDING TO LOCAL INFLATION VARIATION BY MEANS OF INDEXING POLYNOMIALS. IN ADDITION, COMMERCIAL CURRENT ACCOUNTS THAT THE CORPORATION HOLDS WITH RELATED COMPANIES ARE EXPRESSED IN CHILEAN PESOS AND IN US DOLLARS AND FEATURE A FIXED INTEREST RATE. THUS THE CORPORATION BELIEVES THAT CHANGES IN MARKET INTEREST RATES DO NOT POSE ANY RISK THAT COULD AFFECT ITS RESULTS.

#### RISK RATING

THROUGH THE COMPANY'S LATEST FINANCIAL REPORTS, THE FOLLOWING RISK RATING AGENCIES HAVE REAFFIRMED THE INVESTMENT GRADE ASSIGNED TO TRANSELEC FOR THE DIFFERENT SERIES OF BONDS ISSUED AND PLACED BY THE COMPANY.

#### LOCAL RATING

RATING AGENCIES	PRESENT RATING
HUMPHREY'S	A +
FELLER - RATE	A +
FITCH RATINGS CHILE	A +

IN ADDITION, THE COMPANY HAS ALSO BEEN RATED BY THE FOLLOWING INTERNATIONAL RISK RATING AGENCIES:

#### INTERNATIONAL RATING

RATING AGENCIES	PRESENT RATING
FITCH RATINGS CHILE	BBB -
MOODY'S	Baa1

#### INSURANCE

THROUGHOUT THE 2013 FISCAL YEAR, TRANSELEC CONTINUED ITS INSURANCE POLICIES TO PROTECT FIXED ASSET GOODS AT TRANSELEC'S OWN SUBSTATIONS AND AT FACILITIES OWNED BY THIRD PARTIES. THIS COVERAGE IS PROVIDED BY MEANS OF AN INDUSTRIAL MULTI-RISK POLICY THAT INCLUDES PHYSICAL DAMAGE, MACHINERY



BREAKDOWN, EARTHQUAKES AND FORCES OF NATURE. COVERAGE OF PHYSICAL RISKS FOR TRANSMISSION LINES AND TOWERS WAS CONSIDERED UNNECESSARY DUE TO GOOD INTERNATIONAL PRACTICES AND STRINGENT CHILEAN STANDARDS OBSERVED DURING THE CONSTRUCTION OF THESE FACILITIES.

WITH REGARD TO SOCIO-POLITICAL RISK, THE COMPANY IS COVERED BY A TERRORISM INSURANCE POLICY, WHICH COVERS ACTS CONSIDERED BY THE LAW AS TERRORISM. IN ADDITION, THE COMPANY CONTINUES TO HOLD CIVIL LIABILITY, AND PROFESSIONAL CIVIL LIABILITY INSURANCE. THE LATTER COVERS EVENTUAL CLAIMS STEMMING FROM TRANSELEC ENGINEERING MANAGEMENT. IN ADDITION, THE COMPANY'S VEHICLES AND MOBILE EQUIPMENT ARE STILL INSURED.

INSURANCE COVERAGE IS PROVIDED FOR NATIONAL AND INTERNATIONAL TRANSPORT OF EQUIPMENT AND MATERIAL. FINALLY, THE COMPANY HAS A WORK ACCIDENT INSURANCE POLICY FOR THEIR WORKERS; THESE INCLUDE COMPLEMENTARY HEALTH INSURANCE, TRAVEL ASSISTANCE, SERVICE COMMISSIONS AND OTHERS.

#### **DIVIDEND POLICY FOR 2013**

FOR ANY GIVEN YEAR THE BOARD OF DIRECTORS RECOMMENDS DIVIDENDS OF A 100% OF THE NET INCOME. CONSIDERING TRANSELEC'S FINANCIAL STATUS, COMMITMENTS SIGNED BY THE COMPANY

WHEN ISSUING BONDS IN THE NATIONAL AND INTERNATIONAL MARKETS, AND THE IMPACT OF FIRST IMPLEMENTATION. NO DIVIDEND SHALL BE DECLARED IF THESE ACTIONS WOULD PREVENT THE COMPANY FROM MEETING ITS FINANCIAL COMMITMENTS. REGARDING ANY GIVEN FISCAL YEAR, IF THE BOARD OF DIRECTORS WERE TO SEE IT APPROPRIATE, THEY'D BE ENTITLED TO DECLARE TEMPORARY DIVIDENDS FOR A GIVEN FISCAL YEAR TO BE DISTRIBUTED DEPENDING ON CONDITIONS AT THAT TIME. OVERALL PAYMENT OF TEMPORARY DIVIDENDS SHALL NOT EXCEED 75% OF THE COMPANY'S CONSOLIDATED NET INCOME ESTIMATED FOR THE FISCAL YEAR IN COURSE IN TRANSELEC'S ANNUAL BUSINESS PLAN.

#### **PROFITS SHARED IN 2013**

IT WAS AGREED ON TRANSELEC S.A SHAREHOLDERS MEETING HELD ON APRIL 26<sup>TH</sup>, 2013 THAT THE REMAINDER OF 2012 CASH DIVIDENDS FOR A TOTAL OF CLP 16,882,000,000 WOULD BE DISTRIBUTED. IT WAS AGREED AT A TRANSELEC S.A. BOARD OF DIRECTORS MEETING HELD ON AUGUST 21<sup>ST</sup>, 2013 THAT PROVISIONAL DIVIDEND FOR A TOTAL OF CLP 31,871,411,198 WOULD BE DISTRIBUTED AND DEDUCTED FROM 2013 FISCAL YEAR EARNINGS. LASTLY, IT WAS AGREED AT A TRANSELEC S.A. BOARD OF DIRECTORS MEETING HELD ON NOVEMBER 20<sup>TH</sup>, 2013 THAT A PROVISIONAL DIVIDEND EQUIVALENT TO CLP 31,871,411,198 WOULD BE DISTRIBUTED.







## DIVIDENDS PAID

(PROVISIONAL, INCIDENTAL AND FINAL)

YEAR	HISTORICAL VALUE CLP mn
2006	2.339
2007	34.955
2008	20.934
2009	28.118
2010	55.129
2011	45.866
2012	106.806
2013	59.064

(\*): Values as of December of each year.

## PROFIT SHARED

(DEDUCTED EACH FISCAL YEAR)

YEAR	CLP mn (*)	FISCAL YEAR PROFIT %
2006	14.849	100%
2007	31.774	100%
2008	53.658	95%
2009	47.238	100%
2010	55.825	100%
2011	46.839	100%
2012	61.749	100%
2013**	42.182	65%

( \* ): VALUES AS OF DECEMBER OF EACH YEAR.

(\*\*): ONLY CORRESPONDS TO PROVISIONAL DIVIDENDS PAID IN 2013, SINCE FINAL DIVIDENDS TO BE PAID FROM 2013 FISCAL YEAR HAD NOT YET BEEN REPORTED AS OF DECEMBER 31, 2013. THESE WILL BE AGREED TO AT THE SHAREHOLDERS MEETING TO BE HELD IN 2014.

## CAPITAL REDUCTION

TRANSELEC S.A. SHAREHOLDERS HAVE AGREED TO INDEPENDENTLY HOLD A SPECIAL SHAREHOLDERS MEETING WEDNESDAY, JANUARY 22, 2014. THE PURPOSE OF THIS INDEPENDENT SUMMONS IS TO PRESENT A CAPITAL REDUCTION BY THE CORPORATION AMOUNTING TO THE EQUIVALENT OF USD 150,000,000 IN CHILEAN PESOS TO THE SHAREHOLDERS FOR THEIR APPROVAL, AMONG OTHER ISSUES. IN DECEMBER 2013, THE COMPANY PROVIDED AN INTERCOMPANY LOAN AMOUNTING TO USD 150,000,000 TO ITS PARENT COMPANIES, WHICH WILL BE PAID WITH THE FOUNTS COMING FROM THE CAPITAL REDUCTION.

## MATERIAL FACTS

### TRANSELEC S.A

1) ON JANUARY 23, 2013 AND ACCORDING TO ARTICLE 9 AND SECOND PARAGRAPH OF ARTICLE 10 OF THE LAW NO 18,045 OF SECURITIES MARKET, THE FOLLOWING MATERIAL FACT WAS REPORTED:

THE COMPANY'S SHAREHOLDERS AGREED TO INDEPENDENTLY SUMMON A SPECIAL SHAREHOLDERS MEETING TO BE HELD JANUARY 25, 2013. THE PURPOSE OF THIS INDEPENDENT SUMMONS WAS TO INFORM SHAREHOLDERS AND REQUEST THEIR APPROVAL FOR THE FOLLOWING MATTERS:



1. APPROVING THE HIRING OF ONE OR MORE CREDIT FACILITIES AMOUNTING TO UP TO US\$ 150 MILLION, AND

2. AUTHORIZING AND CONFERRING THE NECESSARY POWERS OF ATTORNEY FOR DRAFTS FROM THIS OR THESE UNCOMMITTED CREDIT FACILITIES.

2) ON 28 JANUARY 2013 AND IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 9 AND THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, THE FOLLOWING MATERIAL FACT WAS REPORTED:

A SPECIAL SHAREHOLDERS MEETING WAS HELD 25 JANUARY 2013 AND THE FOLLOWING MATTERS WERE AGREED:

1. APPROVING THE EXECUTION OF ONE OR SEVERAL CREDIT FACILITY CONTRACTS WITH ONE OR MORE BANKS OPERATING IN CHILE, FOR AN AMOUNT OF UP TO 150,000,000 DOLLARS OF THE UNITED STATES OF AMERICA, OR THE EQUIVALENT IN NATIONAL CURRENCY AT THE EXCHANGE RATE PUBLISHED BY THE CENTRAL BANK OF CHILE AT THE DATE THE SPECIAL SHAREHOLDERS MEETING WAS HELD, FOR A MAXIMUM TERM OF 180 DAYS; AND

2. CONFERRING POWERS OF ATTORNEY TO EXECUTE THE CREDIT FACILITY CONTRACT WITH ONE OR MORE BANKS OPERATING IN CHILE, SPECIFICALLY ENTITLING THOSE HOLDING THESE POWERS OF ATTORNEY TO PROCEED TO SIGN DOCUMENTATION ASSOCIATED TO SAID CREDIT FACILITIES AND PAYMENT MADE RELATED TO THESE CONTRACTS, AND FOR THE SIGNATURE

OF PERTINENT PROMISSORY NOTES.

3) THE FOLLOWING MATERIAL FACT WAS REPORTED 21 MARCH 2013 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 9 AND THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

AT A MEETING HELD 20 MARCH 2013, THE TRANSELEC S.A. BOARD OF DIRECTORS SUMMONED AN REGULAR SHAREHOLDERS MEETING TO BE HELD 26 APRIL 2013, IN ORDER TO INFORM THE SHAREHOLDERS OF THE FOLLOWING MATTERS AND REQUEST THEIR APPROVAL:

1. ANNUAL REPORT, BALANCE SHEET, FINANCIAL STATEMENTS AND EXTERNAL AUDITORS REPORT CORRESPONDING TO THE FISCAL YEAR ENDING 31 DECEMBER 2012.

2. FINAL PROFIT SHARING.

3. PROFIT SHARING POLICY AND INFORMATION ABOUT PAYMENT PROCEDURES.

4. FEES TO BE PAID TO THE BOARD OF DIRECTORS AND TO THE AUDIT COMMITTEE.

5. APPOINTMENT OF EXTERNAL AUDITORS.

6. NEWSPAPER TO BE USED FOR THE PUBLICATION OF SHAREHOLDER MEETING SUMMONS.

7. AGREEMENTS MADE BY THE BOARD OF DIRECTORS REGARDING ISSUES CONTAINED IN







ARTICLES 146 ET. SEQ. OF THE CORPORATIONS LAW.

8. OTHER MATTERS OF INTEREST FOR THE COMPANY AND WITHIN THE SHAREHOLDERS' COMPETENCY.

4) ON 22 MARCH 2013, THE MATERIAL FACTS SENT 21 MARCH 2013 WERE COMPLEMENTED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 9 AND THE SECOND PARAGRAPH OF ARTICLE 10 OF LAW N° 18,045 REGARDING THE REGULAR SHAREHOLDERS MEETING TO BE HELD 26 APRIL 2013.

THIS COMPLEMENT WAS PROVIDED IN ORDER TO SPECIFY THE FOLLOWING:

1. THE COMPANY WILL PUBLISH AN INTEGRAL COPY OF ITS BALANCE SHEET, FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE FISCAL YEAR ENDING 31 DECEMBER 2012 AND THE EXTERNAL AUDITORS REPORT AT WWW.TRANSELEC.CL AS OF 2 APRIL 2013.

2. IN ADDITION, THE UNDERLYING BASIS FOR EXTERNAL AUDITORS' OPINIONS TO BE PROPOSED AT THE SHAREHOLDERS MEETING WILL BE PUBLISHED ON THE CORPORATION'S WEBPAGE, WWW.TRANSELEC.CL.

3. IT WAS AGREED THAT SHAREHOLDERS REGISTERED IN THE CORPORATION'S SHAREHOLDERS REGISTRAR AT LEAST FIVE BUSINESS DAYS BEFORE THE DATE OF THE MEETING, WHICH IS TO SAY 19 APRIL 2013 AT

MIDNIGHT, WILL BE ENTITLED TO ATTEND, SPEAK AND VOTE AT THE MEETING.

4. VERIFICATION OF PROXIES, IF APPLICABLE, WILL BE EXECUTED AT THE DATE THE MEETING IS HELD AND BEFORE THE EXACT MOMENT WHEN THE MEETING STARTS.

5) THE FOLLOWING MATERIAL FACT WAS REPORTED 30 APRIL 2013, IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 9 AND THE SECOND PARAGRAPH OF ARTICLE AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

A REGULAR SHAREHOLDERS MEETING WAS HELD 26 APRIL 2013 AND THE FOLLOWING MATTERS WERE AGREED:

1. APPROVING THE ANNUAL REPORT, BALANCE SHEET, FINANCIAL STATEMENTS AND EXTERNAL AUDITORS REPORT CORRESPONDING TO THE FISCAL YEAR ENDING 31 DECEMBER 2012.

2. APPROVING FINAL PROFIT SHARING AMOUNTING TO CLP 16,882,000,000 FOR 2012. THIS WILL BE PAID TO SHAREHOLDERS REGISTERED IN THE RESPECTIVE REGISTRAR 18 MAY 2013 STARTING 26 MAY 2013.

3. THE COMPANY'S PROFIT SHARING POLICY FOR 2013 WAS APPROVED.

4. THE BOARD OF DIRECTORS WAS RENEWED AS FOLLOWS: MR. RICHARD LEGAULT AS DIRECTOR AND MR. FELIPE PINEL AS HIS RESPECTIVE



ACTING DIRECTOR; MR. BRUCE HOGG AS DIRECTOR AND MR. ETIENNE MIDDLETON AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. PATRICK CHARBONNEAU AS DIRECTOR AND MR. PAUL DUFRESNE AS HIS RESPECTIVE ALTERNATE DIRECTOR; MS. BRENDA EATON AS DIRECTOR AND MR. JERRY DIVOKY AS HER RESPECTIVE ALTERNATE DIRECTOR; MR. BRUNO PHILIPPI IRARRÁZABAL AS DIRECTOR AND MR. ENRIQUE MUNITA LUCO AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. MARIO VALCARCE DURÁN AS DIRECTOR AND MR. JUAN JOSÉ EYZAGUIRRE LIRA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. BLAS TOMIC ERRÁZURIZ AS DIRECTOR AND MR. FEDERICO GREBE LIRA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. JOSÉ RAMÓN VALENTE VIAS AS DIRECTOR AND MR. JUAN PAULO BAMBACH SALVATORE AS HIS RESPECTIVE ALTERNATE DIRECTOR, Y MR. ALEJANDRO JADRESIC MARINOVIC AS DIRECTOR AND MR. JUAN IRARRÁZABAL COVARRUBIAS AS HIS RESPECTIVE ALTERNATE DIRECTOR.

5. FEES TO BE PAID TO THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE WERE ESTABLISHED.

6. THE FIRM ERNST & YOUNG WAS APPOINTED TO BE THE COMPANY'S EXTERNAL AUDITORS FOR THE 2013 FISCAL YEAR.

7. THE OFFICIAL GAZETTE WAS APPROVED FOR PUBLICATION OF SHAREHOLDER MEETING SUMMONS.

8. AGREEMENTS MADE BY THE BOARD OF DIRECTORS REGARDING ISSUES CONTAINED

IN ARTICLES 146 ET. SUBSEQ. OF THE CORPORATIONS LAW WERE REPORTED.

6) THE FOLLOWING MATERIAL FACT WAS REPORTED 3 MAY 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

THE CORPORATION'S SHAREHOLDERS AGREED TO INDEPENDENTLY SUMMON A SPECIAL SHAREHOLDERS MEETING FOR 7 MAY 2013. THE PURPOSE OF THIS INDEPENDENT SUMMONS IS TO INFORM THE SHAREHOLDERS OF THE FOLLOWING ISSUE AND REQUEST THEIR APPROVAL:

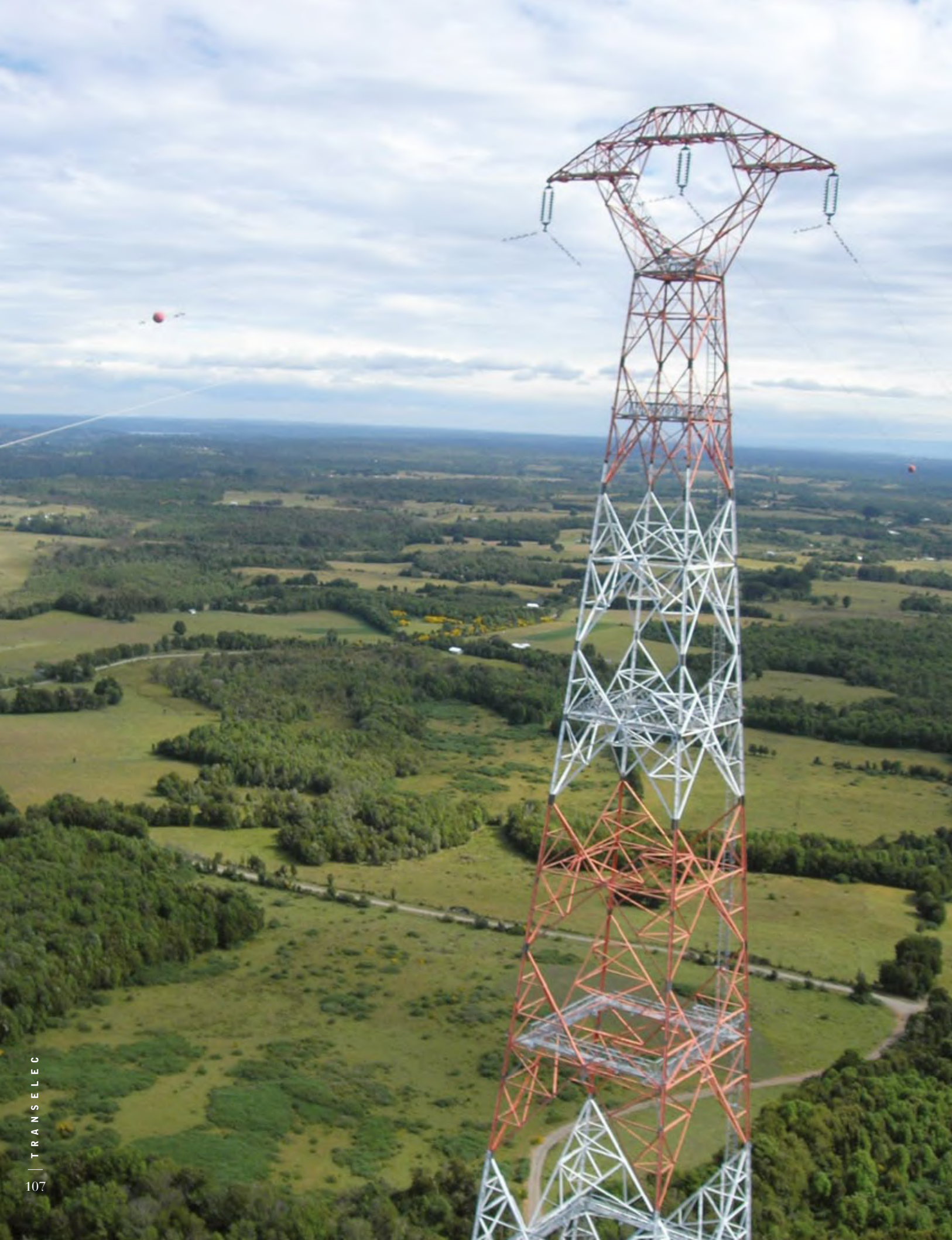
- RATIFICATION OF AGREEMENTS MADE BY THE BOARD OF DIRECTORS AT MEETING N° 92 IN CONFORMITY WITH ARTICLE TWENTY-EIGHT OF THE CORPORATION'S BYLAWS.

7) THE FOLLOWING MATERIAL FACT WAS REPORTED 3 MAY 2013 IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 9 AND THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, AS WELL AS THIS SUPERINTENDENCE'S GENERAL STANDARDS N° 30 AND N° 210:

ON THAT SAME DATE, TRANSELEC S.A. ISSUED Q SERIES BONDS IN THE LOCAL MARKET TO BE DEDUCTED FROM THE 30-YEAR TERM BONDS LINE REGISTERED UNDER N° 744 OF THE SECURITIES REGISTRAR FOR AN AMOUNT OF UF 3,100,000.







SAID BONDS WERE ISSUED FOR A TERM OF 29.5 YEARS, AT A 3.9500% COMPOUND ANNUAL RATE, WHICH IS SAY A BIENNIAL RATE OF 1.9559%, WITH TIR AMOUNTING TO 3.99% AND A SPREAD OF 127 BASIS POINTS.

THE PLACEMENT AGENTS FOR THIS OPERATION WERE BANCHILE CORREDORES DE BOLSA S.A. AND LARRAÍN VIAL S.A..

8) THE FOLLOWING MATERIAL FACT WAS REPORTED 9 MAY 2013 IN CONFORMITY WITH ARTICLE 9 AND THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

A SPECIAL SHAREHOLDERS MEETING WAS HELD 7 MAY 2013 AND THE FOLLOWING WAS AGREED:

- RATIFYING AGREEMENTS MADE BY THE CORPORATION'S BOARD OF DIRECTORS AT MEETING N° 92 HELD 20 MARCH 2013, REGARDING EXECUTION OF ALL NECESSARY ACTIONS IN ORDER TO FORMULATE DOCUMENTATION REQUIRED FOR ISSUING DEBT IN INTERNATIONAL MARKETS FOR A TOTAL AMOUNT OF AT LEAST 200,000,000 DOLLARS OF THE UNITED STATES OF AMERICA, WITH A MINIMUM MATURITY TERM OF 10 YEARS FROM THE RESPECTIVE DATE OF ISSUE.

- IN ADDITION, THOSE IN ATTENDANCE AT THE MEETING UNANIMOUSLY RATIFIED SPECIAL POWERS OF ATTORNEY GRANTED BY THE CORPORATION'S BOARD OF DIRECTORS FOR THE FORMULATION AND EXECUTION OF ACTS

AND CONTRACTS REQUIRED FOR THIS PURPOSE.

9) THE FOLLOWING MATERIAL FACT WAS REPORTED 24 MAY 2013 IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045: RICHARD LEGAULT WAS ELECTED TO BE CHAIRMAN OF THE TRANSELEC S.A. BOARD OF DIRECTORS AT A REGULAR MEETING HELD 23 MAY 2013.

10) THE FOLLOWING MATERIAL FACT WAS REPORTED 19 JUNE 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

TRANSELEC S.A. AGREED TO INDEPENDENTLY SUMMON A SPECIAL SHAREHOLDERS MEETING FOR FRIDAY, 21 JUNE 2013. THE PURPOSE OF THIS INDEPENDENT SUMMONS IS TO INFORM THE SHAREHOLDERS OF THE FOLLOWING AND REQUEST THEIR APPROVAL:

- INCREASING FEES PAID TO THE COMPANY'S DIRECTORS.

11) THE FOLLOWING MATERIAL FACT WAS REPORTED 24 JUNE 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

A SPECIAL SHAREHOLDERS MEETING WAS HELD 21 JUNE 2013 AND THE FOLLOWING WAS



AGREED:

- INCREASE DIRECTORS' FEES TO AN ANNUAL GROSS FIXED AMOUNT OF US\$ 70,000.

12) THE FOLLOWING MATERIAL FACT WAS REPORTED 23 JULY 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045 AND THIS SUPERINTENDENCE'S GENERAL STANDARDS N° 30 AND N° 210:

TRANSELEC S.A. ISSUED BONDS IN INTERNATIONAL MARKETS 23 JULY 2013 IN CONFORMITY WITH RULE 144A REGULATION S OF THE 1933 UNITED STATES SECURITIES ACT AMOUNTING TO USD 300,000,000 FOR A TERM OF 10 YEARS AND AT AN ANNUAL NOMINAL INTEREST RATE OF 4,625%. THE ACTUAL PLACEMENT RATE AMOUNTED TO 4.709%, WITH A SPREAD OVER UNITED STATES OF AMERICA TREASURY BONDS AMOUNTING TO 10 YEARS AT 2.20%. INTEREST WILL BE PAID BI-ANNUALLY AND CAPITAL WILL BE AMORTIZED INTO ONE PAYMENT UPON MATURITY. J.P. MORGAN SECURITIES LLC AND SCOTIA CAPITAL (USA) INC. ACTED AS PLACEMENT AGENTS FOR THIS ISSUING.

13) THE FOLLOWING MATERIAL FACT WAS REPORTED 24 JULY 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:  
TRANSELEC S.A. SHAREHOLDERS HAVE AGREED

TO INDEPENDENTLY SUMMON A SPECIAL SHAREHOLDERS MEETING FOR FRIDAY, 26 JULY 2013. THE PURPOSE OF THIS INDEPENDENT SUMMONS WAS TO INFORM SHAREHOLDERS AND REQUEST THEIR APPROVAL FOR THE FOLLOWING MATTERS:

- RATIFICATION OF AGREEMENTS MADE BY THE BOARD OF DIRECTORS AT SPECIAL MEETING N°96 HELD 22 JULY 2013 IN CONFORMITY WITH ARTICLE TWENTY-EIGHT OF THE CORPORATION'S BYLAWS.

14) AS OF 25 JULY 2013, IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045 AND GENERAL STANDARDS N° 30 AND N° 210, THE MATERIAL FACT PRESENTED BY TRANSELEC S.A. 23 JULY 2013 WAS COMPLEMENTED, ATTACHING THE "MATERIAL FACT FORM FOR ISSUING BONDS OVERSEAS" IN CONFORMITY WITH INSTRUCTIONS PROVIDED IN NEWSLETTER N° 1072.

THE ORIGINAL "MATERIAL FACT FORM FOR ISSUING BONDS OVERSEAS" DOCUMENT WAS SUBMITTED TO THE SUPERINTENDENCE 26 JULY 2013.

15) THE FOLLOWING MATERIAL FACT WAS REPORTED 29 JULY 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:







A SPECIAL SHAREHOLDERS MEETING WAS HELD 26 JULY 2013 AND THE FOLLOWING WAS AGREED:

- RATIFICATION OF AGREEMENTS MADE BY THE CORPORATION'S BOARD OF DIRECTORS AT SPECIAL MEETING N° 96 HELD 22 JULY 2013 IN ORDER TO AUTHORIZE THE FINAL AMOUNT TO BE ISSUED IN DOLLARS OF THE UNITED STATES OF AMERICA IN INTERNATIONAL MARKETS FOR A TOTAL AMOUNT OF US\$ 300,000,000.

- EXPRESS RATIFICATION OF THE CORPORATION'S DEBT AND ALL ACTS FOR THE SIGNING OF PUBLIC AND PRIVATE DOCUMENTS REQUIRED IN ORDER TO COMPLETE THE AFOREMENTIONED ISSUING IN INTERNATIONAL MARKETS, EXECUTED BY THE COMPANY'S ATTORNEYS-IN-FACT.

16) THE FOLLOWING MATERIAL FACT WAS REPORTED 22 AUGUST 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045 AND THIS SUPERINTENDENCE'S NEWSLETTER N° 660:

DISTRIBUTION OF AN INTERIM DIVIDEND WAS AGREED AT A REGULAR BOARD OF DIRECTORS MEETING HELD 21 AUGUST 2013. THIS DIVIDEND AMOUNTS TO CLP 31,871,411,198 AND IS TO BE DEDUCTED FROM THE 2013 FISCAL YEAR. IT WILL BE PAID 25 SEPTEMBER 2013 TO SHAREHOLDERS REGISTERED IN THE CORRESPONDING SHAREHOLDERS REGISTRAR UP TO 13 SEPTEMBER 2013.

17) THE FOLLOWING MATERIAL FACT WAS REPORTED 21 NOVEMBER 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, SUPERINTENDENCE OF SECURITIES AND INSURANCE GENERAL STANDARDS N° 30 AND N° 210:

THE TRANSELEC S.A. BOARD OF DIRECTORS ACKNOWLEDGED MR. BRUCE HOGG'S RESIGNATION FROM HIS POSITION AS DIRECTOR FOR THE COMPANY AT A MEETING HELD 20 NOVEMBER 2013. IN ADDITION, THE BOARD OF DIRECTORS AGREED TO APPOINT MR. ALFREDO ERGAS AS A REGULAR DIRECTOR FOR THE COMPANY AND MR. ETIENNE MIDDLETON AS HIS ALTERNATE DIRECTOR.

18) THE FOLLOWING MATERIAL FACT WAS REPORTED 21 NOVEMBER 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, AND SUPERINTENDENCE OF SECURITIES AND INSURANCE NEWSLETTER N° 660:

DISTRIBUTION OF AN INTERIM DIVIDEND WAS AGREED AT A REGULAR BOARD OF DIRECTORS MEETING HELD 20 NOVEMBER 2013. THIS DIVIDEND AMOUNTS TO CLP 10.311.065.696 AND IS TO BE DEDUCTED FROM THE 2013 FISCAL YEAR. IT WILL BE PAID 19 DECEMBER 2013 TO SHAREHOLDERS REGISTERED IN THE CORRESPONDING SHAREHOLDERS REGISTRAR



UP TO 12 DECEMBER 2013.

PROFIT SHARING FORM N° 1 WAS ATTACHED IN ACCORDANCE WITH THE AFOREMENTIONED NEWSLETTER.

19) THE FOLLOWING MATERIAL FACT WAS REPORTED 22 NOVEMBER 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, AND SUPERINTENDENCE OF SECURITIES AND INSURANCE GENERAL STANDARDS N° 30 AND N° 210:

RECTIFICATION OF THE MATERIAL FACT REPORTED THROUGH SEIL TO THAT SUPERINTENDENCE 21 NOVEMBER 2013, UNDER THE IDENTIFICATION CODE ASSIGNED BY SVS N° 2013110109836.

IT WAS CONSEQUENTLY REPORTED THAT THE TRANSELEC S.A. BOARD OF DIRECTORS ACKNOWLEDGED MR. BRUCE HOGG'S RESIGNATION FROM HIS POSITION AS REGULATOR DIRECTOR FOR THE COMPANY AT A MEETING HELD 20 NOVEMBER 2013, TOGETHER WITH MR. ETIENNE MIDDLETON'S RESIGNATION FROM HIS POSITION AS ALTERNATE DIRECTOR.

IN ADDITION, THE SUPERINTENDENCE OF SECURITIES AND INSURANCE WAS NOTIFIED THAT THE BOARD OF DIRECTORS HAD AGREED TO APPOINT MR. ALFREDO ERGAS AS ALTERNATE DIRECTOR UNTIL THE NEXT SHAREHOLDERS MEETING, WHEN THE ENTIRE BOARD OF

DIRECTORS WOULD BE RENEWED.

20) THE FOLLOWING MATERIAL FACT WAS REPORTED 25 NOVEMBER 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, AND SUPERINTENDENCE OF SECURITIES AND INSURANCE N° 30 AND N° 210:

RECTIFICATION OF THE MATERIAL FACT REPORTED THROUGH SEIL TO THAT SUPERINTENDENCE 21 NOVEMBER 2013, UNDER THE IDENTIFICATION CODE ASSIGNED BY SVS N° 2013110109958.

THE SUPERINTENDENT WAS CONSEQUENTLY INFORMED AT A REGULAR TRANSELEC S.A. BOARD OF DIRECTORS MEETING THAT DISTRIBUTION OF AN INTERIM DIVIDEND TO BE DEDUCTED FROM THE 2013 FISCAL YEAR AMOUNTING TO CLP 10,311,065,696 HAD BEEN AGREED. THIS DIVIDEND IS TO BE PAID STARTING 19 DECEMBER 2013 TO SHAREHOLDERS REGISTERED IN THE RESPECTIVE SHAREHOLDERS REGISTRAR UP TO 13 DECEMBER 2013.

PROFIT SHARING FORM N° 1 WAS ATTACHED IN ACCORDANCE WITH THE AFOREMENTIONED NEWSLETTER.

21) THE FOLLOWING MATERIAL FACT WAS REPORTED 27 DECEMBER 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:







TRANSELEC S.A. SHAREHOLDERS HAVE AGREED TO INDEPENDENTLY SUMMON A SPECIAL SHAREHOLDERS MEETING WEDNESDAY, 22 JANUARY 2014 AT 9:00 AM AT THE CORPORATION'S OFFICES LOCATED AT AV. APOQUINDO 3721, 6TH FLOOR, LAS CONDES DISTRICT.

THE PURPOSE OF THIS INDEPENDENT SUMMONS IS TO INFORM THE SHAREHOLDERS OF THE FOLLOWING AND REQUEST THEIR APPROVAL:

- MAKE AN OFFICIAL DECISION REGARDING THE CORPORATION'S PROPOSED CAPITAL REDUCTION FOR AN AMOUNT EQUIVALENT TO 150,000,000 DOLLARS OF THE UNITED STATES OF AMERICA IN CHILEAN PESOS. THIS WILL BE USED TO MATERIALIZE AND RATIFY AGREEMENTS MADE BY THE TRANSELEC S.A. BOARD OF DIRECTORS AT MEETING N°101 HELD 20 NOVEMBER 2013.

#### **TRANSELEC NORTE S.A.**

1) THE FOLLOWING MATERIAL FACT WAS REPORTED 21 MARCH 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

AT A MEETING HELD 20 MARCH 2013, THE TRANSELEC NORTE S.A. BOARD OF DIRECTORS AGREED TO SUMMON A REGULAR SHAREHOLDERS MEETING 26 APRIL 2013 IN ORDER TO INFORM THE SHAREHOLDERS REGARDING THE FOLLOWING MATTERS AND TO

REQUEST THEIR APPROVAL:

1. ANNUAL REPORT, BALANCE SHEET, FINANCIAL STATEMENTS AND EXTERNAL AUDITORS REPORT CORRESPONDING TO THE FISCAL YEAR ENDING 31 DECEMBER 2012.
2. FINAL PROFIT SHARING.
3. PROFIT SHARING POLICY AND INFORMATION ABOUT PAYMENT PROCEDURES.
4. APPOINTMENT OF EXTERNAL AUDITORS.
5. NEWSPAPER TO BE USED FOR THE PUBLICATION OF SHAREHOLDER MEETING SUMMONS.
6. OTHER MATTERS OF INTEREST FOR THE COMPANY AND WITHIN THE SHAREHOLDERS' COMPETENCY.

2) IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF LAW N° 18,045, THE MATERIAL FACT SENT 21 MARCH 2013 WAS COMPLEMENTED 22 MARCH 2013 REGARDING THE REGULAR SHAREHOLDERS MEETING.

THIS COMPLEMENT WAS PROVIDED IN ORDER TO SPECIFY THE FOLLOWING:

1. THE COMPANY WILL PUBLISH AN INTEGRAL COPY OF ITS BALANCE SHEET, FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE FISCAL YEAR ENDING 31 DECEMBER 2012 AND



THE EXTERNAL AUDITORS REPORT AT WWW. TRANSELEC.CL AS OF 2 APRIL 2013 FOR ITS SHAREHOLDERS.

2. IN ADDITION, THE UNDERLYING BASIS FOR EXTERNAL AUDITORS' OPINIONS TO BE PROPOSED AT THE SHAREHOLDERS MEETING WILL BE PUBLISHED AND MADE AVAILABLE TO ITS SHAREHOLDERS ON THE CORPORATION'S WEBPAGE, WWW.TRANSELEC.CL AS OF 2 APRIL 2013.

3. IT WAS AGREED THAT SHAREHOLDERS REGISTERED IN THE CORPORATION'S SHAREHOLDERS REGISTRAR AT LEAST FIVE BUSINESS DAYS BEFORE THE DATE OF THE MEETING, WHICH IS TO SAY 19 APRIL 2013 AT MIDNIGHT, WILL BE ENTITLED TO ATTEND, SPEAK AND VOTE AT THE MEETING.

4. VERIFICATION OF PROXIES, IF APPLICABLE, WILL BE EXECUTED AT THE DATE THE MEETING IS HELD AND UP UNTIL THE EXACT MOMENT WHEN THE MEETING STARTS.

3) THE FOLLOWING MATERIAL FACT WAS REPORTED 30 APRIL 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045:

AT A REGULAR SHAREHOLDERS MEETING HELD 26 APRIL 2013, THE FOLLOWING MATTERS WERE AGREED:

1. APPROVING THE ANNUAL REPORT, BALANCE SHEET, FINANCIAL STATEMENTS AND EXTERNAL

AUDITORS REPORT CORRESPONDING TO THE FISCAL YEAR ENDING 31 DECEMBER 2012.

2. APPROVING FINAL PROFIT SHARING AMOUNTING TO US\$ 4,570,608.39 FOR 2012. THIS WILL BE PAID TO SHAREHOLDERS REGISTERED IN THE RESPECTIVE REGISTRAR 18 MAY 2013 STARTING 26 MAY 2013.

3. THE COMPANY'S PROFIT SHARING POLICY FOR 2013 WAS APPROVED.

4. THE BOARD OF DIRECTORS WAS RENEWED AS FOLLOWS: MR. RICHARD LEGAULT AS DIRECTOR AND MR. FELIPE PINEL AS HIS RESPECTIVE ACTING DIRECTOR; MR. BRUCE HOGG AS DIRECTOR AND MR. ETIENNE MIDDLETON AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. PATRICK CHARBONNEAU AS DIRECTOR AND MR. PAUL DUFRESNE AS HIS RESPECTIVE ALTERNATE DIRECTOR; MS. BRENDA EATON AS DIRECTOR AND MR. JERRY DIVOKY AS HER RESPECTIVE ALTERNATE DIRECTOR; MR. BRUNO PHILIPPI IRARRÁZABAL AS DIRECTOR AND MR. ENRIQUE MUNITA LUCO AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. MARIO VALCARCE DURÁN AS DIRECTOR AND MR. JUAN JOSÉ EYZAGUIRRE LIRA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. BLAS TOMIC ERRÁZURIZ AS DIRECTOR AND MR. FEDERICO GREBE LIRA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. JOSÉ RAMÓN VALENTE VIAS AS DIRECTOR AND MR. JUAN PAULO BAMBACH SALVATORE AS HIS RESPECTIVE ALTERNATE DIRECTOR, Y MR. ALEJANDRO JADRESIC MARINOVIC AS DIRECTOR AND MR. JUAN IRARRÁZABAL COVARRUBIAS AS HIS







RESPECTIVE ALTERNATE DIRECTOR.

5. IT WAS AGREED THAT THE FIRM ERNST & YOUNG WOULD BE APPOINTED TO BE THE COMPANY'S EXTERNAL AUDITORS FOR THE 2013 FISCAL YEAR.

6. THE OFFICIAL GAZETTE WAS APPROVED FOR PUBLICATION OF SHAREHOLDER MEETING SUMMONS.

4) THE FOLLOWING MATERIAL FACT WAS REPORTED 23 MAY 2013, IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045: RICHARD LEGAULT WAS ELECTED TO BE CHAIRMAN OF THE TRANSELEC S.A. BOARD OF DIRECTORS AT A REGULAR TRANSELEC NORTE S.A. MEETING HELD 23 MAY 2013.

5) THE FOLLOWING MATERIAL FACT WAS REPORTED 21 NOVEMBER 2013, IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045, AND SUPERINTENDENCE OF SECURITIES AND INSURANCE GENERAL STANDARDS N° 30 AND N° 210:

THE TRANSELEC NORTE S.A. BOARD OF DIRECTORS ACKNOWLEDGED MR. BRUCE HOGG'S RESIGNATION FROM HIS POSITION AS DIRECTOR FOR THE COMPANY AT A MEETING HELD 20 NOVEMBER 2013. IN ADDITION, THE BOARD OF DIRECTORS AGREED TO APPOINT MR.

ALFREDO ERGAS AS A REGULAR DIRECTOR FOR THE COMPANY AND MR. ETIENNE MIDDLETON AS HIS ALTERNATE DIRECTOR.

6) THE FOLLOWING MATERIAL FACT WAS REPORTED 22 NOVEMBER 2013 IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE 9 AND IN THE SECOND PARAGRAPH OF ARTICLE 10 OF SECURITIES MARKET LAW N° 18,045: SUPERINTENDENCE OF SECURITIES AND INSURANCE GENERAL STANDARDS N° 30 AND N° 210:

RECTIFICATION OF THE MATERIAL FACT REPORTED THROUGH SEIL TO THAT SUPERINTENDENCE 21 NOVEMBER 2013, UNDER THE IDENTIFICATION CODE ASSIGNED BY SVS N° 2013110109847.

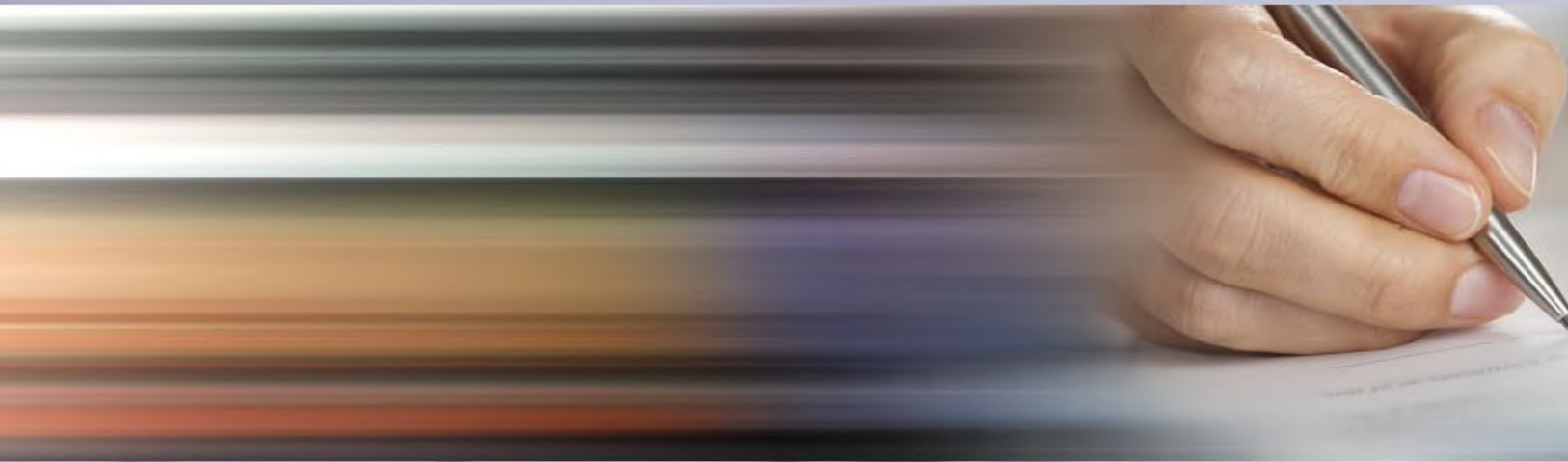
IT WAS CONSEQUENTLY REPORTED THAT THE TRANSELEC NORTE S.A. BOARD OF DIRECTORS ACKNOWLEDGED MR. BRUCE HOGG'S RESIGNATION FROM HIS POSITION AS REGULATOR DIRECTOR FOR THE COMPANY AT A MEETING HELD 20 NOVEMBER 2013, TOGETHER WITH MR. ETIENNE MIDDLETON'S RESIGNATION FROM HIS POSITION AS ALTERNATE DIRECTOR.

IN ADDITION, THIS SUPERINTENDENCE WAS INFORMED THAT AT THIS SAME SESSION THE BOARD OF DIRECTORS AGREED TO APPOINT MR. ALFREDO ERGAS AS REPLACEMENT DIRECTOR UNTIL THE NEXT REGULAR SHAREHOLDERS MEETING, WHEN THE ENTIRE BOARD OF DIRECTORS WILL BE RENEWED.



07

## LEGAL INCORPORATION AND



# AMENDMENTS





## 07 LEGAL INCORPORATION AND AMENDMENTS

TRANSELEC S.A. IS AN OPEN STOCK CORPORATION FOUNDED FOR AN INDEFINITE PERIOD THAT WAS ORIGINALLY FOUNDED AS A LIMITED LIABILITY COMPANY WITH THE FIRM NAME “RENTAS ELÉCTRICAS III LIMITADA”, BY PUBLIC DEED DATED 6 JUNE 2006 GRANTED AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN TOLEDO. THE EXTRACT CORRESPONDING TO ITS INCORPORATION IS REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO, SHEET 22,031, N° 15,264 CORRESPONDING TO THE YEAR 2006, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 38,485 DATED 9 JUNE 2006.

THE ASSIGNMENT OF RIGHTS AND ACTIONS FOR THE CORPORATION WAS EXECUTED BY MEANS OF PUBLIC DEED DATED 15 JUNE 2006 GRANTED AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN TOLEDO, WITH THE CORPORATIONS RENTAS ELÉCTRICAS I LIMITADA AND RENTAS ELÉCTRICAS II LIMITADA ESTABLISHED AS PARTNERS. IN ADDITION, THE CORPORATION'S SHARE CAPITAL WAS INCREASED AND ITS ADMINISTRATION WAS CHANGED. THE EXTRACT CORRESPONDING TO THIS CORPORATE MODIFICATION IS REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO, SHEET 25,168, N° 17,510 CORRESPONDING TO THE YEAR 2006, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 38,501 DATED 30 JUNE 2006. THE AFOREMENTIONED AMENDMENT EXTRACT WAS CORRECTED AND REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE

OFFICIAL PROPERTY REGISTRY OF SANTIAGO, SHEET 28,355, N° 19,800 CORRESPONDING TO THE YEAR 2006, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 38,518 DATED 20 JULY 2006.

BY MEANS OF PUBLIC DEED DATED 26 MARCH 2007 GRANTED AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN TOLEDO, THE CORPORATION BECAME AN OPEN STOCK CORPORATION WITH THE FIRM NAME “RENTAS ELÉCTRICAS III S.A.”. THE EXTRACT CORRESPONDING TO THIS CORPORATE TRANSFORMATION IS REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO, SHEET 12,696, N° 9,344 CORRESPONDING TO THE YEAR 2007, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 38,727 DATED 30 MARCH 2007.

IT WAS AGREED AT THE COMPANY'S FIRST SPECIAL SHAREHOLDERS MEETING HELD 24 APRIL 2007 THAT THE COMPANY WOULD BE FOUNDED AS AN OPEN STOCK CORPORATION BY MEANS OF THE VOLUNTARY REGISTRATION OF THE COMPANY AND ITS SHARES IN THE SECURITIES REGISTRY OF THE SUPERINTENDENCE OF SECURITIES AND INSURANCE. THE MINUTES OF THIS FIRST SPECIAL SHAREHOLDERS MEETING WERE EXECUTED AS PUBLIC DEED DATED 25 APRIL 2007.

THE CORPORATION'S ARTICLES OF INCORPORATION WERE AMENDED AT THE SECOND SPECIAL SHAREHOLDERS MEETING HELD 30 JUNE 2007. THE FIRM NAME WAS CHANGED TO “TRANSELEC S.A.” AND A NEW







BOARD OF DIRECTORS WAS ELECTED. THE MINUTES OF THIS SECOND SPECIAL SHAREHOLDERS MEETING WERE EXECUTED AS PUBLIC DEED DATED 30 JUNE 2007 AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN TOLEDO. AN EXTRACT OF THIS REFORM WAS REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO, SHEET 27,530, N° 19,941 CORRESPONDING TO THE YEAR 2007, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 38,812 DATED 13 JULY 2007.

IN JUNE 2007, TRANSELEC S.A., TAX LIST NUMBER N° 76.555.400-4, ABSORBED TRANSELEC S.A., TAX LIST NUMBER N° 76.555.430-6, AS STATED IN PUBLIC DEED DATED 30 JUNE 2007, GRANTED AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN TOLEDO, AN EXTRACT OF WHICH WAS PUBLISHED IN SHEET 27,509, N° 19,936 CORRESPONDING TO THE YEAR 2007, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 38,812 DATED 13 JULY 2007.

IT WAS AGREED AT THE COMPANY'S THIRD SPECIAL SHAREHOLDERS MEETING HELD 4 APRIL 2008 THAT ACCORDING TO THE BARGAIN AND SALE CONTRACT DATED 30 JUNE 2006 BETWEEN HQ PUNO LTD. AND HYDRO-QUÉBEC INTERNATIONAL TRANSMISIÓN SUDAMÉRICA S.A. AND RENTAS ELÉCTRICAS IV LIMITADA, AND IN THE BARGAIN AND SALE CONTRACT DATED 27 JUNE 2006 BETWEEN IFC AND RENTAS ELÉCTRICAS IV LIMITADA, THAT THE AGREEMENT REGARDING IV ADJUSTMENT

BETWEEN TRANSELEC AND THE VENDORS SHOULD BE CORRECTED, AUTHORIZING TRANSELEC MANAGEMENT TO PROCEED TO PAY IV ADJUSTMENT, AMONG OTHER ISSUES.

IT WAS AGREED AT THE COMPANY'S FOURTH SPECIAL SHAREHOLDERS MEETING HELD 21 JULY 2008 THAT ALL MEMBERS OF THE BOARD OF DIRECTORS SHOULD BE RENOVATED, BOTH REGULAR AND ALTERNATE DIRECTORS. THE FOLLOWING PERSONS WERE ELECTED FOR THE POSITIONS OF DIRECTORS: JEFFREY BLIDNER, BRUNO GUILMETTE, SCOTT LAWRENCE, BRENDA EATON, FELIPE LAMARCA CLARO, JUAN ANDRÉS FONTAINE TALAVERA, BLAS TOMIC ERRÁZURIZ, JOSÉ RAMÓN VALENTE VÍAS AND ALEJANDRO JADRESIC MARINOVIC. THE FOLLOWING ALTERNATE DIRECTORS WERE ELECTED: DEREK PANNELL, PATRICK CHARBONNEAU, GRAEME BEVANS, RICHARD DINNENY, ENRIQUE MUNITA LUCO, JUAN JOSÉ EYZAGUIRRE LIRA, FEDERICO GREBE LIRA, JUAN PAULO BAMBACH SALVATORE AND JUAN IRARRÁZABAL COVARRUBIAS.

IT WAS AGREED AT THE COMPANY'S FIFTH SPECIAL SHAREHOLDERS MEETING HELD 16 OCTOBER 2008 THAT ALL ACTIONS BY TRANSELEC REPRESENTATIVES WHEN NEGOTIATING AND ISSUING THE COMMITTED CREDIT FACILITY WITH THE CORPBANCA AND SCOTIABANK SUDAMERICANO BANKS AMOUNTING TO UP TO UF3,206,453 SHOULD BE EXPRESSLY RATIFIED.

IT WAS AGREED AT THE COMPANY'S SIXTH SPECIAL SHAREHOLDERS MEETING HELD 3 JUNE 2009, THAT THE AGREEMENT REACHED BY



THE CORPORATION'S BOARD OF DIRECTORS REGARDING APPROVAL FOR THE ISSUING OF A LINE OF 10-YEAR BONDS AND ANOTHER LINE OF 30-YEAR BONDS SHOULD BE RATIFIED BY SIGNING THE RESPECTIVE BOND ISSUING CONTRACTS AND APPROVING THE COMPANY'S DEBT BY MEANS OF FUTURE ISSUING AND PLACING OF BONDS DEDUCTED FROM BOTH LINES, AMOUNTING TO UP TO UF20,000,000 EACH.

IT WAS AGREED AT THE COMPANY'S SEVENTH SPECIAL SHAREHOLDERS MEETING HELD 28 OCTOBER 2009, THAT ALL MEMBERS OF BOARD OF DIRECTORS SHOULD BE RENOVATED, BOTH REGULAR AND ALTERNATE DIRECTORS. THE FOLLOWING PERSONS WERE ELECTED FOR THE POSITIONS OF DIRECTORS: JEFFREY BLIDNER, BRUCE HOGG, PATRICK CHARBONNEAU, BRENDA EATON, FELIPE LAMARCA CLARO, JUAN ANDRÉS FONTAINE TALAVERA, BLAS TOMIC ERRÁZURIZ, JOSÉ RAMÓN VALENTE VÍAS Y ALEJANDRO JADRESIC MARINOVIC. THE FOLLOWING ALTERNATE DIRECTORS WERE ELECTED: THOMAS KELLER, GRAEME BEVANS, PAUL DUFRESNE, RICHARD DINNENY, ENRIQUE MUNITA LUCO, JUAN JOSÉ EYZAGUIRRE LIRA, FEDERICO GREBE LIRA, JUAN PAULO BAMBACH SALVATORE AND JUAN IRARRÁZABAL COVARRUBIAS.

IT WAS AGREED AT THE EIGHTH SPECIAL SHAREHOLDERS MEETING HELD 24 AUGUST 2010 THAT ALL MEMBERS OF THE BOARD OF DIRECTORS SHOULD BE RENOVATED, BOTH REGULAR AND ALTERNATE MEMBERS. THE

FOLLOWING PERSONS WERE ELECTED FOR THE POSITIONS OF DIRECTORS: JEFFREY BLIDNER, BRUCE HOGG, PATRICK CHARBONNEAU, BRENDA EATON, BRUNO PHILIPPI IRARRÁZABAL, MARIO VALCARCE DURÁN, BLAS TOMIC ERRÁZURIZ, JOSÉ RAMÓN VALENTE VIAS AND ALEJANDRO JADRESIC MARINOVIC. THE FOLLOWING ALTERNATE DIRECTORS WERE ELECTED: RICHARD LEGAULT, DANIEL FETTER, PAUL DUFRESNE, RICHARD DINNENY, ENRIQUE MUNITA LUCO, JUAN JOSÉ EYZAGUIRRE LIRA, FEDERICO GREBE LIRA, JUAN PAULO BAMBACH SALVATORE AND JUAN IRARRÁZABAL COVARRUBIAS.

IT WAS AGREED AT THE COMPANY'S NINTH SPECIAL SHAREHOLDERS MEETING HELD 21 OCTOBER 2010 THAT CORPORATION DEBT SHOULD BE APPROVED, BE IT IN UF, CHILEAN PESOS OR DOLLARS OF THE UNITED STATES OF AMERICA, BY TAKING OUT BANK LOANS AND/ OR ISSUING A COMBINATION OF BONDS AND BANK DEBT. THIS IS TO BE EXECUTED BY ISSUING BONDS CHARGED AGAINST REGISTERED LINES OF BONDS CURRENTLY IN FORCE, WHICH WILL BE ISSUED UNDER LAW NUMBER 18,045 OF 1981 AND ITS AMENDMENTS AND/OR IN THE UNITED STATES OF AMERICA (AS 144A OR REGISTERED UNDER THE SEC) AND/OR BY MEANS OF BANK LOANS, AS LONG AS THESE DO NOT EXCEED THE EQUIVALENT AMOUNT OF UF 10,000,000. IN ADDITION, THE BOARD OF DIRECTORS AGREED TO ENTITLE THE CORPORATION TO SET THE AMOUNTS, CHARACTERISTICS, OPPORTUNITIES, TERMS AND CONDITIONS SPECIFIC TO FUTURE ISSUING OF BONDS IN THE LOCAL MARKET OR IN







THE UNITED STATES, WHICH IN ALL CASES SHALL BE LIMITED TO THE MAXIMUM AUTHORIZED AMOUNTS AND CORRESPOND TO MARKET CONDITIONS AT THE TIME THESE ARE ISSUED.

IT WAS AGREED AT THE COMPANY'S TENTH SPECIAL SHAREHOLDERS MEETING HELD 24 MAY 2011 THAT PRICE LEVEL RESTATEMENT CORRESPONDING TO THE 2009 FISCAL YEAR AMOUNTED TO CLP 19,732,724,601. THE COMPANY'S BY-LAWS WERE THEREFORE MODIFIED AND ITS SHARE CAPITAL WAS INCREASED. THE MINUTES OF THIS ELEVENTH SPECIAL SHAREHOLDERS MEETING WERE EXECUTED AS PUBLIC DEED DATED 6 JUNE 2011 AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN TOLEDO. AN EXTRACT OF THIS REFORM WAS REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO, SHEET 33,736, N° 25,194 CORRESPONDING TO THE YEAR 2011, AND WAS PUBLISHED IN THE OFFICIAL GAZETTE N° 39,994 DATED 24 JUNE 2011.

IT WAS AGREED AT THE COMPANY'S ELEVENTH SPECIAL SHAREHOLDERS MEETING HELD 28 JUNE 2012 THAT RIGHTS OF REPRESENTATION WOULD BE GRANTED IN ORDER TO SIGN A REVOLVING CREDIT CONTRACT WITH SCOTIABANK, DNB NOR, BANK OF TOKYO-MITSUBISHI AND OTHER BANKS FOR AN AMOUNT UP TO 200 MILLION DOLLARS OF THE UNITED STATES OF AMERICA AND FOR THE MATERIALIZATION OF EVENTUAL FUTURE DISBURSEMENTS THAT COULD JOINTLY OR INDIVIDUALLY AMOUNT TO OR EXCEED

USD 100 MILLION. IN ADDITION, IT WAS AGREED THAT AGREEMENTS REACHED BY THE CORPORATION'S BOARD OF DIRECTORS AT SPECIAL MEETING N° 81 WOULD BE RATIFIED. THIS INCLUDES APPROVAL OF THE ISSUING OF TWO SERIES OF BONDS, RESPECTIVELY AMOUNTING TO 10 AND 30 YEARS, BY SIGNING BOND ISSUING CONTRACTS, AS WELL AS ANY CHANGES AND CLARIFICATIONS, TOGETHER WITH ALL RELATED ACTIONS AND CONTRACTS. LASTLY, THE SPECIAL RIGHTS OF REPRESENTATION GRANTED BY THE CORPORATION'S BOARD OF DIRECTORS IN ORDER TO ESTABLISH AMOUNTS, CHARACTERISTICS, OPPORTUNITIES, TERMS AND SPECIFIC CONDITIONS FOR THE FUTURE ISSUING OF BONDS TO BE CHARGED TO THE LINES REGISTERED IN THE SECURITIES REGISTRY OF THE SUPERINTENDENCE OF SECURITIES AND INSURANCE WERE RATIFIED AT THE MEETING.

IT WAS AGREED AT THE COMPANY'S TWELFTH SPECIAL SHAREHOLDERS MEETING HELD 30 AUGUST 2012 THAT A REQUEST TO INCREASE THE AMOUNT ESTABLISHED IN THE REVOLVING CREDIT CONTRACT SIGNED 9 JULY 2012 WITH SCOTIABANK SUDAMERICANO, DNB NOR, BANK OF TOKYO-MITSUBISHI AND OTHER BANKS FOR BETWEEN USD 180 MILLION TO USD 250 MILLION WAS TO BE APPROVED IN ACCORDANCE WITH THE TERMS ESTABLISHED IN SAID CONTRACT. IN ADDITION, IT WAS AGREED THAT RIGHTS OF REPRESENTATION WOULD BE GRANTED IN ORDER TO SIGN DOCUMENTATION ASSOCIATED TO THIS CREDIT AND DISBURSEMENTS TO BE MADE FOR THIS REASON.



IN ADDITION, IT WAS AGREED THAT ALL MEMBERS OF THE BOARD OF DIRECTORS, BOTH REGULAR AND ALTERNATE DIRECTORS, WERE TO BE DISMISSED. THE FOLLOWING PERSONS WERE ELECTED FOR THE POSITIONS OF DIRECTORS: MR. RICHARD LEGAULT AS REGULAR DIRECTOR AND MR. BENJAMIN VAUGHAN AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. BRUCE HOGG AS REGULAR DIRECTOR AND MR. ETIENNE MIDDLETON AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. PATRICK CHARBONNEAU AS REGULAR DIRECTOR AND MR. PAUL DUFRESNE AS HIS RESPECTIVE ALTERNATE DIRECTOR; MS. BRENDA EATON AS REGULAR DIRECTOR AND MR. JERRY DIVOKY AS HER RESPECTIVE ALTERNATE DIRECTOR; MR. BRUNO PHILIPPI IRARRÁZABAL AS REGULAR DIRECTOR AND MR. ENRIQUE MUNITA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. MARIO VALCARCE DURÁN AS REGULAR DIRECTOR AND MR. JUAN JOSÉ EYZAGUIRRE LIRA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. BLAS TOMIC ERRÁZURIZ AS REGULAR DIRECTOR AND MR. FEDERICO GREBE LIRA AS HIS RESPECTIVE ALTERNATE DIRECTOR; MR. JOSÉ RAMÓN VALENTE VÍAS AS REGULAR DIRECTOR AND MR. JUAN PAULO BAMBACH SALVATORE BENJAMIN VAUGHAN AS HIS RESPECTIVE ALTERNATE DIRECTOR, AND MR. ALEJANDRO JADRESIC MARINOVIC AS REGULAR DIRECTOR AND MR. JUAN IRARRÁZABAL COVARRUBIAS AS HIS RESPECTIVE ALTERNATE DIRECTOR.

IT WAS AGREED AT THE COMPANY'S THIRTEENTH SPECIAL SHAREHOLDERS MEETING HELD 5 DECEMBER 2012 THAT THE AGREEMENTS REACHED BY THE BOARD OF DIRECTORS

AT MEETING N°88 WOULD BE RATIFIED IN CONFORMITY WITH ARTICLE TWENTYEIGHT OF THE CORPORATION'S BY-LAWS, IN ORDER TO AUTHORIZE THE SALE OF ALL ASSETS CORRESPONDING TO THE CASERONES PROJECT AND THE TRANSFER AND SALE OF ALL CONTRACTS ASSOCIATED TO THE RELATED CORPORATION CYT OPERACIONES SPA, AS WELL AS THE SIGNING OF ALL OTHER CONTRACTS BETWEEN TRANSELEC S.A. AND CYT OPERACIONES SPA THAT MAY BE NECESSARY UNDER MARKET CONDITIONS.

IT WAS AGREED AT THE COMPANY'S FOURTEENTH SPECIAL SHAREHOLDERS MEETING HELD 25 JANUARY 2013 THAT SOME OR SEVERAL CREDIT LINE AGREEMENTS WOULD BE SIGNED WITH ONE OR MORE BANKS OPERATING IN CHILE FOR AN AMOUNT OF UP TO 150 MILLION DOLLARS OF THE UNITED STATES OF AMERICA, OR AN EQUIVALENT AMOUNT IN NATIONAL CURRENCY AT THE EXCHANGE RATE PUBLISHED BY THE CENTRAL BANK OF CHILE AT THE DATE OF THIS SPECIAL SHAREHOLDERS MEETING WITHIN A MAXIMUM TERM OF 180 DAYS. IN ADDITION, IT WAS AGREED THAT RIGHTS OF REPRESENTATION WOULD BE GRANTED TO MESSRS. ANDRÉS KUHLMANN JAHN, FRANCISCO CASTRO CRICHTON, ERIC AHUMADA GÓMEZ AND ARTURO LE BLANC SO THAT ANY TWO OF THE AFOREMENTIONED PERSONS ACTING TOGETHER COULD PROCEED TO SIGN THE CREDIT LINE AGREEMENT OR AGREEMENTS WITH ONE OR MORE BANKS OPERATING IN CHILE FOR A TOTAL AMOUNT OF UP TO 150 MILLION DOLLARS OF THE UNITED STATES OF AMERICA,







OR AN EQUIVALENT AMOUNT IN NATIONAL CURRENCY AT THE EXCHANGE RATE PUBLISHED BY THE CENTRAL BANK OF CHILE AT THE DATE OF THIS SPECIAL SHAREHOLDERS MEETING WITHIN A MAXIMUM TERM OF 180 DAYS. THESE PERSONS WERE SPECIFICALLY ENTITLED TO PROCEED TO SIGN DOCUMENTATION ASSOCIATED TO THE AFOREMENTIONED LOANS AND DISBURSEMENT MADE WITH RELATION TO THE SAME, AND TO SIGN THE CORRESPONDING PROMISSORY NOTES.

IT WAS AGREED AT THE COMPANY'S FIFTEENTH SPECIAL SHAREHOLDERS MEETING HELD 7 MAY JANUARY 2013 THAT AGREEMENTS MADE BY THE CORPORATION'S BOARD OF DIRECTORS AT ITS 92ND MEETING WOULD BE RATIFIED IN CONFORMITY WITH ARTICLE TWENTY-EIGHT OF THE CORPORATION'S BY-LAWS, IN THAT ALL ACTIONS RELATED TO THE FORMULATION OF DOCUMENTATION REQUIRED IN ORDER TO ISSUE DEBT IN INTERNATIONAL MARKETS WOULD BE AUTHORIZED FOR A TOTAL AMOUNT OF AT LEAST 200 MILLION DOLLARS OF THE UNITED STATES OF AMERICA WITH A MINIMUM MATURITY OF 10 YEARS AS OF THE DATE OF THE RESPECTIVE ISSUING. IN ADDITION, THOSE IN ATTENDANCE AT THE MEETING UNANIMOUSLY RATIFIED THE SPECIAL RIGHTS OF REPRESENTATION GRANTED BY THE CORPORATION'S BOARD OF DIRECTORS FOR THE FORMULATION AND EXECUTION OF THE ACTS AND CONTRACTS REQUIRED FOR THIS PURPOSE.

IT WAS AGREED AT THE COMPANY'S SIXTEENTH SPECIAL SHAREHOLDERS MEETING HELD 21 JUNE 2013 THAT ANNUAL COMPENSATION FOR DIRECTORS WOULD BE INCREASED FROM US\$ 70,000 TO A FIXED ANNUAL GROSS AMOUNT OF US\$ 90,000 STARTING IN THE THIRD QUARTER OF 2013.

IT WAS AGREED AT THE COMPANY'S SEVENTEENTH SPECIAL SHAREHOLDERS MEETING HELD 26 JULY 2013 THAT AGREEMENTS MADE BY THE CORPORATION'S BOARD OF DIRECTORS AT ITS 96TH MEETING WOULD BE RATIFIED IN CONFORMITY WITH ARTICLE TWENTY-EIGHT OF THE CORPORATION'S BY-LAWS IN ORDER TO AUTHORIZE THE FINAL AMOUNT FOR BONDS TO BE ISSUED IN DOLLARS OF THE UNITED STATES OF AMERICA IN INTERNATIONAL MARKETS FOR A TOTAL AMOUNT OF UP TO US\$ 300,000,000, WHICH IS TO BE USED EXCLUSIVELY FOR PROCUREMENT, GROWTH CAPEX AND/OR ADVANCE PAYMENT OF THE CORPORATION'S DEBT. IN ADDITION, THOSE IN ATTENDANCE AT THE MEETING UNANIMOUSLY RATIFIED CORPORATION INDEBTEDNESS AND ALL ACTS EXECUTED, TOGETHER WITH PUBLIC AND PRIVATE DOCUMENTS SIGNED IN ORDER TO ISSUE THE AFOREMENTIONED BONDS IN INTERNATIONAL MARKETS, AS WELL AS ALL SHARES, DEEDS, ADDITIONAL SUBMITTAL TO AND REGISTRATION WITH ALL OR ANY REGULATORY ENTITIES/ENTITY BY ANY OF THE CORPORATION'S REPRESENTATIVES FOR THIS PURPOSE.



## THE COMPANY'S HISTORICAL BACKGROUND

TRANSELEC S.A., FORMERLY KNOWN AS RENTAS ELÉCTRICAS III S.A., IS THE SUCCESSOR OF THE FOLLOWING COMPANIES WHOSE INCORPORATION, MERGERS OR TRANSFORMATION ARE SUMMARIZED AS FOLLOWS:

### **DISSOLUTION BY ABSORPTION OF COMPAÑÍA NACIONAL DE TRANSMISIÓN ELÉCTRICA S.A. INTO HQI TRANSELEC CHILE S.A.**

COMPAÑÍA NACIONAL DE TRANSMISIÓN ELÉCTRICA S.A. WAS DISSOLVED IN VIRTUE OF ARTICLE 103 N° 2 OF THE STOCK CORPORATIONS LAW 18,046, SINCE ALL OF ITS SHARES WERE CONCENTRATED IN THE POSSESSION OF HQI TRANSELEC CHILE S.A., THE COMPANY SUCCEEDING THE SAME. THIS DISSOLUTION WAS REPORTED AT BOARD OF DIRECTORS SESSION N° 113 ON 30 JANUARY 2001 AND EXECUTED AS PUBLIC DEED AT THAT SAME DATE AT THE SANTIAGO NOTARY OFFICE OWNED BY MR. FERNANDO OPAZO LARRAÍN. FIRM NAME CHANGED FROM HQI TRANSELEC CHILE S.A. TO TRANSELEC S.A. THE FIRM NAME WAS CHANGED FROM HQI TRANSELEC CHILE S.A., TAX LIST NUMBER 77.498.870-K TO TRANSELEC S.A., WITH THE SAME TAX LIST NUMBER, AT THE 8TH SPECIAL SHAREHOLDERS MEETING FOR THE HQI TRANSELEC CHILE S.A. CORPORATION HELD 16 AUGUST 2006 AND EXECUTED AS PUBLIC DEED 23 AUGUST THAT SAME YEAR AT THE SANTIAGO NOTARY OFFICE OWNED BY MR. IVÁN TAMARGO BARROS, WHEN THE CORPORATION'S NAME WAS CHANGED TO TRANSELEC S.A.

### **DISSOLUTION BY ABSORPTION OF TRANSELEC S.A. INTO NUEVA TRANSELEC S.A.**

SUBSEQUENTLY, AT TRANSELEC S.A. BOARD OF DIRECTORS SESSION NUMBER 101, HELD 30 NOVEMBER 2006, THE AFOREMENTIONED CORPORATION WAS DECLARED TO BE DISSOLVED BY ABSORPTION, SINCE THE SHARES WERE IN POSSESSION OF NUEVA TRANSELEC S.A., TAX LIST NUMBER 76.555.430-6, WHICH WAS EXECUTED AS PUBLIC DEED AT THE SAME DATE AT THE NOTARY OFFICE OWNED BY MR. IVÁN TAMARGO BARROS. THE EXTRACT WAS PUBLISHED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO SHEET 49,292, N° 35,195 CORRESPONDING TO THE YEAR 2006. THIS CONFIRMED CORPORATION DISSOLUTION AND A NOTE WAS MADE REGARDING THE SAME IN THE MARGIN OF THE COMPANY INCORPORATION RECORDS. THIS WAS PUBLISHED IN THE OFFICIAL GAZETTE DATED 6 DECEMBER 2006.

### **FIRM NAME CHANGED FROM NUEVA TRANSELEC S.A. TO TRANSELEC S.A.**

IT WAS AGREED AT THE CORPORATION'S 3RD SPECIAL SHAREHOLDERS MEETING HELD 30 NOVEMBER 2006 THAT THE FIRM NAME NUEVA TRANSELEC S.A. WOULD BE CHANGED TO TRANSELEC S.A., TAX LIST NUMBER 76.555.430- 6. THIS WAS EXECUTED AS PUBLIC DEED THAT SAME DAY AT THE NOTARY OFFICE OWNED BY EXTRACT OF THE SAME WAS PUBLISHED IN THE BUSINESS









REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO IN SHEET 49,963, N° 35,710 CORRESPONDING TO THE YEAR 2006. THIS CONFIRMED THE FIRM NAME CHANGE AND A NOTE WAS MADE REGARDING THE SAME IN THE MARGIN OF THE COMPANY'S INCORPORATION RECORDS. THIS WAS PUBLISHED IN THE OFFICIAL GAZETTE DATED 9 DECEMBER 2006.

**DISSOLUTION BY ABSORPTION OF TRANSELEC S.A. INTO RENTAS ELÉCTRICAS III S.A.**

THE MINUTES OF THE 16TH TRANSELEC S.A.'S SPECIAL SHAREHOLDERS MEETING HELD 6 JUNE 2007 WERE EXECUTED AS PUBLIC DEED DATED 30 JUNE 2007 GRANTED AT THE SANTIAGO NOTARY OFFICE OWNED BY MS. MARÍA GLORIA ACHARÁN T., REPORTING DISSOLUTION BY THE ABSORPTION OF TRANSELEC S.A., TAX LIST NUMBER 76.555.430-6 BY RENTAS ELÉCTRICAS III S.A., TAX LIST NUMBER 76.555.400-4, SINCE THE LATTER HAD PURCHASED ALL OF THE CORPORATION'S SHARES. THE 16TH TRANSELEC S.A. SPECIAL BOARD OF DIRECTORS MEETING WAS EXECUTED AS PUBLIC DEED AND REGISTERED IN THE BUSINESS REGISTRY OF THE REAL ESTATE OFFICIAL PROPERTY REGISTRY OF SANTIAGO IN SHEET 27,509, N° 19,936 CORRESPONDING TO THE YEAR 2007 AND WAS PUBLISHED IN THE OFFICIAL GAZETTE DATED 13 JULY 2007. THE MINUTES OF THE 5TH RENTAS ELÉCTRICAS III S.A.'S SPECIAL BOARD OF DIRECTORS MEETING HELD THAT

SAME DATE ANNOUNCING DISSOLUTION DUE TO THE ABSORPTION OF TRANSELEC S.A. TAX LIST NUMBER 76.555.430-6, BY RENTAS ELÉCTRICAS III S.A., TAX LIST NUMBER 76.555.400-4, SINCE THE SAME HAD PURCHASED ALL OF THE CORPORATION'S SHARES, WERE EXECUTED AS PUBLIC DEED DATED 30 JUNE 2007. RENTAS ELÉCTRICAS III S.A. DECLARES THAT IT IS THE LEGAL SUCCESSOR OF TRANSELEC S.A., ASSUMING ITS RIGHTS AND OBLIGATIONS AND DECLARING TO BE JOINTLY RESPONSIBLE FOR TAXES OWED OR WHICH MAY BE OWED.

# 08 TRANSELEC NORTE S.A.







**IDENTIFICATION**

Name: Transelec Norte S.A.

Corporate Registration: Business Registry Of The Real Estate Official Property Registry Of Santiago, Sheet 14,386, N° 11018, 2003.

Tax List Number: 99.521.950-6

Domicile: Avenida Apoquindo N° 3721, 6Th Floor, Las Condes, Santiago. (\*)

Legal Nature: Open Stock Corporation

Subscribed Capital: Usd 30,005,000

Paid-In Capital: Usd 30,005,000

(\*) Transelec Norte S.A. offices will be located at Orinoco 90, 14th floor, Las Condes starting in April.

**CORPORATE PURPOSE**

THE COMPANY'S EXCLUSIVE PURPOSE IS TO EXPLOIT AND DEVELOP ELECTRICAL SYSTEMS DESIGNED FOR THE TRANSPORT OR TRANSMISSION OF ELECTRICAL ENERGY AND OWNED BY TRANSELEC NORTE OR BY THIRD PARTIES. FOR THIS PURPOSE, THE COMPANY SHALL BE ENTITLED TO OBTAIN, PURCHASE AND OPERATE RESPECTIVE CONCESSIONS AND PERMITS AND TO EXERCISE ALL RIGHTS AND AUTHORITIES GRANTED TO POWER COMPANIES BY CURRENT LEGISLATION. THE CORPORATE PURPOSE INCLUDES COMMERCIALIZATION OF POWER LINE TRANSPORT CAPACITY, SUBSTATION TRANSFORMATION AND ASSOCIATED EQUIPMENT IN ORDER FOR BOTH DOMESTIC AND FOREIGN POWER PLANTS TO TRANSMIT ELECTRICAL ENERGY PRODUCED BY THE SAME AND TO REACH THEIR POWER CONSUMPTION CENTERS.

IN ADDITION, TRANSELEC NORTE PROVIDES CONSULTING SERVICES TO ENGINEERING AND MANAGEMENT DIVISIONS OF COMPANIES RELATED TO ITS EXCLUSIVE PURPOSE. THE COMPANY ALSO PERFORMS OTHER COMMERCIAL AND INDUSTRIAL ACTIVITIES RELATED TO THE HARNESSING OF ELECTRICITY TRANSMISSION INFRASTRUCTURE. IN KEEPING WITH ITS CORPORATE PURPOSE, THE CORPORATION IS ENTITLED TO ACT DIRECTLY OR BY MEANS OF ITS SUBSIDIARIES OR ASSOCIATED CORPORATIONS IN CHILE AND ABROAD. TRANSELEC NORTE CONDUCTS ELECTRICITY TRANSMISSION ACTIVITIES, ESPECIALLY IN THE FAR NORTH INTERCONNECTED SYSTEM, SING.

**CAPITAL**

TRANSELEC NORTE CAPITAL IS DIVIDED INTO 750,125 SHARES. 750,050 OF THESE WERE SUBSCRIBED AND PAID IN BY TRANSELEC S.A., AMOUNTING TO 99.99% OF THE CORPORATION'S SHARE CAPITAL, WHILE 75 SHARES WERE SUBSCRIBED AND PAID IN BY TRANSELEC HOLDINGS RENTAS LIMITADA, AMOUNTING TO 0.01% OF THE CORPORATION'S SHARE CAPITAL.

THEREFORE, AS OF 31 DECEMBER 2011, THE CORPORATION'S OVERALL PAID SHARE CAPITAL CAME TO 30,005,000 DOLLARS OF THE UNITED STATES OF AMERICA (USD).

**BOARD OF DIRECTORS**

THE TRANSELEC NORTE BOARD OF DIRECTORS







IS MADE UP OF NINE CHILEAN AND CANADIAN DIRECTORS AND THEIR RESPECTIVE ALTERNATE DIRECTORS, WHO SHALL REMAIN IN THESE POSITIONS FOR A PERIOD OF TWO YEARS AND SHALL BE ELIGIBLE FOR REELECTION. THE CHAIRMAN IS APPOINTED BY THE DIRECTORS CHOSEN AT THE SHAREHOLDERS MEETING.

THE BOARD OF DIRECTORS IS PRESENTLY MADE UP OF DIRECTORS RICHARD LEGAULT, PATRICK CHARBONNEAU, BRENDA EATON, BRUNO PHILIPPI IRARRÁZABAL, MARIO VALCARCE DURÁN, BLAS TOMIC ERRÁZURIZ, JOSÉ RAMÓN VALENTE VÍAS, ALEJANDRO JADRESIC MARINOVIC, AND REPLACEMENT DIRECTOR ALFREDO ERGAS, AND BY THEIR RESPECTIVE ALTERNATE DIRECTORS FELIPE PINEL, PAUL DUFRESNE, JERRY DIVOKY, ENRIQUE MUNITA LUCO, JUAN JOSÉ EYZAGUIRRE LIRA, FEDERICO GREBE LIRA, JUAN PAULO BAMBACH SALVATORE AND JUAN IRARRÁZABAL COVARRUBIAS.

#### **CHAIRMAN**

**RICHARD LEGAULT**

#### **DIRECTORS**

**PATRICK CHARBONNEAU**  
**BRENDA EATON**  
**MARIO VALCARCE DURAN**  
**JOSÉ RAMÓN VALENTE VÍAS**  
**BRUNO PHILIPPI IRARRÁZABAL**  
**BLAS TOMIC ERRÁZURIZ**  
**ALEJANDRO JADRESIC MARINOVIC**  
**ALFREDO ERGAS**



## SECRETARY OF THE BOARD OF DIRECTORS

### ARTURO LE BLANC CERDA

#### MANAGEMENT TEAM

AS OF 31 DECEMBER 2011, THE TRANSELEC NORTE MANAGEMENT GROUP WAS MADE UP OF LEADING EXECUTIVES IN EACH OF THEIR AREAS OF EXPERTISE, FEATURING OUTSTANDING TRACK RECORDS IN THE POWER SECTOR:

#### MAIN EXECUTIVES

### ANDRÉS KUHLMANN JAHN

GENERAL MANAGER  
CIVIL INDUSTRIAL ENGINEER PONTIFICIA  
UNIVERSIDAD CATÓLICA DE CHILE  
TAX ID NUMBER 6.554.568-3

### ALEXANDROS SEMERTZAKIS PANDOLFI

VICE PRESIDENT OF ENGINEERING AND  
CONSTRUCTION CIVIL ENGINEER UNIVERSIDAD  
DE SANTIAGO POSTGRADUATE DEGREE IN  
ADMINISTRATION, UNIVERSIDAD ADOLFO  
IBÁÑEZ  
TAX ID NUMBER 7.053358-8

### RODRIGO LÓPEZ VERGARA

VICE PRESIDENT OF OPERATIONS CIVIL  
ELECTRICAL ENGINEER UNIVERSIDAD DE CHILE  
MBA UNIVERSIDAD ADOLFO IBÁÑEZ  
TAX ID NUMBER 7.518.088-8

### ARTURO LE BLANC CERDA

VICE PRESIDENT OF LEGAL AFFAIRS AND  
PROSECUTOR ATTORNEY UNIVERSIDAD DE  
CHILE  
LLM UNIVERSIDAD DE DUKE  
TAX ID NUMBER 10.601.441-8

#### COMMERCIAL RELATIONS WITH TRANSELEC S.A.

TRANSELEC NORTE SIGNED A GENERAL  
SERVICES PROVISION CONTRACT WITH  
TRANSELEC S.A. FOR THE OPERATION AND  
MAINTENANCE OF TRANSELEC NORTE  
FACILITIES. IN ADDITION, THIS CONTRACT  
FEATURES A SERIES OF ADMINISTRATIVE  
SERVICES INCLUDING TREASURY, ACCOUNTING,  
INFORMATION TECHNOLOGY, LEGAL, TAX  
AND COMMERCIAL CONSULTING DUTIES,  
AMONG OTHERS.

09

# FINANCIAL STATEMENTS







# **TRANSELEC S.A. AND SUBSIDIARIES**

**Santiago, Chile**

**As of December 31, 2013 and  
December 31, 2012**

**(Translation of the Financial Statements originally  
issued in Spanish)**

**US\$ : US Dollars**

**ThUS\$ : Thousands of US Dollars**

**\$ : Chilean Pesos**

**UF : Unidades de Fomento**

**ThCh\$ : Thousands of Chilean Pesos**



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## **INDEPENDENT AUDITOR'S REPORT**

**(TRANSLATION OF THE REPORT ORIGINALLY ISSUED IN SPANISH)**

SHAREHOLDERS AND DIRECTORS

TRANSELEC S.A.

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS OF TRANSELEC S.A. AND SUBSIDIARIES, WHICH COMPRISE THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND 2012, AND THE RELATED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, CHANGES IN SHAREHOLDERS' EQUITY, AND CASH FLOWS FOR THE YEARS THEN ENDED, AND THE RELATED NOTES TO THE FINANCIAL STATEMENTS.

### **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS. THIS RESPONSIBILITY INCLUDES THE DESIGN, IMPLEMENTATION, AND MAINTENANCE OF INTERNAL CONTROL RELEVANT TO THE PREPARATION AND FAIR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS THAT ARE FREE FROM MATERIAL MISSTATEMENT, WHETHER DUE TO FRAUD OR ERROR.

### **AUDITOR'S RESPONSIBILITY**

OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE CONSOLIDATED FINANCIAL STATEMENTS BASED ON OUR AUDITS. WE CONDUCTED OUR AUDITS IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN CHILE. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE CONSOLIDATED FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT.

AN AUDIT INVOLVES PERFORMING PROCEDURES TO OBTAIN AUDIT EVIDENCE ABOUT THE AMOUNTS AND DISCLOSURES IN THE CONSOLIDATED FINANCIAL STATEMENTS. THE PROCEDURES SELECTED DEPEND ON THE AUDITOR'S JUDGMENT, INCLUDING THE ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS, WHETHER DUE TO FRAUD OR ERROR. IN MAKING THOSE RISK ASSESSMENTS, THE AUDITOR CONSIDERS INTERNAL CONTROL RELEVANT TO THE ENTITY'S PREPARATION AND FAIR PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ORDER TO DESIGN AUDIT PROCEDURES THAT ARE APPROPRIATE IN THE CIRCUMSTANCES, BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL. ACCORDINGLY, WE EXPRESS NO SUCH OPINION. AN AUDIT ALSO INCLUDES EVALUATING THE APPROPRIATENESS OF ACCOUNTING POLICIES USED AND THE REASONABLENESS OF SIGNIFICANT ACCOUNTING ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.

WE BELIEVE THAT THE AUDIT EVIDENCE WE HAVE OBTAINED IS SUFFICIENT AND APPROPRIATE TO PROVIDE A BASIS FOR OUR AUDIT OPINION.

### **OPINION**

IN OUR OPINION, THE CONSOLIDATED FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF TRANSELEC S.A. AND SUBSIDIARIES AS OF DECEMBER 31, 2013 AND 2012, AND THE RESULTS OF THEIR OPERATIONS AND THEIR CASH FLOWS FOR THE YEARS THEN ENDED, IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS.

OSCAR GÁLVEZ

SANTIAGO, CHILE, FEBRUARY 26, 2014

ERNST & YOUNG LTDA.



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of december 31, 2013 and 2012

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

(Translation of financial statements originally issued in spanish-see note 2.1)

<b>ASSETS</b>	<b>NOTE</b>	<b>December 31, 2013 ThCh\$</b>	<b>December 31, 2012 ThCh\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	52,421,991	37,955,954
Other financial assets	9	846,299	669,329
Other non-financial assets	-	8,992,031	8,566,618
Trade and other receivables	6	62,150,784	49,387,085
Receivables from related parties	7	84,160,856	92,649,357
Inventory	8	23,059	28,301
Current tax assets	-	855,741	142,823
<b>TOTAL CURRENT ASSETS</b>		<b>209,450,761</b>	<b>189,399,467</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	9	11,021,506	10,552,218
Other non-financial assets	-	36,655,699	26,429,971
Receivables from related parties	7	163,321,244	69,581,888
Intangible assets other than goodwill	10	159,218,351	153,819,655
Goodwill	10	342,214,791	341,932,540
Property, plant and equipment	11	1,255,377,289	1,192,304,899
Deferred tax assets	12	2,121,696	15,608,137
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,969,930,576</b>	<b>1,810,229,308</b>
<b>TOTAL ASSETS</b>		<b>2,179,381,337</b>	<b>1,999,628,775</b>

TRANSELEC S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of december 31, 2013 and 2012  
(Expressed in thousands of chilean pesos (ThCh\$))  
(Translation of financial statements originally issued in spanish-see note 2.1)

EQUITY AND LIABILITIES	NOTE	December 31, 2013 ThCh\$	December 31, 2012 ThCh\$
CURRENT LIABILITIES			
Other financial liabilities	13	167,464,383	66,944,053
Trade and other payables	14	72,573,645	89,427,302
Current provisions for employee benefits	17	7,683,227	6,833,923
Other non-financial liabilities	-	1,117,476	15,014,843
<b>TOTAL CURRENT LIABILITIES</b>		<b>248,838,731</b>	<b>178,220,121</b>
NON-CURRENT LIABILITIES			
Other financial liabilities	13	983,286,832	892,127,370
Payables to related parties	7	40,343,274	36,947,376
Deferred tax liabilities	12	9,257,520	8,199,053
Non-current provisions for employee benefits	17	3,491,273	3,237,935
Other non-financial liabilities	-	7,068,059	3,925,430
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,043,446,958</b>	<b>944,437,164</b>
<b>TOTAL LIABILITIES</b>		<b>1,292,285,689</b>	<b>1,122,657,285</b>
EQUITY			
Paid-in capital	19	857,944,548	857,944,548
Retained earnings	-	22,367,938	17,200,259
Other reserves	19	6,779,254	1,823,280
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>887,091,740</b>	<b>876,968,087</b>
Non-controlling interest	-	3,908	3,403
<b>TOTAL EQUITY</b>		<b>887,095,648</b>	<b>876,971,490</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,179,381,337</b>	<b>1,999,628,775</b>

TRANSELEC S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2013 and 2012  
(Expressed in thousands of Chilean pesos (ThCh\$))  
(Translation of financial statements originally issued in Spanish-See Note 2.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION	NOTE	2013 ThCh\$	2012 ThCh\$
Operating revenues	20	219,948,737	213,492,394
Cost of sales	21	(71,986,332)	(82,065,448)
<b>GROSS MARGIN</b>		<b>147,962,405</b>	<b>131,426,946</b>
Administrative expenses	21	(14,742,036)	(13,560,853)
Other gains (losses), net	20	3,616,801	3,779,694
Financial income	20	10,868,623	5,044,168
Financial expenses	21	(48,473,429)	(37,252,682)
Foreign exchange differences, net	21	(2,945,257)	(380,033)
Gain (loss) for indexed assets and liabilities	21	(17,256,864)	(18,799,768)
<b>PROFIT BEFORE INCOME TAXES</b>		<b>79,030,243</b>	<b>70,257,472</b>
Income tax expense	22	(14,422,841)	(8,508,157)
Profit from continuing operations	-	64,607,402	61,749,315
Profit (loss) from discontinued operations	-	-	-
<b>PROFIT (LOSS)</b>	<b>-</b>	<b>64,607,402</b>	<b>61,749,315</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO:</b>			
Profit attributable to owners of the parent	-	64,606,859	61,749,093
Profit (loss) attributable to non – controlling interest	-	543	222
<b>PROFIT</b>		<b>64,607,402</b>	<b>61,749,315</b>
<b>EARNINGS PER SHARE</b>			
<b>BASIC EARNINGS PER SHARE/DILUTED</b>			
Basic earnings per share/diluted from continuing operations	23	64,607	61,749
Basic earnings (loss) per share/diluted from discontinued operations	-	-	-
<b>BASIC EARNINGS PER SHARE/DILUTED</b>	<b>23</b>	<b>64.607</b>	<b>61.749</b>

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



TRANSELEC S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2013 and 2012  
(Expressed in thousands of Chilean pesos (ThCh\$))  
(Translation of financial statements originally issued in Spanish-See Note 2.1)

PROFIT (LOSS)	2013 ThCh\$	2012 ThCh\$
Components of other comprehensive income, before taxes	64,607,402	61,749,315
Foreign Currency Translation	-	-
Gains (losses) on foreign currency translation differences, before taxes	3,249,083	856,318
<b>CASH FLOW HEDGES</b>		
GAINS (LOSSES) ON CASH FLOW HEDGES, BEFORE TAXES	2,945,885	31,083
<b>INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME</b>		
Income taxes related to components of net investment hedge	(649,817)	(217,971)
Income taxes related to components of cash flow hedge	(589,177)	(1,260)
Other comprehensive income	4,955,974	668,170
Total comprehensive income	69,563,376	62,417,485
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Comprehensive income attributable to owners of the parent	69,562,833	62,417,263
Comprehensive income attributable to non-controlling interest	543	222
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>69,563,376</b>	<b>62,417,485</b>

TRANSELEC S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013  
(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\$	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, 2013	857,944,548	1,930,573	(107,293)	1,823,280	17,200,259	876,968,087	3,403	876,971,490
Changes in equity:								
Comprehensive income:	-	-	-	-	-	-	-	-
Profit	-	-	-	-	64,606,859	64,606,859	543	64,607,402
Other comprehensive income	-	2,599,267	2,356,707	4,955,974	-	4,955,974	-	4,955,974
Total comprehensive income	-	2,599,267	2,356,707	4,955,974	64,606,859	69,562,833	543	69,563,376
Dividends	-	-	-	-	(59,064,477)	(59,064,477)	-	(59,064,477)
Increase (decrease) from transfers and other changes	-	-	-	-	(374,703)	(374,703)	(38)	(374,741)
<b>TOTAL CHANGES IN EQUITY</b>	<b>-</b>	<b>2,599,267</b>	<b>2,356,707</b>	<b>4,955,974</b>	<b>5,167,679</b>	<b>10,123,653</b>	<b>505</b>	<b>10,124,158</b>
<b>CLOSING BALANCE AS OF DECEMBER 31, 2013 (NOTE 19)</b>	<b>857,944,548</b>	<b>4,529,840</b>	<b>2,249,414</b>	<b>6,779,254</b>	<b>22,367,938</b>	<b>887,091,740</b>	<b>3,908</b>	<b>887,095,648</b>

	PAID-IN CAPITAL ThCh\$	RESERVE FOR FOREIGN TRANSLATION ADJUSTMENT ThCh\$	RESERVE FOR CASH FLOW HEDGES 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, 2012	857,944,548	1,292,225	(137,115)	1,155,110	61,938,528	921,038,186	3,633	921,041,819
Changes in equity:								
Comprehensive income:	-	-	-	-	-	-	-	-
Profit	-	-	-	-	61,749,093	61,749,093	222	61,749,315
Other comprehensive income	-	638,348	29,822	668,170	-	668,170	-	668,170
Total comprehensive income	-	638,348	29,822	668,170	61,749,093	62,417,263	222	62,417,485
Dividends	-	-	-	-	(106,805,778)	(106,805,778)	-	(106,805,778)
Increase (decrease) from transfers and other changes	-	-	-	-	318,416	318,416	(452)	317,964
<b>TOTAL CHANGES IN EQUITY</b>	<b>-</b>	<b>638,348</b>	<b>29,822</b>	<b>668,170</b>	<b>(44,738,269)</b>	<b>(44,070,099)</b>	<b>(230)</b>	<b>(44,070,329)</b>
<b>CLOSING BALANCE AS OF DECEMBER 31, 2012 (NOTE 19)</b>	<b>857,944,548</b>	<b>1,930,573</b>	<b>(107,293)</b>	<b>1,823,280</b>	<b>17,200,259</b>	<b>876,968,087</b>	<b>3,403</b>	<b>876,971,490</b>

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

TRANSELEC S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2013  
(Expressed in thousands of Chilean pesos (ThCh\$))  
(Translation of financial statements originally issued in Spanish-See Note 2.1)

DIRECT STATEMENT OF CASH FLOWS	2013 ThCh\$	2012 ThCh\$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CLASSES OF RECEIPTS FROM OPERATING ACTIVITIES		
Cash receipts from sales of goods and services	265,198,808	273,222,873
Other proceeds from operating activities	10,219,015	2,296,943
CLASSES OF PAYMENTS		
Payments to suppliers for goods and services	(83,080,094)	(57,781,924)
Payments to employees	(15,535,356)	(16,506,327)
Other payments for operating activities	-	(12,760,980)
Interest paid	(40,683,436)	(36,212,662)
Income taxes paid	(932,667)	(654,893)
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>135,186,270</b>	<b>151,603,030</b>
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	-	(22,266,784)
Additions of property, plant and equipment	77,465,769	16,368,120
Additions of property, plant and equipment	(98,222,861)	(102,798,093)
Cash advances and loans to third parties	(23,150,123)	(15,488,100)
Loans to related parties	(171,465,339)	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(215,372,554)</b>	<b>(124,184,857)</b>
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from short and long term loans	339,508,871	57,002,400
Loans paid	(185,628,451)	-
Dividends paid	(59,064,700)	(106,805,778)
Payment of loans to related parties	-	(3,870,835)
Other paid	(163,399)	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>94,652,321</b>	<b>(53,674,213)</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,466,037	(26,256,040)
Cash and Cash Equivalents, at the beginning of the year (Note 5)	37,955,954	64,211,994
<b>CASH AND CASH EQUIVALENTS, AT THE ENDING OF THE YEAR (NOTE 5)</b>	<b>52,421,991</b>	<b>37,955,954</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

**NOTE 1 - GENERAL INFORMATION**

RENTAS ELÉCTRICAS III LIMITADA WAS FORMED AS A LIMITED LIABILITY COMPANY BY PUBLIC DEED ON JUNE 6, 2006. ON MARCH 26, 2007, IT CHANGED ITS NAME TO RENTAS ELÉCTRICAS III S.A. AND BECAME A CORPORATION. ACCORDING TO PUBLIC DEED DATED MAY 9, 2007, THE COMPANY ACQUIRED 100 SHARES OWNED BY TRANSELEC HOLDINGS RENTAS LIMITADA, CORRESPONDING TO 0.01% OF THE SHARE CAPITAL OF TRANSELEC S.A. (FORMERLY NUEVA TRANSELEC S.A.), LEAVING THE COMPANY WITH 100% OWNERSHIP. THUS, THE MERGER TOOK PLACE BY ABSORPTION, AND THE ASSETS, LIABILITIES, RIGHTS AND OBLIGATIONS OF TRANSELEC S.A. (FORMERLY NUEVA TRANSELEC S.A.) PASSED TO THE COMPANY. IN THIS WAY, THE COMPANY DIRECTLY ASSUMED OPERATION OF THE ELECTRICITY TRANSMISSION BUSINESS PREVIOUSLY CONDUCTED BY THE AFOREMENTIONED SUBSIDIARY. ON JUNE 30, 2007, RENTAS ELÉCTRICAS III S.A. CHANGED ITS NAME TO ITS CURRENT NAME, TRANSELEC S.A. (HERE AND AFTER "THE COMPANY" OR "TRANSELEC").

ON MAY 16, 2007, THE COMPANY WAS LISTED UNDER NUMBER 974 IN THE SECURITIES REGISTRY OF THE CHILEAN SUPERINTENDENCY OF SECURITIES AND INSURANCE (SVS) AND IS SUBJECT TO THE SUPERVISION OF THE SVS. SIMULTANEOUSLY, IT REGISTERED 1,000,000 SHARES, WHICH CORRESPONDS TO THE TOTAL NUMBER OF SHARES ISSUED, SUBSCRIBED AND FULLY PAID.

THE COMPANY IS DOMICILED AT AV. APOQUINDO NO. 3721, FLOOR 6, LAS CONDES, SANTIAGO, CHILE. ITS SUBSIDIARY, TRANSELEC NORTE S.A., IS A CORPORATION DOMICILED AT AV. APOQUINDO NO. 3721, FLOOR 6, LAS CONDES, SANTIAGO, CHILE. THE SUBSIDIARY IS REGISTERED IN THE SECURITIES REGISTER OF THE SUPERINTENDENCY OF SECURITIES AND INSURANCE (SVS) UNDER NO. 939.

THE COMPANY'S ANOTHER SUBSIDIARY INVERSIONES ELÉCTRICAS TRANSAM CHILE LTDA. IS A LIMITED LIABILITY COMPANY THAT HAS THREE SUBSIDIARIES: TRANSMISORA HUEPIL LTDA., TRANSMISORA ABENOR LTDA., AND TRANSMISORA ARAUCANA DE ELECTRICIDAD LTDA. THE RIGHTS IN INVERSIONES ELÉCTRICAS TRANSAM CHILE LTDA. WERE ACQUIRED IN DECEMBER 2012. THE SUBSIDIARY IS DOMICILED AT AV. APOQUINDO NO. 3721, FLOOR 6, LAS CONDES, SANTIAGO, CHILE.

THE COMPANY HAS THE EXCLUSIVE OBJECTIVE OF OPERATING AND DEVELOPING ELECTRICITY SYSTEMS OWNED BY THE COMPANY OR BY THIRD PARTIES DESIGNED TO TRANSPORT OR TRANSMIT ELECTRICITY AND MAY, FOR THESE PURPOSES, OBTAIN, ACQUIRE AND USE THE RESPECTIVE CONCESSIONS AND PERMITS AND EXERCISE ALL OF THE RIGHTS AND POWERS THAT CURRENT LEGISLATION CONFERS ON ELECTRIC COMPANIES. ITS LINE OF BUSINESS INCLUDES: COMMERCIALIZING THE TRANSPORT CAPACITY OF LINES AND TRANSFORMATION CAPACITY OF SUBSTATIONS AND EQUIPMENT ASSOCIATED WITH THEM SO THAT GENERATING PLANTS, BOTH CHILEAN AND FOREIGN, MAY TRANSMIT THE ELECTRICITY THEY PRODUCE TO THEIR CONSUMPTION CENTERS; PROVIDING ENGINEERING OR MANAGEMENT CONSULTING SERVICES RELATED TO THE COMPANY'S LINE OF BUSINESS; AND DEVELOPING OTHER BUSINESS AND INDUSTRIAL ACTIVITIES TO USE ELECTRICITY TRANSMISSION FACILITIES. THE COMPANY MAY ACT DIRECTLY OR THROUGH SUBSIDIARIES OR AFFILIATES, BOTH IN CHILE AND ABROAD.

THE COMPANY IS CONTROLLED DIRECTLY BY TRANSELEC HOLDINGS RENTAS LIMITADA AND INDIRECTLY BY ETC HOLDINGS LTD.

THESE CONSOLIDATED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS IN ORDINARY MEETING NO.105 HELD ON FEBRUARY 27, 2014.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

THE PRINCIPAL ACCOUNTING POLICIES APPLIED IN PREPARING THESE CONSOLIDATED FINANCIAL STATEMENTS ARE DETAILED BELOW. THESE POLICIES HAVE BEEN BASED ON IFRS IN EFFECT AS OF DECEMBER 31, 2013 AND APPLIED UNIFORMLY FOR THE YEARS PRESENTED.

TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012  
(Translation of financial statements originally issued in Spanish-See Note 2.1)

### 2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

THESE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB), CONSIDERING THE PRESENTATION REQUIREMENTS OF THE SVS, WHICH ARE NOT IN CONFLICT WITH IFRS.

THE FIGURES IN THESE FINANCIAL STATEMENTS AND THEIR NOTES ARE EXPRESSED IN THOUSANDS OF CHILEAN PESOS, WHICH IS THE FUNCTIONAL CURRENCY OF THE COMPANY.

FOR THE CONVENIENCE OF THE READER, THESE CONSOLIDATED FINANCIAL STATEMENTS AND THEIR ACCOMPANYING NOTES HAVE BEEN TRANSLATED FROM SPANISH TO ENGLISH.

IN PREPARING THESE FINANCIAL STATEMENTS, CERTAIN CRITICAL ACCOUNTING ESTIMATES HAVE BEEN USED TO QUANTIFY SOME ASSETS, LIABILITIES, INCOME AND EXPENSES. MANAGEMENT WAS ALSO REQUIRED TO EXERCISE JUDGMENT IN APPLYING TRANSELEC'S ACCOUNTING POLICIES. AREAS INVOLVING A GREATER DEGREE OF JUDGMENT OR COMPLEXITY OR AREAS IN WHICH ASSUMPTIONS AND ESTIMATES ARE SIGNIFICANT FOR THESE FINANCIAL STATEMENTS ARE DESCRIBED IN NOTE 4.

THE INFORMATION CONTAINED IN THESE FINANCIAL STATEMENTS IS THE RESPONSIBILITY OF THE COMPANY'S MANAGEMENT.

THE ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS ARE CONSISTENT WITH THOSE APPLIED IN THE PREPARATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2012, EXCEPT FOR THE ADOPTION OF NEW STANDARDS AND INTERPRETATIONS IN EFFECT AS OF JANUARY 1, 2013.

THE GROUP APPLIES, FOR THE FIRST TIME, CERTAIN STANDARDS AND AMENDMENTS THAT REQUIRE – IN PRINCIPLE – RESTATEMENT OF PREVIOUS FINANCIAL STATEMENTS. THESE INCLUDE IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS", IFRS 11 "JOINT ARRANGEMENTS", IAS 19 (REVISED 2011) "EMPLOYEE BENEFITS", ETC. IN THE COMPANY'S CASE THESE NEW RULES HAD NO IMPACT REQUIRING THE RESTATEMENT OF THE PREVIOUSLY ISSUED FINANCIAL STATEMENTS. SEVERAL OTHER NEW STANDARDS AND AMENDMENTS APPLY FOR THE FIRST TIME IN 2013, HOWEVER THEY DO NOT IMPACT THE PREVIOUSLY ISSUED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY OR THESE CONSOLIDATED FINANCIAL STATEMENTS. THE NATURE AND THE IMPACT OF THOSE CHANGES ARE DESCRIBED BELOW.

### IAS 1 - PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

THE AMENDMENTS TO IAS 1 INTRODUCE A GROUPING OF ITEMS PRESENTED IN OTHER COMPREHENSIVE INCOME (OCI). ITEMS THAT COULD BE RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE (E.G., NET GAIN ON HEDGE OF NET INVESTMENT, EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS, NET MOVEMENT ON CASH FLOW HEDGES AND NET LOSS OR GAIN ON AVAILABLE-FOR-SALE INVESTMENTS) NOW HAVE TO BE PRESENTED SEPARATELY FROM ITEMS THAT WILL NEVER BE RECLASSIFIED (E.G., ACTUARIAL GAINS AND LOSSES ON DEFINED BENEFIT PLANS AND REVALUATION OF LAND AND BUILDINGS). THE AMENDMENT AFFECTED PRESENTATION ONLY AND HAD NO IMPACT ON THE FINANCIAL POSITION OF THE COMPANY, IN WHICH CASE ALL ITEMS PRESENTED IN OTHER COMPREHENSIVE INCOME COULD BE RECLASSIFIED TO INCOME IN THE FUTURE.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

**2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****IAS 1 - CLARIFICATION OF THE REQUIREMENT FOR COMPARATIVE INFORMATION**

THE AMENDMENT TO IAS 1 CLARIFIES THE DIFFERENCE BETWEEN VOLUNTARY ADDITIONAL COMPARATIVE INFORMATION AND THE MINIMUM REQUIRED COMPARATIVE INFORMATION. AN ENTITY MUST INCLUDE COMPARATIVE INFORMATION IN THE RELATED NOTES TO THE FINANCIAL STATEMENTS WHEN IT VOLUNTARILY PROVIDES COMPARATIVE INFORMATION BEYOND THE MINIMUM REQUIRED COMPARATIVE PERIOD.

AN OPENING STATEMENT OF FINANCIAL POSITION (KNOWN AS THE 'THIRD BALANCE SHEET') MUST BE PRESENTED WHEN AN ENTITY APPLIES AN ACCOUNTING POLICY RETROSPECTIVELY, MAKES RETROSPECTIVE RESTATEMENTS, OR RECLASSIFIES ITEMS IN ITS FINANCIAL STATEMENTS, PROVIDED ANY OF THOSE CHANGES HAS A MATERIAL EFFECT ON THE STATEMENT OF FINANCIAL POSITION AT THE BEGINNING OF THE PRECEDING PERIOD. THE AMENDMENT CLARIFIES THAT A THIRD BALANCE SHEET DOES NOT HAVE TO BE ACCOMPANIED BY COMPARATIVE INFORMATION IN THE RELATED NOTES.

THIS AMENDMENT DID NOT HAVE IMPACT ON THE COMPANY'S FINANCIAL STATEMENTS.

**IAS 32 - TAX EFFECTS OF DISTRIBUTIONS TO HOLDERS OF EQUITY INSTRUMENTS**

THE AMENDMENT TO IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION" CLARIFIES THAT INCOME TAXES ARISING FROM DISTRIBUTIONS TO EQUITY HOLDERS ARE ACCOUNTED FOR IN ACCORDANCE WITH IAS 12 "INCOME TAXES". THE AMENDMENT REMOVES EXISTING INCOME TAX REQUIREMENTS FROM IAS 32 AND REQUIRES ENTITIES TO APPLY THE REQUIREMENTS IN IAS 12 TO ANY INCOME TAX ARISING FROM DISTRIBUTIONS TO EQUITY HOLDERS. THE AMENDMENT DID NOT HAVE AN IMPACT ON THE COMPANY'S FINANCIAL STATEMENTS.

**IAS 19 "EMPLOYEE BENEFITS" (REVISED 2011) (IAS 19R)**

IAS 19R INCLUDES A NUMBER OF AMENDMENTS TO THE ACCOUNTING FOR DEFINED BENEFIT PLANS, INCLUDING (1) THAT ACTUARIAL GAINS AND LOSSES ARE NOW RECOGNIZED IN OTHER COMPREHENSIVE INCOME AND PERMANENTLY EXCLUDED FROM PROFIT AND LOSS; (2) THAT EXPECTED RETURNS ON PLAN ASSETS ARE NO LONGER RECOGNIZED IN PROFIT OR LOSS, INSTEAD, THERE IS A REQUIREMENT TO RECOGNIZE INTEREST ON THE NET DEFINED BENEFIT LIABILITY (ASSET) IN PROFIT OR LOSS, CALCULATED USING THE DISCOUNT RATE USED TO MEASURE THE DEFINED BENEFIT OBLIGATION, ETC. OTHER AMENDMENTS INCLUDE NEW DISCLOSURES, SUCH AS, QUANTITATIVE SENSITIVITY DISCLOSURES.

IN THE CASE OF THE COMPANY, CHANGES HAD NO IMPACT ON PRIOR FINANCIAL STATEMENTS OR THE FINANCIAL STATEMENTS AS IN RECENT YEARS NO ACTUARIAL GAIN OR LOSS WERE RECOGNIZED IN INCOME AND PREVIOUS ACCUMULATED EFFECT WAS RECLASSIFIED TO RETAINED EARNINGS IN ACCORDANCE WITH PARAGRAPH 122 OF IAS 19R. IN THE FUTURE ACTUARIAL GAINS AND LOSSES WILL BE RECOGNIZED IN OTHER COMPREHENSIVE INCOME.

**IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS" AND IAS 27 "SEPARATE FINANCIAL STATEMENTS"**

IFRS 10 ESTABLISHES A SINGLE CONTROL MODEL THAT APPLIES TO ALL ENTITIES INCLUDING SPECIAL PURPOSE ENTITIES.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

**2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

IFRS 10 REPLACES THE PARTS OF PREVIOUSLY EXISTING IAS 27 “CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS” THAT DEALT WITH CONSOLIDATED FINANCIAL STATEMENTS AND SIC-12 “CONSOLIDATION – SPECIAL PURPOSE ENTITIES”. IFRS 10 CHANGES THE DEFINITION OF CONTROL SUCH THAT AN INVESTOR CONTROLS AN INVESTEE WHEN IT IS EXPOSED, OR HAS RIGHTS, TO VARIABLE RETURNS FROM ITS INVOLVEMENT WITH THE INVESTEE AND HAS THE ABILITY TO AFFECT THOSE RETURNS THROUGH ITS POWER OVER THE INVESTEE. TO MEET THE DEFINITION OF CONTROL IN IFRS 10, ALL THREE CRITERIA MUST BE MET, INCLUDING: (A) AN INVESTOR HAS POWER OVER AN INVESTEE; (B) THE INVESTOR HAS EXPOSURE, OR RIGHTS, TO VARIABLE RETURNS FROM ITS INVOLVEMENT WITH THE INVESTEE; AND (C) THE INVESTOR HAS THE ABILITY TO USE ITS POWER OVER THE INVESTEE TO AFFECT THE AMOUNT OF THE INVESTOR’S RETURNS. IFRS 10 HAD NO IMPACT ON THE CONSOLIDATION OF INVESTMENTS HELD BY THE COMPANY.

**IFRS 11 “JOINT ARRANGEMENTS” AND IAS 28 “INVESTMENT IN ASSOCIATES AND JOINT VENTURES”**

IFRS 11 REPLACES IAS 31 “INTERESTS IN JOINT VENTURES” AND SIC-13 “JOINTLY-CONTROLLED ENTITIES — NON-MONETARY CONTRIBUTIONS BY VENTURE’S”. IFRS 11 REMOVES THE OPTION TO ACCOUNT FOR JOINTLY CONTROLLED ENTITIES (JCES) USING PROPORTIONATE CONSOLIDATION. INSTEAD, JCES THAT MEET THE DEFINITION OF A JOINT VENTURE UNDER IFRS 11 MUST BE ACCOUNTED FOR USING THE EQUITY METHOD. THE APPLICATION OF IFRS 11 HAD NO IMPACT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS.

**IFRS 12 “DISCLOSURE OF INTERESTS IN OTHER ENTITIES”**

IFRS 12 SETS OUT THE REQUIREMENTS FOR DISCLOSURES RELATING TO AN ENTITY’S INTERESTS IN SUBSIDIARIES, JOINT ARRANGEMENTS, ASSOCIATES AND STRUCTURED ENTITIES. THE INFORMATION ABOUT INTEREST IN OTHER ENTITIES IS DISCLOSED IN NOTE 2.3.

**IFRS 13 “FAIR VALUE MEASUREMENT”**

IFRS 13 ESTABLISHES A SINGLE SOURCE OF GUIDANCE UNDER IFRS FOR ALL FAIR VALUE MEASUREMENTS. IFRS 13 DOES NOT CHANGE WHEN AN ENTITY IS REQUIRED TO USE FAIR VALUE, BUT RATHER PROVIDES GUIDANCE ON HOW TO MEASURE FAIR VALUE UNDER IFRS WHEN FAIR VALUE IS REQUIRED OR PERMITTED. THE APPLICATION OF IFRS 13 HAS NOT MATERIALLY IMPACTED THE FAIR VALUE MEASUREMENTS CARRIED OUT BY THE COMPANY. IFRS 13 ALSO REQUIRES SPECIFIC DISCLOSURES ON FAIR VALUES, SOME OF WHICH REPLACE EXISTING DISCLOSURE REQUIREMENTS IN OTHER STANDARDS, INCLUDING IFRS 7 “FINANCIAL INSTRUMENTS: DISCLOSURES”. THESE DISCLOSURES ARE FOUND IN NOTE 15.

**2.2 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

BELOW IS A SUMMARY OF NEW STANDARDS AND AMENDMENTS TO IFRS ISSUED BY THE IASB THAT ARE NOT YET EFFECTIVE AS OF DECEMBER 31, 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

### NEW STANDARDS

#### IFRS 9 “FINANCIAL INSTRUMENTS”

THIS STANDARD INTRODUCES NEW REQUIREMENTS FOR CLASSIFYING AND MEASURING FINANCIAL ASSETS, ALLOWING EARLY APPLICATION. IT REQUIRES ALL FINANCIAL ASSETS TO BE CLASSIFIED IN ITS ENTIRETY ON THE BASIS OF THE BUSINESS MODEL OF THE ENTITY FOR THE MANAGEMENT OF FINANCIAL ASSETS AND CHARACTERISTICS OF THE CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS.

FINANCIAL ASSETS UNDER THIS STANDARD ARE EITHER MEASURED AT AMORTIZED COST OR FAIR VALUE. ONLY ASSETS CLASSIFIED AS MEASURED AT AMORTIZED COST SHALL BE TESTED FOR IMPAIRMENT. THE EFFECTIVE DATE FOR IFRS 9 IS NOT DEFINED, ALTHOUGH EARLY ADOPTION IS PERMITTED.

TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

#### IFRIC 21 “LEVIES”

IFRIC 21 IS AN INTERPRETATION OF IAS 37 “PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS” AND WAS ISSUED IN MAY 2013. IAS 37 ESTABLISHES CRITERIA FOR THE RECOGNITION OF A LIABILITY, ONE OF WHICH IS THE REQUIREMENT THAT THE ENTITY MUST HAVE A PRESENT OBLIGATION AS A RESULT OF A PAST EVENT. THE INTERPRETATION CLARIFIES THAT THIS PAST EVENT THAT GIVES RISE TO THE OBLIGATION TO PAY A LEVY IS THE ACTIVITY DESCRIBED IN THE RELEVANT LEGISLATION THAT TRIGGERS THE PAYMENT OF THE LEVY. IFRIC 21 IS EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014.

THE COMPANY IS CURRENTLY EVALUATING THE POTENTIAL IMPACT THAT THE ADOPTION OF IFRIC 21 WILL HAVE ON ITS CONSOLIDATED FINANCIAL STATEMENTS.

### IMPROVEMENTS AND MODIFICATIONS

#### IAS 32 “FINANCIAL INSTRUMENTS: PRESENTATION”

IN DECEMBER 2011 THE IASB ISSUED AMENDMENTS TO IAS 32. THESE AMENDMENTS ARE INTENDED TO CLARIFY DIFFERENCES IN THE APPLICATION RELATING TO OFFSETTING AND REDUCE THE LEVEL OF DIVERSITY IN CURRENT PRACTICE. THE STANDARD IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014 AND EARLY ADOPTION IS PERMITTED.

TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

#### IFRS 10 “CONSOLIDATED FINANCIAL STATEMENTS”, IFRS 12 “DISCLOSURE OF INTERESTS IN OTHER ENTITIES”, IAS 27 “SEPARATE FINANCIAL STATEMENTS”

THE AMENDMENTS TO IFRS 10 “CONSOLIDATED FINANCIAL STATEMENTS”, IFRS 12 “DISCLOSURE OF INTERESTS IN OTHER ENTITIES” AND IAS 27 “SEPARATE FINANCIAL STATEMENTS” COME FROM THE PROJECT “INVESTMENT ENTITIES” PUBLISHED IN 2012. THE AMENDMENTS DEFINE AN INVESTMENT ENTITY AND INTRODUCE AN EXCEPTION TO CONSOLIDATE CERTAIN SUBSIDIARIES OWNED INVESTMENT ENTITIES. THESE AMENDMENTS REQUIRE AN INVESTMENT ENTITY TO RECORD THESE SUBSIDIARIES AT FAIR VALUE THROUGH PROFIT OR LOSS IN ITS CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS. THE AMENDMENTS ALSO INTRODUCE NEW DISCLOSURE REQUIREMENTS RELATED TO INVESTMENT ENTITIES IN IFRS 12 AND IAS 27. ENTITIES ARE REQUIRED TO APPLY THE AMENDMENTS FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014. EARLIER APPLICATION IS PERMITTED.

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TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

**IAS 36 “IMPAIRMENT OF ASSETS”**

THE AMENDMENTS TO IAS 36, ISSUED IN MAY 2013, ARE INTENDED FOR THE DISCLOSURE OF INFORMATION ABOUT THE RECOVERABLE AMOUNT OF IMPAIRED ASSETS, IF THIS AMOUNT IS BASED ON FAIR VALUE LESS COSTS TO SELL. THESE CHANGES ARE RELATED TO THE ISSUANCE OF IFRS 13 “FAIR VALUE MEASUREMENT”. THE AMENDMENTS SHOULD BE APPLIED RETROSPECTIVELY FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014. EARLIER APPLICATION IS PERMITTED WHEN THE ENTITY HAS APPLIED IFRS 13. TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

**IAS 39 “FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT”**

THE AMENDMENTS TO IAS 39, ISSUED IN JUNE 2013, PROVIDE AN EXCEPTION TO THE REQUIREMENT TO DISCONTINUE HEDGE ACCOUNTING IN SITUATIONS IN WHICH DERIVATIVES DESIGNATED IN HEDGING RELATIONSHIPS ARE DIRECTLY OR INDIRECTLY NOVATED TO A CENTRAL COUNTERPARTY AS A CONSEQUENCE OF LAWS OR REGULATIONS, OR THE INTRODUCTION OF LAWS OR REGULATIONS.

ENTITIES ARE REQUIRED TO APPLY THE AMENDMENTS FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014. EARLIER APPLICATION IS PERMITTED.

TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

**IAS 19 “EMPLOYEE BENEFITS”**

THE MODIFICATIONS TO IAS 19, ISSUED IN NOVEMBER 2013, ARE APPLIED TO EMPLOYEE OR THIRD PARTY CONTRIBUTIONS TO DEFINED BENEFIT PLANS. THE OBJECTIVE OF THE AMENDMENTS IS TO SIMPLIFY THE ACCOUNTING OF CONTRIBUTIONS THAT ARE INDEPENDENT OF THE EMPLOYEE'S YEARS OF SERVICE; FOR EXAMPLE, EMPLOYEE CONTRIBUTIONS THAT ARE CALCULATED ACCORDING TO A FIXED PERCENTAGE OF THEIR SALARY. THE MODIFICATION IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JULY 1, 2014. ITS EARLY APPLICATION IS PERMITTED.

THE COMPANY IS STILL EVALUATING THE IMPACT THAT COULD BE GENERATED BY THIS MODIFICATION ON THE FINANCIAL STATEMENTS.

**IFRS 3 “BUSINESS COMBINATIONS”**

“ANNUAL IMPROVEMENTS CYCLE 2010–2012”, ISSUED IN DECEMBER 2013, CLARIFIES SOME ASPECTS OF THE ACCOUNTING OF CONTINGENT CONSIDERATIONS IN A BUSINESS COMBINATION. THE IASB NOTES THAT IFRS 3 “BUSINESS COMBINATIONS” REQUIRES THAT THE SUBSEQUENT MEASUREMENT OF A CONTINGENT CONSIDERATION BE DONE AT FAIR VALUE AND THEREFORE ELIMINATES THE REFERENCES TO IAS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS OR OTHER IFRS THAT POTENTIALLY HAVE ANOTHER BASIS FOR VALUATION THAT DOES NOT CONSTITUTE FAIR VALUE. THE REFERENCE TO IFRS 9 FINANCIAL INSTRUMENTS REMAINS; HOWEVER, IFRS 9 FINANCIAL INSTRUMENTS IS MODIFIED CLARIFYING THAT A CONTINGENT CONSIDERATION, WHETHER IT IS A FINANCIAL ASSET OR LIABILITY, IS MEASURED AT FAIR VALUE WITH EFFECTS ON INCOME OR OTHER COMPREHENSIVE INCOME DEPENDING ON THE REQUIREMENTS OF IFRS 9 “FINANCIAL INSTRUMENTS”. THE MODIFICATION IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JULY 1, 2014. ITS EARLY APPLICATION IS PERMITTED.

THE COMPANY IS STILL EVALUATING THE IMPACT THAT COULD BE GENERATED BY THIS MODIFICATION ON THE FINANCIAL STATEMENTS.



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**IAS 40 “INVESTMENT PROPERTY”**

“ANNUAL IMPROVEMENTS CYCLE 2011–2013”, ISSUED IN DECEMBER 2013, CLARIFIES THAT A JUDGMENT IS REQUIRED TO DETERMINE WHETHER OR NOT THE ACQUISITION OF AN INVESTMENT PROPERTY IS THE ACQUISITION OF AN ASSET, A GROUP OF ASSETS OR A BUSINESS COMBINATION WITHIN THE SCOPE OF IFRS 3 BUSINESS COMBINATIONS (“IFRS 3”) AND THAT THIS JUDGMENT IS BASED ON THE GUIDANCE OF IFRS 3. THE IASB ALSO CONCLUDES THAT IFRS 3 AND IAS 40 INVESTMENT PROPERTY ARE NOT MUTUALLY EXCLUSIVE AND REQUIRE JUDGMENT TO DETERMINE WHETHER THE TRANSACTION IS ONLY THE ACQUISITION OF AN INVESTMENT PROPERTY OR THE ACQUISITION OF A GROUP OF ASSETS OR A BUSINESS COMBINATION THAT INCLUDES AN INVESTMENT PROPERTY. THE MODIFICATION IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JULY 1, 2014. ITS EARLY APPLICATION IS PERMITTED.

THE COMPANY IS STILL EVALUATING THE IMPACT THAT COULD BE GENERATED BY THIS MODIFICATION ON THE FINANCIAL STATEMENTS.

**2.3 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS**

UNDER IFRS 10, SUBSIDIARIES ARE ALL ENTITIES OVER WHICH TRANSELEC HAS CONTROL. AN INVESTOR CONTROLS AN INVESTEE WHEN THE INVESTOR (1) HAS THE POWER OVER THE INVESTEE, (2) IS EXPOSED, OR HAS RIGHTS, TO VARIABLE RETURNS FROM ITS INVOLVEMENT WITH THE INVESTEE, AND (3) HAS THE ABILITY TO AFFECT THOSE RETURNS THROUGH ITS POWER OVER THE INVESTEE. IT IS CONSIDERED THAT AN INVESTOR HAS POWER OVER AN INVESTEE WHEN THE INVESTOR HAS EXISTING RIGHTS THAT GIVE IT THE CURRENT ABILITY TO DIRECT THE RELEVANT ACTIVITIES, I.E. THE ACTIVITIES THAT SIGNIFICANTLY AFFECT THE INVESTEE’S RETURNS. IN CASE OF THE COMPANY, IN GENERAL, THE POWER OVER ITS SUBSIDIARIES IS DERIVED FROM POSSESSION OF MAJORITY OF THE VOTING RIGHTS GRANTED BY EQUITY INSTRUMENTS OF THE SUBSIDIARIES.

SUBSIDIARIES ARE CONSOLIDATED FROM THE DATE ON WHICH CONTROL IS ACQUIRED AND ARE EXCLUDED FROM CONSOLIDATION FROM THE DATE THAT CONTROL CEASES.

BUSINESS COMBINATIONS ARE ACCOUNTED FOR BY APPLYING THE ACQUISITION METHOD. AT THE DATE OF ACQUISITION, THE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OF THE SUBSIDIARY ARE RECORDED AT FAIR VALUE. IN THE EVENT THAT THERE IS A POSITIVE DIFFERENCE BETWEEN THE ACQUISITION COST AND THE FAIR VALUE OF THE ASSETS AND LIABILITIES OF THE ACQUIRED ENTITY, INCLUDING CONTINGENT LIABILITIES, CORRESPONDING TO THE PARENT’S SHARE, THIS DIFFERENCE IS RECORDED AS GOODWILL (SEE ALSO NOTE 2.7.1). IN THE EVENT THAT THE DIFFERENCE IS NEGATIVE, IT IS RECORDED WITH A CREDIT TO INCOME.

ACQUISITION-RELATED COSTS ARE RECOGNIZED AS EXPENSES IN THE PERIODS IN WHICH THE COSTS ARE INCURRED.

THE VALUE OF NON-CONTROLLING INTEREST IN EQUITY AND THE RESULTS OF THE CONSOLIDATED SUBSIDIARY ARE PRESENTED, RESPECTIVELY, UNDER THE HEADINGS “PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST” IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

ALL BALANCES AND TRANSACTIONS BETWEEN CONSOLIDATED COMPANIES HAVE BEEN ELIMINATED UPON CONSOLIDATION.

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE BALANCES AND TRANSACTIONS OF THE PARENT TRANSELEC S.A. AND ITS FOLLOWING SUBSIDIARIES:

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SUBSIDIARY	COUNTRY	FUNCTIONAL CURRENCY	TAX ID NUMBER	PERCENTAGE OF INTEREST HELD DECEMBER 31, 2013		PERCENTAGE OF INTEREST HELD DECEMBER 31, 2012	
				DIRECT	INDIRECT	DIRECT	INDIRECT
Transelec Norte S.A.	Chile	US Dollars	99.521.950-6	99.99%	-	99.99%	-
Inversiones Eléctricas Transam Chile Ltda.	Chile	US Dollars	76.384.810-8	0.101%	99.899%	0.101%	99.899%
Transmisora Huepil Ltda.	Chile	US Dollars	99.508.750-2	-	100%	-	100%
Transmisora Abenor Ltda.	Chile	US Dollars	96.728.120-4	-	100%	-	100%
Transmisora Araucana de Electricidad Ltda.	Chile	US Dollars	96.710.940-1	-	100%	-	100%

**2.4 FOREIGN CURRENCY TRANSLATION****2.4.1 FUNCTIONAL AND PRESENTATION CURRENCY**

THE COMPANY'S FUNCTIONAL CURRENCY IS THE CHILEAN PESO, WHILE THE FUNCTIONAL CURRENCY OF ITS ALL SUBSIDIARIES THE US DOLLAR. THESE CONSOLIDATED FINANCIAL STATEMENTS ARE PRESENTED IN CHILEAN PESOS.

**2.4.2 TRANSACTIONS AND BALANCES**

TRANSACTIONS CARRIED OUT BY EACH COMPANY IN A CURRENCY OTHER THAN ITS FUNCTIONAL CURRENCY ARE RECORDED USING THE EXCHANGE RATES IN EFFECT AS OF THE DATE OF EACH TRANSACTION. DURING THE PERIOD, ANY DIFFERENCES THAT ARISE BETWEEN THE EXCHANGE RATE RECORDED IN ACCOUNTING AND THE RATE PREVAILING AS OF THE DATE OF COLLECTION OR PAYMENT ARE RECORDED AS EXCHANGE DIFFERENCES IN THE INCOME STATEMENT. LIKEWISE, AS OF EACH PERIOD END, BALANCES RECEIVABLE OR PAYABLE IN A CURRENCY OTHER THAN EACH COMPANY'S FUNCTIONAL CURRENCY ARE CONVERTED USING THE PERIOD-END EXCHANGE RATE. LOSSES AND GAINS IN FOREIGN CURRENCY ARISING FROM SETTLING THESE TRANSACTIONS AND FROM CONVERTING MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY USING PERIOD-END EXCHANGE RATES ARE RECORDED IN THE INCOME STATEMENT, EXCEPT WHEN THEY SHOULD BE DEFERRED IN EQUITY, SUCH AS THE CASE OF CASH FLOW AND NET INVESTMENT HEDGES.

TRANSELEC HAS ESTABLISHED A CASH FLOW HEDGE POLICY FOR PART OF ITS REVENUES INDEXED TO U.S. DOLLARS. IT ALSO HAS A NET INVESTMENT HEDGE FOR ITS NET INVESTMENT IN SUBSIDIARY TRANSELEC NORTE.

TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

#### 2.4.3 SUBSIDIARY CONVERSION WITH FUNCTIONAL CURRENCY OTHER THAN THE CHILEAN PESO

THE CONVERSION OF THE FINANCIAL STATEMENTS OF THE SUBSIDIARIES WITH FUNCTIONAL CURRENCY OTHER THAN THE CHILEAN PESO IS PERFORMED AS FOLLOWS:

A) FOR ASSETS AND LIABILITIES, THE PREVAILING EXCHANGE RATE ON THE CLOSING DATE OF THE FINANCIAL STATEMENTS IS USED.

B) FOR ITEMS IN THE INCOME STATEMENT, THE AVERAGE EXCHANGE RATE FOR THE PERIOD IS USED THAT APPROXIMATES EXCHANGE RATES AT THE DATES OF THE TRANSACTIONS.

FOREIGN CURRENCY TRANSLATION PRODUCED IN THE CONVERSION OF THE FINANCIAL STATEMENTS IS REGISTERED UNDER THE HEADING "RESERVE FOR FOREIGN CURRENCY TRANSLATION ADJUSTMENT" WITHIN EQUITY (SEE NOTE 19).

#### 2.4.4 EXCHANGE RATES

AS OF EACH YEAR END, ASSETS AND LIABILITIES IN FOREIGN CURRENCY AND UF HAVE BEEN CONVERTED TO CHILEAN PESOS USING THE FOLLOWING EXCHANGE RATES:

CURRENCY	PESOS PER UNIT	
	DECEMBER 31, 2013	DECEMBER 31, 2012
UNIDAD DE FOMENTO	23,309.56	22,840.75
US\$	524.61	479.96
EURO	724.30	634.45

### 2.5 SEGMENTS REPORTING

THE COMPANY MANAGES ITS OPERATIONS BASED ON ONE SOLE OPERATING SEGMENT: TRANSMISSION OF ELECTRICITY.



TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 2.6 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT ARE VALUED AT ACQUISITION COST, NET OF ACCUMULATED DEPRECIATION AND ANY IMPAIRMENT LOSSES IT MAY HAVE EXPERIENCED. IN ADDITION TO THE PRICE PAID TO ACQUIRE EACH ITEM, THE COST ALSO INCLUDES, WHERE APPROPRIATE, THE FOLLOWING CONCEPTS:

A) ALL COSTS DIRECTLY RELATED TO PLACING THE ASSET IN THE LOCATION AND CONDITION THAT ENABLES IT TO BE USED IN THE MANNER INTENDED BY MANAGEMENT.

B) BORROWING COSTS INCURRED DURING THE CONSTRUCTION PERIOD THAT ARE DIRECTLY ATTRIBUTABLE TO THE ACQUISITION, CONSTRUCTION OR PRODUCTION OF QUALIFIED ASSETS, WHICH REQUIRE A SUBSTANTIAL PERIOD OF TIME BEFORE BEING READY FOR USE ARE CAPITALIZED. THE INTEREST RATE USED IS THAT OF THE SPECIFIC FINANCING OR, IF NONE EXISTS, THE AVERAGE FINANCING RATE OF THE COMPANY CARRYING OUT THE INVESTMENT.

C) FUTURE DISBURSEMENTS THAT TRANSELEC S.A. AND ITS SUBSIDIARY MUST MAKE TO CLOSE THEIR FACILITIES ARE INCORPORATED INTO THE VALUE OF THE ASSET AT PRESENT VALUE, RECORDING THE CORRESPONDING PROVISION. ON AN ANNUAL BASIS BOTH EXISTENCE OF SUCH OBLIGATIONS AS WELL AS ESTIMATE OF FUTURE DISBURSEMENTS ARE REVIEWED, INCREASING OR DECREASING THE VALUE OF THE ASSET BASED ON THE RESULTS OF THIS ESTIMATE.

ASSETS UNDER CONSTRUCTION ARE TRANSFERRED TO OPERATING ASSETS ONCE THE TESTING PERIOD HAS BEEN COMPLETED WHEN THEY ARE AVAILABLE FOR USE, AT WHICH TIME DEPRECIATION BEGINS.

EXPANSION, MODERNIZATION AND IMPROVEMENT COSTS THAT REPRESENT AN INCREASE IN PRODUCTIVITY, CAPACITY OR EFFICIENCY OR AN EXTENSION OF USEFUL LIFE ARE CAPITALIZED AS A GREATER COST OF THE CORRESPONDING ASSETS. REPLACEMENT OR OVERHAULS OF WHOLE COMPONENTS THAT INCREASE THE ASSET'S USEFUL LIFE, OR ITS ECONOMIC CAPACITY, ARE RECORDED AS AN INCREASE IN VALUE FOR THE RESPECTIVE ASSETS, DERECOGNIZING THE REPLACED OR OVERHAULED COMPONENTS. PERIODIC MAINTENANCE, CONSERVATION AND REPAIR EXPENSES ARE RECORDED DIRECTLY IN INCOME AS AN EXPENSE FOR THE PERIOD IN WHICH THEY ARE INCURRED.

PROPERTY, PLANT AND EQUIPMENT, NET OF ITS RESIDUAL VALUE, IS DEPRECIATED BY DISTRIBUTING THE COST OF ITS DIFFERENT COMPONENTS ON A STRAIGHT-LINE BASIS OVER ITS ESTIMATED USEFUL LIFE, WHICH IS THE PERIOD DURING WHICH THE COMPANIES EXPECT TO USE THEM. THE USEFUL LIVES AND RESIDUAL VALUES OF FIXED ASSETS ARE REVIEWED ON A YEARLY BASIS. THE LAND HAS AN INDEFINITE USEFUL LIFE AND IS NOT DEPRECIATED. THE FOLLOWING TABLE DETAILS THE RANGES OF USEFUL LIVES PERIODS APPLIED TO PRINCIPAL CLASSES OF ASSETS AND USED TO DETERMINE DEPRECIATION EXPENSE:

	RANGE OF ESTIMATED USEFUL LIFE	
	MINIMUM	MAXIMUM
BUILDINGS AND INFRASTRUCTURE	20	50
MACHINERY AND EQUIPMENT	15	40
OTHER ASSETS	3	15

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**2.7 INTANGIBLE ASSETS****2.7.1 GOODWILL**

THE GOODWILL REPRESENTS THE DIFFERENCE BETWEEN THE ACQUISITION COST AND THE FAIR VALUE OF THE NET ASSETS ACQUIRED IN A BUSINESS COMBINATION. GOODWILL IS NOT AMORTIZED; INSTEAD, AT EACH YEAR END AND IF THERE ARE INDICATIONS OF IMPAIRMENT, THE COMPANY ESTIMATES WHETHER ANY IMPAIRMENT HAS REDUCED ITS RECOVERABLE VALUE TO AN AMOUNT LESS THAN THE CARRYING AMOUNT AND, IF APPROPRIATE, ADJUSTS FOR IMPAIRMENT. FOR IMPAIRMENT TESTING PURPOSES, GOODWILL ACQUIRED IN A BUSINESS COMBINATION IS ALLOCATED FROM THE DATE OF ACQUISITION TO THE CASH GENERATING UNITS THAT ARE EXPECTED TO BENEFIT FROM THIS COMBINATION.

DURING THE PERIODS COVERED BY THOSE FINANCIAL STATEMENTS, THERE WERE NO IMPAIRMENT LOSSES OF GOODWILL.

**2.7.2 RIGHTS OF WAY**

RIGHTS OF WAY ARE PRESENTED AT HISTORICAL COST. THESE RIGHTS HAVE NO DEFINED USEFUL LIFE AND, THEREFORE, ARE NOT AMORTIZED. HOWEVER, THESE INDEFINITE USEFUL LIVES ARE REVIEWED DURING EACH REPORTING YEAR TO DETERMINE IF THEY REMAIN INDEFINITE. THESE ASSETS ARE TESTED FOR IMPAIRMENT AT EACH YEAR END AND IF THERE ARE INDICATOR OF IMPAIRMENT.

**2.7.3 COMPUTER SOFTWARE**

PURCHASED SOFTWARE LICENSES ARE CAPITALIZED BASED ON THE COSTS INCURRED TO PURCHASE THEM AND PREPARE THEM FOR USE. THESE COSTS ARE AMORTIZED ON A STRAIGHT-LINE BASIS OVER THEIR ESTIMATED USEFUL LIVES THAT RANGE FROM THREE TO FIVE YEARS.

EXPENSES FOR DEVELOPING OR MAINTAINING COMPUTER SOFTWARE ARE EXPENSED WHEN INCURRED. COSTS DIRECTLY RELATED TO CREATING UNIQUE, IDENTIFIABLE COMPUTER SOFTWARE CONTROLLED BY THE COMPANY THAT IS LIKELY TO GENERATE ECONOMIC BENEFITS IN EXCESS OF ITS COSTS DURING MORE THAN ONE YEAR ARE RECOGNIZED AS INTANGIBLE ASSETS, AND ITS AMORTIZATION IS INCLUDED IN THE INCOME STATEMENT UNDER COSTS OF SALES.

**2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS**

ASSETS WITH AN INDEFINITE USEFUL LIFE, SUCH AS LAND AND RIGHTS OF WAY, ARE NOT AMORTIZED AND ARE TESTED ANNUALLY FOR IMPAIRMENT. AMORTIZED ASSETS ARE TESTED FOR IMPAIRMENT WHENEVER EVENTS OR CHANGES IN CIRCUMSTANCES INDICATE THE CARRYING AMOUNT OF AN ASSET MAY NOT BE RECOVERABLE.

AN IMPAIRMENT LOSS IS RECOGNIZED FOR THE DIFFERENCE BETWEEN THE ASSET'S CARRYING AMOUNT AND ITS RECOVERABLE AMOUNT.

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THE RECOVERABLE AMOUNT IS THE HIGHER OF ITS FAIR VALUE LESS COSTS TO SELL AND ITS VALUE IN USE THIS BEING THE PRESENT VALUE OF THE EXPECTED FUTURE CASH FLOWS.

IN ORDER TO ASSESS IMPAIRMENT LOSSES, ASSETS ARE GROUPED AT THE LOWEST LEVEL FOR WHICH THERE ARE SEPARATELY IDENTIFIABLE CASH FLOWS (CASH GENERATING UNITS).

IMPAIRMENT LOSSES FROM CONTINUING OPERATIONS ARE RECOGNIZED IN THE INCOME STATEMENT IN THE EXPENSES CATEGORIES IN ACCORDANCE WITH THE FUNCTION OF THE IMPAIRED ASSETS. NON-FINANCIAL ASSETS OTHER THAN GOODWILL THAT SUFFERED AN IMPAIRMENT LOSS ARE REVIEWED AT EACH REPORTING DATE FOR POSSIBLE REVERSAL OF THE IMPAIRMENT, IN WHICH CASE THE REVERSAL MAY NOT EXCEED THE AMOUNT ORIGINALLY IMPAIRED. REVERSALS ARE INCLUDED IN THE INCOME STATEMENT.

IMPAIRMENT OF GOODWILL IS NOT REVERSED.

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES IS PERFORMED AT SEPTEMBER 30 OF EACH YEAR.

## 2.9 FINANCIAL ASSETS

UPON INITIAL RECOGNITION, THE COMPANY AND ITS SUBSIDIARY CLASSIFIES ITS FINANCIAL ASSETS, EXCLUDING EQUITY METHOD INVESTMENTS AND INVESTMENTS HELD FOR SALE, INTO FOUR CATEGORIES:

**- TRADE AND OTHER RECEIVABLES, INCLUDING RECEIVABLES FROM RELATED PARTIES:** ARE NON-DERIVATIVE FINANCIAL ASSETS WITH FIXED OR DETERMINABLE PAYMENTS THAT ARE NOT QUOTED IN AN ACTIVE MARKET. SUCH FINANCIAL ASSETS ARE CARRIED AT AMORTIZED COST USING THE EFFECTIVE INTEREST RATE METHOD.

**- INVESTMENTS HELD TO MATURITY:** NON DERIVATIVE FINANCIAL ASSETS WITH FIXED OR DETERMINABLE PAYMENTS AND FIXED MATURITIES THAT THE COMPANY INTENDS TO HOLD AND IS CAPABLE OF HOLDING UNTIL THEIR MATURITY. AFTER INITIAL RECOGNITION THESE ASSETS ARE VALUED AT ITS AMORTIZED COST AS DEFINED IN THE PRECEDING PARAGRAPH.

**- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:** THIS INCLUDES THE TRADING PORTFOLIO AND THOSE FINANCIAL ASSETS THAT HAVE BEEN DESIGNATED AS SUCH UPON INITIAL RECOGNITION AND THOSE ARE MANAGED AND EVALUATED USING FAIR VALUE CRITERIA. THEY ARE VALUED AT ITS FAIR VALUE IN THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION, WITH CHANGES IN VALUE RECORDED DIRECTLY IN INCOME WHEN THEY OCCUR.

**- AVAILABLE-FOR-SALE INVESTMENTS:** THESE ARE FINANCIAL ASSETS SPECIFICALLY DESIGNATED AS AVAILABLE FOR SALE OR THAT DO NOT FIT WITHIN ANY OF THE THREE PRECEDING CATEGORIES AND CONSIST ALMOST ENTIRELY OF FINANCIAL INVESTMENTS IN SHARES/EQUITY INSTRUMENTS. THESE INVESTMENTS ARE RECORDED IN THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION AT FAIR VALUE WHEN IT CAN BE RELIABLY DETERMINED. IN THE CASE OF INTERESTS IN UNLISTED COMPANIES, NORMALLY THE MARKET VALUE CANNOT BE RELIABLY DETERMINED AND, THUS, WHEN THIS OCCURS, THEY ARE VALUED AT ACQUISITION COST OR A LOWER AMOUNT IF EVIDENCE OF IMPAIRMENT EXISTS. CHANGES IN FAIR VALUE, NET OF TAXES, ARE RECORDED WITH A CHARGE OR CREDIT TO AN EQUITY RESERVE KNOWN AS "AVAILABLE-FOR-SALE FINANCIAL ASSETS" UNTIL THE INVESTMENT IS DISPOSED OF, AT WHICH TIME



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**2.9 FINANCIAL ASSETS (CONTINUED)**

THE AMOUNT ACCUMULATED IN THIS ACCOUNT FOR THAT INVESTMENT IS FULLY CHARGED TO THE INCOME STATEMENT. SHOULD THE FAIR VALUE BE LOWER THAN THE ACQUISITION COST, IF THERE IS OBJECTIVE EVIDENCE THAT THE ASSET HAS BEEN MORE THAN TEMPORARILY IMPAIRED, THE DIFFERENCE IS RECORDED DIRECTLY IN THE INCOME STATEMENT.

PURCHASES AND SALES OF FINANCIAL ASSETS ARE ACCOUNTED FOR USING THEIR TRADE DATE.

A FINANCIAL ASSET IS DERECOGNIZED WHEN THE RIGHTS TO RECEIVE CASH FLOWS FROM THE ASSET HAVE EXPIRED.

AT EACH REPORTING DATE, THE COMPANY ASSESSES WHETHER THERE IS OBJECTIVE EVIDENCE THAT A FINANCIAL ASSET OR GROUP OF FINANCIAL ASSETS MAY BE IMPAIRED.

A FINANCIAL ASSET OR A GROUP OF FINANCIAL ASSETS IS DEEMED TO BE IMPAIRED IF, AND ONLY IF, THERE IS OBJECTIVE EVIDENCE OF IMPAIRMENT AS A RESULT OF ONE OR MORE EVENTS THAT HAS OCCURRED AFTER THE INITIAL RECOGNITION OF THE ASSET (AN INCURRED 'LOSS EVENT') AND THAT LOSS EVENT HAS AN IMPACT ON THE ESTIMATED FUTURE CASH FLOWS OF THE FINANCIAL ASSET OR THE GROUP OF FINANCIAL ASSETS THAT CAN BE RELIABLY ESTIMATED. EVIDENCE OF IMPAIRMENT MAY INCLUDE INDICATIONS THAT THE DEBTORS OR A GROUP OF DEBTORS IS EXPERIENCING SIGNIFICANT FINANCIAL DIFFICULTY, DEFAULT OR DELINQUENCY IN INTEREST OR PRINCIPAL PAYMENTS, THE PROBABILITY THAT THEY WILL ENTER BANKRUPTCY OR OTHER FINANCIAL REORGANIZATION AND WHERE OBSERVABLE DATA INDICATE THAT THERE IS A MEASURABLE DECREASE IN THE ESTIMATED FUTURE CASH FLOWS, FOR EXAMPLE DELAYED PAYMENTS.

IN THE CASE OF FINANCIAL ASSETS VALUED AT AMORTIZED COST, THE AMOUNT OF THE IMPAIRMENT LOSS IS MEASURED AS THE DIFFERENCE BETWEEN THE CARRYING AMOUNT AND THE PRESENT VALUE OF THE FUTURE ESTIMATED CASH FLOWS. THE CARRYING AMOUNT IS REDUCED USING A PROVISION ACCOUNT AND THE LOSS IS RECOGNIZED IN THE INCOME STATEMENT. IF IN A LATER PERIOD THE AMOUNT OF THE EXPECTED LOSS INCREASES OR DECREASES AS A CONSEQUENCE OF AN EVENT OCCURRED AFTER THE RECOGNITION OF THE IMPAIRMENT, THE IMPAIRMENT LOSS PREVIOUSLY RECOGNIZED IS INCREASED OR REDUCED ADJUSTING THE PROVISION ACCOUNT. IF THE WRITE OFF IS LATER RECOVERED, THIS REVERSAL IS RECOGNIZED IN THE INCOME STATEMENT.

IN THE CASE OF FINANCIAL ASSETS CLASSIFIED AT AVAILABLE-FOR-SALE, IN ORDER TO DETERMINE IF THE ASSETS HAVE BEEN IMPAIRED, IT WILL BE CONSIDERED IF A SIGNIFICANT OR PROLONGED DECREASE IN FAIR VALUE OF THE ASSETS BELOW COST HAS OCCURRED. IF ANY SUCH EVIDENCE EXISTS FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS, THE CUMULATIVE LOSS, MEASURED AS THE DIFFERENCE BETWEEN THE ACQUISITION COST AND THE CURRENT FAIR VALUE, LESS ANY IMPAIRMENT LOSS ON THAT FINANCIAL ASSET PREVIOUSLY RECOGNIZED IN THE INCOME STATEMENT, IS RECLASSIFIED FROM EQUITY AND RECOGNIZED IN THE INCOME STATEMENT. IMPAIRMENT LOSSES RECOGNIZED IN THE INCOME STATEMENT FOR EQUITY INSTRUMENTS ARE NOT REVERSED IN THE INCOME STATEMENT.

**2.10 FINANCIAL INSTRUMENTS AND HEDGE ACTIVITIES**

THE COMPANY SELECTIVELY USES DERIVATIVE AND NON-DERIVATIVE INSTRUMENTS, TO MANAGE ITS EXPOSURE TO EXCHANGE RATE RISK (SEE NOTE 15).

DERIVATIVES ARE INITIALLY RECOGNIZED AT FAIR VALUE AS OF THE DATE THE DERIVATIVE CONTRACT IS SIGNED AND ARE SUBSEQUENTLY RE-MEASURED AT FAIR VALUE AS OF EACH YEAR END. ANY GAINS OR LOSSES FROM VARIATIONS IN THESE FAIR VALUES ARE RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME UNLESS THE DERIVATIVE IS DESIGNATED AS A HEDGE INSTRUMENT, IN WHICH CASE RECOGNITION OF THE GAIN OR LOSS DEPENDS ON THE NATURE OF THE HEDGE RELATIONSHIP.

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**2.10 FINANCIAL INSTRUMENTS AND HEDGE ACTIVITIES (CONTINUED)**

THE TYPES OF HEDGES ARE AS FOLLOWS:

- FAIR VALUE HEDGE.
- CASH FLOW HEDGE.
- HEDGES FOR A NET INVESTMENT IN A FOREIGN ENTITY (NET INVESTMENT HEDGE).

AT THE INCEPTION OF THE TRANSACTION, THE COMPANY DOCUMENTS THE RELATIONSHIP EXISTING BETWEEN THE HEDGE INSTRUMENTS AND THE HEDGED ITEMS, AS WELL AS ITS RISK MANAGEMENT OBJECTIVES AND ITS STRATEGY FOR HANDLING VARIOUS HEDGE TRANSACTIONS. THE COMPANY ALSO DOCUMENTS ITS ASSESSMENT, BOTH AT INCEPTION AND SUBSEQUENTLY ON AN ONGOING BASIS, OF THE EFFECTIVENESS OF THE HEDGE INSTRUMENTS IN OFFSETTING MOVEMENTS IN THE FAIR VALUES OR CASH FLOWS OF THE HEDGED ITEMS.

A DERIVATIVE IS PRESENTED AS A NON-CURRENT ASSET OR LIABILITY IF ITS MATURITY IS GREATER THAN 12 MONTHS AND IT IS NOT EXPECTED TO BE REALIZED WITHIN 12 MONTHS. OTHER DERIVATIVES ARE PRESENTED AS CURRENT ASSETS OR LIABILITIES.

**2.10.1 FAIR VALUE HEDGES**

CHANGES IN THE FAIR VALUE OF DERIVATIVES THAT ARE DESIGNATED AND QUALIFY AS FAIR VALUE HEDGES ARE RECORDED IN THE INCOME STATEMENT, ALONG WITH ANY CHANGE IN THE FAIR VALUE OF THE HEDGED ASSET OR LIABILITY THAT IS ATTRIBUTABLE TO THE HEDGED RISK.

THE COMPANY HAS NOT USED FAIR VALUE HEDGES DURING THE YEARS PRESENTED.

**2.10.2 CASH FLOW HEDGES**

CHANGES IN THE FAIR VALUE OF THE EFFECTIVE PORTION OF DERIVATIVES ARE RECORDED IN EQUITY ACCOUNT "RESERVE FOR CASH FLOW HEDGES". THE CUMULATIVE LOSS OR GAIN IN THIS ACCOUNT IS TRANSFERRED TO THE INCOME STATEMENT TO THE EXTENT THAT THE UNDERLYING ITEM IMPACTS THE INCOME STATEMENT BECAUSE OF THE HEDGED RISK, NETTING THE EFFECT IN THE SAME INCOME STATEMENT ACCOUNT. GAINS OR LOSSES FROM THE INEFFECTIVE PORTION OF THE HEDGE ARE RECORDED DIRECTLY IN THE INCOME STATEMENT. A HEDGE IS CONSIDERED HIGHLY EFFECTIVE WHEN CHANGES IN THE FAIR VALUE OR THE CASH FLOWS OF THE UNDERLYING ITEM DIRECTLY ATTRIBUTABLE TO THE HEDGED RISK ARE OFFSET BY CHANGES IN THE FAIR VALUE OR THE CASH FLOWS OF THE HEDGING INSTRUMENT, WITH EFFECTIVENESS RANGING FROM 80% TO 125%.

HEDGE ACCOUNTING IS DISCONTINUED WHEN THE COMPANY REVOKES THE HEDGING RELATIONSHIP, THE HEDGED ITEM EXPIRES OR IS SOLD, TERMINATED OR EXERCISED, OR NO LONGER QUALIFIES FOR HEDGE ACCOUNTING. ANY CUMULATIVE GAIN OR LOSS DEFERRED IN EQUITY IS RETAINED AND IS RECOGNIZED WHEN THE FORECASTED TRANSACTION IS ULTIMATELY RECOGNIZED IN THE INCOME STATEMENT.

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**2.10.3 NET INVESTMENT HEDGES**

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS ARE ACCOUNTED FOR ON A SIMILAR BASIS TO CASH FLOW HEDGES. FOREIGN CURRENCY TRANSLATION ORIGINATED BY A NET INVESTMENT IN A FOREIGN ENTITY AND DERIVED FROM THE HEDGE TRANSACTION SHOULD BE REGISTERED IN EQUITY RESERVE (UNDER "OTHER RESERVES" HEADING) UNTIL THE INVESTMENT'S DISPOSAL. GAINS OR LOSSES RELATING TO THE INEFFECTIVE PORTION ARE RECOGNIZED IMMEDIATELY IN THE INCOME STATEMENT IN THE LINE ITEM "OTHER GAINS (LOSSES)". THE COMPANY APPLIES THIS POLICY FOR THE HEDGE OF ITS INVESTMENT IN THE SUBSIDIARY TRANSELEC NORTE S.A., WHICH IS NOT A FOREIGN OPERATION BUT HAS A DIFFERENT FUNCTIONAL CURRENCY THAN THE PARENT COMPANY (US DOLLARS).

**2.10.4 DERIVATIVES NOT RECORDED AS HEDGE ACCOUNTING**

CERTAIN DERIVATIVES ARE NOT RECORDED AS HEDGE ACCOUNTING AND ARE RECOGNIZED AS INSTRUMENTS IN THE FAIR VALUE THROUGH PROFIT OR LOSS CATEGORY. CHANGES IN THE FAIR VALUE OF ANY DERIVATIVE INSTRUMENT RECORDED LIKE THIS ARE RECOGNIZED IMMEDIATELY IN THE INCOME STATEMENT WITHIN "FINANCIAL EXPENSE/INCOME".

**2.10.5 EMBEDDED DERIVATIVES**

DERIVATIVES EMBEDDED IN OTHER FINANCIAL INSTRUMENTS OR OTHER CONTRACTS ARE TREATED AS DERIVATIVES WHEN THEIR RISKS AND CHARACTERISTICS ARE NOT CLOSELY RELATED TO THE PRINCIPAL CONTRACTS AND THE PRINCIPAL CONTRACTS ARE NOT MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS. IN THE CASE THAT THEY ARE NOT CLOSELY RELATED, THEY ARE RECORDED SEPARATELY, AND ANY CHANGES IN VALUE ARE RECOGNIZED IN THE INCOME STATEMENT.

IN THE PERIODS PRESENTED IN THESE FINANCIAL STATEMENTS, THE COMPANY DID NOT IDENTIFY ANY CONTRACTS THAT MET THE CONDITIONS FOR EMBEDDED DERIVATIVES.

**2.11 INVENTORY**

INVENTORY IS VALUED AT ACQUISITION COST USING THE WEIGHTED AVERAGE PRICE OR NET REALIZABLE VALUE IF THIS IS LOWER.

**2.12 CASH AND CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS PRESENTED IN THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION INCLUDES CASH, TIME DEPOSITS AND OTHER HIGHLY-LIQUID, SHORT-TERM INVESTMENTS THAT ARE READILY CONVERTIBLE TO KNOWN AMOUNTS OF CASH AND WHICH ARE SUBJECT TO AN INSIGNIFICANT RISK OF CHANGES IN VALUE. THE BALANCE OF THIS ACCOUNT DOES NOT DIFFER FROM THAT PRESENTED IN THE STATEMENT OF CASH FLOWS.

**2.13 PAID-IN CAPITAL**

PAID-IN CAPITAL IS REPRESENTED BY ONE CLASS OF ORDINARY SHARES WITH ONE VOTE PER SHARE. INCREMENTAL COSTS DIRECTLY ATTRIBUTABLE TO NEW SHARE ISSUANCES ARE PRESENTED IN EQUITY AS A DEDUCTION, NET OF TAXES, FROM ISSUANCE PROCEEDS.



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**2.14 FINANCIAL LIABILITIES**

ALL FINANCIAL LIABILITIES ARE INITIALLY RECOGNIZED AT ITS FAIR VALUE. IN THE CASE OF LOANS THEY ALSO INCLUDE THE DIRECT TRANSACTIONS COSTS.

TRADE AND OTHER PAYABLES ARE INITIALLY RECOGNIZED AT FAIR VALUE AND SUBSEQUENTLY MEASURED AT AMORTIZED COST USING THE EFFECTIVE INTEREST RATE METHOD.

LOANS, BONDS PAYABLE AND FINANCIAL LIABILITIES OF A SIMILAR NATURE ARE INITIALLY RECOGNIZED AT FAIR VALUE, NET OF COSTS INCURRED IN THE TRANSACTION. SUBSEQUENTLY, THEY ARE VALUED AT AMORTIZED COST AND ANY DIFFERENCE BETWEEN THE FUNDS OBTAINED (NET OF COSTS TO OBTAIN THEM) AND REPAYMENT VALUE ARE RECOGNIZED IN THE INCOME STATEMENT OVER THE LIFE OF THE DEBT USING THE EFFECTIVE INTEREST RATE METHOD.

**2.15 INCOME TAX AND DEFERRED TAXES**

THE RESULT FOR INCOME TAX FOR THE YEAR IS DETERMINED AS THE SUM OF THE CURRENT TAX ARISING FROM THE APPLICATION OF THE TAX RATE ON TAXABLE INCOME, AFTER ALLOWED DEDUCTIONS, PLUS THE CHANGE IN ASSETS AND LIABILITIES FOR DEFERRED TAX AND TAX CREDITS, BOTH FOR TAX LOSSES AND OTHER DEDUCTIONS.

DIFFERENCES BETWEEN THE BOOK VALUE AND TAX BASE OF ASSETS AND LIABILITIES GENERATE DEFERRED TAX ASSET AND LIABILITY BALANCES, WHICH ARE CALCULATED USING TAX RATES EXPECTED TO BE IN EFFECT WHEN THE ASSETS AND LIABILITIES ARE REALIZED.

CURRENT TAXES AND CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES NOT FROM BUSINESS COMBINATIONS ARE RECORDED IN INCOME OR IN EQUITY ACCOUNTS IN THE STATEMENT OF FINANCIAL POSITION, DEPENDING ON WHERE THE GAINS OR LOSSES ORIGINATING THEM WERE RECORDED.

DEFERRED TAX ASSETS AND TAX CREDITS ARE RECOGNIZED ONLY WHEN IT IS LIKELY THAT THERE ARE FUTURE TAX PROFITS SUFFICIENT ENOUGH TO RECOVER DEDUCTIONS FOR TEMPORARY DIFFERENCES AND MAKE USE OF TAX LOSSES.

THE CARRYING AMOUNT OF DEFERRED INCOME TAX ASSETS IS REVIEWED AT EACH REPORTING DATE AND REDUCED TO THE EXTENT THAT IT IS NO LONGER PROBABLE THAT SUFFICIENT TAXABLE PROFIT WILL BE AVAILABLE TO ALLOW ALL OR PART OF THE DEFERRED INCOME TAX ASSET TO BE UTILIZED. UNRECOGNIZED DEFERRED INCOME TAX ASSETS ARE REASSESSED AT EACH REPORTING DATE AND ARE RECOGNIZED TO THE EXTENT THAT IT HAS BECOME PROBABLE THAT FUTURE TAXABLE PROFIT WILL ALLOW THE DEFERRED TAX ASSET TO BE RECOVERED.

DEFERRED TAX LIABILITIES ARE RECOGNIZED FOR ALL TEMPORARY DIFFERENCES, EXCEPT THOSE DERIVED FROM THE INITIAL RECOGNITION OF GOODWILL AND THOSE THAT AROSE FROM VALUING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY-CONTROLLED COMPANIES IN WHICH TRANSELEC CAN CONTROL THEIR REVERSAL AND WHERE IT IS LIKELY THAT THEY ARE NOT REVERSED IN THE FORESEEABLE FUTURE.

DEFERRED INCOME TAX ASSETS AND LIABILITIES ARE MEASURED AT THE TAX RATES THAT ARE EXPECTED TO APPLY IN THE YEAR WHEN THE ASSET IS REALIZED OR THE LIABILITY IS SETTLED, BASED ON TAX RATES (AND TAX LAWS) THAT HAVE BEEN ENACTED OR SUBSTANTIVELY ENACTED AT THE REPORTING DATE.

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**2.16 EMPLOYEE BENEFITS****2.16.1 EMPLOYEE VACATION**

THE COMPANY RECOGNIZES PERSONNEL VACATION EXPENSES ON AN ACCRUAL BASIS. THIS BENEFIT IS PROVIDED TO ALL PERSONNEL AND IS A FIXED AMOUNT BASED ON EACH EMPLOYEE'S PARTICULAR CONTRACT.

THIS BENEFIT IS RECORDED AT NOMINAL VALUE.

**2.16.2 STAFF SEVERANCE INDEMNITY**

THE COMPANY RECORDS LIABILITIES FOR STAFF SEVERANCE INDEMNITY OBLIGATIONS BASED ON COLLECTIVE AND INDIVIDUAL EMPLOYMENT CONTRACTS, PAYABLE WHEN THEIR EMPLOYEES CEASE TO PROVIDE SERVICES. IF THIS BENEFIT IS CONTRACTUAL, THE OBLIGATION IS TREATED IN THE SAME WAY AS DEFINED BENEFIT PLANS IN ACCORDANCE WITH IAS 19 AND IS RECORDED USING THE PROJECTED UNIT CREDIT METHOD.

DEFINED BENEFIT PLANS DEFINE THE AMOUNT OF THE BENEFIT THAT AN EMPLOYEE WILL RECEIVE UPON TERMINATION OF EMPLOYMENT, WHICH USUALLY DEPENDS ON ONE OR MORE FACTORS SUCH AS THE EMPLOYEE'S AGE, ROTATION, YEARS OF SERVICE AND COMPENSATION.

THE LIABILITY RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION REPRESENTS THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION PLUS/MINUS ADJUSTMENTS FOR UNRECORDED ACTUARIAL GAINS OR LOSSES AND PAST SERVICE COSTS. THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION IS DETERMINED BY DISCOUNTING CASH OUTFLOWS ESTIMATED USING AS A REFERENCE BCU (RATE OF CHILEAN CENTRAL BANK BONDS DENOMINATED IN UNIDADES DE FOMENTO) INTEREST RATES FOR TERMS SIMILAR TO THE MATURITY OF THE STAFF SEVERANCE INDEMNITY OBLIGATION.

ACTUARIAL GAINS AND LOSSES ARISING FROM EXPERIENCE ADJUSTMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS ARE RECOGNIZED IN OTHER COMPREHENSIVE INCOME.

**2.16.3 PROFIT SHARING**

THE COMPANY RECOGNIZES A LIABILITY AND AN EXPENSE FOR PROFIT SHARING ARRANGEMENTS BASED ON RESPECTIVE COLLECTIVE AND INDIVIDUAL CONTRACTS WITH ITS EMPLOYEES AND EXECUTIVES, USING A FORMULA THAT TAKES INTO ACCOUNT THE NET INCOME ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS AFTER CERTAIN ADJUSTMENTS. TRANSELEC RECOGNIZES A PROVISION WHEN IT HAS A CONTRACTUAL OBLIGATION OR WHEN A PAST PRACTICE HAS CREATED A CONSTRUCTIVE OBLIGATION.

**2.17 PROVISIONS**

PROVISIONS FOR ENVIRONMENTAL RESTORATION, ASSET RETIREMENT, RESTRUCTURING COSTS, ONEROUS CONTRACTS, LAWSUITS AND OTHER CONTINGENCIES ARE RECOGNIZED WHEN:

- THE COMPANY HAS A PRESENT OBLIGATION, WHETHER LEGAL OR IMPLICIT, AS A RESULT OF PAST EVENTS;
- IT IS MORE LIKELY THAN NOT THAT AN OUTFLOW OF RESOURCES WILL BE REQUIRED TO SETTLE THE OBLIGATION;

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- THE AMOUNT CAN BE RELIABLY ESTIMATED.

PROVISIONS ARE MEASURED AT THE PRESENT VALUE OF MANAGEMENT'S BEST ESTIMATE OF THE EXPENDITURES REQUIRED TO SETTLE THE OBLIGATION. THE DISCOUNT RATE USED TO DETERMINE THE PRESENT VALUE REFLECTS CURRENT MARKET ASSESSMENTS, AS OF THE REPORTING DATE, OF THE TIME VALUE OF MONEY, AS WELL AS THE SPECIFIC RISK RELATED TO THE PARTICULAR LIABILITY, IF APPROPRIATE. INCREASES IN PROVISIONS DUE TO THE PASSAGE OF TIME ARE RECOGNIZED IN INTEREST EXPENSE.

AS OF THE DATE OF ISSUANCE OF THESE FINANCIAL STATEMENTS, TRANSELEC AND SUBSIDIARIES HAVE NO OBLIGATION TO ESTABLISH PROVISION FOR ENVIRONMENTAL RESTORATION AND SIMILAR EXPENSES.

### 2.18 CLASSIFICATION OF CURRENT AND NON-CURRENT BALANCES

IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION, BALANCES ARE CLASSIFIED BASED ON MATURITY I.E., CURRENT BALANCES MATURE IN NO MORE THAN TWELVE MONTHS AND NON-CURRENT BALANCES IN MORE THAN TWELVE MONTHS.

SHOULD THE COMPANY HAVE ANY OBLIGATIONS THAT MATURE IN LESS THAN TWELVE MONTHS BUT CAN BE REFINANCED OVER THE LONG TERM AT THE COMPANY'S DISCRETION, THROUGH UNCONDITIONALLY AVAILABLE CREDIT AGREEMENTS WITH LONG-TERM MATURITIES, SUCH OBLIGATIONS MAY BE CLASSIFIED AS NON-CURRENT LIABILITIES.

### 2.19 REVENUE RECOGNITION

THE REGULATORY FRAMEWORK THAT GOVERNS ELECTRICAL TRANSMISSION ACTIVITY IN CHILE COMES FROM THE BY - LAW OF THE ELECTRIC SERVICES DATED 1982 (DFL (M) NO. 1/82), AND SUBSEQUENT AMENDMENTS THERETO, INCLUDING LAW 19.940 (CALLED ALSO THE "SHORT LAW") ENACTED ON MARCH 13, 2004. THESE ARE COMPLEMENTED BY THE BY - LAW OF THE ELECTRIC SERVICES REGULATIONS DATED 1997 (SUPREME DECREE NO. 327/97 OF THE MINING MINISTRY), AND ITS AMENDMENTS, AND BY THE TECHNICAL STANDARD FOR LIABILITY AND QUALITY OF SERVICE (R.M.EXTA NO. 40 DATED MAY 16, 2005) AND SUBSEQUENT AMENDMENTS THERETO.

THE COMPANY'S REVENUES CORRESPOND MAINLY TO REMUNERATION FROM THE USE OF ITS ELECTRICITY TRANSMISSION FACILITIES. THIS REMUNERATION IS EARNED IN PART FROM ARRANGEMENTS SUBJECT TO THE TARIFF REGULATION AND IN PART FROM CONTRACTUAL ARRANGEMENTS WITH THE USERS OF THE TRANSMISSION FACILITIES. THE TOTAL REMUNERATION FOR THE USE OF THE TRANSMISSION FACILITIES FOR BOTH REGULATED AND CONTRACTUAL ARRANGEMENTS INCLUDES IN GENERAL TWO COMPONENTS: I) THE AVI, WHICH IS THE ANNUITY OF THE INVESTMENT VALUE (VI), CALCULATED IN SUCH A WAY THAT THE PRESENT VALUE OF THESE ANNUITIES, USING AN ANNUAL REAL DISCOUNT RATE AND THE ECONOMIC USEFUL LIFE OF EACH OF THE FACILITIES EQUALS THE COST OF REPLACING THE EXISTING TRANSMISSION FACILITIES WITH NEW FACILITIES WITH SIMILAR CHARACTERISTICS AT CURRENT MARKET PRICES, PLUS, II) THE COMA, WHICH CORRESPONDS TO THE COST REQUIRED TO OPERATE, MAINTAIN AND ADMINSTRATE THE CORRESPONDING TRANSMISSION FACILITIES.

REVENUES FROM BOTH REGULATORY AND CONTRACTUAL ARRANGEMENTS ARE RECOGNIZED AND INVOICED ON A MONTHLY BASIS, USING FIXED MONTHLY AMOUNTS RESULTING FROM THE APPLICATION OF THE AVI AND COMA VALUES STIPULATED IN THE CONTRACTS OR RESULTING FROM THE REGULATED TARIFFS AND INDEXED AS APPLICABLE. THE TRANSMISSION SERVICE IS INVOICED USUALLY AT THE BEGINNING OF THE MONTH FOLLOWING THE MONTH WHEN THE SERVICE WAS RENDERED AND THUS THE REVENUE RECOGNIZED EACH MONTH INCLUDES TRANSMISSION SERVICE PROVIDED BUT NOT INVOICED UP TO THE MONTH END.



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**2.20 LEASES**

THE DETERMINATION OF WHETHER AN ARRANGEMENT IS, OR CONTAINS A LEASE IS BASED ON THE SUBSTANCE OF THE ARRANGEMENT AT THE INCEPTION DATE, WHETHER FULFILLMENT OF THE ARRANGEMENT IS DEPENDENT ON THE USE OF A SPECIFIC ASSET OR ASSETS OR WHETHER OR NOT THE ARRANGEMENT CONVEYS A RIGHT TO USE THE ASSET, EVEN IF THAT RIGHT IS NOT EXPLICITLY SPECIFIED IN AN ARRANGEMENT.

LEASES IN WHICH SUBSTANTIALLY ALL RISKS AND BENEFITS INHERENT TO THE PROPERTY ARE TRANSFERRED TO THE LESSEE ARE CLASSIFIED AS FINANCE LEASES. OTHER LEASES THAT DO NOT MEET THIS CRITERION ARE CLASSIFIED AS OPERATING LEASES.

**2.20.1 THE COMPANY AS LESSOR**

THE ASSETS HELD UNDER A FINANCE LEASE ARE PRESENTED IN OTHER FINANCIAL ASSETS AT AN AMOUNT EQUAL TO THE NET INVESTMENT IN THE LEASE, BEING THE AGGREGATE OF: (I) MINIMUM LEASE PAYMENTS RECEIVABLE AND (II) ANY UNGUARANTEED RESIDUAL VALUE ACCRUING TO THE COMPANY DISCOUNTED AT THE INTEREST RATE IMPLICIT IN THE LEASE. THE INCOME (INTEREST) IS RECOGNIZED ON A PATTERN REFLECTING A CONSTANT PERIODIC RATE OF RETURN ON THE NET INVESTMENT IN THE LEASE, THIS INCOME IS PRESENTED IN THE STATEMENT OF INCOME IN OPERATING REVENUES. LEASE PAYMENTS RELATING TO THE PERIOD, EXCLUDING COSTS FOR ANY SEPARATE SERVICES, ARE APPLIED AGAINST THE GROSS INVESTMENT IN THE LEASE TO REDUCE BOTH THE PRINCIPAL AND THE UNEARNED FINANCE INCOME.

ASSETS SUBJECT TO OPERATING LEASES ARE PRESENTED IN THE STATEMENT OF FINANCIAL POSITION ACCORDING TO THE NATURE OF THE ASSET. LEASE INCOME FROM OPERATING LEASES IS RECOGNIZED IN INCOME ON A STRAIGHT-LINE BASIS OVER THE LEASE TERM, UNLESS ANOTHER SYSTEMATIC BASIS IS MORE REPRESENTATIVE TO REFLECT TIME PATTERN IN WHICH USE BENEFIT DERIVED FROM THE LEASED ASSET IS DIMINISHED

**2.20.2 THE COMPANY AS LESSEE**

FINANCE LEASES IN WHICH TRANSELEC ACTS AS LESSEE ARE RECOGNIZED WHEN THE AGREEMENT BEGINS, RECORDING AN ASSET BASED ON THE NATURE OF THE LEASE AND A LIABILITY FOR THE SAME AMOUNT, EQUAL TO THE LESSER OF THE FAIR VALUE OF THE LEASED ASSET OR THE PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS. SUBSEQUENTLY, THE MINIMUM LEASE PAYMENTS ARE DIVIDED BETWEEN FINANCE EXPENSE AND REDUCING THE DEBT. THE FINANCE EXPENSE IS RECORDED IN THE INCOME STATEMENT AND DISTRIBUTED OVER THE PERIOD OF THE LEASE TERM SO AS TO OBTAIN A CONSTANT INTEREST RATE FOR EACH PERIOD OVER THE BALANCE OF THE DEBT PENDING AMORTIZATION. THE ASSET IS AMORTIZED IN THE SAME TERMS AS OTHER SIMILAR DEPRECIABLE ASSETS, AS LONG AS THERE IS REASONABLE CERTAINTY THAT THE LESSEE WILL ACQUIRE OWNERSHIP OF THE ASSET AT THE END OF THE LEASE. IF NO SUCH CERTAINTY EXISTS, THE ASSET WILL BE AMORTIZED OVER THE LESSER TERM BETWEEN THE USEFUL LIFE OF THE ASSET AND THE TERM OF THE LEASE.

OPERATING LEASE PAYMENTS ARE EXPENSED ON A STRAIGHT-LINE BASIS OVER THE TERM OF THE LEASE UNLESS ANOTHER TYPE OF SYSTEMATIC BASIS OF DISTRIBUTION IS DEEMED MORE REPRESENTATIVE.

**2.21 DISTRIBUTION OF DIVIDENDS**

DIVIDENDS PAYABLE TO THE COMPANY'S SHAREHOLDERS ARE RECOGNIZED AS A LIABILITY IN THE FINANCIAL STATEMENTS IN THE PERIOD IN WHICH THEY ARE APPROVED BY THE COMPANY'S SHAREHOLDERS.

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COMPANY MAKES A PROVISION AT THE END OF EACH YEAR FOR THE 30% OF THE PROFIT OF THE YEAR, IN ACCORDANCE WITH LAW N° 18.046.

ON THE COMPANY'S BOARD MEETING NO. 57 HELD ON SEPTEMBER 30, 2010, THE POLICY USED FOR THE DETERMINATION OF DISTRIBUTABLE NET PROFIT WAS APPROVED. THIS POLICY DOES NOT CONTEMPLATE ADJUSTMENTS TO THE PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT.

### NOTE 3 - RISK MANAGEMENT POLICY

#### 3.1 FINANCIAL RISK

TRANSELEC IS EXPOSED TO THE FOLLOWING RISKS AS A RESULT OF THE FINANCIAL INSTRUMENTS IT HOLDS: MARKET RISK STEMMING FROM INTEREST RATES, EXCHANGE RATES AND OTHER PRICES THAT IMPACT MARKET VALUES OF FINANCIAL INSTRUMENTS, CREDIT RISK AND LIQUIDITY RISK. THE FOLLOWING PARAGRAPHS DESCRIBE THESE RISKS AND HOW THEY ARE MANAGED.

##### 3.1.1 MARKET RISK

MARKET RISK IS DEFINED FOR THESE PURPOSES AS THE RISK OF CHANGES IN THE FAIR VALUE OR FUTURE CASH FLOWS OF A FINANCIAL INSTRUMENT AS A RESULT OF CHANGES IN MARKET PRICES. MARKET RISK INCLUDES THE RISK OF CHANGES IN INTEREST AND EXCHANGE RATES, INFLATION RATES AND VARIATIONS IN MARKET PRICES DUE TO FACTORS OTHER THAN INTEREST OR EXCHANGE RATES SUCH AS COMMODITY PRICES OR CREDIT SPREAD DIFFERENTIALS, AMONG OTHERS.

COMPANY POLICY REGULATES INVESTMENTS AND INDEBTEDNESS, IN AN ATTEMPT TO LIMIT THE IMPACT OF CHANGES IN THE VALUE OF CURRENCIES AND INTEREST RATES ON THE COMPANY'S NET RESULTS BY:

- A) INVESTING CASH SURPLUSES IN INSTRUMENTS MATURING WITHIN NO MORE THAN 90 DAYS.
- B) ENTERING INTO FORWARD CONTRACTS AND OTHER INSTRUMENTS TO MAINTAIN A BALANCED FOREIGN EXCHANGE POSITION.
- C) ENTERING INTO LONG-TERM FIXED RATE INDEBTEDNESS THUS LIMITING RISK FROM VARIABLE INTEREST RATES.

##### 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.

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### 3.1 FINANCIAL RISK (CONTINUED)

#### 3.1.1 MARKET RISK (CONTINUED)

##### 3.1.1.1 INTEREST RATE RISK (CONTINUED)

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 DECEMBER 31, 2013 AND DECEMBER 31, 2012 WERE AT FIXED RATE. HOWEVER, IN THE CASE OF UF-INDEXED DEBT, VARIATIONS IN INFLATION RATES COULD POTENTIALLY IMPACT THE COMPANY'S FINANCIAL EXPENSES.

DEBT	CURRENCY OR INDEX	INTEREST RATE	TYPE OF RATE	AMOUNT IN ORIGINAL CURRENCY (THOUSAND)	
				DECEMBER 31, 2013	DECEMBER 31, 2012
Bono Series C	UF	3.50%	Fixed	6,000	6,000
Bono Series D	UF	4.25%	Fixed	13,500	13,500
Bono Series E	UF	3.90%	Fixed	3,300	3,300
Bono Series F	CH\$	5.70%	Fixed	33,600,000	33,600,000
Bono Series H	UF	4.80%	Fixed	3,000	3,000
Bono Series I	UF	3.50%	Fixed	1,500	1,500
Bono Series K	UF	4.60%	Fixed	1,600	1,600
Bono Series L	UF	3.65%	Fixed	2,500	2,500
Bono Series M	UF	4.05%	Fixed	3,400	3,400
Bono Series N	UF	3.95%	Fixed	3,000	3,000
Bono Series Q	UF	3.95%	Fixed	3,100	-
Senior Notes	USD	4.625%	Fixed	300,000	-
Revolving Credit Facility	USD	2.62%	Variable (*)	-	120,000
Huepil Loan	USD	1.77%	Variable (**)	21,200	23,056

(\*) THE FLOATING RATE OF THE REVOLVING CREDIT FACILITY CORRESPONDS TO 3M LIBOR PLUS A MARGIN OF 2.35%. AT DECEMBER 31, 2013, THE COMPANY DID NOT UTILIZE THIS LINE AND CURRENTLY IS PAYING A COMMISSION OF 0,6% PER ANNUM OF THE AMOUNT BY THE BANKS.

(\*\*) THE FLOATING INTEREST RATE IS BASED ON 3M LIBOR PLUS MARGIN OF 1.5%. IN THE CASE THE 3M LIBRO WAS SET FOR THE CURRENT PERIOD AT 0.2686%.



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THE COMPANY HAS MERCANTILE CURRENT ACCOUNTS WITH RELATED COMPANIES DENOMINATED IN US DOLLARS THAT HAVE A VARIABLE INTEREST RATE. GIVEN THE FACT THAT THE COMPANY'S NET ASSETS WITH VARIABLE INTEREST RATES ARE AN INSIGNIFICANT PORTION OF ITS TOTAL ASSETS, THE COMPANY BELIEVES THAT ITS INCOME IS NOT EXPOSED TO SIGNIFICANT RISK FROM CHANGES IN MARKET INTEREST RATES.

HOWEVER, INCREASES IN INFLATION COULD IMPACT THE COST OF UF-DENOMINATED DEBT AND, THEREFORE, THE COMPANY'S FINANCIAL EXPENSES. THESE IMPACTS ARE TO SOME EXTENT OFFSET BY THE MECHANISM OF INDEXATION OF THE COMPANY'S REVENUES, WHICH ARE ALSO ADJUSTED FOR INFLATION USING INDEXATION FORMULAS.

### 3.1.1.2 EXCHANGE RATE RISK

TRANSELEC'S EXPOSURE TO THE RISK OF EXCHANGE RATE VARIATIONS IS DUE TO THE FOLLOWING:

- THE REVENUES OF ITS SUBSIDIARY TRANSELEC NORTE ARE DENOMINATED IN U.S. DOLLARS.
- TRANSELEC CARRIES OUT SEVERAL TYPES OF TRANSACTIONS IN U.S. DOLLARS (CERTAIN CONSTRUCTION CONTRACTS, IMPORT PURCHASES, ETC.).
- TRANSELEC USES FORWARD CONTRACTS TO SELL U.S. DOLLARS TO HEDGE FUTURE REVENUES DENOMINATED IN THE U.S. DOLLARS. TRANSELEC ALSO USES A CURRENCY FORWARD CONTRACT WITH ITS PARENT; THIS ALLOWS IT TO FINANCE U.S. DOLLAR-DENOMINATED ASSETS OF ITS SUBSIDIARY.

EXCHANGE RATE EXPOSURE IS MANAGED USING AN APPROVED POLICY THAT INVOLVES:

A) FULLY HEDGING NET BALANCE SHEET EXPOSURE USING DIVERSE INSTRUMENTS SUCH AS FOREIGN EXCHANGE FORWARD CONTRACTS AND CROSS CURRENCY SWAPS. THE FOLLOWING TABLE DETAILS THE AMOUNTS OF MONETARY ASSETS AND LIABILITIES AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012:

B) POLYNOMIALS INDEXING OF THE COMPANY'S REVENUES CONTAIN FORMULAS FOR SETTING THESE REVENUES IN THE SHORT TERM, DIFFER FROM THE LONG-TERM INDEXING. IN ORDER THAT THE SHORT-TERM INDEXING IS CONSISTENT WITH LONG-TERM INDEXING, THE COMPANY, PERIODICALLY (EVERY SIX MONTHS) SELL A PERCENTAGE OF THEIR SEMI-ANNUAL FIXED DOLLAR INCOME USING CURRENCY FORWARDS. THESE FORWARDS ARE CONSIDERED AS CASH FLOW HEDGES AND THEREFORE CHANGES IN FAIR VALUE, WHILE NOT REALIZED ARE INCLUDED IN OTHER COMPREHENSIVE INCOME.

	LIABILITIES		ASSETS	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
U.S. dollar (amounts associated with balance sheet items)	217,253.76	102,918.40	218,691.03	75,915.84
U.S. dollar (amounts associated with income statement items)	36,512.86	31,389.40	-	-
Chilean peso	1,072,254.18	974,211.20	1,958,392.41	1,878,851.70

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 3.1.1.2.1 SENSITIVITY ANALYSIS

THE FOLLOWING CHART SHOWS THE SENSITIVITY ANALYSIS OF VARIOUS ITEMS TO A 10% INCREASE OR DECREASE IN EXCHANGE RATES (US DOLLAR) AND THEIR EFFECT ON INCOME OR EQUITY. THIS EXCHANGE RATE SENSITIVITY (10%) IS USED TO INTERNALLY REPORT THE COMPANY'S FOREIGN EXCHANGE RISK TO KEY MANAGEMENT PERSONNEL AND REPRESENTS MANAGEMENT'S VALUATION OF THE POSSIBLE CHANGE IN US DOLLAR EXCHANGE RATE. THE SENSITIVITY ANALYSIS INCLUDES ASSET AND LIABILITY BALANCES IN CURRENCIES OTHER THAN THE COMPANY'S FUNCTIONAL CURRENCY. A POSITIVE NUMBER INDICATES AN INCREASE IN INCOME OR OTHER COMPREHENSIVE INCOME WHEN THE CHILEAN PESO IS STRENGTHENED WITH RESPECT TO THE FOREIGN CURRENCY. A NEGATIVE PERCENTAGE IMPLIES A WEAKENING OF THE CHILEAN PESO WITH RESPECT TO THE FOREIGN CURRENCY, WHICH NEGATIVELY IMPACTS THE INCOME STATEMENT OR IN OTHER COMPREHENSIVE INCOME.

### 3.1.2 CREDIT RISK

ITEM (CURRENCY)	POSITION ThCh\$	NET INCOME (GAIN)/LOSS ThCh\$		POSITION ThCh\$	OCI (GAIN)/LOSS ThCh\$	
	LONG / (SHORT)	CHANGE (-10%)	CHANGE (+10%)	LONG / (SHORT)	CHANGE (-10%)	CHANGE (+10%)
RECEIVABLES (US\$)	9,732	885	(973)	-	-	-
PAYABLES (US\$)	(6,639)	(604)	664	-	-	-
CASH (US\$)	34,825	3,166	(3,482)	-	-	-
FORWARDS (ASSETS) (US\$)	-	-	-	(45,379)	(4,125)	4,538
FORWARDS (INCOME)	-	-	-	(36,513)	(3,319)	3,651
SENIOR NOTES AND HUEPIL CREDIT (US\$)	(165,200)	(15,018)	16,520	-	-	-
INTERCOMPANY LOAN (US\$)	80,705	7,337	(8,071)	-	-	-
PPE (US\$)	-	-	-	117,296	10,663	(11,730)
OTHER (US\$)	(28,389)	(2,581)	2,839	-	-	-
<b>TOTAL</b>	<b>(74,966)</b>	<b>(6,815)</b>	<b>7,497</b>	<b>35,404</b>	<b>3,219</b>	<b>(3,541)</b>

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 YEAR ENDED DECEMBER 31, 2013 ThCh\$	FOR THE YEAR ENDED DECEMBER 31, 2012 ThCh\$
ENDESA GROUP	71,491,627	72,245,825
COLBÚN GROUP	60,905,616	17,305,911
PACIFIC HYDRO-LH-LC GROUP	30,446,275	21,685,279
AES GENER GROUP	27,614,592	25,769,694
OTHERS	29,490,627	76,485,685
<b>TOTAL</b>	<b>219,948,737</b>	<b>213,492,394</b>
<b>% OF CONCENTRATION OF 4 TOP CUSTOMERS</b>	<b>86.59%</b>	<b>64.17%</b>

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THE TOLL AGREEMENTS SIGNED WITH THESE CLIENTS, INCLUDING ITS SUBSIDIARIES WILL GENERATE A LARGE PART OF THE COMPANY'S FUTURE CASH FLOWS. THEREFORE, A SUBSTANTIAL CHANGE IN THEIR ASSETS, FINANCIAL CONDITION OR OPERATING INCOME COULD NEGATIVELY AFFECT THE COMPANY.

IN TERMS OF THE COMPANY'S CREDIT RISK ASSOCIATED WITH OTHER FINANCIAL ASSETS (TIME DEPOSITS, FIXED-RETURN MUTUAL FUNDS AND REVERSE REPURCHASE AGREEMENTS, NET ASSET POSITION FROM DERIVATIVE CONTRACTS), THE TREASURY POLICY ESTABLISHES CERTAIN LIMITS ON A PARTICULAR INSTITUTION'S EXPOSURE; SUCH LIMITS DEPEND ON THE RISK RATING AND CAPITAL OF EACH INSTITUTION. LIKEWISE, FOR INVESTMENTS IN MUTUAL FUNDS, ONLY FUNDS WITH A RISK RATING QUALIFY.

### 3.1.3 LIQUIDITY RISK

#### A) RISK ASSOCIATED TO COMPANY'S MANAGEMENT

LIQUIDITY RISK IS THE RISK OF THE COMPANY NOT SATISFYING A NEED FOR CASH OR DEBT PAYMENT UPON MATURITY.

LIQUIDITY RISK ALSO INCLUDES THE RISK OF NOT BEING ABLE TO LIQUIDATE ASSETS IN A TIMELY MANNER AT A REASONABLE PRICE.

IN ORDER TO GUARANTEE THAT TRANSELEC IS ABLE TO QUICKLY REACT TO INVESTMENT OPPORTUNITIES AND PAY ITS OBLIGATIONS BY THEIR MATURITY DATES, IN ADDITION TO ITS CASH BALANCES AND SHORT-TERM RECEIVABLES, THE COMPANY HAS COMMITTED LINE OF CREDIT FOR WORKING CAPITAL OF US\$ 250 MILLION, EQUIVALENT TO CH\$126,050 MILLIONS. AS OF THE BALANCE SHEET DATE, DOES NOT REGISTER BALANCE OF USED AMOUNTS. THIS COMMITTED LINE OF CREDIT WAS CONTRACTED ON JULY 9, 2012, IS GRANTED FOR A PERIOD OF THREE YEARS BY A BANK SYNDICATE CONSISTING OF SCOTIABANK, BANK OF TOKYO-MITSUBISHI AND DNB NOR.

THE COMPANY IS EXPOSED TO RISKS ASSOCIATED WITH INDEBTEDNESS, INCLUDING REFINANCING RISK WHEN ITS DEBT MATURES.

THESE RISKS ARE MITIGATED BY USING LONG-TERM DEBT AND APPROPRIATELY STRUCTURING MATURITIES OVER TIME.

THE FOLLOWING TABLE PRESENTS THE CAPITAL AMORTIZATIONS AND ESTIMATED INTEREST PAYMENTS CORRESPONDING TO THE COMPANY'S FINANCIAL LIABILITIES (DEBT), ACCORDING TO THEIR MATURITY DATE, AS OF DECEMBER 31, 2013 AND 2012.

DEBT MATURITY	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
DECEMBER 31, 2013	194,098,128	281,307,373	71,734,841	333,619,056	858,362,572	1,739,121,970
DECEMBER 31, 2012	95,591,711	286,450,680	208,260,633	165,746,431	803,109,861	1,559,159,316

THE MATURITY OF DERIVATIVES IS PRESENTED NOTE 15.3.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**3.1 FINANCIAL RISK (CONTINUED)****3.1.3 LIQUIDITY RISK (CONTINUED)****B) ASSOCIATED RISK TO THE SETTLEMENT OF TRUNK TRANSMISSION SYSTEM TARIFF REVENUES**

ACCORDING TO DECREE N°4/20.018 FROM THE MINISTRY OF ECONOMY, FOMENTATION AND RECONSTRUCTION, IN ITS ARTICLES 81, 101, 104 AND 106, AND COMPLEMENTARY RULES, TRANSELEC HAS THE RIGHT TO PERCEIVE ON A PROVISORY BASIS THE REAL TARIFF INCOME (IT FOR ITS NAME IN SPANISH) OF THE TRUNK TRANSMISSION SYSTEM GENERATED FOR EVERY PERIOD. IN ORDER TO GET THEIR OWN REVENUES SET UP IN THE FIRST PARAGRAPH OF ARTICLE N°101 OF THE ABOVE MENTIONED DECREE N°4/20.018, THE REAL TARIFF INCOME PERCEIVED ON A PROVISORY BASIS MUST BE SETTLED BY TRANSELEC ACCORDING TO THE REPAYMENT SCHEDULE PREPARED BY THE RESPECTIVE CDEC (CENTER OF ECONOMIC DISPATCH OF CHARGE) THROUGH THE COLLECTION OR PAYMENT TO THE DIFFERENT COMPANIES, OWNERS OF GENERATION FACILITIES.

TRANSELEC COULD FACE THE RISK OF NOT TIMELY COLLECTING THE IT THAT SOME OF THE COMPANIES OWNERS OF GENERATION FACILITIES SHOULD PAY AS DETERMINED IN THE ENERGY BALANCES PREPARED BY CDEC, WHAT MAY TEMPORARILY AFFECT THE COMPANY'S LIQUIDITY POSITION. IN THIS SENSE, AND IN THE OPINION OF THE COMPANY, THE "CLEARING HOUSE" FUNCTION THAT TRANSELEC 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 A MATERIAL ADJUSTMENT TO THE BALANCES OF ASSETS AND LIABILITIES DURING THE UPCOMING YEAR ARE DETAILED BELOW:

- THE ESTIMATES OF RECOVERABLE VALUES OF ASSETS AND GOODWILL TO DETERMINE POTENTIAL EXISTENCE OF IMPAIRMENT LOSSES;
- USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS;
- THE ASSUMPTIONS USED TO CALCULATE THE FAIR VALUE OF FINANCIAL INSTRUMENTS;
- THE ACTUARIAL ASSUMPTIONS USED TO CALCULATE OBLIGATIONS WITH EMPLOYEES;
- FUTURE TAX RESULTS FOR THE PURPOSES OF DETERMINING THE RECOVERABILITY OF DEFERRED TAX ASSETS.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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- DETERMINATION OF EXISTENCE AND CLASSIFICATION OF FINANCIAL OR OPERATING LEASES BASED ON THE TRANSFER OF RISKS AND REWARDS OF THE LEASED ASSETS.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

**A) AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS:**

CASH AND CASH EQUIVALENTS	BALANCE AS OF	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
BANK AND CASH BALANCES	5,766,585	33,614,700
SHORT-TERM DEPOSITS	24,701,289	3,044,660
REVERSE REPURCHASE AGREEMENTS AND MUTUAL FUNDS	21,954,117	1,296,594
TOTAL	52,421,991	37,955,954

CASH AND CASH EQUIVALENTS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, DOES NOT DIFFER FROM THOSE PRESENTED IN THE STATEMENT OF CASH FLOWS.

**B) THE FOLLOWING TABLE DETAILS THE BALANCE OF CASH AND CASH EQUIVALENTS BY TYPE OF CURRENCY:**

DETAIL OF CASH AND CASH EQUIVALENTS	CURRENCY	BALANCE AS OF	
		DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
AMOUNT OF CASH AND CASH EQUIVALENTS	U.S. dollars	34,432,628	19,820,861
AMOUNT OF CASH AND CASH EQUIVALENTS	Euros	12,284	-
AMOUNT OF CASH AND CASH EQUIVALENTS	Chilean pesos	17,977,079	18,135,093
TOTAL		52,421,991	37,955,954

FAIR VALUES ARE NOT SIGNIFICANTLY DIFFERENT FROM BOOK VALUES DUE TO THE SHORT MATURITY OF THESE INSTRUMENTS.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 6 - TRADE AND OTHER RECEIVABLES

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS:

ITEM	BALANCE AS OF	
	DECEMBER 31, 2013 CURRENT ThCh\$	DECEMBER 31, 2012 CURRENT ThCh\$
TRADE RECEIVABLES	62.864.300	50.217.018
MISCELLANEOUS RECEIVABLES	678.867	566.552
TOTAL TRADE AND OTHER RECEIVABLES	63.543.167	50.783.570
PROVISION FOR UNCOLLECTIBLE AMOUNT (*)	(1.392.383)	(1.396.485)
TOTAL TRADE AND OTHER RECEIVABLES (NET)	62.150.784	49.387.085

REFER TO NOTE 7 FOR THE AMOUNTS, TERMS AND CONDITIONS OF RECEIVABLES FROM RELATED PARTIES. AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THE AGING OF TRADE AND OTHER RECEIVABLES IS AS FOLLOWS:

	BALANCE AS OF	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
MATURING IN LESS THAN 30 DAYS	44,465,546	27,777,749
MATURING IN MORE THAN 30 DAYS UP TO 1 YEAR	17,685,238	21,609,336
TOTAL	62,150,784	49,387,085

THE FAIR VALUES ARE NOT SIGNIFICANTLY DIFFERENT FROM BOOK VALUES DUE TO THE SHORT MATURITY OF THESE INSTRUMENTS.

(\*) ON SEPTEMBER 13, 2011 THE COMPANY CAMPANARIO GENERACIÓN S.A. WAS DECLARED BANKRUPT AND STOPPED PAYING TRANSELEC SA THE AMOUNT OF THCH\$ 6,345,762 (AS OF SEPTEMBER 30, 2011) FROM TOLLS AND TARIFF REVENUE. BASED ON THE LEGAL AND REGULATORY HISTORY, THE COMPANY ESTIMATED THAT THERE ARE NO INDICATIONS TO ATTEST THAT THE ACCOUNTS RECEIVABLE OUTSTANDING FROM TARIFF REVENUES, ARE IMPAIRED. THEREFORE, TRANSELEC S.A. RECORDED A PROVISION FOR UNCOLLECTIBLE AMOUNT OF THCH\$ 1,392,383 RELATING TO ACCOUNTS RECEIVABLE FOR ITEMS OTHER THAN TARIFF REVENUES FOR WHICH - AT THE DATE OF THE PRESENTATION OF THESE FINANCIAL STATEMENTS - THERE IS NO CERTAINTY THAT THE COMPANY WILL RECOVER. THE MOVEMENT OF THE PROVISION FOR UNCOLLECTIBLE AMOUNT IS PRESENTED FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:

	ThCh\$
<b>BALANCE AS OF JANUARY 1, 2012</b>	<b>1,026,284</b>
INCREASE CHARGED TO THE CURRENT PERIOD	370,201
DECREASE DUE TO UTILIZATION	-
DECREASE DUE TO REVERSALS AND RECEIVABLES	-
<b>BALANCE AS OF DECEMBER 31, 2012</b>	<b>1,396,485</b>
INCREASE CHARGED TO THE CURRENT PERIOD	366,099
DECREASE DUE TO UTILIZATION	-
DECREASE DUE TO REVERSALS AND RECEIVABLES	(370,201)
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>1,392,383</b>



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### NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

#### 7.1 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

TRANSACTIONS BETWEEN THE COMPANY AND ITS SUBSIDIARIES CONSIST OF CUSTOMARY TRANSACTIONS IN TERMS OF THEIR OBJECTIVE AND CONDITIONS. THESE TRANSACTIONS HAVE BEEN ELIMINATED IN THE CONSOLIDATION PROCESS AND ARE NOT PRESENTED IN THIS NOTE.

BALANCES OF RECEIVABLES AND PAYABLES BETWEEN THE COMPANY AND ITS UNCONSOLIDATED RELATED COMPANIES ARE DETAILED AS FOLLOWS:

TAX ID NUMBER	COMPANY	COUNTRY	DESCRIPTION	MATURITY	RELATION	CURRENCY	BALANCE AS OF			
							CURRENT		NON-CURRENT	
							DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Forward	6 months	Direct parent	CH\$	25,835	6,059,980	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	Not defined	Direct parent	CH\$	465,018	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	6 months	Direct parent	UF	552,842	57,860	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	6 years	Direct parent	UF	-	-	71,004,772	69,581,888
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH\$	-	-	75,901,840	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	CH\$	3,455,390	-	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Loan	Not defined	Indirect parent	US\$	7,869	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Direct parent	CH\$	-	-	16,414,632	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	US\$	78,683,631	-	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Mercantile current account	Not defined	Indirect parent	US\$	26,130	-	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Sale of project	Not defined	Indirect parent	US\$	944,141	86,531,517	-	-
<b>TOTALES</b>							<b>84,160,856</b>	<b>92,649,357</b>	<b>163,321,244</b>	<b>69,581,888</b>

#### 7.1 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

PAYABLES TO RELATED PARTIES

TAX ID NUMBER	COMPANY	COUNTRY	DESCRIPTION	MATURITY	RELATION	CURRENCY	BALANCE AS OF			
							CURRENT		NON-CURRENT	
							DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	5 Years, 7 months	Direct Parent	US\$	-	-	40,343,274	36,947,376
<b>TOTALS</b>							<b>-</b>	<b>-</b>	<b>40,343,274</b>	<b>36,947,376</b>

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### A) MOST SIGNIFICANT TRANSACTIONS AND THEIR EFFECT ON INCOME

TRANSACTIONS WITH UNCONSOLIDATED RELATED PARTIES HAD THE FOLLOWING EFFECTS ON THE INCOME STATEMENT FOR THE YEARS DECEMBER 31, 2013 AND DECEMBER 31, 2012:

TAX ID NUMBER	COMPANY	COUNTRY	RELATION	DESCRIPTION OF THE TRANSACTION	DECEMBER 31, 2013		DECEMBER 31, 2012	
					AMOUNT ThCh\$	EFFECT ON INCOME ThCh\$	AMOUNT ThCh\$	EFFECT ON INCOME ThCh\$
76.560.200-9	Transec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	171,970,103	-	-	-
76.560.200-9	Transec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	-	-	3,870,835	-
76.560.200-9	Transec Holdings Rentas Ltda.	Chile	Direct parent	Interest earned	8,882,575	8,882,575	2,648,059	2,648,059
76.560.200-9	Transec Holdings Rentas Ltda.	Chile	Direct parent	Interest accrued	1,633,684	(1,633,684)	1,586,062	(1,586,062)
76.560.200-9	Transec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	8,882,575	-	4,494,218	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Indirect parent	Loans granted	3,166,728	-	-	-
76.248.725-K	CyT Operaciones SpA	Chile	Indirect	Sale of project	1,576,134	1,328,647	102,899,637	2,538,189

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

## 7.2 BOARD OF DIRECTORS AND MANAGEMENT

IN ACCORDANCE WITH THE COMPANY'S BY-LAWS, THE BOARD OF DIRECTORS OF TRANSELEC IS COMPOSED OF NINE MEMBERS APPOINTED BY SHAREHOLDERS AT THE RESPECTIVE SHAREHOLDERS' MEETING. THEY HOLD THEIR POSITIONS FOR TWO YEARS AND MAY BE RE-ELECTED. THE CURRENT BOARD OF DIRECTORS WAS ELECTED IN THE ORDINARY GENERAL SHAREHOLDERS' MEETING ON APRIL 26, 2012. THE CURRENT CHAIRMAN OF THE BOARD WAS ELECTED AT BOARD MEETING DATED MAY 23, 2013.

### 7.2.1 BOARD OF DIRECTORS' COMPENSATION

AS ESTABLISHED IN ARTICLE NO. 33 OF LAW NO. 18,046 ON CORPORATIONS, ON THE SECOND ORDINARY SHAREHOLDERS' MEETING OF TRANSELEC S.A., HELD ON JUNE 21, 2013, SHAREHOLDERS ESTABLISHED ANNUAL GROSS COMPENSATION FOR THE COMPANY'S DIRECTORS OF THE EQUIVALENT OF US\$ 90,000, REGARDLESS OF THE NUMBER OF SESSIONS ACTUALLY ATTENDED OR HELD. ALLOWANCES ARE PAID ON A QUARTERLY BASIS.

DIRECTORS JEFFREY BLIDNER, BRUCE HOGG, PATRICK CHARBONNEAU AND BRENDA EATON WAIVED THEIR RESPECTIVE ALLOWANCES. ACCORDINGLY, THE FOLLOWING COMPENSATION WAS RECEIVED BY DIRECTORS DURING THE YEARS 2013 AND 2012:

	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
BLAS TOMIC ERRÁZURIZ	39,415	34,689
JOSÉ RAMÓN VALENTE VIAS	39,415	34,689
ALEJANDRO JADRESIC MARINOVIC	39,415	34,689
MARIO ALEJANDRO VALCARCE DURAN	39,415	34,689
BRUNO PEDRO PHILIPPI IRARRAZABAL	39,415	34,689

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AS ESTABLISHED IN ARTICLE 8 OF ITS BY-LAWS, THE DIRECTORS OF THE COMPANY'S SUBSIDIARY, TRANSELEC NORTE, S.A. DO NOT RECEIVE COMPENSATION FOR THEIR SERVICES.

### 7.3 BOARD EXPENSES

DURING 2013 PAYMENTS AMOUNTING TO ThCh\$ 35,225 ASSOCIATED WITH THE EXPENDITURES OF DIRECTORS WERE MADE, DURING 2012 THERE WERE NO SUCH PAYMENTS.

### 7.4 AUDIT COMMITTEE

IN APRIL 2007, THE COMPANY APPROVED CREATION OF AN AUDIT COMMITTEE, SEPARATE FROM THAT ESTABLISHED IN THE CORPORATIONS LAW. ITS FUNCTIONS INCLUDE, AMONG OTHERS, REVIEWING THE REPORTS OF THE EXTERNAL AUDITORS AS WELL AS THE COMPANY'S BALANCE SHEETS, OTHER FINANCIAL STATEMENTS AND INTERNAL SYSTEMS. TRANSELEC'S AUDIT COMMITTEE IS COMPOSED OF FOUR DIRECTORS, ALL OF WHOM ARE QUALIFIED IN FINANCIAL MATTERS AND APPLY THEIR SPECIALIZED KNOWLEDGE TO DIVERSE TOPICS OF INTEREST TO THE COMPANY. COMMITTEE MEMBERS ARE APPOINTED BY THE BOARD OF DIRECTORS. THEY HOLD THEIR POSITIONS FOR TWO YEARS AND MAY BE RE-ELECTED. THE COMMITTEE APPOINTS A CHAIRMAN-FROM AMONG ITS MEMBERS-AND A SECRETARY, WHO MAY BE ONE OF ITS MEMBERS OR THE SECRETARY OF THE BOARD OF DIRECTORS. THE AUDIT COMMITTEE HELD FOUR MEETINGS IN THE YEAR 2013 AND FOUR MEETINGS IN THE YEAR 2012.

AS OF DECEMBER 31, 2013, THE AUDIT COMMITTEE MEMBERS INCLUDED CHAIRMAN MARIO VALCARCE DURAN, DIRECTORS PATRICK CHARBONNEAU, JOSÉ RAMÓN VALENTE VÍAS AND BRENDA EATON AND SECRETARY ARTURO LE BLANC CERDA. THE COMMITTEE MEMBERS ARE ENTITLED TO RECEIVE COMPENSATION AS DETERMINED BY SHAREHOLDERS AT THE ORDINARY SHAREHOLDERS' MEETING.

ON THE QUARTER ORDINARY SHAREHOLDERS' MEETING OF TRANSELEC S.A., HELD ON APRIL 27, 2012, SHAREHOLDERS ESTABLISHED ANNUAL GROSS COMPENSATION FOR THE COMMITTEE MEMBERS AT US\$ 10,000, REGARDLESS OF THE NUMBER OF SESSIONS ACTUALLY ATTENDED OR HELD.

THE FOLLOWING COMPENSATION WAS RECEIVED BY MEMBERS OF THE AUDIT COMMITTEE DURING 2013 AND 2012:

	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
JOSÉ RAMÓN VALENTE	4,800	5,192
MARIO ALEJANDRO VALCARCE DURAN	4,800	5,192

### 7.5 COMPENSATION OF KEY MANAGEMENT THAT ARE NOT DIRECTORS

#### MEMBERS OF KEY MANAGEMENT

ANDRÉS KUHLMANN JAHN	CHIEF EXECUTIVE OFFICER
ERIC AHUMADA GOMEZ	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



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RODRIGO LOPÉZ VERGARA	VICE-PRESIDENT OF OPERATIONS
JORGE LAGOS RODRÍGUEZ	CORPORATE AFFAIRS MANAGER
JUAN CARLOS ARANEDA TAPIA	ELECTRICAL DEVELOPMENT MANAGER

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 YEARS 2013 AND 2012 IS DETAILED AS FOLLOWS:

	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Salaries	1,420,489	1,479,038
Short-term employee benefits	576,394	560,708
Long-term employee benefits	232,598	908,633
<b>TOTAL COMPENSATION RECEIVED BY KEY MANAGEMENT PERSONNEL</b>	<b>2,229,481</b>	<b>2,948,379</b>

**NOTE 8 - INVENTORY**

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS:

CLASSES OF INVENTORY	BALANCE AS OF	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Safety equipment	23,059	28,301
<b>TOTAL</b>	<b>23,059</b>	<b>28,301</b>

**NOTE 9 - OTHER FINANCIAL ASSETS, LEASES**

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS:

	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Finance lease receivables current	513,049	669,329
Forward agreement	333,250	-
<b>SUB-TOTAL OTHER FINANCIAL ASSETS CURRENT</b>	<b>846,299</b>	<b>669,329</b>
Finance lease receivables non-current	10,742,658	10,248,263
Other financial assets	278,848	303,955
<b>SUB-TOTAL OTHER FINANCIAL ASSETS NON-CURRENT</b>	<b>11,021,506</b>	<b>10,552,218</b>
<b>TOTAL</b>	<b>11,867,805</b>	<b>11,221,547</b>

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### 9.1 FINANCE LEASE RECEIVABLES

WITHIN CURRENT AND NON-CURRENT OTHER ASSETS RECEIVABLE, THE COMPANY INCLUDES ASSETS THAT HAVE BEEN CONSTRUCTED AT THE EXPRESS REQUEST OF THE LESSEE. THEREFORE, SUBSTANTIALLY ALL RISKS AND BENEFITS HAVE BEEN TRANSFERRED WHEN THE ASSETS ARE COMMISSIONED. NOMINAL VALUE (GROSS INVESTMENT IN THE LEASE) AND PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS TO BE RECEIVED ARE PRESENTED IN THE FOLLOWING TABLES:

DECEMBER 31, 2013			
PERIOD IN YEARS	PRESENT VALUE (NET INVESTMENT) ThCh\$	INTEREST RECEIVABLE ThCh\$	NOMINAL VALUE (GROSS INVESTMENT) ThCh\$
Less than 1	513,049	564,484	1,077,533
1-5	2,274,092	2,036,038	4,310,130
Over 5	8,468,566	3,442,115	11,910,681
<b>TOTAL</b>	<b>11,255,707</b>	<b>6,042,637</b>	<b>17,298,344</b>

DECEMBER 31, 2012			
PERIOD IN YEARS	PRESENT VALUE (NET INVESTMENT) ThCh\$	INTEREST RECEIVABLE ThCh\$	NOMINAL VALUE (GROSS INVESTMENT) ThCh\$
Less than 1	669,329	2,855,370	3,524,699
1-5	3,235,803	11,634,743	14,870,546
Over 5	7,012,460	9,030,503	16,042,963
<b>TOTAL</b>	<b>10,917,592</b>	<b>23,520,616</b>	<b>34,438,208</b>

### 9.2 OPERATING LEASES PAYABLE

THE COMPANY HAS OPERATING LEASES CONTRACT IN WHICH IT ACTS AS LESSEE. PAYMENTS UNDER THOSE CONTRACTS ARE RECOGNIZED IN ADMINISTRATIVE EXPENSES AS FOLLOWS:

	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Real estate lease	661,844	561,026
Other leases	662,242	561,101
<b>TOTAL OPERATING LEASES</b>	<b>1,324,086</b>	<b>1,122,127</b>

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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	661,844	2,647,376	-
Other leases	662,242	2,648,968	-
<b>TOTAL OPERATING LEASES</b>	<b>1,324,086</b>	<b>5,296,344</b>	<b>-</b>

**NOTE 10 - INTANGIBLE ASSETS**

THE FOLLOWING TABLES DETAIL THE BALANCES WITHIN THIS ACCOUNT AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012:

INTANGIBLE ASSETS, NET	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Rights of way	157,570,262	152,969,673
Software	1,648,089	849,982
Goodwill	342,214,791	341,932,540
<b>TOTAL INTANGIBLE ASSETS, NET</b>	<b>501,433,142</b>	<b>495,752,195</b>
<b>INTANGIBLE ASSETS, GROSS</b>		
Rights of way	157,570,262	152,969,673
Software	5,361,050	4,127,431
Goodwill	342,214,791	341,932,540
<b>TOTAL INTANGIBLE ASSETS</b>	<b>505,146,103</b>	<b>499,029,644</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>		
Software	(3,712,961)	(3,277,449)
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>(3,712,961)</b>	<b>(3,277,449)</b>



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THE COMPOSITION AND MOVEMENTS OF INTANGIBLE ASSETS DURING THE YEARS 2013 AND 2012 ARE THE FOLLOWING:

<b>YEAR 2013 MOVEMENTS IN INTANGIBLE ASSETS</b>	<b>RIGHTS OF WAY ThCh\$</b>	<b>SOFTWARE ThCh\$</b>	<b>GOODWILL ThCh\$</b>	<b>NET INTANGIBLE ASSETS ThCh\$</b>
<b>OPENING BALANCE AS OF JANUARY 1, 2013</b>	<b>152,969,812</b>	<b>849,982</b>	<b>341,932,401</b>	<b>495,752,195</b>
MOVEMENTS IN INTANGIBLE ASSETS				
Additions	4,114,969	1,233,619	-	5,348,588
Amortization	-	(435,512)	-	(435,512)
Translation difference	485,481	-	282,390	767,871
<b>ENDING BALANCE OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2013</b>	<b>157,570,262</b>	<b>1,648,089</b>	<b>342,214,791</b>	<b>501,433,142</b>

<b>YEAR 2012 MOVEMENTS IN INTANGIBLE ASSETS</b>	<b>RIGHTS OF WAY ThCh\$</b>	<b>SOFTWARE ThCh\$</b>	<b>GOODWILL ThCh\$</b>	<b>NET INTANGIBLE ASSETS ThCh\$</b>
<b>OPENING BALANCE AS OF JANUARY 1, 2012</b>	<b>148,448,704</b>	<b>815,158</b>	<b>338,897,614</b>	<b>488,161,476</b>
MOVEMENTS IN INTANGIBLE ASSETS				
Additions	4,897,068	352,349	3,034,787	8,284,204
Amortization	-	(309,913)	-	(309,913)
Translation difference	(376,960)	(7,612)	-	(383,572)
<b>ENDING BALANCE OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2012</b>	<b>152,969,812</b>	<b>849,982</b>	<b>341,932,401</b>	<b>495,752,195</b>

BASED ON ESTIMATES MADE BY MANAGEMENT, PROJECTIONS OF CASH FLOWS ATTRIBUTABLE TO INTANGIBLE ASSETS ALLOW THE CARRYING VALUE OF THESE ASSETS RECORDED AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, TO BE RECOVERED.

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT****11.1 DETAIL OF ACCOUNTS**

THIS ACCOUNT IS DETAILED AS FOLLOWS:

<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>DECEMBER 31, 2013 ThCh\$</b>	<b>DECEMBER 31, 2012 ThCh\$</b>
Land	19,776,629	20,983,480
Buildings and infrastructure	769,961,825	767,858,239
Work in progress	89,680,293	47,554,608
Machinery and equipment	371,698,132	351,440,492
Other property, plant and equipment	4,260,410	4,468,080
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>1,255,377,289</b>	<b>1,192,304,899</b>
<b>PROPERTY, PLANT AND EQUIPMENT, GROSS</b>		
Land	19,776,629	20,983,480
Buildings and infrastructure	938,651,484	915,732,664
Work in progress	89,680,293	47,554,608
Machinery and equipment	498,519,217	458,330,044
Other property, plant and equipment	4,260,410	4,468,080
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT, GROSS</b>	<b>1,550,888,033</b>	<b>1,447,068,876</b>
<b>TOTAL ACCUMULATED DEPRECIATION AND IMPAIRMENT, PROPERTY, PLANT AND EQUIPMENT, NET</b>		
Buildings and infrastructure	(168,689,659)	(147,874,425)
Machinery and equipment	(126,821,085)	(106,889,552)
<b>TOTAL ACCUMULATED DEPRECIATION AND IMPAIRMENT, PROPERTY, PLANT AND EQUIPMENT</b>	<b>(295,510,744)</b>	<b>(254,763,977)</b>

**11.2 RECONCILIATION OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

THE FOLLOWING TABLE DETAILS THE RECONCILIATION OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT BY CLASS DURING THE YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012:

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YEAR 2013	LAND	BUILDINGS AND INFRASTRUCTURE	MACHINERY AND EQUIPMENT	WORK IN PROGRESS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT, NET
<b>OPENING BALANCE JANUARY 1, 2013</b>	<b>20,983,480</b>	<b>767,868,239</b>	<b>351,440,492</b>	<b>47,544,608</b>	<b>4,468,080</b>	<b>1,192,304,899</b>
MOVEMENT	-	-	-	-	-	-
Additions	-	1,640,077	-	110,214,012	-	111,854,089
Retirements	-	(706,199)	(2,885,305)	(550,576)	-	(4,142,080)
Transfer to operating assets	(1,338,862)	12,048,128	43,501,558	(67,779,040)	-	(13,568,216)
Depreciation	-	(21,103,883)	(21,046,636)	-	-	(42,150,519)
Translation adjustment	132,011	4,236,139	688,023	251,289	24,985	5,332,447
Other increases (decreases)	-	5,979,324	-	-	(232,655)	5,746,669
<b>ENDING BALANCE AS OF DECEMBER 31, 2013</b>	<b>19,776,629</b>	<b>769,961,825</b>	<b>371,698,132</b>	<b>89,680,293</b>	<b>4,260,410</b>	<b>1,255,377,289</b>

YEAR 2012	LAND	BUILDINGS AND INFRASTRUCTURE	MACHINERY AND EQUIPMENT	WORK IN PROGRESS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT, NET
<b>OPENING BALANCE JANUARY 1, 2012</b>	<b>20,668,591</b>	<b>700,934,240</b>	<b>349,626,007</b>	<b>79,963,717</b>	<b>1,852,680</b>	<b>1,153,045,235</b>
MOVEMENT	-	-	-	-	-	-
Additions	-	82,666,447	3,026,907	131,926,626	263,705	217,883,685
Retirements	-	32,761,110	-	-	-	32,761,110
Transfer to operating assets	-	(84,445,437)	(1,868,540)	(85,491,363)	-	(171,805,340)
Depreciation	430,904	50,615,801	22,384,623	(78,731,426)	-	(5,300,098)
Translation adjustment	-	(24,869,011)	(21,026,175)	-	-	(45,895,186)
Other increases (decreases)	(116,015)	(4,104,258)	(702,330)	(122,946)	(517)	(5,046,066)
<b>ENDING BALANCE AS OF DECEMBER 31, 2012</b>	<b>20,983,480</b>	<b>767,868,239</b>	<b>351,440,492</b>	<b>47,544,608</b>	<b>4,468,080</b>	<b>1,192,304,899</b>

### 11.3 ADDITIONAL INFORMATION ON PROPERTY, PLANT AND EQUIPMENT

TRANSELEC HAS TAKEN OUT INSURANCE POLICIES TO COVER POSSIBLE RISKS RELATED TO ITS TANGIBLE ASSETS AS WELL AS POSSIBLE CLAIMS RELATED TO ITS ACTIVITIES THAT MAY ARISE. THESE POLICIES ARE UNDERSTOOD TO SUFFICIENTLY COVER THE RISKS TO WHICH THE COMPANY IS EXPOSED.

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THE COMPANY MAINTAINED COMMITMENTS TO ACQUIRE TANGIBLE ASSETS RELATED TO EPC CONSTRUCTION CONTRACTS TOTALING THCH\$ 139,685,214 AND THCH\$ 117,294,073, RESPECTIVELY.

THE FOLLOWING TABLE DETAILS CAPITALIZED INTEREST COSTS IN PROPERTY, PLANT AND EQUIPMENT:

	DECEMBER 31, 2013	DECEMBER 31, 2012
Capitalization rate (Annual basis)	6.28%	6.90%
Capitalized interest costs (ThCh\$)	920,078	2,483,031

WORK IN PROGRESS BALANCES AMOUNTS TO THCH\$ 89,680,293 AND THCH\$ 47,544,608 AND AS OF DECEMBER 31, 2013, AND 2012, RESPECTIVELY.



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## NOTE 12 - DEFERRED TAXES

### 12.1 DETAIL OF DEFERRED TAX ASSETS AND LIABILITIES

THE ORIGIN OF THE DEFERRED TAXES RECORDED AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, IS DETAILED AS FOLLOWS:

TEMPORARY DIFFERENCES	NET DEFERRED TAXES	
	December 31, 2013 ThCh\$	December 31, 2012 ThCh\$
Depreciable fixed assets	(21,309,368)	4,753,965
Prepaid bond expenses	(1,060,025)	(1,216,263)
Leased assets	(390,702)	(4,272,499)
Materials and spare parts	440,814	411,803
Tax losses	23,866,034	17,297,470
Staff severance indemnities provision	(17,952)	(21,849)
Deferred income	1,014,223	690,539
Investment value provision	9,596	9,596
Lawsuit provision	46,353	45,345
Obsolescence provision	20	20
Work in progress	544,211	497,907
Vacation provisions	276,318	255,443
Intangible assets	(9,148,007)	(10,031,296)
Adjustment of effective interest rate of bonds	(1,787,011)	(1,508,789)
Land	122,546	218,395
Allowance for doubtful receivables	278,477	279,297
Prepaid expenses	(21,351)	-
<b>NET DEFERRED TAX ASSETS/(LIABILITIES)</b>	<b>(7,135,824)</b>	<b>7,409,084</b>
Reflected in the statement financial position as follows:		
Deferred tax assets	2,121,696	15,608,137
Deferred tax liabilities	(9,257,520)	(8,199,053)
<b>NET DEFERRED TAX ASSETS/(LIABILITIES)</b>	<b>(7,135,824)</b>	<b>7,409,084</b>

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**12.2 DEFERRED TAX MOVEMENTS IN STATEMENT OF FINANCIAL POSITION**

THE MOVEMENTS OF BALANCES OF DEFERRED TAXES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS 2013 AND 2012 ARE AS FOLLOWS:

DEFERRED TAX MOVEMENTS	ASSET ThCh\$	LIABILITY ThCh\$
<b>BALANCE AS OF JANUARY 1, 2012</b>	<b>23,689,884</b>	<b>3,502,644</b>
Increase (decrease)	(8,081,747)	2,745,067
Translation adjustment	-	(137,444)
<b>BALANCE AS OF DECEMBER 31, 2012</b>	<b>15,608,137</b>	<b>6,110,267</b>
Increase (decrease)	(13,486,441)	2,578,267
Translation adjustment	-	568,986
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>2,121,696</b>	<b>9,257,520</b>

RECOVERY OF DEFERRED TAX ASSETS WILL DEPEND ON WHETHER SUFFICIENT TAX PROFITS ARE OBTAINED IN THE FUTURE. BASED ON ITS PROJECTIONS THE COMPANY BELIEVES THAT ITS FUTURE PROFITS WILL ALLOW THESE ASSETS TO BE RECOVERED.

**NOTE 13 - FINANCIAL LIABILITIES****13.1 OTHER FINANCIAL LIABILITIES**

THE CURRENT AND NON-CURRENT PORTION OF THIS ACCOUNT AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 IS AS FOLLOWS:

INTEREST BEARING LOANS	DECEMBER 31, 2013		DECEMBER 31, 2012	
	CURRENT ThCh\$	NON-CURRENT ThCh\$	CURRENT ThCh\$	NON-CURRENT ThCh\$
Bonds payable	166,512,944	973,524,772	7,917,373	883,196,168
<b>TOTAL BONDS PAYABLE</b>	<b>166,512,944</b>	<b>973,524,772</b>	<b>7,917,373</b>	<b>883,196,168</b>
Bank loans payable	951,439	9,762,060	58,691,914	8,931,202
Forward contract	-	-	334,766	-
<b>TOTAL OBLIGATIONS WITH BANKS</b>	<b>951,439</b>	<b>9,762,060</b>	<b>59,026,680</b>	<b>8,931,202</b>
<b>TOTAL</b>	<b>167,464,383</b>	<b>983,286,832</b>	<b>66,944,053</b>	<b>892,127,370</b>

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**13.2 DETAIL OF OTHER FINANCIAL LIABILITIES****A) BONDS PAYABLE**

THE OBLIGATIONS WITH THE PUBLIC BY SERIES, CURRENCY, EFFECTIVE RATE AND EXPIRATION AS OF DECEMBER 31, 2013 AND 2012 ARE SHOWN BELOW:

TAXPAYER ID NUMBER	DEBTOR NAME	COUNTRY	PLACEMENT IN CHILE OR ABROAD	INSTRUMENT REGISTRATION NUMBER	SERIES	INDEXATION UNIT	NOMINAL INTEREST RATE	EFFECTIVE INTEREST RATE	PERIODICITY PRINCIPAL PAYMENTS	FINAL MATURITY	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
76.555.400-4	Transelec S.A	Chile	Chile	481	C	UF	4.03%	3.50%	Semiannually	9-01-2016	139,651,617	136,221,544
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	Semiannually	12-15-2027	311,425,417	304,971,025
76.555.400-4	Transelec S.A	Chile	Chile	598	E	UF	3.82%	3.90%	Semiannually	8-01-2014	78,192,761	76,677,462
76.555.400-4	Transelec S.A	Chile	Chile	598	F	\$	5.79%	5.70%	Semiannually	8-01-2014	34,369,281	33,758,796
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	Semiannually	8-01-2031	71,339,989	69,088,970
76.555.400-4	Transelec S.A	Chile	Chile	598	I	UF	3.79%	3.50%	Semiannually	9-01-2014	35,302,123	35,083,357
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	Semiannually	9-01-2031	37,825,185	37,880,696
76.555.400-4	Transelec S.A	Chile	Chile	598	L	UF	3.92%	3.65%	Semiannually	12-15-2015	58,078,820	56,775,071
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	Semiannually	6-15-2032	34,113,910	33,397,248
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	Semiannually	6-15-2032	43,103,961	42,194,740
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	Semiannually	12-15-2038	66,477,516	65,064,632
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	Semiannually	10-15-2042	72,145,072	-
76.555.400-4	Transelec S.A	Chile	Foreign	601	Sr N	US\$	5.10%	4.625%	Semiannually	7-26-2023	158,012,064	-
<b>TOTAL</b>											<b>1,140,037,716</b>	<b>891,113,541</b>

THE FAIR VALUE OF CURRENT AND NON-CURRENT BONDS PAYABLE, BOTH SECURED AND UNSECURED, AMOUNTS TO THCH\$ 973,524,772 AND THCH\$ 954,575,550 AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, RESPECTIVELY (IT DOES NOT INCLUDE OTHER CURRENT AND NON-CURRENT LIABILITIES SUCH AS SWAP OR FORWARDS AGREEMENTS WHICH ARE PRESENTED IN THE FINANCIAL STATEMENTS AT FAIR VALUE).

THE FAIR VALUE OF THE BONDS IS ESTIMATED BY DISCOUNTING FUTURE CASH FLOWS USING DISCOUNT RATES AVAILABLE FOR DEBT WITH SIMILAR TERMS OF CREDIT RISK AND SIMILAR MATURITIES.



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## 13.2 DETAIL OF OTHER FINANCIAL LIABILITIES (CONTINUED)

DEBTOR TAXPAYER ID NUMBER	DEBTOR NAME	INSTRUMENT REGISTRATION NUMBER	CURRENT			NON-CURRENT			
			MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 90 DAYS ThCh\$	DECEMBER 31, 2013 CURRENT ThCh\$	MATURITY 1 TO 3 YEARS ThCh\$	MATURITY 3 TO 5 YEARS ThCh\$	MATURITY MORE THAN 5 YEARS ThCh\$	DECEMBER 31, 2013 NON-CURRENT ThCh\$
76.555.400-4	Transelec S.A	481	1,826,730	-	1,826,730	137,824,887	-	-	137,824,887
76.555.400-4	Transelec S.A	480	6,752,409	-	6,752,409	-	-	304,673,008	304,673,008
76.555.400-4	Transelec S.A	598	1,211,403	76,981,358	78,192,761	-	-	-	-
76.555.400-4	Transelec S.A	598	796,069	33,573,212	34,369,281	-	-	-	-
76.555.400-4	Transelec S.A	599	1,379,014	-	1,379,014	-	-	69,960,975	69,960,975
76.555.400-4	Transelec S.A	598	435,345	34,866,778	35,302,123	-	-	-	-
76.555.400-4	Transelec S.A	599	563,767	-	563,767	-	-	37,261,418	37,261,418
76.555.400-4	Transelec S.A	598	-	1,133,014	1,133,014	56,945,806	-	-	56,945,806
76.555.400-4	Transelec S.A	599	-	722,612	722,612	-	-	33,391,298	33,391,298
76.555.400-4	Transelec S.A	599	-	917,183	917,183	-	-	42,186,778	42,186,778
76.555.400-4	Transelec S.A	599	-	1,418,357	1,418,357	-	-	65,059,159	65,059,159
76.555.400-4	Transelec S.A	744	-	605,872	605,872	-	-	71,539,200	71,539,200
76.555.400-4	Transelec S.A	601	3,329,821	-	3,329,821	-	-	154,682,243	154,682,243
<b>TOTAL</b>			<b>16,294,558</b>	<b>150,218,386</b>	<b>166,512,944</b>	<b>194,770,693</b>	<b>-</b>	<b>778,754,079</b>	<b>973,524,772</b>

DEBTOR TAXPAYER ID NUMBER	DEBTOR NAME	INSTRUMENT REGISTRATION NUMBER	CURRENT			NON-CURRENT			
			MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 90 DAYS ThCh\$	DECEMBER 31, 2012 CURRENT ThCh\$	MATURITY 1 TO 3 YEARS ThCh\$	MATURITY 3 TO 5 YEARS ThCh\$	MATURITY MORE THAN 5 YEARS ThCh\$	DECEMBER 31, 2012 NON-CURRENT ThCh\$
76.555.400-4	Transelec S.A	481	1,781,859	-	1,781,859	-	134,439,685	-	134,439,685
76.555.400-4	Transelec S.A	480	1,131,935	-	1,131,935	-	-	303,839,090	303,839,090
76.555.400-4	Transelec S.A	598	1,187,926	-	1,187,926	75,489,536	-	-	75,489,536
76.555.400-4	Transelec S.A	598	795,468	-	795,468	32,963,328	-	-	32,963,328
76.555.400-4	Transelec S.A	599	1,351,300	-	1,351,300	-	-	67,737,670	67,737,670
76.555.400-4	Transelec S.A	598	425,437	-	425,437	34,657,920	-	-	34,657,920
76.555.400-4	Transelec S.A	599	552,413	-	552,413	-	-	37,328,283	37,328,283
76.555.400-4	Transelec S.A	598	-	186,671	186,671	56,588,400	-	-	56,588,400
76.555.400-4	Transelec S.A	599	-	119,189	119,189	-	-	33,278,059	33,278,059
76.555.400-4	Transelec S.A	599	-	151,273	151,273	-	-	42,043,467	42,043,467
76.555.400-4	Transelec S.A	599	-	233,902	233,902	-	-	64,830,730	64,830,730
76.555.400-4	Transelec S.A	744	-	-	-	-	-	-	-
76.555.400-4	Transelec S.A	601	-	-	-	-	-	-	-
<b>TOTAL</b>			<b>7,226,338</b>	<b>691,035</b>	<b>7,917,373</b>	<b>199,699,184</b>	<b>134,439,685</b>	<b>549,057,299</b>	<b>883,196,168</b>

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## B) BANK LOANS

THE BANK LOANS ARE PRESENTED BELOW BY FINANCIAL INSTITUTION, CURRENCY, EFFECTIVE RATE AND EXPIRATION AS OF DECEMBER 31, 2013 AND 2012:

DEBTOR TAXPAYER ID NUMBER	DEBTOR NAME	COUNTRY	CREDITOR ID NUMBER	CREDITOR INSTITUTION NAME	COUNTRY	CURRENCY	PERIODICITY PRINCIPAL PAYMENTS	EFFECTIVE INTEREST RATE	NOMINAL INTEREST RATE	MATURITY	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
99.508.750-2	Transmisora Huepil Ltda.	Chile	N/A	Portigon-WestLB.	Germany	US\$	Quarterly	3.5947%	1.7436%	2021	10,517,997	9,983,275
76.555.400-4	Transelec S.A.	Chile	N/A	Scotiabank	Canada	US\$	Quarterly	2.66%	2.66%	2015	195,502	57,974,607
<b>TOTAL</b>											<b>10,713,499</b>	<b>67,957,882</b>

DEBTOR TAXPAYER ID NUMBER	DEBTOR NAME	CREDITOR INSTITUTION	CURRENT			NON-CURRENT			
			MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 90 DAYS ThCh\$	DECEMBER 31, 2013 CURRENT ThCh\$	MATURITY 1 TO 3 YEARS ThCh\$	MATURITY 3 TO 5 YEARS ThCh\$	MATURITY MORE THAN 5 YEARS ThCh\$	DECEMBER 31, 2013 NON-CURRENT ThCh\$
99.508.750-2	Transmisora Huepil Ltda.	Portigon-WestLB.	324,209	431,728	755,937	3,827,555	4,801,231	1,133,274	9,762,060
76.555.400-4	Transelec S.A.	Scotiabank	195,502	-	195,502	-	-	-	-
<b>TOTAL</b>			<b>519,711</b>	<b>431,728</b>	<b>951,439</b>	<b>3,827,555</b>	<b>4,801,231</b>	<b>1,133,274</b>	<b>9,762,060</b>

DEBTOR TAXPAYER ID NUMBER	DEBTOR NAME	CREDITOR INSTITUTION	CURRENT			NON-CURRENT			
			MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 90 DAYS ThCh\$	DECEMBER 31, 2012 CURRENT ThCh\$	MATURITY 1 TO 3 YEARS ThCh\$	MATURITY 3 TO 5 YEARS ThCh\$	MATURITY MORE THAN 5 YEARS ThCh\$	DECEMBER 31, 2012 NON-CURRENT ThCh\$
76.555.400-4	Transelec S.A.	Scotiabank	-	57,974,607	57,974,607	-	-	-	-
99.508.750-2	Transmisora Huepil Ltda.	Portigon-WestLB.	324,804	727,268	1,052,072	3,034,027	4,700,651	1,196,522	8,931,200
<b>TOTAL</b>			<b>324,804</b>	<b>58,701,875</b>	<b>59,026,679</b>	<b>3,034,027</b>	<b>4,700,651</b>	<b>1,196,522</b>	<b>8,931,200</b>

## 13.3 OTHER ASPECTS

AS OF DECEMBER 31, 2013, TRANSELEC HAD AVAILABLE A CREDIT LINE OF US\$ 250 MILLION WHICH AT THE BALANCE SHEET DATE IT DID NOT HAVE ANY DRAWN PENDING AND AS OF DECEMBER 31, 2012 THIS WAS CREDIT LINE OF US\$250 MILLION AVAILABLE, US\$120 MILLION WERE DRAWN IN DECEMBER 2012, REMAINING AVAILABLE US\$130 MILLION EQUIVALENTS TO THCH\$ 62,394,800.

MANY OF THE COMPANY'S DEBT AGREEMENTS INCLUDE AN OBLIGATION TO COMPLY WITH CERTAIN COVENANTS, INCLUDING CERTAIN FINANCIAL RATIOS (SEE NOTE 18), WHICH IS CUSTOMARY FOR AGREEMENTS OF THIS NATURE. THIS ALSO INCLUDES AFFIRMATIVE AND NEGATIVE OBLIGATIONS THAT REQUIRE THESE COMMITMENTS TO BE MONITORED.

TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 14 - TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, ARE DETAILED AS FOLLOWS:

TRADE AND OTHER PAYABLES	CURRENT		NON-CURRENT	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Trade and other payables	72,573,645	89,427,302	-	-
<b>TOTAL</b>	<b>72,573,645</b>	<b>89,427,302</b>	<b>-</b>	<b>-</b>

THE AVERAGE PAYMENT PERIOD FOR SUPPLIERS IN 2013 AND 2012 WAS 30 DAYS AND, THEREFORE, THE FAIR VALUE OF THESE LIABILITIES DOES NOT DIFFER SIGNIFICANTLY FROM THEIR BOOK VALUE.

### NOTE 15 - DERIVATIVE INSTRUMENTS

IN ADHERING TO ITS RISK MANAGEMENT POLICY, TRANSELEC ENTERS PRIMARILY INTO EXCHANGE RATE DERIVATIVES (SEE NOTE 3). THE COMPANY CLASSIFIES ITS DERIVATIVES AS:

- CASH FLOW HEDGING INSTRUMENTS: THOSE THAT HEDGE THE CASH FLOWS OF THE HEDGED UNDERLYING ITEM,
- NET INVESTMENT HEDGE.

IN ADDITION, THE COMPANY USES CERTAIN NON-HEDGING DERIVATIVES: THE INSTRUMENTS THAT DO NOT MEET THE REQUIREMENTS OF IFRS AND THUS DO NOT QUALIFY FOR HEDGE ACCOUNTING.

### 15.1 HEDGE ASSETS AND LIABILITIES

	DECEMBER 31, 2013				DECEMBER 31, 2012			
	ASSET CURRENT ThCh\$	NON-CURRENT ThCh\$	LIABILITY CURRENT ThCh\$	NON-CURRENT ThCh\$	ASSET CURRENT ThCh\$	NON-CURRENT ThCh\$	LIABILITY CURRENT ThCh\$	NON-CURRENT ThCh\$
Cash flow hedge forwards (revenue)	333,250	-	-	-	-	-	134,116	-
Net investment hedge forward	25,835	-	-	-	6,059,980	-	-	-
Non-hedge forwards	-	-	-	-	-	-	200,650	-
<b>TOTAL</b>	<b>359,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,059,980</b>	<b>-</b>	<b>334,766</b>	<b>-</b>



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**15.2 OTHER INFORMATION**

THE FOLLOWING TABLE DETAILS TRANSELEC'S DERIVATIVES AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, INCLUDING THEIR FAIR VALUES AS WELL AS THEIR NOTIONAL AND CONTRACTUAL VALUES BY MATURITY:

FINANCIAL DERIVATIVES	FAIR VALUE ThCh\$	MATURITY						DECEMBER 31, 2013 TOTAL ThCh\$
		BEFORE 1 YEAR ThCh\$	2014 ThCh\$	2015 ThCh\$	2016 ThCh\$	2017 ThCh\$	SUBSEQUENT YEARS ThCh\$	
Cash flow hedge forwards (revenues)	333,250	333,250	-	-	-	-	-	333,250
Net investment hedge forward	25,835	25,835	-	-	-	-	-	25,835
Non-hedge forwards	-	-	-	-	-	-	-	-

FINANCIAL DERIVATIVES	FAIR VALUE ThCh\$	MATURITY							DECEMBER 31, 2012 TOTAL ThCh\$
		BEFORE 1 YEAR ThCh\$	2013 ThCh\$	2014 ThCh\$	2015 ThCh\$	2016 ThCh\$	2017 ThCh\$	SUBSEQUENT YEARS ThCh\$	
Cash flow hedge forwards	(134,116)	(134,116)	-	-	-	-	-	-	(134,116)
Net investment hedge forward	6,059,980	6,059,980	-	-	-	-	-	-	6,059,980
Non-hedge forwards	(200,650)	(200,650)	-	-	-	-	-	-	(200,650)

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 YEARS PRESENTED, DECEMBER 31, 2013 AND DECEMBER 31, 2012, 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 FORWARD PRICING AND SWAP VALUATION MODELS USING PRESENT VALUE CALCULATIONS. THE MODELS INCLUDE SEVERAL INPUTS INCLUDING THE CREDIT RISK OF THE COUNTERPARTY, FOREIGN EXCHANGE SPOT RATE, FORWARD RATES AND INTEREST RATE CURVES.

**15.3 FAIR VALUE HIERARCHIES**

FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION ARE CLASSIFIED BASED ON THE FOLLOWING HIERARCHIES: (A) LEVEL 1: QUOTED (UNADJUSTED) PRICE IN AN ACTIVE MARKET FOR IDENTICAL ASSETS AND LIABILITIES, (B) LEVEL 2: INPUTS OTHER THAN QUOTED PRICES INCLUDED IN LEVEL 1 THAT ARE OBSERVABLE FOR ASSETS OR LIABILITIES, EITHER DIRECTLY (I.E., AS A PRICE) OR INDIRECTLY (I.E., AS A DERIVATIVE OF A PRICE); AND (C)

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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 DECEMBER 31, 2013.

FINANCIAL INSTRUMENTAL MEASURED AT FAIR VALUE	DECEMBER 31, 2013	FAIR VALUE MEASURED AT THE END OF THE REPORTING PERIOD USING		
		LEVEL 1 ThCh\$	LEVEL 2 ThCh\$	LEVEL 3 ThCh\$
FINANCIAL ASSET (LIABILITY)				
Cash flow hedges (revenues)	333,250	-	333,250	-
Net investment hedge	25,835	-	25,835	-
Non-hedge forwards	-	-	-	-
TOTAL, NET	359,085	-	359,085	-

THE FOLLOWING TABLE DETAILS FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS OF DECEMBER 31, 2012.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE	December 31, 2012	FAIR VALUE MEASURED AT THE END OF THE REPORTING PERIOD USING		
		LEVEL 1 ThCh\$	LEVEL 2 ThCh\$	LEVEL 3 ThCh\$
Financial asset (liability)				
Cash flow hedge	(134,116)	-	(134,116)	-
Net investment hedge	6,059,980	-	6,059,980	-
Non-hedge	(200,650)	-	(200,650)	-
<b>TOTAL, NET</b>	<b>5,725,214</b>	<b>-</b>	<b>5,725,214</b>	<b>-</b>

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## NOTE 16 – FINANCIAL INSTRUMENTS

THE CLASSIFICATION OF FINANCIAL ASSETS IN THE CATEGORIES DESCRIBED IN NOTE 2.10 IS SHOWN BELOW:

DECEMBER 31, 2013	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	52,421,991	-	-	-	-	52,421,991
Other financial assets, current	-	513,048	-	333,250	-	846,298
Trade and other receivables	-	62,150,784	-	-	-	62,150,784
Other financial assets, non-current	-	10,742,658	-	-	278,848	11,021,506
Receivables from related parties, current	-	84,135,021	-	25,835	-	84,160,856
Receivables from related parties, non-current	-	163,321,244	-	-	-	163,321,244
<b>TOTAL</b>	<b>52,421,991</b>	<b>320,862,755</b>	<b>-</b>	<b>359,085</b>	<b>278,848</b>	<b>373,922,679</b>

DECEMBER 31, 2012	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	37,955,954	-	-	-	-	37,955,954
Other financial assets, current	-	669,329	-	-	-	669,329
Trade and other receivables	-	49,387,085	-	-	-	49,387,085
Other financial assets, non-current	-	10,248,263	-	-	303,955	10,552,218
Receivables from related parties, current	-	86,589,377	-	6,059,980	-	92,649,357
Receivables from related parties, non-current	-	69,581,888	-	-	-	69,581,888
<b>TOTAL</b>	<b>37,955,954</b>	<b>216,475,942</b>	<b>-</b>	<b>6,059,980</b>	<b>303,955</b>	<b>260,795,831</b>

THE CLASSIFICATION OF FINANCIAL LIABILITIES IN THE CATEGORIES DESCRIBED IN NOTE 2.10 IS SHOWN BELOW:

DECEMBER 31, 2013	OTHER FINANCIAL LIABILITIES ThCh\$	DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS ThCh\$	DERIVATIVES AT FAIR VALUE THROUGH EQUITY ThCh\$	TOTAL ThCh\$
Other financial liabilities, current	167,464,383	-	-	167,464,383
Trade and other payables	72,573,645	-	-	72,573,645
Other financial liabilities, non-current	983,286,832	-	-	983,286,832
Payables to related parties, non-current	40,343,274	-	-	40,343,274
<b>TOTAL</b>	<b>1.263.668.134</b>	<b>-</b>	<b>-</b>	<b>1.263.668.134</b>



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DECEMBER 31, 2012	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	66,609,287	200,650	134,116	66,944,053
Trade and other payables	89,427,302	-	-	89,427,302
Other financial liabilities, non-current	892,127,370	-	-	892,127,370
Payables to related parties, non-current	36,947,376	-	-	36,947,376
<b>TOTAL</b>	<b>1,085,111,335</b>	<b>200,650</b>	<b>134,116</b>	<b>1,085,446,101</b>

## NOTE 17 – PROVISIONS

### 17.1 DETAIL OF PROVISIONS

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS:

DETAIL	CURRENT		NON-CURRENT	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Staff severance indemnities (Note 17)	262,894	690,072	3,481,743	3,228,405
Accrued vacations	1,381,592	1,277,215	-	-
Profit sharing benefits	5,449,355	4,351,884	9,530	9,530
Other provisions	589,386	514,752	-	-
<b>TOTAL</b>	<b>7,683,227</b>	<b>6,833,923</b>	<b>3,491,273</b>	<b>3,237,935</b>

### 17.2 PROVISION MOVEMENTS

IN 2013 AND 2012, PROVISION MOVEMENTS WERE THE FOLLOWING:

MOVEMENTS IN PROVISIONS	STAFF SEVERANCE INDEMNITIES ThCh\$	PROFIT SHARING BENEFITS ThCh\$	ACCRUED VACATIONS ThCh\$	OTHER PROVISIONS ThCh\$	TOTAL ThCh\$
<b>BEGINNING BALANCE AS OF JANUARY 1, 2013</b>	<b>3,918,477</b>	<b>4,361,414</b>	<b>1,277,215</b>	<b>514,752</b>	<b>10,071,858</b>
MOVEMENTS IN PROVISIONS:	463,270	4,893,386	1,039,501	74,634	6,470,791
Provisions during the year	-	-	-	-	-
Payments	(637,110)	(3,795,915)	(935,124)	-	(5,368,149)
<b>ENDING BALANCE AS OF DECEMBER 31, 2013</b>	<b>3,744,637</b>	<b>5,458,885</b>	<b>1,381,592</b>	<b>589,386</b>	<b>11,174,500</b>

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MOVEMENTS IN PROVISIONS	STAFF SEVERANCE INDEMNITIES ThCh\$	PROFIT SHARING BENEFITS ThCh\$	ACCRUED VACATIONS ThCh\$	OTHER PROVISIONS ThCh\$	TOTAL ThCh\$
<b>BEGINNING BALANCE AS OF JANUARY 1, 2012</b>	<b>3,856,383</b>	<b>3,014,310</b>	<b>1,300,932</b>	<b>439,330</b>	<b>8,610,955</b>
MOVEMENTS IN PROVISIONS:	-	-	-	-	-
Provisions during the year	460,810	4,575,494	1,152,116	107,973	6,296,393
Payments	(398,716)	(3,228,390)	(1,175,833)	(32,551)	(4,835,490)
<b>ENDING BALANCE AS OF DECEMBER 31, 2012</b>	<b>3,918,477</b>	<b>4,361,414</b>	<b>1,277,215</b>	<b>514,752</b>	<b>10,071,858</b>

THE MATURITY OF THESE PROVISIONS IS DETAILED IN THE TABLE BELOW:

AS OF DECEMBER 31, 2013 DETAIL	LESS THAN 1 YEAR	MORE THAN 1 YEAR AND UP TO 3 YEARS	MORE THAN 3 YEARS AND UP TO 5 YEARS	MORE THAN 5 YEARS
Staff severance indemnities	262,894	642,001	582,997	2,256,745
Accrued vacations	1,381,592	-	-	-
Profit sharing benefits	5,449,355	9,530	-	-
Other provisions	589,386	-	-	-
<b>TOTAL</b>	<b>7,683,227</b>	<b>651,531</b>	<b>582,997</b>	<b>2,256,745</b>

AS OF DECEMBER 31, 2012 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	690,072	388,664	582,997	2,256,744
Accrued vacations	1,277,215	-	-	-
Profit sharing benefits	4,351,884	9,530	-	-
Other provisions	514,752	-	-	-
<b>TOTAL</b>	<b>6,833,923</b>	<b>398,194</b>	<b>582,997</b>	<b>2,256,744</b>

## 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.

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### ANNUAL BENEFITS

THIS PROVISION PRIMARILY INCLUDES ALLOWANCES FOR EMPLOYEE PARTICIPATION IN THE COMPANY'S INCOME, WHICH ARE MOSTLY PAID WITHIN THE FIRST QUARTER OF THE FOLLOWING YEAR.

### OTHER PROVISIONS

THIS CATEGORY'S BALANCE PRIMARILY CORRESPONDS TO THE OBLIGATION FOR HEALTH AGREEMENT CONTRIBUTIONS.

## 17.3 LAWSUITS AND ARBITRATION PROCEEDINGS

### TRANSELEC S.A.

1. CHARGES PRESENTED BY THE SUPERINTENDENCY OF ELECTRICITY AND FUELS (SEC), FOR FAILURE ON MARCH 14, 2010. FINE APPLIED: UTA 1,645 (ONE THOUSAND SIX HUNDRED FORTY-FIVE UNITS PER YEAR TAX) EQUAL TO THCH\$ 804,839 AS OF DECEMBER 31, 2013. CURRENT STATUS: AS THE MOTION FOR RECONSIDERATION FILED WITH THE SEC WAS REJECTED, TRANSELEC FILED AN APPEAL BEFORE THE SANTIAGO COURT OF APPEALS (ROL 3385-12). BY DECISION DATED JANUARY 18, 2013, THE JUDICIAL CLAIM WAS REJECTED. ADDITIONAL COMPANY'S APPEAL HAS NOT BEEN RESOLVED ON DECEMBER 31, 2013.

PROBABLE OUTCOME: GIVEN THE COURT'S HISTORICAL BEHAVIOR IN SIMILAR CASES THE MOST LIKELY SCENARIO IS THAT THE FINE WILL BE UPHELD.

2. REGARDING THE DELAY IN COMMISSIONING THE RODEO-CHENA PROJECT, AND IN ACCORDANCE WITH THE BIDDING TERMS AND CONDITIONS, WHICH STIPULATE A FINE OF US\$30,000 PER DAY OF DELAY WITH A MAXIMUM OF 60 DAYS, THE COMPANY PAID THE FINE AMOUNTING TO US\$ 1,800,000. COLLECTION OF A STAND-BY LETTER AMOUNTING TO US\$ 313,500 BY AUTHORITY IS PENDING.

3. CHARGES PRESENTED BY THE SUPERINTENDENCY OF ELECTRICITY AND FUELS (SEC), FOR FAILURE ON JULY 28, 2010 (S/E POLPAICO). **FINE APPLIED:** UTA 400 (FOUR HUNDRED TAX UNITS) EQUAL TO THCH\$ 195,706 AS OF DECEMBER 31, 2013.

CURRENT STATUS: AS THE MOTION FOR RECONSIDERATION FILED WITH THE SEC WAS REJECTED, TRANSELEC FILED AN APPEAL BEFORE THE SANTIAGO COURT OF APPEALS (ROL 5824-12). ON JANUARY 3, 2013, THE COURT OF APPEALS REJECTED THE CLAIM AND ADDITIONAL COMPANY'S APPEAL HAS NOT BEEN RESOLVED ON DECEMBER 31, 2013. PROBABLE OUTCOME: GIVEN THE COURT'S HISTORICAL BEHAVIOR IN SIMILAR CASES THE MOST LIKELY SCENARIO IS THAT THE FINE WILL BE UPHELD.

4. CHARGES PRESENTED BY THE SUPERINTENDENCY OF ELECTRICITY AND FUELS (SEC), FOR FAILURE ON JULY 27, 2010 (S/E POLPAICO). **FINE APPLIED:** UTA 560 (FIVE HUNDRED SIXTY TAX UNITS) EQUAL THCH\$ 273,987 AS OF DECEMBER 31, 2013. **CURRENT STATUS:** AS THE MOTION FOR RECONSIDERATION FILED WITH THE SEC WAS REJECTED, TRANSELEC FILED AN APPEAL BEFORE THE COURT OF APPEALS OF SANTIAGO (ROL 5949-12), WHICH BY JUDGMENT DATED JANUARY 28, 2013, UPHELD THE CLAIM AND RELEASED TRANSELEC FROM OBLIGATION TO PAY THE FINE. THE SEC FILED AN APPEAL, WHICH AT DECEMBER 31, 2013 HAS NOT BEEN RESOLVED BY THE SUPREME COURT. PROBABLE OUTCOME: IT IS EXPECTED THAT THE SUPREME COURT WILL CONFIRM THE PREVIOUS INSTANCE DECISION.

5. CHARGES PRESENTED BY THE SUPERINTENDENCY OF ELECTRICITY AND FUELS (SEC), FOR FAILURE ON SEPTEMBER 24, 2011 (S/E ANCOA). FINE APPLIED: UTA 1,300 (ONE THOUSAND THREE HUNDRED TAX UNITS) EQUAL TO THCH\$ 636,043 AS OF DECEMBER 31, 2013, CURRENT STATUS: AS THE MOTION FOR RECONSIDERATION



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FILED WITH THE SEC WAS REJECTED, TRANSELEC FILED AN APPEAL BEFORE THE SANTIAGO COURT OF APPEALS (ROL 2266-13) THAT HAS NOT BEEN RESOLVED TO DATE. PROBABLE OUTCOME: GIVEN THE COURT'S HISTORICAL BEHAVIOR IN SIMILAR CASES THE MOST LIKELY SCENARIO IS THAT THE FINE WILL BE UPHELD.

6. CHARGES PRESENTED BY THE SUPERINTENDENCY OF ELECTRICITY AND FUELS (SEC), FOR FAILURE ON NOVEMBER 28, 2011 (POLPAICO-CERRO NAVIA LINE). FINE APPLIED: UTA 100 (ONE HUNDRED TAX UNITS) EQUAL TO THCH\$ 48,926 AS OF DECEMBER 31, 2013, CURRENT STATUS: AS THE MOTION FOR RECONSIDERATION FILED WITH THE SEC WAS REJECTED, TRANSELEC FILED AN APPEAL BEFORE THE SANTIAGO COURT OF APPEALS (ROL 2476-13) THAT HAS NOT BEEN RESOLVED TO DATE. PROBABLE OUTCOME: GIVEN THE COURT'S HISTORICAL BEHAVIOR IN SIMILAR CASES THE MOST LIKELY SCENARIO IS THAT THE FINE WILL BE UPHELD.

7. CHARGES PRESENTED BY THE SUPERINTENDENCY OF ELECTRICITY AND FUELS (SEC), FOR FAILURE ON DECEMBER 13, 2011 (ITAHUE-PARRAL CONGESTION). FINE APPLIED: UTA 300 (THREE HUNDRED TAX UNITS) EQUAL TO THCH\$ 146,779 AS OF DECEMBER 31, 2013, CURRENT STATUS: AS THE MOTION FOR RECONSIDERATION FILED WITH THE SEC WAS REJECTED, TRANSELEC FILED AN APPEAL BEFORE THE SANTIAGO COURT OF APPEALS (ROL 2519-13) THAT HAS NOT BEEN RESOLVED TO DATE. PROBABLE OUTCOME: GIVEN THE COURT'S HISTORICAL BEHAVIOR IN SIMILAR CASES THE MOST LIKELY SCENARIO IS THAT THE FINE WILL BE UPHELD.

AS OF DECEMBER 31, 2013 THE COMPANY HAS ESTABLISHED A PROVISION FOR THESE CONTINGENT LIABILITIES TOTALING TO THCH\$ 1,110,450 CONSIDERING FOR THE PURPOSE OF THIS ESTIMATE THAT THERE ARE SIMILAR CASES IN THE COURT OF APPEALS IN WHICH THE COURT OF APPEALS REJECTED THE CLAIM, PENDING THE HEARING OF THE APPEAL BEFORE SUPREME COURT, THAT IN SUCH CASES HAS CONFIRMED THE DECISIONS OF THE SEC. IN ADDITION, THERE ARE CASES WITH APPEALS BEFORE THE SEC AND FOR WHICH THE BODY NORMALLY AND TO SOME EXTENT HAS KEPT THE FINE CHARGED.

8. AS OF DECEMBER 31, 2013, THE COMPANY CAMPANARIO GENERACIÓN S.A, HAS NOT FULFILLED ITS OBLIGATION TO PAY INVOICES ISSUED BY TRANSELEC FOR THE INJECTION AND WITHDRAWAL BALANCES ISSUED BY THE CDEC-SIC IN JUNE, JULY, AUGUST AND SEPTEMBER 2011. ON AUGUST 3, 2011, TRANSELEC NOTIFIED THE SEC OF THIS COMPANY'S FAILURE TO COMPLY WITH ITS OBLIGATION SO IT COULD ADOPT LEGALLY APPROPRIATE MEASURES.

IN ORDER TO COLLECT THE FUNDS OWED BY CAMPANARIO GENERACIÓN S.A., ON AUGUST 12, 2011, TRANSELEC S.A. FILED A PREPARATORY INVOICE NOTIFICATION MEASURE AGAINST THAT COMPANY BEFORE THE 5TH CIVIL COURT OF SANTIAGO FOR UNPAID INVOICES TOTALING THCH\$ 6,285,171, THIS JUDICIAL MANAGEMENT WAS PRESENTED TO THE 5TH CIVIL COURT OF SANTIAGO,

ON SEPTEMBER 13, 2011, CAMPANARIO GENERACIÓN S.A. WAS DECLARED BANKRUPT BY THE 6TH CIVIL COURT OF SANTIAGO, IN THIS BANKRUPTCY PROCEEDING, TRANSELEC CLAIMED \$ 14,688,235,160, WHICH INCLUDES VAT OF THCH\$ 2,345,064, PLUS PRINCIPAL, INTEREST, INDEXATION ADJUSTMENTS AND COSTS.

BY EXEMPT RESOLUTION NO, 2288 DATED AUGUST 26, 2011, THE SEC ORDERED THE CDEC-SIC TO EXCLUDE THE COMPANY FROM THE BALANCE OF ENERGY AND POWER WHICH IS MADE TO CALCULATE TARIFF REVENUES (IT). IN COMPLIANCE WITH THE ORDER, CDEC-SIC ISSUED A NEW PROCEDURE, WHICH WAS APPROVED BY THE NATIONAL ENERGY COMMISSION (CNE), TRANSELEC S.A, IMPUGNED THE PROCEEDINGS BEFORE THE PANEL OF EXPERTS, WHICH IN OPINION NO, 24-2011 ORDERED THE ISSUANCE OF A NEW PROCEDURE BY THE CDEC-SIC THAT STILL REQUIRES AN APPROVAL BY THE CNE.

IN RELATION WITH THE FINAL TOLLS AND IT FOR 2011, THE CDEC-SIC ISSUED THE CORRESPONDING SETTLEMENT, WHICH WAS ALSO IMPUGNED BY TRANSELEC BEFORE THE PANEL OF EXPERTS, WHICH THROUGH OPINION NO, 2-2012 ORDERED CDEC-SIC TO DETERMINE NEW SETTLEMENTS OF TOLLS AND FINAL IT FOR 2011, DECLARING THAT TRANSELEC S.A, IS NOT RESPONSIBLE FOR THE PAYMENTS OF AMOUNTS OWED BY CAMPANARIO GENERACIÓN S.A. TO GENERATORS, AND ALSO THAT THEY MUST PAY THE IT RELATED TO CAMPANARIO GENERACIÓN S.A, TO TRANSELEC S.A. THIS NEW SETTLEMENT ISSUED WAS OBJECTED BY ENDESA THROUGH DISCREPANCY FILED WITH THE PANEL OF EXPERTS, WHICH TO DATE DID NOT ISSUE A FINAL RESOLUTION. THE DISTRIBUTION OF THE AMOUNT ALREADY RECOVERED BY TRANSELEC IN BANKRUPTCY PROCEEDING (THCH\$ 3,161,082) DEPENDS ON THE FINAL SETTLEMENT MECHANISM.

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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.

IN CONNECTION WITH THIS CASE, THE SEC PRESENTED CHARGES AGAINST TRANSELEC S.A., ACCUSING IT OF HAVING BROKEN THE CHAIN OF PAYMENTS IN THE SYSTEM. TRANSELEC RESPONDED THE CHARGES AND AFTER OBTAINING A FAVORABLE OPINION FROM THE PANEL OF EXPERTS, MADE A PRESENTATION TO THE SEC REQUESTING TO SET ASIDE THE PUNITIVE PROCESS. THE SEC REJECTED THIS REQUEST AND FINED TRANSELEC OF 600 UTA, EQUIVALENT AS OF DECEMBER 31, 2013 TO THCH\$ 293,558. AN APPEAL FOR RECONSIDERATION WAS FILED, WHICH WAS ALSO REJECTED. CURRENT STATUS: TRANSELEC FILED AN APPEAL BEFORE THE HONORABLE COURT OF APPEALS OF SANTIAGO (ROL 3718-13), WHICH TO DATE HAS NOT BEEN RESOLVED. PROBABLE OUTCOME: GIVEN THE BACKGROUND INFORMATION SUPPORTING THE APPEAL, IT IS ESTIMATED THAT THE COURT OF APPEALS SHOULD ACCEPT IT.

IN RELATION WITH THIS CASE (CAMPANARIO GENERACIÓN S.A.), ON MAY 29, 2012, TRANSELEC WAS NOTIFIED OF THE LAWSUIT FILED BY A GROUP OF GENERATORS, LED BY COLBÚN S.A. SEEKING THE RECOVERY OF THCH\$ 1,374,898 FROM TRANSELEC S.A. WHICH CORRESPONDS TO A DEBT OF CAMPANARIO GENERACIÓN S.A, CONSEQUENCE OF ITS DEFAULT, TRANSELEC S.A. DEFENSE IS TO SHOW THAT, AS STATED BY THE PANEL OF EXPERTS IN ITS OPINION NO, 2-2012 CITED ABOVE, IT DOES NOT ASSUME THE PAYMENT OF AN OBLIGATION TO A THIRD PARTY, IN THIS CASE CAMPANARIO GENERACIÓN S.A., AS TRANSELEC S.A. DID NOT PARTICIPATE AS A DEBTOR IN THE "BALANCE OF INJECTIONS AND WITHDRAWALS OF ENERGY AND POWER" PREPARED BY THE CDEC-SIC, AND ONLY ACTS AS COLLECTOR OF SUCH SETTLEMENTS. FINALLY, THE PARTIES CLARIFIED THEIR DIFFERENCES AND PROCEEDED TO SET OFF OUTSTANDING BALANCES BETWEEN THEM, AND AFTER THAT THE PLAINTIFFS WITHDREW THEIR DEMAND.

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AS OF DECEMBER 31, 2013 THERE ARE NO ADMINISTRATIVE SANCTIONS

## NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

### 18.1 DETAIL OF ACCOUNT

POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS	December 31, 2013 ThCh\$	December 31, 2012 ThCh\$
Staff severance indemnity provision – current	262,894	690,072
Staff severance indemnity provision non – current	3,481,743	3,228,405
<b>TOTAL CURRENT AND NON-CURRENT OBLIGATIONS FOR POST-EMPLOYMENT BENEFITS</b>	<b>3,744,637</b>	<b>3,918,477</b>

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**18.2 DETAIL OF POST-EMPLOYMENT AND OTHER SIMILAR OBLIGATIONS**

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS

POST-EMPLOYMENT AND OTHER BENEFITS OBLIGATIONS	STAFF SEVERANCE INDEMNITY	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Present value of defined benefit plan obligations opening balance	3,918,477	3,856,893
Current service cost of defined benefit plan obligations	196,659	200,047
Interest cost of defined benefit plan obligations	266,611	260,253
Payments	(637,110)	(398,716)
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS ENDING BALANCE</b>	<b>3,744,637</b>	<b>3,981,477</b>

	STAFF SEVERANCE INDEMNITY	
	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Present value of defined benefit obligations, ending balance	3,744,637	3,918,477
Present obligation with defined benefit plan funds	3,744,637	3,918,477
Fair value of defined benefit plan assets, ending balance	-	-
<b>BALANCE OF DEFINED BENEFIT OBLIGATIONS, ENDING BALANCE</b>	<b>3,744,637</b>	<b>3,918,477</b>

**18.3 BALANCE OF POST-EMPLOYMENT AND OTHER SIMILAR OBLIGATIONS**

	STAFF SEVERANCE INDEMNITY		INCOME STATEMENT LINE ITEM WHERE RECOGNIZED
	JANUARY 1, 2013 TO DECEMBER 31, 2013 ThCh\$	JANUARY 1, 2012 TO DECEMBER 31, 2012 ThCh\$	
Current service cost of defined benefit plan	196,659	200,047	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	266,611	260,253	Cost of sales Administrative and sales expenses
<b>TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT</b>	<b>463,270</b>	<b>460,300</b>	



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### 18.4 EXPENSES RECOGNIZED IN INCOME STATEMENT

DETAIL	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Discount rate used	3.2%	3.2%
Inflation rate	4%	4%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

### 18.5 ACTUARIAL HYPOTHESIS

ASSUMPTIONS FOR FUTURE MORTALITY RATES ARE BASED ON ACTUARIAL DATA OBTAINED USING PUBLISHED STATISTICS AND HISTORICAL EXPERIENCE,

### 18.6 SENSITIVITY ANALYSIS

NIVEL OF SENSITIVITY	DISCOUNT RATE USED		INFLATION RATE		FUTURE SALARY INCREASE	
	INCREASE 1% (ThCh\$)	DECREASE 1% (ThCh\$)	INCREASE 1% (ThCh\$)	DECREASE 1% (ThCh\$)	INCREASE 1% (ThCh\$)	DECREASE 1% (ThCh\$)
<b>IMPACT ON CURRENT AND NON-CURRENT OF EMPLOYMENT BENEFIT OBLIGATION</b>	<b>(129,720)</b>	<b>470,853</b>	<b>198,792</b>	<b>(40,081)</b>	<b>421,858</b>	<b>(89,940)</b>

THE FOLLOWING CHART SHOWS THE SENSITIVITY ANALYSIS OF THE SIGNIFICANT HYPOTHESES AS OF DECEMBER 31, 2013:

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 DECEMBER 31, 2013.

IN THE FOLLOWING TABLE THE PAYMENTS OF EXPECTED OF EMPLOYMENT BENEFIT OBLIGATION ARE PRESENTED:

	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
During the upcoming 12 month	262,894	690,072
Between 2 to 5 years	1,121,222	1,039,640
Between 5 to 10 years	1,011,877	938,251
More than 10 years	1,348,644	1,250,514
<b>Total Payments Expected</b>	<b>3,744,637</b>	<b>3,918,477</b>

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### NOTE 19 - EQUITY

#### 19.1 SUBSCRIBED AND PAID CAPITAL

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, AUTHORIZED, SUBSCRIBED AND PAID SHARE CAPITAL AMOUNTS TO THCH\$857,944,548.

	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

#### 19.2 NUMBER OF SUBSCRIBED AND PAID SHARES

NO SHARES HAVE BEEN ISSUED OR REDEEMED IN THE YEARS COVERED BY THESE FINANCIAL STATEMENTS,

#### 19.3 DIVIDENDS

ON APRIL 27, 2012, THE COMPANY HELD ITS ORDINARY MEETING OF SHAREHOLDERS, IN WHICH IT WAS AGREED TO UNANIMOUSLY APPROVE A FINAL DIVIDEND FOR THE YEAR 2011 FOR THE SUM OF CH\$ 20,789,620,729, IT WAS ALSO AGREED TO DISTRIBUTE A DIVIDEND CORRESPONDING TO RETAINED EARNINGS FOR 2008 FOR CH\$ 41,148,907,284, AS OF DECEMBER 31, 2012 THIS DIVIDEND IS FULLY PAID.

ON THE BOARD OF DIRECTORS MEETING HELD ON NOVEMBER 21, 2012, IT WAS AGREED TO DISTRIBUTE AN INTERIM DIVIDEND FOR THE FINANCIAL YEAR 2012, AMOUNTING TO THE SUM OF CH\$ 44,867,250,000, AS OF DECEMBER 31, 2012 THIS DIVIDEND IS FULLY PAID.

ON APRIL 26, 2013, THE ORDINARY SHAREHOLDERS MEETING OF THE COMPANY WAS CELEBRATED, ON WHICH IT WAS UNANIMOUSLY AGREED TO APPROVE A FINAL DIVIDEND FOR THE YEAR 2012, AMOUNTING TO \$ 16,882,000,000. AS OF DECEMBER 31, 2013 THIS DIVIDEND IS FULLY PAID.

ON AUGUST 21, 2013, THE COMPANY'S BOARD OF DIRECTORS MET IN AN ORDINARY MEETING, WHERE THEY AGREED TO DISTRIBUTE A PROVISIONAL DIVIDEND WITH DEBIT TO 2013 INCOME, IN THE AMOUNT OF CH\$31,871,411,198. AS OF DECEMBER 31, 2013, THIS DIVIDEND HAS BEEN PAID IN FULL.

ON NOVEMBER 20, 2013, THE COMPANY'S BOARD OF DIRECTORS MET IN AN ORDINARY MEETING, WHERE THEY AGREED TO DISTRIBUTE A PROVISIONAL DIVIDEND WITH DEBIT TO 2013 INCOME, IN THE AMOUNT OF CH\$10,311,065,696. AS OF DECEMBER 31, 2013, THIS DIVIDEND HAS BEEN PAID IN FULL.

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### 19.4 OTHER RESERVES

OTHER RESERVES AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 ARE DETAILED AS FOLLOWS:

DESCRIPTION	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Translation adjustment	309,624	(29,911)
Net investment hedge	5,352,676	2,443,127
Cash flow hedge (revenue)	333,250	(134,116)
Cash flow hedge (base interest rate)	2,478,518	-
Deferred taxes	(1,694,814)	(455,820)
<b>TOTAL</b>	<b>6,779,254</b>	<b>1,823,280</b>

THE MOVEMENT AND RECLASSIFICATIONS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR 2013 ARE PRESENTED BELOW:

	FOREIGN TRANSLATION RESERVE ThCh\$	CASH FLOW HEDGES RESERVE ThCh\$	TOTAL ThCh\$
<b>OPENING BALANCE AS OF JANUARY 1, 2013</b>	<b>1,930,573</b>	<b>(107,293)</b>	<b>1,823,280</b>
Translation adjustment	3,249,083	-	3,249,083
Valuation of derivatives	-	2,945,885	2,945,885
Deferred tax	(649,817)	(589,177)	(1,238,994)
<b>CLOSING BALANCE AS OF DECEMBER 31, 2013</b>	<b>4,529,839</b>	<b>2,249,415</b>	<b>6,779,254</b>

### 19.5 CAPITAL MANAGEMENT

#### CAPITAL MANAGEMENT REFERS TO THE COMPANY'S ADMINISTRATION OF ITS EQUITY.

THE CAPITAL MANAGEMENT POLICY OF TRANSELEC S.A. AND SUBSIDIARY IS AIMED AT MAINTAINING ADEQUATE CAPITALIZATION LEVELS TO SUSTAIN OPERATIONS AND PROVIDE SENSIBLE LEVERAGE, THUS OPTIMIZING SHAREHOLDER RETURNS AND MAINTAINING A SOLID FINANCIAL POSITION.

CAPITAL REQUIREMENTS ARE DETERMINED BASED ON THE COMPANY'S FINANCING NEEDS, TAKING CARE TO MAINTAIN AN ADEQUATE LEVEL OF LIQUIDITY AND COMPLYING WITH FINANCIAL COVENANTS ESTABLISHED IN CURRENT DEBT CONTRACTS. THE COMPANY MANAGES ITS CAPITAL STRUCTURE AND MAKES AD-



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JUSTMENTS BASED ON PREVAILING ECONOMIC CONDITIONS IN ORDER TO MITIGATE RISKS FROM ADVERSE MARKET CONDITIONS AND TAKE ADVANTAGE OF ANY OPPORTUNITIES THAT MAY ARISE TO IMPROVE ITS LIQUIDITY POSITION.

### THE PRINCIPAL FINANCIAL COVENANTS ESTABLISHED IN CURRENT DEBT CONTRACTS RELATED TO CAPITAL REQUIREMENTS ARE:

- MAINTAIN INDIVIDUAL AND CONSOLIDATED INDEBTEDNESS LEVELS (TOTAL DEBT / TOTAL CAPITALIZATION RATIO) NO GREATER THAN 0.7 BASED ON THE DEFINITIONS OF THESE TERMS IN THE RESPECTIVE PROSPECTUSES.

- MAINTAIN MINIMUM INDIVIDUAL AND CONSOLIDATED EQUITY OF FIFTEEN MILLION UF EQUIVALENTS TO THCH\$349,643,400 AS OF DECEMBER 31, 2013.

THE FOLLOWING TABLES PRESENT – AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 - 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	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
A	Other financial liabilities, current	167,464	66,944
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	983,287	892,127
D	Payables to related parties, non-current	40,343	36,947
<b>E=A+B+C+D</b>	<b>COVENANTS DEBT</b>	<b>1,191,094</b>	<b>996,018</b>
G	Debt with guarantees (1)	32,316	19,621
<b>DT=E+G</b>	<b>TOTAL DEBT</b>	<b>1,223,410</b>	<b>1,015,639</b>
H	Non-controlling interest	4	3
P	Equity attributable to owners of the parent	887,092	876,968
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
<b>CT=DT+H+I+P</b>	<b>TOTAL CAPITALIZATION</b>	<b>2,135,476</b>	<b>1,917,580</b>
<b>DT/CT</b>	<b>TOTAL DEBT / TOTAL CAPITALIZATION RATIO</b>	<b>0.57</b>	<b>0.53</b>

(1) AMOUNT OF THE DEBT WITH GUARANTEES CORRESPONDS TO A GUARANTEE ISSUED BY TRANSMISORA HUEPIL LIMITADA, INDIRECT SUBSIDIARY OF TRANSELEC S.A.

COVENANT 2	MINIMUM EQUITY GREATER THAN OR EQUAL TO UF 15 MILLION	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
P	Equity attributable to owners of the parent	887,092	876,968
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
<b>P+I</b>	<b>EQUITY (IN THCH\$)</b>	<b>912,062</b>	<b>901,938</b>
UF	UF value	23,309.56	22,840.75
<b>(I+P)/UF</b>	<b>EQUITY (IN UF MILLIONS)</b>	<b>39.13</b>	<b>39.49</b>

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COVENANT 3	RESTRICTED PAYMENTS TEST FUNDS FROM OPERATIONS (FNO) / FINANCIAL COSTS > 1,5	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
FO	Cash flow from operations	135,186	151.603
CF	Financial costs	48,473	37.253
IG	Income tax expense	14,423	8.508
<b>FNO=FO+CF+IG</b>	<b>FUNDS FROM OPERATIONS</b>	<b>190,083</b>	<b>197.364</b>
<b>FNO/CF</b>	<b>FUNDS FROM OPERATIONS / FINANCIAL COSTS</b>	<b>4.09</b>	<b>5,30</b>

AS OF THE DATE OF ISSUANCE OF THESE FINANCIAL STATEMENTS, THE COMPANY WAS IN COMPLIANCE WITH ALL FINANCIAL COVENANTS ESTABLISHED IN ITS CURRENT DEBT CONTRACTS.

## NOTE 20 - INCOME

### 20.1 REVENUE

THE FOLLOWING TABLE DETAILS REVENUE FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:

REVENUE	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Revenues from regulated transmission services	97,760,148	88,103,722
Revenues from contractual transmission services	119,926,630	123,307,041
Leases revenue	395,846	686,375
Revenue from lease indexation	1,866,113	1,395,256
<b>TOTAL REVENUES</b>	<b>219,948,737</b>	<b>213,492,394</b>

### 20.2 OTHER OPERATING INCOME

THE FOLLOWING TABLE DETAILS OPERATING INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:

OTHER OPERATING INCOME	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Financial income (Note 21.4)	10,868,623	5,044,168
Other gains (losses), net	3,616,801	3,779,694
<b>TOTAL OTHER OPERATING INCOME</b>	<b>14,485,424</b>	<b>8,823,862</b>

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### NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

#### 21.1 EXPENSES BY NATURE

THE COMPOSITION OF COST OF SALES AND ADMINISTRATIVE EXPENSES BY NATURE IN THE YEARS ENDED DECEMBER 31, 2013 AND 2012 IS AS FOLLOWS:

DETAIL	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Personnel expenses	17,597,688	16,506,327
Operating expenses	14,444,402	23,111,060
Maintenance expenses	5,412,955	4,723,102
Depreciation and write-offs	44,687,762	48,338,494
Other	4,585,561	2,947,318
<b>TOTAL</b>	<b>86,728,368</b>	<b>95,626,301</b>

#### 21.2 PERSONNEL EXPENSES

AS OF DECEMBER 31, 2013 AND 2012, THIS ACCOUNT IS DETAILED AS FOLLOWS:

DETAIL	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Salaries and wages	14,831,230	15,489,748
Short-term employee benefits	684,118	1,008,502
Staff severance indemnity	721,352	672,070
Other long-term benefits	976,718	1,139,635
Other personnel expenses	5,894,879	5,325,520
Expenses capitalized on construction in progress	(5,510,609)	(7,129,148)
<b>TOTAL</b>	<b>17,597,688</b>	<b>16,506,327</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**21.3 DEPRECIATION AND AMORTIZATION**

THE FOLLOWING TABLE DETAILS DEPRECIATION AND AMORTIZATION FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:

DETAIL	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Depreciation	42,141,086	45,895,186
Amortization	435,512	309,913
Losses from damages	2,111,164	2,133,395
<b>TOTAL</b>	<b>44,687,762</b>	<b>48,338,494</b>

**21.4 FINANCIAL RESULTS**

THE COMPANY'S FINANCIAL RESULT FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012, IS DETAILED AS FOLLOWS:

DETAIL	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
<b>FINANCIAL INCOME:</b>	<b>10,868,623</b>	<b>5,044,168</b>
Commercial interest earned	359,706	2,747,225
Bank interest earned	1,745,336	2,296,943
Interest earned from related parties	8,553,264	-
Other income	210,317	-
<b>FINANCIAL EXPENSES:</b>	<b>(48,473,429)</b>	<b>(37,252,682)</b>
Interest on bonds	(42,278,186)	(36,771,785)
Interest on bank loans	(3,653,925)	-
Commercial interest incurred	(517,545)	-
Interest costs on related parties transactions	(1,633,684)	-
Other expenses	(390,089)	(480,897)
<b>GAIN (LOSS) FROM INDEXATION OF UF</b>	<b>(17,256,864)</b>	<b>(18,799,768)</b>
<b>FOREIGN EXCHANGE GAINS (LOSSES), NET</b>	<b>(2,945,257)</b>	<b>(380,033)</b>
Positive	13,030,821	2,395,452
Negative	(15,976,078)	(2,775,485)
<b>TOTAL FINANCIAL RESULT, NET</b>	<b>(58,806,927)</b>	<b>(51,388,315)</b>

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**NOTE 22 - INCOME TAX RESULT**

<b>INCOME TAX EXPENSE (INCOME)</b>	<b>DECEMBER 31, 2013 ThCh\$</b>	<b>DECEMBER 31, 2012 ThCh\$</b>
Current tax expense	1,118,385	924,423
Tax benefit arising from previously unrecognized tax assets used to reduce current tax expenses	-	-
Adjustments to current tax of prior period	-	-
Other current tax expenses	-	-
<b>CURRENT TAX EXPENSE, NET, TOTAL</b>	<b>1,118,385</b>	<b>924,423</b>
Deferred tax expense relating to origination and reversal of temporary differences	13,304,456	7,583,734
Other deferred tax expense	-	-
<b>DEFERRED TAX EXPENSE, NET, TOTAL</b>	<b>13,304,456</b>	<b>7,583,734</b>
Effect of change in tax situation of the entity or its shareholders	-	-
<b>INCOME TAX EXPENSE</b>	<b>14,422,841</b>	<b>8,508,157</b>

**RECONCILIATION OF TAX EXPENSE USING STATUTORY RATE WITH TAX EXPENSE**

THE FOLLOWING TABLE RECONCILES INCOME TAXES RESULTING FROM APPLYING STATUTORY TAX RATE TO THE "PROFIT BEFORE TAXES" TO THE INCOME TAX EXPENSE RECORDED IN THE CONSOLIDATED INCOME STATEMENT FOR THE YEARS 2013 AND 2012:

<b>USING EFFECTIVE RATE</b>	<b>DECEMBER 31, 2013 ThCh\$</b>	<b>DECEMBER 31, 2012 ThCh\$</b>
Tax expense at statutory rate	(15,806,049)	(14,051,494)
Price level restatement of equity	2,595,436	2,751,670
Fines	(177,158)	-
Prior year adjustments	-	4,217,881
Other differences increase (decrease)	(1,035,070)	(1,426,214)
<b>TOTAL ADJUSTMENTS TO TAX EXPENSE USING STATUTORY RATE</b>	<b>1,383,208</b>	<b>5,543,337</b>
<b>TAX EXPENSE AT EFFECTIVE RATE</b>	<b>(14,422,841)</b>	<b>(8,508,157)</b>
Statutory Tax Rate	20.00%	20,00%
Price level restatement of equity	(3.28)%	(3,92)%
Fines	0.22%	-
Prior year adjustments	-	(6,00)%
Other differences increase (decrease)	1.31%	2,03%
<b>ADJUSTMENTS TO STATUTORY TAX RATE, TOTAL</b>	<b>(1.75)%</b>	<b>(7,89)%</b>
<b>EFFECTIVE TAX RATE</b>	<b>18.25%</b>	<b>12,11%</b>

TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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THE TAX RATE USED FOR THE YEAR 2013 AND 2012 RECONCILIATIONS CORRESPONDS TO 20%, A CORPORATE TAX RATE THAT ENTITIES SHOULD PAY ON TAXABLE PROFITS BASED ON CURRENT TAX REGULATIONS.

### NOTE 23 - EARNINGS PER SHARE

BASIC EARNINGS PER SHARE IS CALCULATED BY DIVIDING PROFIT ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS BY THE WEIGHTED AVERAGE NUMBER OF COMMON SHARES IN CIRCULATION DURING THE YEAR EXCLUDING, IF ANY, COMMON SHARES PURCHASED BY THE COMPANY AND MAINTAINED AS TREASURY SHARES.

BASIC EARNINGS PER SHARE	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Profit attributable to equity holders of parent (ThCh\$)	64,607,402	61,749,315
Earnings available to common shareholders, basic (ThCh\$)	64,607,402	61,749,315
<b>TOTAL BASIC SHARES</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>BASIC EARNINGS PER SHARE (CH\$)</b>	<b>64,607</b>	<b>61,749</b>

THERE ARE NO TRANSACTIONS OR CONCEPTS THAT CREATE A DILUTIVE EFFECT.

### NOTE 24 - SEGMENT REPORTING

THE COMPANY AND ITS SUBSIDIARY ENGAGE EXCLUSIVELY IN PROVIDING SERVICES RELATED TO ELECTRICITY TRANSMISSION. TO PROVIDE SUCH SERVICES, THEY POSSESS ASSETS THROUGHOUT THE COUNTRY THAT FORM THE TRANSELEC TRANSMISSION SYSTEM, STRETCHING 3,168 KILOMETERS FROM THE ARICA Y PARINACOTA REGION TO THE LOS LAGOS REGION.

ELECTRICITY TRANSMISSION SERVICE FALLS UNDER THE LEGAL FRAMEWORK THAT GOVERNS THE ELECTRICITY SECTOR IN CHILE. THIS FRAMEWORK DEFINES TRANSMISSION SYSTEMS AND CLASSIFIES TRANSMISSION FACILITIES INTO THREE CATEGORIES (THE TRUNK TRANSMISSION SYSTEM, THE SUBTRANSMISSION SYSTEM AND ADDITIONAL SYSTEMS), ESTABLISHING AN OPEN ACCESS SCHEME FOR THE FIRST TWO SYSTEMS AND ALLOWING ADDITIONAL LINES THAT USE RIGHTS OF WAY AND HAVE NATIONAL ASSETS FOR PUBLIC USE ALONG THEIR PATHS TO BE USED BY THIRD PARTIES UNDER NON-DISCRIMINATORY TECHNICAL AND ECONOMIC CONDITIONS. THE LAW ALSO SETS CRITERIA AND PROCEDURES FOR DETERMINING COMPENSATION THAT TRANSMISSION FACILITY OWNERS ARE ENTITLED TO RECEIVE.

TRANSELEC'S REVENUE FROM THE TRUNK SYSTEM CONSISTS OF THE "ANNUAL TRANSMISSION VALUE PER SEGMENT" (VATT FOR ITS SPANISH ACRONYM), WHICH IS CALCULATED EVERY 4 YEARS BASED ON THE "ANNUAL INVESTMENT VALUE" (AVI FOR ITS SPANISH ACRONYM), PLUS "OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS" (COMA FOR ITS SPANISH ACRONYM) FOR EACH TRUNK SYSTEM SEGMENT.

THE ANNUAL SUBTRANSMISSION SYSTEM VALUE (VASTX FOR ITS SPANISH ACRONYM) IS CALCULATED EVERY FOUR YEARS. IT IS BASED ON THE VALUATION OF FA-



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CILITIES THAT ARE ECONOMICALLY ADAPTED TO DEMAND AND CONSISTS OF STANDARD INVESTMENT, MAINTENANCE, OPERATING AND ADMINISTRATIVE COSTS, PLUS AVERAGE ENERGY AND CAPACITY LOSSES OF THE ADAPTED FACILITIES.

REVENUE FROM ADDITIONAL SYSTEMS IS ESTABLISHED IN PRIVATE CONTRACTS WITH THIRD PARTIES, WHICH ARE PRINCIPALLY GENERATORS AND USERS THAT ARE NOT SUBJECT TO PRICE REGULATION. THE MAIN OBJECTIVE OF THE ADDITIONAL SYSTEMS IS TO ENABLE GENERATORS TO INJECT THEIR PRODUCTION INTO THE ELECTRICITY SYSTEM AND TO ALLOW LARGE CUSTOMERS TO MAKE WITHDRAWALS.

THE LAW DISTINGUISHES BETWEEN THE DIFFERENT SYSTEMS IN ORDER TO ENSURE THAT TARIFFS ARE APPROPRIATE FOR EACH CASE, NEVERTHELESS, FACILITIES OF A GIVEN VOLTAGE (220 KV, FOR EXAMPLE) ARE IDENTICAL, WHETHER TRUNK, SUBTRANSMISSION OR ADDITIONAL, THUS, A 220 KV FACILITY REQUIRES A GIVEN TYPE OF MAINTENANCE, FUNDAMENTALLY BECAUSE OF ITS GEOGRAPHIC LOCATION, ITS PROXIMITY TO THE OCEAN, THE CLIMATE, ETC., BUT IN NO CASE DOES THIS MAINTENANCE DEPEND ON WHETHER THAT 220 KV FACILITY IS TRUNK, SUBTRANSMISSION OR ADDITIONAL, PRECISELY THE SAME HAPPENS WITH OPERATING COSTS: OPERATIONS ARE EXECUTED BY THE CORRESPONDING CDEC REGARDLESS OF WHETHER THAT 220 KV FACILITY IS TRUNK, SUBTRANSMISSION OR ADDITIONAL, THUS, FOR TRANSELEC THIS CLASSIFICATION INTO TRUNK, SUBTRANSMISSION OR ADDITIONAL SYSTEMS IS MERELY FOR TARIFF PURPOSES AND HAS NO OTHER CONSEQUENCES.

THE COMPANY'S MANAGEMENT ANALYZES ITS BUSINESS AS A SET OF TRANSMISSION ASSETS THAT ENABLES IT TO PROVIDE SERVICES TO ITS CUSTOMERS. AS A RESULT, RESOURCE ALLOCATION AND PERFORMANCE MEASUREMENTS ARE ANALYZED IN AGGREGATE.

INTERNAL MANAGEMENT TAKES INTO ACCOUNT THIS CLASSIFICATION CRITERION FOR REVENUE AND COSTS MERELY FOR DESCRIPTIVE PURPOSES BUT IN NO CASE FOR BUSINESS SEGMENTATION.

AS A RESULT, FOR THE PURPOSES OF APPLYING IFRS 8, ALL OF THE BUSINESSES DESCRIBED ABOVE ARE DEFINED AS ONE SOLE OPERATING SEGMENT FOR TRANSELEC S.A.

INFORMATION ABOUT PRODUCTS AND SERVICES	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
Revenues from regulated transmission services	97,760,148	89,498,978
Revenues from contractual transmission services and others	122,188,589	123,993,416
<b>TOTAL REVENUES</b>	<b>219,948,737</b>	<b>213,492,394</b>

**INFORMATION ABOUT SALES AND PRINCIPAL CUSTOMERS**

THE COMPANY HAS FOUR CUSTOMERS THAT INDIVIDUALLY REPRESENT MORE THAN 10% OF TOTAL REVENUES FOR THE YEAR ENDED ON DECEMBER 31, 2013. THE AMOUNTS OF REVENUES RECOGNIZED FROM THESE CUSTOMERS WERE: THCH\$ 71,491,627, THCH\$ 60,905,616, THCH\$ 30,446,275 AND THCH\$ 27,614,592, RESPECTIVELY., FOR THE YEAR ENDED DECEMBER 31, 2012 THE COMPANY HAD FOUR CUSTOMERS THAT INDIVIDUALLY EXCEEDED 10% OF TOTAL REVENUES. THE AMOUNTS OF REVENUES RECOGNIZED FROM THESE CUSTOMERS WERE: THCH\$ 72,245,825, THCH\$25,769,694 AND THCH\$21,685,279, RESPECTIVELY.

TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 25 - BUSINESS COMBINATION

ON DECEMBER 27, 2012, THE SUBSIDIARY TRANSELEC NORTE ACQUIRED 99.99% OF INVERSIONES ELÉCTRICAS TRANSAM CHILE LTDA., THUS OBTAINING CONTROL OF THE TRANSAM GROUP WHICH ALSO INCLUDES THREE SUBSIDIARIES: TRANSMISORA HUEPIL LTDA., TRANSMISORA ABENOR LTDA. AND TRANSMISORA ARAUCANA DE ELECTRICIDAD LTDA, IN EACH OF WHICH INVERSIONES ELÉCTRICAS TRANSAM CHILE LTDA. OWNS 99% OF SHARES.

THE FOLLOWING TABLES SUMMARIZE THE AMOUNT OF CONSIDERATION PAID FOR THE TRANSAM GROUP AND THE FAIR VALUES OF THE ASSETS ACQUIRED, THE LIABILITIES ASSUMED AND THE NON-CONTROLLING INTEREST IN THE TRANSAM GROUP AT THE DATE OF ACQUISITION:

	ThCh\$
Consideration paid in cash to Abengoa Chile S.A.	5,907,348
Consideration paid in cash to Inversiones Eléctricas GE Ltda.	19,219,038
<b>TOTAL PRICE PAID</b>	<b>25,126,386</b>

	FAIR VALUE DECEMBER 27,2012 (UPDATED) ThCh\$
ASSETS ACQUIRED:	
Property, plant and equipment	32,761,110
Other assets	5,015,582
LIABILITIES ASSUMED:	
Short term bank loans	(1,052,072)
Long term bank loans	(8,931,096)
Deferred tax liabilities	(4,684,410)
Other Liabilities	(886,966)
NET IDENTIFIABLE ASSETS AT FAIR VALUE	22,222,148
Non-controlling interest	(130,549)
Goodwill acquired (Note 10)	3,034,787
<b>TOTAL</b>	<b>25,126,386</b>

THE NET ASSETS RECOGNIZED AS OF DECEMBER 31, 2012 HAVE BEEN DETERMINED USING THE PROVISIONAL VALUATION METHOD AT THEIR FAIR VALUES. FINAL VALUATION HAD NOT BEEN COMPLETED BEFORE THE DATE ON WHICH THE FINANCIAL STATEMENTS FOR THE YEAR 2012 WERE APPROVED BY THE BOARD OF DIRECTORS FOR ISSUE.

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IN DECEMBER 2013 THE COMPANY COMPLETED THE FINAL VALUATION. THE VALUE OF ASSETS ACQUIRED HAS INCREASED BY THCH\$ 6,438,663 IN COMPARISON TO THEIR PROVISIONAL VALUE. AS A RESULT, THERE WAS AN INCREASE IN DEFERRED TAXES OF THCH\$ 2,088,786. AND GOODWILL HAS DECREASED BY THCH\$ 6,223,780, AS A RESULT OF THE INCREASE IN NET ASSETS FROM THE ACQUISITION.

GOODWILL AS OF DECEMBER 31, 2013 AMOUNTS TO THCH\$ 3,249,809, AND CORRESPONDS TO THE SYNERGIES EXPECTED FROM THE OPERATIONS AND CONTRACTS OF THE ACQUIREE.

IT IS NOT EXPECTED THAT THE GOODWILL RECOGNIZED IN THE ACQUISITION WILL BE TAX DEDUCTIBLE.

**NOTE 26 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS**

AS OF DECEMBER 31, 2013, THE COMPANY HAS RECEIVED PERFORMANCE GUARANTEES FROM CONTRACTORS AND THIRD PARTIES, PRIMARILY TO GUARANTEE PERFORMANCE OF CONSTRUCTION AND MAINTENANCE WORKS, AMOUNTING TO THCH\$ 36,498,486 (THCH\$ 31,542,290 AS OF DECEMBER 31, 2012), IN ADDITION, IN ORDER TO GUARANTEE REPAYMENT OF HOUSING LOANS, MORTGAGES HAVE BEEN CONSTITUTED IN FAVOR OF THE COMPANY.

IN ADDITION, INDIRECT SUBSIDIARY TRANSMISORA HUEPIL LIMITADA, HAS GUARANTEED ITS DEBT AMOUNTING TO THUS\$ 18,608.

**NOTE 27 - DISTRIBUTION OF PERSONNEL (UNAUDITED)**

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012, PERSONNEL EMPLOYED BY TRANSELEC S.A. ARE DETAILED AS FOLLOWS:

	DECEMBER 31, 2013				AVERAGE OF THE YEAR
	MANAGER AND EXECUTIVES	PROFESSIONALS AND TECHNICAL PERSONNEL	OTHER EMPLOYEES	TOTAL	
<b>TOTAL</b>	<b>16</b>	<b>333</b>	<b>158</b>	<b>507</b>	<b>508,6</b>

	DECEMBER 31, 2012				AVERAGE OF THE YEAR
	MANAGER AND EXECUTIVES	PROFESSIONALS AND TECHNICAL PERSONNEL	OTHER EMPLOYEES	TOTAL	
<b>TOTAL</b>	<b>14</b>	<b>328</b>	<b>168</b>	<b>510</b>	<b>491,1</b>

TRANSELEC S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 28 - ENVIRONMENT

TRANSELEC AND ITS SUBSIDIARIES, IN COMPLIANCE WITH CURRENT ENVIRONMENTAL REGULATIONS AND IN LINE WITH ITS SUSTAINABILITY POLICY HAVE UNDERGONE ENVIRONMENTAL ASSESSMENT PROJECTS OR AMENDMENTS THERETO TO THE ENVIRONMENTAL AUTHORITY THROUGH THE ENVIRONMENTAL EVALUATION SYSTEM (SEIA). TO THIS END, SEVERAL STUDIES WERE CONDUCTED TO SUBSTANTIATE THE PRESENTATIONS HAVE ALLOWED ENVIRONMENTAL DOCUMENTS. THESE DOCUMENTS ARE AN ENVIRONMENTAL IMPACT STATEMENT (EIS FOR SPANISH ACRONYM) OR AN ENVIRONMENTAL IMPACT STUDY CONCERNED, MET THE REQUIREMENTS OF LAW NO. 19,300 ON GENERAL ENVIRONMENT, AMENDED BY LAW NO. 20,417, AND ITS REGULATIONS OF SEIA. FOR PROJECTS THAT HAVE STARTED THEIR IMPLEMENTATION THE COMPANY HAS BEEN FOLLOWING THE CONDITIONS AND MEASURES IMPOSED BY ENVIRONMENTAL AUTHORITY IN THE RESPECTIVE RESOLUTIONS OF ENVIRONMENTAL QUALIFICATION.

DURING FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012, THE COMPANY HAS NOT MADE THE FOLLOWING ENVIRONMENTAL DISBURSEMENTS:

COMPANY MAKING DISBURSEMENT	PROJECT	DECEMBER 31, 2013 ThCh\$	DECEMBER 31, 2012 ThCh\$
TRANSELEC S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors	659,303	1,009,944
TRANSELEC NORTE S.A	Preparation, processing and implementation of DIA and EIA	87,610	-
<b>TOTAL</b>		<b>746,913</b>	<b>1,009,944</b>

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

#### A) CURRENT ASSETS AND LIABILITIES

CURRENT ASSETS AND LIABILITIES	FOREIGN CURRENCY	FUNCTIONAL CURRENCY	DECEMBER 31, 2013		DECEMBER 31, 2012	
			MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 91 TO 1 YEAR ThCh\$	MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 91 TO 1 YEAR ThCh\$
Cash and cash equivalents	Dollars	CH\$	34,432,628	-	19,820,861	-
	Chilean Pesos	CH\$	17,977,079	-	18,135,093	-
	Other Currency	CH\$	12,284	-	-	-
Trade and other receivables	Dollars	CH\$	-	-	-	-
	Chilean Pesos	CH\$	47,389,169	13,453,127	-	-
	Other Currency	CH\$	-	-	-	-
Receivables from related parties, Current	Dollars	CH\$	79,661,771	-	-	86.531.517
	Chilean Pesos	CH\$	4,499,085	-	-	6.117.840
	Other Currency	CH\$	-	-	-	-



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CURRENT LIABILITIES	FOREIGN CURRENCY	FUNCTIONAL CURRENCY	DECEMBER 31, 2013		DECEMBER 31, 2012	
			MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 91 TO 1 YEAR ThCh\$	MATURITY LESS THAN 90 DAYS ThCh\$	MATURITY MORE THAN 91 TO 1 YEAR ThCh\$
Other financial liabilities, current	Dollars	CH\$	3,849,532	431,728	275,017	58,590,396
	Chilean Pesos	CH\$	12,964,737	150,218,386	7,226,338	691,035
	Other Currency	CH\$	-	-	-	-
Trade payables and other payables	Dollars	CH\$	910,968	-	3,217,147	-
	Chilean Pesos	CH\$	53,426,584	18,803,961	56,554,318	29,655,837
	Other Currency	CH\$	-	-	-	-
Current provisions for employee benefits	Dollars	CH\$	-	-	-	-
	Chilean Pesos	CH\$	5,449,355	2,233,872	4,351,884	2,482,039
	Other Currency	CH\$	-	-	-	-

## B) NON-CURRENT ASSETS AND LIABILITIES

NON-CURRENT ASSETS	FOREIGN CURRENCY	FUNCTIONAL CURRENCY	DECEMBER 31, 2013			DECEMBER 31, 2012		
			1 TO 3 YEAR ThCh\$	3 TO 5 YEAR ThCh\$	MORE THAN 5 YEAR ThCh\$	1 TO 3 YEAR ThCh\$	3 TO 5 YEAR ThCh\$	MORE THAN 5 YEAR ThCh\$
Trade and other receivables	Dollar	CH\$	-	-	-	-	-	-
	Chilean Pesos	CH\$	-	-	-	-	-	-
	Other Currency	CH\$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH\$	-	-	111,011,395	-	-	59,505,087
	Chilean Pesos	CH\$	-	-	1,144,365,894	-	-	1,100,038,702
	Other Currency	CH\$	-	-	-	-	-	-
Deferred tax assets	Dollars	CH\$	-	57,998	-	-	-	-
	Chilean Pesos	CH\$	-	2,063,698	-	-	-	-
	Other Currency	CH\$	-	-	-	-	-	-

NON-CURRENT LIABILITIES	FOREIGN CURRENCY	FUNCTIONAL CURRENCY	DECEMBER 31, 2013			DECEMBER 31, 2012		
			1 TO 3 YEAR ThCh\$	3 TO 5 YEAR ThCh\$	MORE THAN 5 YEAR ThCh\$	1 TO 3 YEAR ThCh\$	3 TO 5 YEAR ThCh\$	MORE THAN 5 YEAR ThCh\$
Other financial liabilities, non-current	Dollars	CH\$	3,827,555	4,801,231	155,815,517	3,202,293	4,961,347	1,262,881
	Chilean Pesos	CH\$	194,770,693	-	624,071,836	199,699,184	134,439,685	549,057,298
	Other Currency	CH\$	-	-	-	-	-	-
Other liabilities, non-current	Dollars	CH\$	-	-	-	-	-	-
	Chilean Pesos	CH\$	-	-	-	-	-	-
	Other Currency	CH\$	-	-	-	-	-	-
Non-current provisions for employee benefits	Dollars	CH\$	-	-	-	-	-	-
	Chilean Pesos	CH\$	651,531	582,997	2,256,745	388,664	582,997	2,256,744
	Other Currency	CH\$	-	-	-	-	-	-

## NOTE 30 - SUBSEQUENT EVENTS

ON JANUARY 23, 2014, THE SUPERINTENDENCIA DE VALORES Y SEGUROS WAS INFORMED THAT AN EXTRAORDINARY SHAREHOLDERS' MEETING FOR TRANSELEC S.A. WAS HELD ON JANUARY 22, 2014, WHERE THEY AGREED ON THE FOLLOWING:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. TO RATIFY THE AGREEMENT ADOPTED BY THE COMPANY'S BOARD OF DIRECTORS AT ORDINARY MEETING NO. 101 HELD ON NOVEMBER 20, 2013, WHERE THEY APPROVED SHORT-TERM INTERCOMPANY LOANS UNDER MARKET CONDITIONS, WHICH WERE PAID ON DECEMBER 26TH OF THE SAME YEAR.

2. TO APPROVE A DECREASE IN THE COMPANY'S CAPITAL, FROM AN AMOUNT OF CH\$857,944,547,865, DIVIDED AMONG 1,000,000 ORDINARY, NOMINATIVE SHARES WITH NO NOMINAL VALUE, TO THE AMOUNT OF CH\$776,355,047,865, DIVIDED AMONG 1,000,000 SHARES WITH THE SAME CHARACTERISTICS AS ABOVE. THIS MODIFICATION SUPPOSES A CAPITAL DECREASE OF CH\$81,589,500,000, EQUIVALENT TO US\$150,000,000, ACCORDING TO THE EXCHANGE RATE PUBLISHED IN THE OFFICIAL GAZETTE ON JANUARY 22, 2014.

3. FINALLY, THEY APPROVED THAT PAYMENT OBLIGATIONS DERIVED FROM THE AGREED-UPON CAPITAL DECREASE AND THE RATIFIED SHORT-TERM INTERCOMPANY LOANS SHALL BE EXTINGUISHED BY COMPENSATION BETWEEN BOTH DEBTS ONCE ALL APPLICABLE LEGAL FORMALITIES ARE MET.

BETWEEN DECEMBER 31, 2013, CLOSING DATE OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND THE DATE OF ISSUANCE, THERE HAVE BEEN NO SIGNIFICANT FINANCIAL AND ACCOUNTING EVENTS THAT MAY AFFECT THE EQUITY OF THE COMPANY OR THE INTERPRETATION OF THESE FINANCIAL STATEMENTS.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**INTRODUCTION**

DURING THE YEAR 2013, TRANSELEC S.A. AND SUBSIDIARIES RECORDED A NET INCOME OF MCH\$64,607 (MCH\$61,749 IN THE SAME PERIOD 2012) WHICH IS 4.6% HIGHER THAN THE SAME PERIOD IN 2012. THIS INCREASE IS MAINLY DUE TO HIGHER OPERATING INCOMES (MCH\$133,220 IN 2013 AND MCH\$117,866 IN 2012), MAINLY EXPLAINED BY LOWER OPERATING COSTS (12% DECREASE) AND HIGHER OPERATING REVENUES (3% INCREASE). THIS HIGHER OPERATING INCOME IS PARTIALLY OFFSET BY HIGHER LOSS ON NON-OPERATING INCOMES (MCH\$54,190 IN 2013 AND MCH\$47,609 IN 2012) AND HIGHER INCOME TAXES (MCH\$14,423 IN 2013 AND MCH\$8,508 IN 2012). THE EBITDA\* FOR THE PERIOD WAS MCH\$181,525, WHICH IS 6.8% HIGHER THAN THE SAME PERIOD IN 2012 (MCH\$169,984) WITH AN EBITDA OVER REVENUES OF 82.5% (79.6% IN 2012).

DURING THE YEAR 2013, TRANSELEC S.A. PLACED A UF 3.1 MILLION BOND (SERIE Q) IN THE PUBLIC CHILEAN BOND MARKET AND A US\$300 MILLION BOND (SENIOR NOTES) IN THE AN INTERNATIONAL MARKET. IN ADDITION, THERE WERE US\$177.4 MILLION COMMISSIONED OF NEW ASSETS AND THE PROJECT FINANCE CASERONES WAS SOLD TO A RELATED PARTY.

TRANSELEC S.A. AND ITS SUBSIDIARY TRANSELEC NORTE S.A. HAVE PREPARED THEIR FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013, IN CONFORMITY WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CORRESPOND TO THE COMPREHENSIVE, EXPLICIT AND NON-RESERVED ADOPTION OF THE ABOVE MENTIONED INTERNATIONAL STANDARD. THE FIGURES OF THIS RATIO ANALYSIS ARE EXPRESSED IN MILLION OF CHILEAN PESOS (MCH\$) AS THE CHILEAN PESO IS THE FUNCTIONAL CURRENCY OF TRANSELEC S.A.

**1. INCOME STATEMENT ANALYSIS**

ITEMS	DECEMBER 2013 MCh\$	DECEMBER 2012 MCh\$	VARIATION 2013/2012 %
OPERATING REVENUES	219.949	213.492	3,0%
Toll sales	213.897	198.173	7,9%
Work and services	6.051	15.319	-60,5%
OPERATING COSTS	-71.986	-82.065	-12,3%
Fixed costs	-29.279	-35.734	-18,1%
Depreciation	-42.708	-46.332	-7,8%
ADMINISTRATON AND SALES EXPENSES	-14.742	-13.561	8,7%
Fixed costs	-12.762	-11.554	10,5
Depreciation	-1.980	-2.007	-1,3%
<b>OPERATING INCOME</b>	<b>133.220</b>	<b>117.866</b>	<b>13,0%</b>
Other Financial Income	10.869	5.044	115,5%
Financial Costs	-48.473	-37.253	30,1%
Foreign exchange differences, net	-2.945	-380	675,0%
Gain (loss) for indexed assets and liabilities	-17.257	-18.800	-8,2%
Other income	3.617	3.780	-4,3%
<b>NON-OPERATING INCOME</b>	<b>-54.190</b>	<b>-47.609</b>	<b>13,8%</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>79.030</b>	<b>70.257</b>	<b>12,5%</b>
Income tax	-14.423	-8.508	69,5%
<b>NET INCOME</b>	<b>64.607</b>	<b>61.749</b>	<b>4,6%</b>
<b>EBITDA</b>	<b>181.525</b>	<b>169.984</b>	<b>6,8%</b>

(\*) EBITDA= NET INCOME +ABS(INCOME TAX)+ABS(DEPRECIATION)+ABS(NON-OPERATING INCOME)+ABS(OTHER GAINS)+LEASE FINANCIAL INCOME.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

**A) OPERATING INCOME**

DURING THE YEAR 2013, OPERATING REVENUES REACHED MCH\$219,949, WHICH IS 3.0% HIGHER COMPARED WITH THE SAME PERIOD IN 2012 (MCH\$213,492). THIS INCREASE IS MAINLY EXPLAINED BY HIGHER TOLL SALES REVENUES THAT REACHED MCH\$213,897 DURING 2013, 7.9% HIGHER THAN 2012 (MCH\$198,173). THIS INCREASE IS MAINLY DUE TO NEW COMMISSIONED PROJECTS DURING 2013, THAT RESULTED IN MCH\$13,479 OF REVENUES, WHICH INCLUDES MCH\$3,621 FROM THE TRANSAM S.A ACQUISITION BY TRANSELEC NORTE S.A. RETROACTIVE TARIFF ADJUSTMENTS RELATED TO SUBTRANSMISSION HAVE A NEGATIVE IMPACT OF MCH\$3,020 IN TOLL SALES REVENUES. THESE HIGHER OPERATING REVENUES ARE PARTIALLY OFFSET BY LOWER ENGINEERING SERVICES REVENUES THAT REACHED MCH\$6,051 IN 2013 AND MCH\$15,319 IN 2012. DURING 2013, THESE ENGINEERING SERVICES RESULTED IN 2.8% OF THE TOTAL REVENUES AND 7.2% DURING THE SAME PERIOD IN 2012.

DURING THIS PERIOD, THE OPERATING COSTS REACHED MCH\$71,986 (MCH\$82,065 IN 2012). THESE COSTS ARE MAINLY RELATED TO THE MAINTENANCE AND OPERATION OF THE COMPANY'S FACILITIES AND, IN PERCENTAGE TERMS, 59.3% OF THE COMPANY'S COSTS CORRESPOND TO PROPERTY, PLANT AND EQUIPMENT DEPRECIATION (56.5% IN 2012). THIS DECREASE IN THE DEPRECIATION IS MAINLY EXPLAINED BY ADJUSTMENTS ON THE LIFE OF THE ASSETS. THE REMAINING 40.7% (43.5% IN THE COMPARISON PERIOD) CORRESPOND TO PERSONNEL, SUPPLIES AND CONTRACTED SERVICES. THE DECREASE IN THE OPERATING COSTS, COMPARED TO THE SAME PERIOD OF 2012, IS MAINLY DUE TO LOWER ENGINEERING SERVICES HIRED THAT AMOUNTED MCH\$577 AS OF DECEMBER 2013, 94.2% LOWER THAN THE SAME PERIOD OF 2012 (MCH\$9,892).

ADMINISTRATIVE AND SELLING EXPENSES AMOUNTED MCH\$14,742 (MCH\$13,560 DURING THE SAME PERIOD OF 2012) AND PRIMARILY CONSIST IN 86.6% (85.2% IN 2012) OF PERSONNEL AND WORK EXPENSES, SUPPLIES AND SERVICES CONTRACTED, AND 13.4% OF DEPRECIATION (14.8% IN 2012). THE INCREASE IN ADMINISTRATIVE AND SELLING EXPENSES IS MAINLY DUE TO HIGHER FEASIBILITY STUDIES COSTS AND THE TTS 2014 COSTS (MCH\$1,067).

**B) NON-OPERATING INCOME**

NET INCOME FOR THE YEAR 2013, WAS NEGATIVELY IMPACTED BY THE NON-OPERATING LOSS OF MCH\$54,190 (MCH\$47,609 IN THE SAME PERIOD OF 2012), MAINLY GENERATED BY HIGHER FINANCIAL COSTS THAT REACHED MCH\$48,473 (MCH\$37,253 IN 2012). THIS HIGHER FINANCIAL COSTS ARE MOSTLY EXPLAINED BY SHORT AND LONG TERMS LOANS OBTAINED FROM THE REVOLVING CREDIT FACILITY (RCF), THE Q SERIES AND SENIOR NOTES BONDS ISSUANCE, AND THE NON-COMMITTED LINE OF CREDIT. THE INTERESTS PAID DUE TO THESE LIABILITIES REACHED MM\$7,984 DURING THE YEAR 2013. THE REMAINING HIGHER FINANCIAL COSTS IN 2013 COMPARED WITH THE SAME PERIOD OF 2012 CORRESPOND MAINLY TO A LOWER CAPITALIZED INTEREST (MCH\$1,562).

LOSS FROM FOREIGN EXCHANGE DIFFERENCES AMOUNTED MCH\$2,945, WHICH IS 675% HIGHER IN COMPARISON WITH THE SAME PERIOD OF 2012 (MCH\$380). THIS LOSS IS MAINLY EXPLAINED BY THE INCREASE OF THE EXCHANGE RATE, THAT COMPARING THE SECOND SEMESTER OF 2013 AND 2012 HAD 6.6% OF VARIATION, AND HAD AN IMPACT ON THE USE OF THE RCF (MM\$7,417) AND THE SENIOR NOTE BONDS (MCH\$5,754). THIS NEGATIVE IMPACT, IS PARTIALLY OFFSET BY ACCOUNTS RECEIVABLE TO RELATED COMPANIES ACCRUED, THAT REACHED MM\$7,141 AND OTHER CAPITAL MARKET TRANSACTIONS IN US DOLLARS (MM\$ 3,784).

THE NEGATIVE IMPACT ON THE NON-OPERATING INCOME PREVIOUSLY EXPLAINED, IS PARTIALLY OFFSET BY HIGHER FINANCIAL COSTS THAT REACHED MCH\$10,860 IN 2013 (MCH\$5,044 IN 2012). THIS INCREASE IS MAINLY DUE TO LOANS TO RELATED PARTIES, PRINCIPALLY TO TRANSELEC HOLDING RENTAS LTDA. FOR MCH\$ 92,316 THAT GENERATED ACCRUED INTERESTS FOR MCH\$6,247.



TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

### 2. BALANCE SHEET ANALYSIS

THE INCREASE IN CURRENT ASSETS BETWEEN DECEMBER 2013 AND DECEMBER 2012 IS EXPLAINED BY AN INCREASE IN CASH AND CASH EQUIVALENTS. THE INCREASE IN NON-CURRENT ASSETS IS DUE TO AN INCREASE IN ACCOUNTS RECEIVABLE TO RELATED PARTIES, MAINLY TO TRANSELEC HOLDINGS RENTAS LTDA, AND DUE TO AN INCREASE IN FIXED ASSETS FROM THE COMMISSIONING OF 14 PROJECTS DURING 2013.

THE INCREMENT IN EQUITY AND LIABILITIES IS MAINLY EXPLAINED BY THE INCREASE IN CURRENT AND NON-CURRENT LIABILITIES MOSTLY GENERATED BY THE NATIONAL Q SERIES BOND AND THE INTERNATIONAL SENIOR NOTES BOND ISSUED DURING THE SECOND AND THIRD QUARTER RESPECTIVELY.

ITEMS	DECEMBER 2013 MCh\$	DECEMBER 2012 MCh\$	VARIATION 2013/2012 %
Current assets	209,451	189,399	10.6%
Non-current assets	1,969,931	1,810,229	8.8%
<b>TOTAL ASSETS</b>	<b>2,179,381</b>	<b>1,999,629</b>	<b>9.0%</b>
Current liabilities	248,839	178,220	39.6%
Non current liabilities	1,043,447	944,437	10.5%
Equity	887,096	876,971	1.2%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,179,381</b>	<b>1,999,629</b>	<b>9.0%</b>

### VALUE OF THE MAIN PP&E IN OPERATION

ASSETS	DECEMBER 2013 MCh\$	DECEMBER 2012 MCh\$	VARIATION 2013/2012 %
Land	19,777	20,983	-5.8%
Building, Infraestructure, works in progress	938,651	767,858	22.2%
Machinery and equipment	498,519	351,440	41.9%
Other fixed assets	4,260	4,468	-4.6%
Depreciation (less)	-295,511	-254,764	16.0%
<b>TOTAL</b>	<b>1,255,377</b>	<b>937,541</b>	<b>33.9%</b>

TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

### CURRENT DEBT

DEBT	CURRENCY OR INDEX	INTEREST RATE	TYPE OF RATE	MATURITY DATE	AMOUNT IN ORIGINAL CURRENCY (MILLION) UNPAID CAPITAL	
					DECEMBER 2013	DECEMBER 2012
Series C bond	UF	3.50%	Fixed	Sep 1st, 2016	6.0	6.0
Series D bond	UF	4.25%	Fixed	Dec 15 th, 2027	13.5	13.5
Series E bond	UF	3.90%	Fixed	Aug 1st, 2014	3,.3	3.3
Series F bond	CLP	5.70%	Fixed	Aug 1st, 2014	33,600.0	33,600.0
Series H bond	UF	4.80%	Fixed	Aug 1st, 2031	3.0	3.0
Series I bond	UF	3.50%	Fixed	Sep 1st, 2014	1.5	1.5
Series K bond	UF	4.60%	Fixed	Sep 1st, 2031	1.6	1.6
Series L bond	UF	3.65%	Fixed	Dec 15 th, 2015	2.5	2.5
Series M bond	UF	4.05%	Fixed	Jun 15 th, 2032	3.4	3.4
Series N bond	UF	3.95%	Fixed	Dec 15 th, 2038	3.0	3.0
Series Q bond	UF	3.95%	Fixed	Oct 15 th, 2042	3.1	-
Series Senior Notes bond	USD	4.63%	Fixed	Jul 26 th, 2023	300.0	-
Revolving Credit Facility	USD	2.76%	Variable	-	-	120.0
Huepil Loan	USD	1.88%	Variable	Oct 10 th, 2023	21.2	23.1

### 3. MAIN CASH FLOWS DURING THE YEAR

ITEMS	DECEMBER 2013 MCh\$	DECEMBER 2012 MCh\$	VARIATION 2013/2012 %
Cash flows provided by (used in) operating activities	135,186	151,603	-11%
Cash flows provided by (used in) investing activities	-215,373	-124,185	73%
Cash flows provided by (used in) financing activities	94,652	-53,674	-276%
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT	14,466	-26,256	-155%
Cash and cash equivalent at the beginning of the period	37,956	64,212	-41%
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	52,422	37,956	38%

DURING THE YEAR 2013, CASH FLOWS FROM OPERATING ACTIVITIES REACHED MCH\$135,186 (MCH\$151,603 IN THE SAME PERIOD OF 2012), WHICH REPRESENT A DECREASE OF 11%, MAINLY EXPLAINED BY HIGHER PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES, THAT REACHED MCH\$83,080 AS OF DECEMBER 31, 2013, IN COMPARISON TO MCH\$57,781 REACHED IN THE SAME PERIOD OF 2012. THIS WAS PARTIALLY OFFSET BY OTHER PAYMENTS FOR OPERATING ACTIVITIES THAT DID NOT RECORDED DISBURSEMENTS FOR THE 2013 PERIOD, COMPARED WITH MCH\$12,761 RECORDED FOR 2012.

DURING THIS PERIOD, INVESTING ACTIVITIES GENERATED A NEGATIVE CASH FLOW FOR AN AMOUNT OF MCH\$215,373 (MCH\$124,185 IN 2012), MAINLY DUE TO LOANS TO RELATED PARTIES (MCH\$171,465). THIS NEGATIVE IMPACT WAS PARTIALLY OFFSET BY HIGHER ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT THAT REACHED MCH \$77,466 DURING 2013, COMPARED WITH MCH\$16,368 REACHED IN THE SAME PERIOD IN 2012.

TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

DURING THE SAME PERIOD, FINANCING ACTIVITIES GENERATED A POSITIVE NET CASH FLOWS OF MCH\$94,652 (MCH\$-53,674 IN 2012), MAINLY DUE TO HIGHER PROCEEDS FROM SHORT AND LONG TERM LOANS THAT REACHED MCH\$339,509 DURING 2013 (MCH\$57,002 IN 2012). THIS IS PARTIALLY OFFSET BY LOANS PAID IN 2013 FOR AN AMOUNT OF MCH\$185,628.

IN ADDITION, THE COMPANY HAS SECURED THE FOLLOWING COMMITTED CREDIT LINE TO ENSURE FUNDS ARE IMMEDIATELY AVAILABLE TO COVER WORKING CAPITAL NEEDS:

BANK	AMOUNT (UP TO)	MATURITY	TYPE OF CREDIT
Scotiabank, Bank of Tokyo-Mitsubishi y DnB NOR	US\$250,000,000	Jul 9th, 2015	Working Capital

## 4. INDICATORS

BONDS	COVENANT	LIMIT	DECEMBER 2013	DECEMBER 2012
All local Series	Distribution Test ( ** )	FNO/Financial Expenses > 1,5	4.09	5.30
	Capitalization Ratio ( ***)	< 0,7	0.57	0.53
	Shareholder's Equity (million UF)	> ThUF15.000	39.13	39.49

(\*) FNO = CASH FLOW FROM OPERATING ACTIVITIES PLUS THE ABSOLUTE VALUE OF FINANCE COSTS, PLUS THE ABSOLUTE VALUE OF THE EXPENDITURE FOR INCOME TAXES.

(\*\*) THIS IS ONLY A TEST TO DISTRIBUTE RESTRICTED PAYMENTS SUCH AS DIVIDENDS.

(\*\*\*) EQUITY = TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PLUS ACCUMULATED AMORTIZATION OF GOODWILL. THE ACCUMULATED AMORTIZATION OF GOODWILL BETWEEN JUNE 30, 2006 AND DECEMBER 31, 2013 AMOUNTED TO MCH\$24.970.

RATIOS *FIGURES AS OF JUNE ARE ANNUALIZED	DECEMBER 2013 Mch\$	DECEMBER 2012 Mch\$	VARIATION 2013/2012 %
<b>PROFITABILITY</b>			
Shareholders' Equity profitability *	7.28%	7.04%	3.4%
Assets profitability *	2.96%	3.09%	-4.2%
Operating assets profitability *	4.57%	5.66%	-19.3%
Earnings per share (\$) *	64.607,4	61.749,3	4.6%
<b>LIQUIDITY &amp; INDEBTEDNESS</b>			
Current Ratio	0.84	1.06	-20.8%
Acid-Test Ratio	0.84	1.06	-20.8%
Debt to Equity	1.46	1.28	14.1%
% Short term debt	19.26	15.87	21.3%
% Log term debt	80.74	84.13	-4.0%
Financial expenses coverage	3.74	4.56	-17.9%

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

### 5. THE MARKET

TRANSELEC S.A. CARRIES OUT ITS ACTIVITIES IN THE ELECTRICITY MARKET, WHICH HAS BEEN DIVIDED INTO THREE SECTORS: GENERATION, TRANSMISSION AND DISTRIBUTION. THE GENERATION SECTOR INCLUDES COMPANIES THAT ARE DEDICATED TO GENERATING ELECTRICITY THAT WILL SUBSEQUENTLY BE USED THROUGHOUT THE COUNTRY BY END USERS. THE PURPOSE OF THE DISTRIBUTION SECTOR IS TO CARRY ELECTRICITY TO THE PHYSICAL LOCATION WHERE EACH END USER WILL USE THE ELECTRICITY. LASTLY, THE PRIMARY GOAL OF THE TRANSMISSION SECTOR IS TO TRANSPORT THE GENERATED ELECTRICITY FROM WHERE IT IS PRODUCED (ELECTRICAL POWER PLANTS) TO THE “POINTS OF ENTRY” OF THE DISTRIBUTION COMPANY NETWORKS OR THOSE OF LARGE END USERS.

TRANSELEC’S BUSINESS MAINLY FOCUSES ON COMMERCIALIZING THE CAPACITY OF ITS FACILITIES TO TRANSPORT AND TRANSFORM ELECTRICITY, IN ACCORDANCE WITH ESTABLISHED QUALITY STANDARDS. THE TRANSMISSION SYSTEM OF TRANSELEC S.A. AND ITS SUBSIDIARY, WHICH STRETCHES BETWEEN “ARICA Y PARINACOTA” REGION TO “LOS LAGOS” REGION, ENCOMPASSES THE MAJORITY OF THE TRUNK TRANSMISSION LINES AND SUBSTATIONS IN THE CENTRAL INTERCONNECTED SYSTEM (SIC) AND THE GREAT NORTH INTERCONNECTED SYSTEM (SING). THIS TRANSMISSION SYSTEM TRANSPORTS THE ELECTRICITY THAT SUPPLIES APPROXIMATELY 98.5% OF CHILE’S POPULATION. THE COMPANY OWNS ALL OF THE 500 KV ELECTRICITY TRANSPORT LINES, APPROXIMATELY 51% OF THE 220 KV LINES AND 86% OF THE 154 KV LINES.

THE LEGAL FRAMEWORK THAT GOVERNS THE ELECTRICAL TRANSMISSION BUSINESS IN CHILE IS CONTAINED IN DFL NO. 4/2006, WHICH ESTABLISHES THE MODIFIED, COORDINATED AND SYSTEMIZED TEXT OF DECREE WITH FORCE OF LAW NO. 1 FROM THE MINISTRY OF MINING, ISSUED IN 1982; AND THE GENERAL ELECTRICITY SERVICES LAW. (DFL NO. 1/82) AND ITS SUBSEQUENT MODIFICATIONS, INCLUDING LAW 19,940 (“LEY CORTA I”) PUBLISHED ON MARCH 13, 2004, LAW 20,018 (“LEY CORTA II”) PUBLISHED ON MAY 19, 2005, LAW 20,257 (GENERATION WITH NON-CONVENTIONAL RENEWABLE ENERGY RESOURCES) PUBLISHED APRIL 1, 2008, LAW 20,701 (PROCEDURE TO GRANT ELECTRICAL CONCESSIONS) PUBLISHED ON OCTOBER 14, 2013, AND LAW 20,698 (CONTRIBUTE WITH THE GENERATION MIX EXPANSION THROUGH NON-CONVENTIONAL RENEWABLE ENERGY) PUBLISHED ON OCTOBER 22, 2013 AND THE LAW 20,726 (THAT PROMOTE THE INTERCONNECTION OF INDEPENDENTS ELECTRICAL SYSTEMS), PUBLISHED ON FEBRUARY 7, 2014. THESE STANDARDS ARE COMPLEMENTED BY THE REGULATIONS OF THE GENERAL ELECTRICITY SERVICES LAW OF 1997 (SUPREME DECREE NO. 327/97 FROM THE MINISTRY OF MINING) AND ITS RESPECTIVE MODIFICATIONS; THE REGULATIONS TO ESTABLISH THE STRUCTURE, FUNCTIONING AND FINANCING OF LOAD DISPATCH CENTERS (SUPREME DECREE NO. 291/2007), THE REGULATIONS OF COMPLEMENTARY SERVICES IN 2012 (SUPREME DECREE NO. 130, MINISTRY OF ENERGY) AND ALSO THE TECHNICAL STANDARD ON RELIABILITY AND SERVICE QUALITY (EXEMPT MINISTERIAL RESOLUTION NO. 40 OF MAY 16, 2005) AND ITS SUBSEQUENT MODIFICATIONS.

LAW 19,940, ALSO CALLED “LEY CORTA I”, MODIFIED THE GENERAL ELECTRICITY SERVICES LAW OF 1982 IN MATTERS RELATING TO ELECTRICITY TRANSMISSION ACTIVITY, SUBDIVIDING THE TRANSMISSION NETWORK INTO THREE TYPES OF SYSTEMS: TRUNK TRANSMISSION, SUB-TRANSMISSION AND ADDITIONAL TRANSMISSION. IT ALSO ESTABLISHES THAT ELECTRICITY TRANSMISSION – BOTH BY TRUNK TRANSMISSION AS WELL AS SUB-TRANSMISSION SYSTEMS – IS CONSIDERED A PUBLIC SERVICE AND IS SUBJECT TO REGULATED TARIFFS.

FINALLY, LAW 19,940 ESTABLISHED THAT THE NEW PAYMENT REGIME FOR USING TRUNK FACILITIES WOULD BECOME EFFECTIVE AS OF MARCH 13, 2004 AND DETERMINED A TRANSITORY PERIOD THAT WAS IN EFFECT UNTIL THE FIRST TRUNK TRANSMISSION DECREE WAS ISSUED. THUS, FROM 2004 TO 2007, COLLECTION AND PAYMENT FOR USING TRANSMISSION FACILITIES WAS CARRIED OUT PROVISIONALLY USING SUBSEQUENT RECALCULATIONS IN ACCORDANCE WITH LEGAL AND REGULATORY STANDARDS IN EFFECT UNTIL “LEY CORTA I” WAS PUBLISHED.

ON JANUARY 15, 2008, A DECREE FROM THE MINISTRY OF ECONOMY, DEVELOPMENT AND RECONSTRUCTION WAS PUBLISHED AND SET THE NEW INVESTMENT VALUE (VI), THE ANNUITY OF THE INVESTMENT VALUE (AVI), THE OPERATION, MAINTENANCE AND ADMINISTRATION COSTS (COMA) AND THE ANNUAL TRANSMISSION VALUE PER SEGMENT (VATT) FOR TRUNK FACILITIES FOR THE PERIOD FROM MARCH 14, 2004 TO DECEMBER 31, 2010, AS WELL AS THE INDEXATION FORMULAS APPLICABLE DURING THAT PERIOD. NEW RATES FOR THE TRUNK TRANSMISSION SYSTEM BEGAN BEING APPLIED IN APRIL 2008 AND DURING 2008



**REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

As of december 31, 2013

TRUNK INCOME WAS RECALCULATED FOR THE PERIOD FROM MARCH 13, 2004 TO DECEMBER 31, 2007. THE DETERMINATION OF TRUNK FACILITIES AND THEIR ANNUAL TRANSMISSION VALUE (VATT) IS UPDATED EVERY FOUR YEARS USING AN INTERNATIONALLY-TENDERED STUDY. DURING 2010, THE SECOND TRUNK TRANSMISSION STUDY WAS CONDUCTED WHICH WILL ALLOW SETTING THE TARIFFS AND THE CORRESPONDING INDEXATION FORMULAS FOR THE PERIOD 2011-2014.

DECREE 61, PUBLISHED ON NOVEMBER 17, 2011 CONTAINS THE TARIFFS THAT WILL BE RETROACTIVELY APPLICABLE FROM JANUARY 1, 2011. DURING 2012 AND 2013 THE NEW TARIFFS HAVE BEEN APPLIED AND PARTICULARLY THE ASSESSMENT PROCESS FORM 2011 WAS PUBLISHED ON MARCH AND APRIL FOR SING AND SIC RESPECTIVELY. THE SIC ASSESSMENT FOR 2011 WAS MODIFIED ON DECEMBER 2012 ACCORDING TO THE EXPERT PANEL REPORT N°2-2012.

DECREE NO. 320 FROM THE MINISTRY OF ECONOMY, DEVELOPMENT AND RECONSTRUCTION, WHICH SETS TARIFFS FOR SUBTRANSMISSION FACILITIES, WAS PUBLISHED IN THE OFFICIAL GAZETTE ON JANUARY 9, 2009 AND THE NEW TARIFFS BEGIN TO BE APPLIED ON JANUARY 14, 2009 AND WILL BE IN EFFECT UNTIL DECEMBER 31, 2010. ON APRIL 9, 2013, THE SUPREME DECREE N°14 WAS PUBLISHED BY THE MINISTRY OF ENERGY, SETTING SUBTRANSMISSION TARIFFS FROM JANUARY 2011 TO DECEMBER 2014 HAS BEEN ISSUED. THE DIFFERENCE BETWEEN AMOUNTS INVOICED USING THESE PROVISIONAL TARIFFS SINCE JANUARY 2011 TO THE DECREE PUBLISH DATE WILL BE REASSESSMENT BY THE CDEC BASED ON THE DIFFERENCE BETWEEN THE PROVISIONAL TARIFF AND THE DEFINITIVE VALUES ON DECREE N°14.

**6. MARKET RISK FACTORS**

DUE TO THE NATURE OF THE ELECTRICAL MARKET AND THE LEGISLATION AND STANDARDS THAT REGULATE THIS SECTOR, THE COMPANY IS NOT EXPOSED TO SIGNIFICANT RISKS IN DEVELOPING ITS PRINCIPAL BUSINESS. HOWEVER, THE FOLLOWING RISK FACTORS SHOULD BE MENTIONED AND CONSIDERED:

**6.1 REGULATORY FRAMEWORK**

ELECTRICITY TRANSMISSION TARIFFS ARE SET BY LAW AND ARE INDEXED IN ORDER TO GUARANTEE REAL ANNUAL RETURNS FOR THE OPERATOR. THE NATURE OF THE INDUSTRY ENABLES TRANSMISSION INCOME TO BE STABLE OVER TIME. IN ADDITION, THIS INCOME IS COMPLEMENTED WITH INCOME OBTAINED FROM PRIVATE CONTRACTS WITH LARGE CLIENTS.

HOWEVER, THE FACT THAT THESE TARIFFS ARE REVISED EVERY FOUR YEARS IN TRUNK TRANSMISSION AND SUBTRANSMISSION STUDIES COULD PLACE THE COMPANY AT RISK OF NEW TARIFFS THAT ARE DETRIMENTAL OR LESS ATTRACTIVE GIVEN THE INVESTMENTS IT HAS MADE.

THE COMPANY CANNOT GUARANTEE THAT OTHER REGULATORY CHANGES WILL NOT NEGATIVELY AFFECT IT OR ITS CLIENTS OR CREDITORS, THUS COMPROMISING TRANSELEC'S INCOME.

**6.2 OPERATING RISKS**

ALTHOUGH THE COMPANY'S MANAGEMENT BELIEVES IT HAS ADEQUATE RISK COVERAGE, IN LINE WITH INDUSTRY PRACTICES, IT CANNOT GUARANTEE THE SUFFICIENCY OF ITS INSURANCE POLICY COVERAGE FOR CERTAIN OPERATING RISKS TO WHICH IT IS EXPOSED, INCLUDING FORCES OF NATURE, DAMAGES TO TRANSMISSION FACILITIES, ON-THE-JOB ACCIDENTS AND EQUIPMENT FAILURE. ANY OF THESE EVENTS COULD NEGATIVELY AFFECT THE COMPANY'S FINANCIAL STATEMENTS.

TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

### 6.3 APPLICATION OF REGULATIONS AND / OR ENVIRONMENTAL LAW

THE OPERATIONS OF TRANSELEC ARE SUBJECT TO LAW NO. 19.300, ON CHILEAN ENVIRONMENT ("ENVIRONMENTAL LAW"), ENACTED IN 1994. ACCORDING TO ITS RECENT MODIFICATION, THROUGH LAW N° 20.417 WHICH WAS PUBLISHED IN THE OFFICIAL JOURNAL ON JANUARY 26, 2010, CREATED, AMONG OTHERS, NEW INSTITUTIONS CONSISTING OF: (I) THE MINISTRY OF ENVIRONMENTAL AFFAIRS; (II) THE MINISTER COUNCIL FOR SUSTAINABILITY; (III) THE ENVIRONMENTAL EVALUATION SERVICE; AND (IV) THE SUPERINTENDENCE OF ENVIRONMENTAL AFFAIRS; THESE INSTITUTIONS ARE IN CHARGE OF THE REGULATION, EVALUATION AND INSPECTION OF THE ACTIVITIES INVOLVING ENVIRONMENTAL IMPACTS. THESE NEW INSTITUTIONS REPLACED THE NATIONAL COMMISSION OF ENVIRONMENTAL AFFAIRS ("CONAMA") AND THE REGIONAL COMMISSIONS OF ENVIRONMENTAL AFFAIRS AND ARE FULLY OPERATIVE THROUGH THE ENACTMENT OF AN UPDATED REGULATION, THAT IS UNDER REVIEW BY THE COMPTROLLER GENERAL OF THE REPUBLIC.

LAW NO. 20.600 OF THE OFFICIAL JOURNAL WAS PUBLISHED ON JUNE 28, 2012 THAT CREATES THE ENVIRONMENTAL COURTS, LAST STEP SO THE SUPERINTENDENCE OF ENVIRONMENTAL AFFAIRS (SMA) CAN BEGIN TO IMPLEMENT IN FULL ITS POWERS OF CONTROL AND SANCTION. ON DECEMBER 28 WITH THE IMPLEMENTATION OF THE ENVIRONMENTAL COURT (SECOND ENVIRONMENTAL COURT IN SANTIAGO) THE SMA ASSUMES THE FULL MONITORING AND CONTROL OF THE ENVIRONMENTAL QUALIFICATION RESOLUTION (RCA) AMONG OTHER MATTERS.

NOTWITHSTANDING THAT TRANSELEC MEETS THE ENVIRONMENTAL REQUIREMENTS OF THE ENVIRONMENTAL LAW, IT IS NOT POSSIBLE TO ASSURE THAT THESE FILINGS (EIA O DIA) BEFORE THE ENVIRONMENTAL AUTHORITY WILL BE APPROVED BY GOVERNMENT AUTHORITIES, NEITHER THAT THE POSSIBLE OPPOSITION OF PUBLIC OPINION WILL NOT GENERATE DELAYS OR CHANGES IN THE PROPOSED PROJECTS, NOR THAT THE LAWS AND REGULATIONS WILL NOT CHANGE OR WILL BE INTERPRETED IN A WAY THAT MAY ADVERSELY AFFECT THE COMPANY'S OPERATIONS AND PLANS, AS THE NEW INSTITUTIONAL STRUCTURE IS JUST IN PROGRESS.

### 6.4 DELAYS IN THE CONSTRUCTION OF NEW TRANSMISSION FACILITIES

THE SUCCESS OF THE PROGRAM FOR EXTENDING THE TRUNK TRANSMISSION NETWORK AND BUILDING NEW FACILITIES WILL DEPEND ON NUMEROUS FACTORS, INCLUDING FINANCING COST AND AVAILABILITY. ALTHOUGH TRANSELEC HAS EXPERIENCE WITH LARGE-SCALE CONSTRUCTION PROJECTS, THE CONSTRUCTION OF NEW FACILITIES COULD BE NEGATIVELY AFFECTED BY FACTORS COMMONLY ASSOCIATED WITH SUCH PROJECTS INCLUDING DELAYS IN OBTAINING REGULATORY AUTHORIZATIONS, SCARCITY OF EQUIPMENT, MATERIALS OR LABOR, ETC. ANY OF THESE FACTORS COULD CAUSE DELAYS IN THE PARTIAL OR TOTAL COMPLETION OF THE CAPITAL INVESTMENT PROGRAM, AND COULD INCREASE THE COSTS OF THE PROJECTS.

### 6.5 TECHNOLOGICAL CHANGES

TRANSELEC IS COMPENSATED FOR INVESTMENTS THAT MAKES IN ELECTRICAL TRANSMISSION FACILITIES THROUGH AN ANNUAL VALUATION OF THE EXISTING FACILITIES (AVI), WHICH IS PERFORMED EVERY FOUR YEARS USING CURRENT MARKET PRICES. ANY IMPORTANT TECHNOLOGICAL CHANGES IN THE EQUIPMENT AT ITS FACILITIES COULD LOWER THIS VALUATION, WHICH WOULD PREVENT PARTIAL RECOVERY OF THE INVESTMENTS MADE.

### 6.6 FOREIGN EXCHANGE RISK

THE FOLLOWING FACTORS EXPOSE TRANSELEC TO FOREIGN EXCHANGE RISK:

- THE REVENUES OF ITS SUBSIDIARY TRANSELEC NORTE ARE DENOMINATED IN U.S. DOLLARS.

TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

- TRANSELEC CARRIES OUT SEVERAL TYPES OF TRANSACTIONS IN U.S. DOLLARS (CONSTRUCTION CONTRACTS, IMPORT PURCHASES, ETC.).
- TRANSELEC USES FORWARD CONTRACTS TO SELL U.S. DOLLARS TO HEDGE FUTURE REVENUES DENOMINATED IN THE U.S. DOLLARS. TRANSELEC ALSO USES A CURRENCY FORWARD CONTRACT WITH ITS PARENT; THIS ALLOWS IT TO FINANCE U.S. DOLLAR-DENOMINATED ASSETS OF ITS SUBSIDIARY.

EXCHANGE RATE EXPOSURE IS MANAGED USING A POLICY THAT INVOLVES FULLY HEDGING THE COMPANY'S NET BALANCE SHEET EXPOSURE USING DIVERSE INSTRUMENTS SUCH AS FOREIGN EXCHANGE FORWARD CONTRACTS AND CROSS CURRENCY SWAPS.

THE FOLLOWING TABLE DETAILS THE AMOUNTS OF MONETARY ASSETS AND LIABILITIES AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012:

IN MILLION PESOS	DECEMBER 2013		DECEMBER 2012	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Dollar (amounts associated with balance sheet items)	218,691	217,254	75,916	102,918
Dollar (amounts associated with income statement items)	-	36,513	-	31,389
Chilean peso	1,958,392	1,072,254	1,878,852	974,211

(\*) INDEXING POLYNOMIALS OF THE COMPANY'S REVENUES CONTAIN FORMULAS FOR SETTING THESE REVENUES IN THE SHORT TERM, DIFFERING FROM THE LONG-TERM INDEXING. IN ORDER THAT THE SHORT-TERM INDEXING IS CONSISTENT WITH LONG-TERM INDEXING, THE COMPANY, PERIODICALLY (EVERY SIX MONTHS) SELL A PERCENTAGE OF THEIR SEMI-ANNUAL FIXED DOLLAR INCOME USING CURRENCY FORWARDS. THESE FORWARDS ARE CONSIDERED AS CASH FLOW HEDGES AND THEREFORE CHANGES IN FAIR VALUE, MEANWHILE THEY ARE NOT DONE, ARE INCLUDED IN OTHER COMPREHENSIVE INCOME.

## EXCHANGE RATES (OBSERVED EXCHANGE RATES)

MONTH	AVERAGE 2013 (\$)	LAST DAY 2013 (\$)	AVERAGE 2012 (\$)	LAST DAY 2012 (\$)
January	472.67	471.44	501.34	488.75
February	472.34	472.96	481.49	476.27
March	472.48	472.03	485.40	487.44
April	472.14	471.31	486.00	484.87
May	479.58	499.78	497.09	519.69
June	502.89	507.16	505.63	501.84
July	504.96	515.42	491.93	481.94
August	512.59	509.74	480.99	480.25
September	504.57	504.20	474.97	473.77
October	500.81	507.64	475.36	480.59
November	519.25	529.64	480.57	480.39
December	529.45	524.61	477.13	479.96
<b>AVERAGE OF THE PERIOD</b>	<b>495.31</b>	<b>498.83</b>	<b>486.49</b>	<b>486.31</b>

TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

THE INDEXATION FORMULAS, UPDATED SEMIANNUALLY FOR TOLL CONTRACTS AND SUB-TRANSMISSION FEES AND UPDATED MONTHLY FOR REGULATED TRUNK INCOME, TAKE INTO ACCOUNT VARIATIONS IN THE VALUE OF THE FACILITIES AND OPERATING COSTS, MAINTENANCE AND ADMINISTRATIVE COSTS. IN GENERAL, THOSE INDEXATION FORMULAS TAKE INTO CONSIDERATION VARIATIONS IN THE INTERNATIONAL PRICES OF EQUIPMENT, MATERIALS AND LOCAL LABOR.

### 6.7 CREDIT RISK

CREDIT RISK CORRESPONDING TO RECEIVABLES FROM COMMERCIAL ACTIVITIES, IS HISTORICALLY VERY LOW DUE TO THE NATURE OF THE BUSINESS OF THE COMPANY'S CLIENTS AND THE SHORT TERM OF COLLECTION TO CLIENTS, WHICH EXPLAIN THE FACT OF NOT HAVING LARGE ACCUMULATED AMOUNTS

AS OF DECEMBER 31, 2013, THE COMPANY HAS FOUR MAIN CLIENTS WHICH REPRESENT INDIVIDUALLY MORE THAN 10% OF THE TOTAL REVENUES. THESE ARE ENDESA GROUP (MCH\$71,492), COLBÚN GROUP (MCH\$60,906), PACIFIC HYDRO-LH-LC (MCH\$30,446) AND AES GENER GROUP (MCH\$27,614). THE TOTAL REVENUES RECOGNIZED FOR THESE CLIENTS REPRESENT AN 86.6% OF THE TOTAL REVENUES OF THE COMPANY. IN THE PERIOD OF COMPARISON, THE COMPANY HAD THE SAME STRUCTURE OF CLIENTS WHICH REPRESENT INDIVIDUALLY MORE THAN 10% OF THE TOTAL REVENUES, WHOSE AMOUNTS REACHED TO MCH\$72,246, MCH\$17,306, MCH\$21,685 AND MCH\$25,799 RESPECTIVELY, WITH A PERCENTAGE OF THE TOTAL INCOMES OF 64.4%.

INCOME FROM THESE COMPANIES WILL GENERATE A LARGE PART OF THE COMPANY'S FUTURE CASH FLOWS AND, THEREFORE, A SUBSTANTIAL CHANGE IN THEIR ASSETS, FINANCIAL CONDITION AND/OR OPERATING INCOME COULD NEGATIVELY AFFECT THE COMPANY. IN THE YEAR 2011, IT'S OBSERVED SOME PUNCTUAL PROBLEMS INSOLVENCY OF SOME INTEGRANTS OF CDEC-SIC.

IN TERMS OF THE COMPANY'S CREDIT RISK ASSOCIATED WITH FINANCIAL ASSETS (TIME DEPOSITS, FIXED-RETURN MUTUAL FUNDS AND SELL-BACK AGREEMENTS), ITS TREASURY POLICY ESTABLISHES CERTAIN LIMITS ON A PARTICULAR INSTITUTION'S EXPOSURE; SUCH LIMITS DEPEND ON THE RISK RATING AND CAPITAL OF EACH INSTITUTION. LIKEWISE, FOR INVESTMENTS IN MUTUAL FUNDS, ONLY FUNDS WITH A RISK RATING QUALIFY.

### 6.8 LIQUIDITY RISK

LIQUIDITY RISK IS THE RISK OF THE COMPANY NOT SATISFYING A NEED FOR CASH OR DEBT PAYMENT UPON MATURITY. LIQUIDITY RISK ALSO INCLUDES THE RISK OF NOT BEING ABLE TO LIQUIDATE ASSETS IN A TIMELY MANNER AT A REASONABLE PRICE.

### A) RISK FROM COMPANY'S MANAGEMENT PROCESSES

IN ORDER TO GUARANTEE THAT TRANSELEC IS ABLE TO QUICKLY REACT TO INVESTMENT OPPORTUNITIES AND PAY ITS OBLIGATIONS BY THEIR MATURITY DATES, IN ADDITION TO ITS CASH BALANCES AND SHORT-TERM RECEIVABLES, THE COMPANY HAS COMMITTED LINE OF CREDIT FOR WORKING CAPITAL OF US\$ 250 MILLION, EQUIVALENT TO MCH\$126,050. UNTIL NOW THIS LINE DOESN'T FILE A UTILIZED AMOUNT. THIS COMMITTED LINE OF CREDIT WAS CONTRACTED ON JULY 9, 2012, IS GRANTED FOR A PERIOD OF THREE YEARS BY A BANK SYNDICATE CONSISTING OF SCOTIABANK, BANK OF TOKYO-MITSUBISHI AND DNB NOR.

THE COMPANY IS EXPOSED TO RISKS ASSOCIATED WITH INDEBTEDNESS, INCLUDING REFINANCING RISK WHEN ITS DEBT MATURES. THESE RISKS ARE MITIGATED BY USING LONG-TERM DEBT AND APPROPRIATELY STRUCTURING MATURITIES OVER TIME.

DEBT MATURITY (CAPITAL) Mch\$	0 TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
December 30, 2013	194,098	281,307	71,735	333,619	858,363	1,739,122
December 31, 2012	95,592	286,451	208,261	165,746	803,110	1,559,159



TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

THE FOLLOWING TABLE PRESENTS THE CAPITAL AMORTIZATIONS CORRESPONDING TO THE COMPANY'S FINANCIAL LIABILITIES, ACCORDING TO THEIR MATURITY DATE, AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012.

### B) ASSOCIATED RISK TO THE SETTLEMENT OF TRUNK TRANSMISSION SYSTEM TARIFF REVENUES

ACCORDING TO DECREE N°4/20.018 FROM THE MINISTRY OF ECONOMY, FOMENTATION AND RECONSTRUCTION, IN ITS ARTICLES 81, 101, 104 AND 106, AND COMPLEMENTARY RULES, TRANSELEC HAS THE RIGHT TO PERCEIVE ON A PROVISORY BASIS THE REAL TARIFF INCOME (IT FOR ITS NAME IN SPANISH) OF THE TRUNK TRANSMISSION SYSTEM GENERATED FOR EVERY PERIOD. IN ORDER TO GET THEIR OWN REVENUES SET UP IN THE FIRST PARAGRAPH OF ARTICLE N°101 OF THE ABOVE MENTIONED DECREE N°4/20.018, THE REAL TARIFF INCOME PERCEIVED ON A PROVISORY BASIS MUST BE SETTLED BY TRANSELEC ACCORDING TO THE REPAYMENT SCHEDULE PREPARED BY THE RESPECTIVE CDEC (CENTER OF ECONOMIC DISPATCH OF CHARGE) THROUGH THE COLLECTION OR PAYMENT TO THE DIFFERENT COMPANIES, OWNERS OF GENERATION FACILITIES.

TRANSELEC COULD FACE THE RISK OF NOT TIMELY COLLECTING THE IT THAT SOME OF THE COMPANIES OWNERS OF GENERATION FACILITIES SHOULD PAY AS DETERMINED IN THE ENERGY BALANCES PREPARED BY CDEC, WHAT MAY TEMPORARILY AFFECT THE COMPANY'S LIQUIDITY POSITION. IN THIS SENSE, AND IN THE OPINION OF THE COMPANY, THE FUNCTION THAT TRANSELEC FULFILLS IN THE ABOVE-MENTIONED COLLECTION PROCESS CONSISTS NOT OF THE COLLECTION OF AMOUNTS FOR ITS OWN BENEFIT, BUT IT IS MERELY COLLECTION AND SUBSEQUENT TRANSFERS TO THIRD PARTIES OF CREDITS AND DEBTS THAT BELONG TO THE GENERATING COMPANIES, WITH THE EXCEPTION OF THE EXPECTED IT.

## 6.9 INTEREST RATE RISKS

SIGNIFICANT CHANGES IN FAIR VALUES AND FUTURE CASH FLOWS OF FINANCIAL INSTRUMENTS THAT CAN BE DIRECTLY ATTRIBUTABLE TO INTEREST RATE RISKS INCLUDE CHANGES IN THE NET PROCEEDS FROM FINANCIAL INSTRUMENTS WHOSE CASH FLOWS ARE DETERMINED IN REFERENCE TO FLOATING INTEREST RATES AND CHANGES IN THE VALUE OF FINANCIAL INSTRUMENTS WITH FIXED CASH FLOWS.

THE COMPANY'S ASSETS ARE PRIMARILY FIXED AND LONG-LIVED INTANGIBLE ASSETS. CONSEQUENTLY, FINANCIAL LIABILITIES THAT ARE USED TO FINANCE SUCH ASSETS CONSIST PRIMARILY OF LONG-TERM LIABILITIES AT FIXED RATES. THIS DEBT IS RECORDED IN THE BALANCE SHEET AT AMORTIZED COST.

THE OBJECTIVE OF INTEREST RATE RISK MANAGEMENT IS TO ACHIEVE A BALANCED DEBT STRUCTURE, DECREASE THE IMPACT ON COSTS DUE TO INTEREST RATE VARIATIONS AND, REDUCE VOLATILITY IN THE INCOME STATEMENT.

THE MAJORITY OF THE DEBT AS OF DECEMBER 31, 2013, AND AS OF DECEMBER 31, 2012, WAS AT A FIXED RATE OF 99.04% Y 92.9% RESPECTIVELY. HOWEVER, IN THE CASE OF UF-INDEXED DEBT, VARIATIONS IN INFLATION RATES COULD POTENTIALLY IMPACT THE COMPANY'S FINANCIAL EXPENSES.

TRANSELEC S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2013

### UF VALUES

MONTH	AVERAGE 2013 (\$)	LAST DAY 2013 (\$)	AVERAGE 2012 (\$)	LAST DAY 2012 (\$)
January	22,811.83	22,807.54	22,346.12	22,408.36
February	22,818.59	22,838.48	22,447.54	22,462.79
March	22,857.28	22,869.38	22,492.50	22,533.51
April	22,898.59	22,940.02	22,567.73	22,591.21
May	22,933.69	22,885.95	22,608.96	22,620.80
June	22,857.11	22,852.67	22,626.49	22,627.36
July	22,949.89	22,888.71	22,609.47	22,579.16
August	23,002.78	23,038.71	22,562.02	22,559.48
September	23,067.92	23,091.03	22,571.05	22,591.05
October	23,133.47	23,186.81	22,650.36	22,732.79
November	23,221.88	23,236.65	22,813.45	22,881.05
December	23,267.17	23,309.56	22,886.63	22,840.75
<b>AVERAGE OF THE PERIOD</b>	<b>22,985.02</b>	<b>22,995.46</b>	<b>22,598.53</b>	<b>22,619.03</b>



09

# FINANCIAL STATEMENTS







# **TRANSELEC NORTE S.A. AND SUBSIDIARIES**

**Santiago, Chile**

**As of and for year ended  
December 31, 2013**

**(Translation of the Financial Statements originally  
issued in Spanish)**

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

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## **INDEPENDENT AUDITOR'S REPORT**

**(TRANSLATION OF THE REPORT ORIGINALLY ISSUED IN SPANISH)**

SHAREHOLDERS AND DIRECTORS

TRANSELEC NORTE S.A.

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS OF TRANSELEC NORTE S.A. AND SUBSIDIARIES, WHICH COMPRISE THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2013, AS OF DECEMBER 31, 2012 AND AS OF JANUARY 1, 2012, AND THE RELATED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, CHANGES IN SHAREHOLDERS' EQUITY, AND CASH FLOWS FOR THE YEARS THEN ENDED AS OF DECEMBER 31, 2013 AND 2012, AND THE RELATED NOTES TO THE FINANCIAL STATEMENTS.

### **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS. THIS RESPONSIBILITY INCLUDES THE DESIGN, IMPLEMENTATION, AND MAINTENANCE OF INTERNAL CONTROL RELEVANT TO THE PREPARATION AND FAIR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS THAT ARE FREE FROM MATERIAL MISSTATEMENT, WHETHER DUE TO FRAUD OR ERROR.

### **AUDITOR'S RESPONSIBILITY**

OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE CONSOLIDATED FINANCIAL STATEMENTS BASED ON OUR AUDITS. WE CONDUCTED OUR AUDITS IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN CHILE. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE CONSOLIDATED FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT.

AN AUDIT INVOLVES PERFORMING PROCEDURES TO OBTAIN AUDIT EVIDENCE ABOUT THE AMOUNTS AND DISCLOSURES IN THE CONSOLIDATED FINANCIAL STATEMENTS. THE PROCEDURES SELECTED DEPEND ON THE AUDITOR'S JUDGMENT, INCLUDING THE ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS, WHETHER DUE TO FRAUD OR ERROR. IN MAKING THOSE RISK ASSESSMENTS, THE AUDITOR CONSIDERS INTERNAL CONTROL RELEVANT TO THE ENTITY'S PREPARATION AND FAIR PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ORDER TO DESIGN AUDIT PROCEDURES THAT ARE APPROPRIATE IN THE CIRCUMSTANCES, BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL. ACCORDINGLY, WE EXPRESS NO SUCH OPINION. AN AUDIT ALSO INCLUDES EVALUATING THE APPROPRIATENESS OF ACCOUNTING POLICIES USED AND THE REASONABLENESS OF SIGNIFICANT ACCOUNTING ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.

WE BELIEVE THAT THE AUDIT EVIDENCE WE HAVE OBTAINED IS SUFFICIENT AND APPROPRIATE TO PROVIDE A BASIS FOR OUR AUDIT OPINION.

### **OPINION**

IN OUR OPINION, THE CONSOLIDATED FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF TRANSELEC NORTE S.A. AND SUBSIDIARIES AS OF DECEMBER 31, 2013, AS OF DECEMBER 31, 2012 AND AS OF JANUARY 1, 2012, AND THE RESULTS OF THEIR OPERATIONS AND THEIR CASH FLOWS FOR THE YEARS THEN ENDED AS OF DECEMBER 31, 2013 AND 2012, IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS.

### **EMPHASIS OF MATTER, RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2012**

AS PRESENTED IN NOTE 2.19 TO THE CONSOLIDATED FINANCIAL STATEMENTS, THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2012 WERE RESTATED TO CORRECT THE ACCOUNTING TREATMENT OF INDEXATIONS AND THE AMOUNT OF THE INSTALLMENT RECEIVABLE CORRESPONDING TO A FINANCE LEASE CONTRACT.

OSCAR GÁLVEZ

SANTIAGO, CHILE, FEBRUARY 26, 2014

ERNST & YOUNG LTDA.

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of december 31, 2013 and 2012 and january 1, 2012  
(Expressed in thousands of us dollars (ThUS\$))  
(Translation of the Financial Statements originally Issued in Spanish)

ASSETS	NOTE	DECEMBER 31, 2013 ThUS\$	DECEMBER 31, 2012 ThUS\$ (RESTATED)	JANUARY 1, 2012 ThUS\$ (Restated)
CURRENT ASSETS				
Cash and cash equivalents	5	11,469	17,361	7,204
Other financial assets	8	764	1,379	889
Other non-financial assets	-	3,174	2,632	3,233
Trade and other receivables	6	18,551	8,791	3,593
Receivables from related parties	7	352	404	373
Current tax assets	-	980	404	-
<b>TOTAL CURRENT ASSETS</b>		<b>35,290</b>	<b>30,971</b>	<b>15,292</b>
NON-CURRENT ASSETS				
Other financial assets	8	15,446	19,791	18,187
Other non-financial assets	-	482	103	-
Intangible assets other than goodwill	9	709	707	707
Goodwill	9	6,323	6,323	-
Property, plant and equipment	10	211,607	192,237	125,462
Deferred tax assets	11	111	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>234,678</b>	<b>219,161</b>	<b>144,356</b>
<b>TOTAL ASSETS</b>		<b>269,968</b>	<b>250,132</b>	<b>159,648</b>

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of december 31, 2013 and 2012 and january 1, 2012  
(Expressed in thousands of us dollars (ThUS\$))  
(Translation of the Financial Statements originally Issued in Spanish)

NET EQUITY AND LIABILITIES	NOTE	DECEMBER 31, 2013 ThUS\$	DECEMBER 31, 2012 ThUS\$ (RESTATED)	JANUARY 1, 2012 ThUS\$ (RESTATED)
CURRENT LIABILITIES				
Other financial liabilities	13	1,441	2,192	-
Trade payables and other payables	12	16,416	10,041	1,563
Payables to related parties	7	6,810	50,026	1,695
Current tax liabilities	-	-	-	146
Other non-financial liabilities	-	4,301	198	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>-</b>	<b>28,968</b>	<b>62,457</b>	<b>3,404</b>
NON-CURRENT LIABILITIES				
Other financial liabilities	13	18,608	18,608	-
Payables to related parties	7	126,101	76,980	76,984
Deferred tax liabilities	11	17,528	17,650	7,214
Other non-financial liabilities	-	3,885	1,039	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>166,122</b>	<b>114,277</b>	<b>84,198</b>
<b>TOTAL LIABILITIES</b>		<b>195,090</b>	<b>176,734</b>	<b>87,602</b>
EQUITY				
Paid-in capital	15	30,005	30,005	30,005
Retained earnings	-	44,600	43,121	42,041
Total Equity attributable to owners of the parent	-	74,605	73,126	72,046
Non-controlling interest	-	273	272	-
<b>TOTAL EQUITY</b>		<b>74,878</b>	<b>73,398</b>	<b>72,046</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>269,968</b>	<b>250,132</b>	<b>159,648</b>



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2013 and 2012

(Expressed in thousands of US dollars (ThUS\$))

(Translation of the Financial Statements originally issued in Spanish)

**STATEMENT OF COMPREHENSIVE  
INCOME BY FUNCTION****NOTE****2013  
ThUS\$****2012  
ThUS\$  
(RESTATED)**

Operating revenues	16	29,612	20,951
Cost of sales	17	(10,769)	(8,067)

**GROSS MARGIN****18,843****12,884**

Administrative expenses	17	(2,741)	(3,141)
Other income	16	241	12
Financial income	16	658	430
Financial expenses	17	(5,468)	(3,169)
Foreign exchange differences	17	(660)	218

**PROFIT BEFORE TAXES****10,873****7,234**

Income tax expense	18	(2,155)	(2,476)
Profit from continuing operations	-	8,718	4,758
Profit (loss) from discontinued operations	-	-	-
<b>PROFIT (LOSS) ATTRIBUTABLE TO</b>	-	8,718	4,758
Profit attributable to owners of the parent	-	8,716	4,753
Profit (loss) attributable to non-controlling interest	-	2	5

**PROFIT****8,718****4,758****EARNINGS PER SHARE**

<b>BASIC EARNINGS PER SHARE / DILUTED</b>	19		
Basic earnings per share/diluted from continuing operations	US\$	11.62	6.34
Basic earnings per share / diluted from discontinued operations	US\$	-	-

**BASIC EARNINGS PER SHARE / DILUTED****US\$****11.62****6.34**

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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	NOTE	2013 MUS\$	2012 MUS\$ (RESTATED)
Profit		8.718	4.758
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>8.718</b>	<b>4.758</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		8.716	4.753
Comprehensive income attributable to noncontrolling interests		2	5
<b>TOTAL COMPREHENSIVE</b>		<b>8.718</b>	<b>4.758</b>

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013  
(Expressed in thousands of US dollars (ThUS\$))  
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	PAID-IN CAPITAL ThUS\$	RETAINED EARNINGS ThUS\$	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT ThUS\$	NON-CONTROLLING INTEREST ThUS\$	TOTAL EQUITY ThUS\$
<b>OPENING BALANCE AS OF JANUARY 1, 2013</b>	<b>30,005</b>	<b>40,901</b>	<b>70,906</b>	<b>272</b>	<b>71,178</b>
Increase (decrease) from changes in accounting policies and correction of errors (Note 2.19)		2,220	2,220	-	2,220
Restated opening balance	30,005	43,121	73,126	272	73,398
<b>CHANGES IN EQUITY</b>					
Comprehensive income					
Profit	-	8,716	8,716	2	8,718
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	8,716	8,716	2	8,718
DIVIDENDS	-	(7,237)	(7,237)	-	(7,237)
<b>INCREASE (DECREASE) FROM TRANSFERS AND OTHER CHANGES</b>					
OTHER CHANGES	-	-	-	(1)	(1)
Total changes in equity	-	1,479	1,479	1	1,480
<b>CLOSING BALANCE AS OF DECEMBER 31, 2013 (NOTE 15)</b>	<b>30,005</b>	<b>44,600</b>	<b>74,605</b>	<b>273</b>	<b>74,878</b>

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013  
(Expressed in thousands of US dollars (ThUS\$))  
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	PAID-IN CAPITAL ThUS\$	RETAINED EARNINGS ThUS\$	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT ThUS\$	NON-CONTROLLING INTEREST ThUS\$	TOTAL EQUITY ThUS\$
<b>OPENING BALANCE AS OF JANUARY 1, 2012</b>	<b>30,005</b>	<b>40,003</b>	<b>70,008</b>	<b>-</b>	<b>70,008</b>
Increase (decrease) from changes in accounting policies and correction of errors (Note 2.19)		2,038	2,038	-	2,038
Restated opening balance	30,005	42,041	72,046	-	72,046
<b>CHANGES IN EQUITY</b>					
Comprehensive income					
Profit	-	4,753	4,753	5	4,758
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	4,753	4,753	5	4,758
DIVIDENDS	-	(3,673)	(3,673)	-	(3,673)
<b>INCREASE (DECREASE) FROM TRANSFERS AND OTHER CHANGES</b>	<b>-</b>			<b>267</b>	<b>267</b>
Total changes in equity	-	1,080	1,080	272	1,352
<b>CLOSING BALANCE AS OF DECEMBER 31, 2012 (NOTE 15)</b>	<b>30,005</b>	<b>43,121</b>	<b>73,126</b>	<b>272</b>	<b>73,398</b>



TRANSELEC NORTE S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012  
(Expressed in thousands of US dollars (ThUS\$))  
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DIRECT STATEMENT OF CASH FLOWS	DECEMBER 31, 2013 MUS\$	DECEMBER 31, 2012 MUS\$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CLASSES OF RECEIPTS FROM OPERATING ACTIVITIES		
Cash receipts from sales of goods and services	32,392	19,265
Other proceeds from operating activities	-	8,103
CLASSES OF PAYMENTS		
Payments to suppliers for goods and services	(5,936)	(6,188)
Interest paid	(4,485)	(3,260)
Income taxes paid	(1,839)	(2,158)
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>20,132</b>	<b>15,762</b>
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	-	-
Additions of property, plant and equipment	(20,017)	(46,393)
Other additions	420	(4,739)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(19,597)</b>	<b>(51,132)</b>
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Payment of loans to related parties	-	49,200
Loans paid	(1,856)	-
Dividends paid	(4,571)	(3,673)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(6,427)</b>	<b>45,527</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,892)	10,157
Cash and Cash Equivalents, at the beginning of the year (Note 5)	17,361	7,204
<b>CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR (NOTE 5)</b>	<b>11,469</b>	<b>17,361</b>

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012 and January 1, 2012  
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### 1 - GENERAL INFORMATION

TRANSELEC NORTE S.A. (HEREINAFTER THE “COMPANY” OR “TRANSELEC NORTE”) IS A PUBLICLY-HELD CORPORATION DOMICILED AT AV. APOQUINDO NO. 3721, FLOOR 6, LAS CONDES, SANTIAGO, CHILE. THE COMPANY IS REGISTERED IN THE SECURITIES REGISTER OF THE CHILEAN SUPERINTENDENCY OF SECURITIES AND INSURANCE (SVS) UNDER NO. 939.

THE COMPANY’S LINE OF BUSINESS INVOLVES OPERATING AND DEVELOPING ELECTRICAL SYSTEMS OWNED BY THE COMPANY OR BY THIRD PARTIES DESIGNED TO TRANSPORT OR TRANSMIT ELECTRICITY AND MAY, FOR THESE PURPOSES, ACQUIRE AND/OR USE THE RESPECTIVE CONCESSIONS AND PERMITS AND EXERCISE ALL OF THE RIGHTS AND POWERS THAT CURRENT LEGISLATION CONFERS ON ELECTRIC COMPANIES.

THE COMPANY IS DIRECTLY CONTROLLED BY TRANSELEC S.A. AND INDIRECTLY CONTROLLED BY ETC HOLDINGS LTD.

THE COMPANY’S SUBSIDIARY INVERSIONES ELECTRICAS TRANSAM CHILE LTDA. IS A LIMITED LIABILITY COMPANY THAT HAS THREE SUBSIDIARIES: TRANSMISORA HUEPIL LTDA., TRANSMISORA ABENOR LTDA., AND TRANSMISORA ARAUCANA DE ELECTRICIDAD LTDA.

THE RIGHTS IN INVERSIONES ELECTRICAS TRANSAM CHILE LTDA. WERE ACQUIRED IN DECEMBER 2012. THE SUBSIDIARY IS DOMICILED AT AV. APOQUINDO NO. 3721, FLOOR 6, LAS CONDES, SANTIAGO, CHILE.

THE COMPANY’S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 WERE APPROVED BY ITS BOARD OF DIRECTORS AT ITS MEETING HELD ON MARCH 20, 2013, AND WERE SUBSEQUENTLY PRESENTED FOR CONSIDERATION AT THE ORDINARY SHAREHOLDERS’ MEETING HELD ON APRIL 26, 2013, WHERE THEY WERE ULTIMATELY APPROVED.

THESE CONSOLIDATED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS IN ORDINARY MEETING NO.121 HELD ON FEBRUARY 26, 2014.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

THE PRINCIPAL ACCOUNTING POLICIES APPLIED IN PREPARING THESE CONSOLIDATED FINANCIAL STATEMENTS ARE DETAILED BELOW. THESE POLICIES HAVE BEEN APPLIED UNIFORMLY FOR ALL PERIODS PRESENTED.

#### 2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

THESE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB), CONSIDERING THE PRESENTATION REQUIREMENTS OF THE SVS, WHICH ARE NOT IN CONFLICT WITH IFRS.

TRANSELEC NORTE S.A. AND SUBSIDIARIES

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THE FIGURES IN THESE FINANCIAL STATEMENTS AND NOTES ARE EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, THE COMPANY'S FUNCTIONAL CURRENCY. FOR THE CONVENIENCE OF THE READER THESE FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM SPANISH INTO ENGLISH.

IN PREPARING THESE CONSOLIDATED FINANCIAL STATEMENTS CERTAIN CRITICAL ACCOUNTING ESTIMATES HAVE BEEN USED TO QUANTIFY SOME ASSETS, LIABILITIES, REVENUES AND EXPENSES. MANAGEMENT WAS ALSO REQUIRED TO EXERCISE JUDGMENT IN THE PROCESS OF APPLYING ACCOUNTING POLICIES. THE AREAS INVOLVING A HIGHER DEGREE OF JUDGMENT OR COMPLEXITY OR AREAS WHERE ASSUMPTIONS AND ESTIMATES ARE SIGNIFICANT TO THE CONSOLIDATED FINANCIAL STATEMENTS ARE DESCRIBED IN NOTE 4.

INFORMATION CONTAINED IN THESE CONSOLIDATED FINANCIAL STATEMENTS IS THE RESPONSIBILITY OF THE COMPANY'S MANAGEMENT.

THE ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS ARE CONSISTENT WITH THOSE APPLIED IN THE PREPARATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2012, EXCEPT FOR THE ADOPTION OF NEW STANDARDS AND INTERPRETATIONS IN EFFECT AS OF JANUARY 1, 2013.

THE GROUP APPLIES, FOR THE FIRST TIME, CERTAIN STANDARDS AND AMENDMENTS THAT REQUIRE – IN PRINCIPLE – RESTATEMENT OF PREVIOUS FINANCIAL STATEMENTS. THESE INCLUDE IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS", IFRS 11 "JOINT ARRANGEMENTS", IAS 19 (REVISED 2011) "EMPLOYEE BENEFITS", ETC. IN THE COMPANY'S CASE THESE NEW RULES HAD NO IMPACT REQUIRING THE RESTATEMENT OF THE PREVIOUSLY ISSUED FINANCIAL STATEMENTS.

SEVERAL OTHER NEW STANDARDS AND AMENDMENTS APPLY FOR THE FIRST TIME IN 2013, HOWEVER THEY DO NOT IMPACT THE PREVIOUSLY ISSUED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY OR THESE CONSOLIDATED FINANCIAL STATEMENTS. THE NATURE AND THE IMPACT OF THOSE CHANGES ARE DESCRIBED BELOW.

### IAS 1 - PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

THE AMENDMENTS TO IAS 1 INTRODUCE A GROUPING OF ITEMS PRESENTED IN OTHER COMPREHENSIVE INCOME (OCI). ITEMS THAT COULD BE RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE (E.G., NET GAIN ON HEDGE OF NET INVESTMENT, EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS, NET MOVEMENT ON CASH FLOW HEDGES AND NET LOSS OR GAIN ON AVAILABLE-FOR-SALE INVESTMENTS) NOW HAVE TO BE PRESENTED SEPARATELY FROM ITEMS THAT WILL NEVER BE RECLASSIFIED (E.G., ACTUARIAL GAINS AND LOSSES ON DEFINED BENEFIT PLANS AND REVALUATION OF LAND AND BUILDINGS). THE AMENDMENT AFFECTED PRESENTATION ONLY AND HAD NO IMPACT ON THE FINANCIAL POSITION OF THE COMPANY, THAT CURRENTLY HAS NO ITEMS PRESENTED IN OTHER COMPREHENSIVE INCOME.

### IAS 1 - CLARIFICATION OF THE REQUIREMENT FOR COMPARATIVE INFORMATION

THE AMENDMENT TO IAS 1 CLARIFIES THE DIFFERENCE BETWEEN VOLUNTARY ADDITIONAL COMPARATIVE INFORMATION AND THE MINIMUM REQUI-

TRANSELEC NORTE S.A. AND SUBSIDIARIES

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RED COMPARATIVE INFORMATION. AN ENTITY MUST INCLUDE COMPARATIVE INFORMATION IN THE RELATED NOTES TO THE FINANCIAL STATEMENTS WHEN IT VOLUNTARILY PROVIDES COMPARATIVE INFORMATION BEYOND THE MINIMUM REQUIRED COMPARATIVE PERIOD.

AN OPENING STATEMENT OF FINANCIAL POSITION (KNOWN AS THE 'THIRD BALANCE SHEET') MUST BE PRESENTED WHEN AN ENTITY APPLIES AN ACCOUNTING POLICY RETROSPECTIVELY, MAKES RETROSPECTIVE RESTATEMENTS, OR RECLASSIFIES ITEMS IN ITS FINANCIAL STATEMENTS, PROVIDED ANY OF THOSE CHANGES HAS A MATERIAL EFFECT ON THE STATEMENT OF FINANCIAL POSITION AT THE BEGINNING OF THE PRECEDING PERIOD. THE AMENDMENT CLARIFIES THAT A THIRD BALANCE SHEET DOES NOT HAVE TO BE ACCOMPANIED BY COMPARATIVE INFORMATION IN THE RELATED NOTES.

THIS AMENDMENT DID NOT HAVE IMPACT THE COMPANY'S FINANCIAL STATEMENTS.

### IAS 32 - TAX EFFECTS OF DISTRIBUTIONS TO HOLDERS OF EQUITY INSTRUMENTS

THE AMENDMENT TO IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION" CLARIFIES THAT INCOME TAXES ARISING FROM DISTRIBUTIONS TO EQUITY HOLDERS ARE ACCOUNTED FOR IN ACCORDANCE WITH IAS 12 "INCOME TAXES". THE AMENDMENT REMOVES EXISTING INCOME TAX REQUIREMENTS FROM IAS 32 AND REQUIRES ENTITIES TO APPLY THE REQUIREMENTS IN IAS 12 TO ANY INCOME TAX ARISING FROM DISTRIBUTIONS TO EQUITY HOLDERS. THE AMENDMENT DID NOT HAVE AN IMPACT ON THE COMPANY'S FINANCIAL STATEMENTS.

### IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS" AND IAS 27 "SEPARATE FINANCIAL STATEMENTS"

IFRS 10 ESTABLISHES A SINGLE CONTROL MODEL THAT APPLIES TO ALL ENTITIES INCLUDING SPECIAL PURPOSE ENTITIES. IFRS 10 REPLACES THE PARTS OF PREVIOUSLY EXISTING IAS 27 "CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS" THAT DEALT WITH CONSOLIDATED FINANCIAL STATEMENTS AND SIC-12 "CONSOLIDATION – SPECIAL PURPOSE ENTITIES". IFRS 10 CHANGES THE DEFINITION OF CONTROL SUCH THAT AN INVESTOR CONTROLS AN INVESTEE WHEN IT IS EXPOSED, OR HAS RIGHTS, TO VARIABLE RETURNS FROM ITS INVOLVEMENT WITH THE INVESTEE AND HAS THE ABILITY TO AFFECT THOSE RETURNS THROUGH ITS POWER OVER THE INVESTEE. TO MEET THE DEFINITION OF CONTROL IN IFRS 10, ALL THREE CRITERIA MUST BE MET, INCLUDING: (A) AN INVESTOR HAS POWER OVER AN INVESTEE; (B) THE INVESTOR HAS EXPOSURE, OR RIGHTS, TO VARIABLE RETURNS FROM ITS INVOLVEMENT WITH THE INVESTEE; AND (C) THE INVESTOR HAS THE ABILITY TO USE ITS POWER OVER THE INVESTEE TO AFFECT THE AMOUNT OF THE INVESTOR'S RETURNS. IFRS 10 HAD NO IMPACT ON THE CONSOLIDATION OF INVESTMENTS HELD BY THE COMPANY.

### IFRS 12 "DISCLOSURE OF INTERESTS IN OTHER ENTITIES"

IFRS 12 SETS OUT THE REQUIREMENTS FOR DISCLOSURES RELATING TO AN ENTITY'S INTERESTS IN SUBSIDIARIES, JOINT ARRANGEMENTS, ASSOCIATES AND STRUCTURED ENTITIES. THE INFORMATION ABOUT INTEREST IN OTHER ENTITIES IS DISCLOSED IN NOTE 2.3.



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## **IFRS 13 “FAIR VALUE MEASUREMENT”**

IFRS 13 ESTABLISHES A SINGLE SOURCE OF GUIDANCE UNDER IFRS FOR ALL FAIR VALUE MEASUREMENTS. IFRS 13 DOES NOT CHANGE WHEN AN ENTITY IS REQUIRED TO USE FAIR VALUE, BUT RATHER PROVIDES GUIDANCE ON HOW TO MEASURE FAIR VALUE UNDER IFRS WHEN FAIR VALUE IS REQUIRED OR PERMITTED. THE APPLICATION OF IFRS 13 HAS NOT MATERIALLY IMPACTED THE FAIR VALUE MEASUREMENTS CARRIED OUT BY THE COMPANY. IFRS 13 ALSO REQUIRES SPECIFIC DISCLOSURES ON FAIR VALUES, SOME OF WHICH REPLACE EXISTING DISCLOSURE REQUIREMENTS IN OTHER STANDARDS, INCLUDING IFRS 7 “FINANCIAL INSTRUMENTS: DISCLOSURES”.

## **2.2 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

BELOW IS A SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO IFRS ISSUED BY THE IASB THAT ARE NOT YET EFFECTIVE AS OF ON DECEMBER 31, 2013.

### **NEW STANDARDS**

#### **IFRS 9 “FINANCIAL INSTRUMENTS”**

THIS STANDARD INTRODUCES NEW REQUIREMENTS FOR CLASSIFYING AND MEASURING FINANCIAL ASSETS, ALLOWING EARLY APPLICATION. THE STANDARD REQUIRES ALL FINANCIAL ASSETS TO BE CLASSIFIED IN ITS ENTIRETY ON THE BASIS OF THE BUSINESS MODEL OF THE ENTITY FOR THE MANAGEMENT OF FINANCIAL ASSETS AND CHARACTERISTICS OF THE CONTRACTUAL CASH FLOWS FROM FINANCIAL ASSETS. FINANCIAL ASSETS UNDER THIS STANDARD ARE MEASURED EITHER AT AMORTIZED COST OR FAIR VALUE. ONLY FINANCIAL ASSETS CLASSIFIED AS MEASURED AT AMORTIZED COST SHALL BE TESTED FOR IMPAIRMENT. THE EFFECTIVE DATE FOR IFRS 9 IS NOT DEFINED, ALTHOUGH EARLY ADOPTION IS PERMITTED.

THE COMPANY IS CURRENTLY EVALUATING THE POTENTIAL IMPACT THAT THE ADOPTION OF IFRS 9 WILL HAVE ON ITS CONSOLIDATED FINANCIAL STATEMENTS.

#### **IFRIC 21 “LEVIES”**

IFRIC 21 IS AN INTERPRETATION OF IAS 37 “PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS” AND WAS ISSUED IN MAY 2013. IAS 37 ESTABLISHES CRITERIA FOR THE RECOGNITION OF A LIABILITY, ONE OF WHICH IS THE REQUIREMENT THAT THE ENTITY MUST HAVE A PRESENT OBLIGATION AS A RESULT OF A PAST EVENT. THE INTERPRETATION CLARIFIES THAT THIS PAST EVENT THAT GIVES RISE TO THE OBLIGATION TO PAY A LEVY IS THE ACTIVITY DESCRIBED IN THE RELEVANT LEGISLATION THAT TRIGGERS THE PAYMENT OF THE LEVY. IFRIC 21 IS EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014.

THE COMPANY IS CURRENTLY EVALUATING THE POTENTIAL IMPACT THAT THE ADOPTION OF IFRIC 21 WILL HAVE ON ITS CONSOLIDATED FINANCIAL STATEMENTS.

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### IMPROVEMENTS AND MODIFICATIONS

#### IAS 32 “FINANCIAL INSTRUMENTS: PRESENTATION”

IN DECEMBER 2011, THE IASB ISSUED MODIFICATIONS TO IAS 32 AIMED AT CLARIFYING DIFFERENCES IN THE APPLICATION REGARDING THE OFFSETTING OF BALANCES, THUS REDUCING THE LEVEL OF DIVERSITY IN CURRENT PRACTICE. THESE MODIFICATIONS ARE APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014 AND THEIR EARLY APPLICATION IS PERMITTED.

TO DATE, THE COMPANY IS EVALUATING THE POSSIBLE IMPACT THAT THIS ADOPTION WILL HAVE ON THE FINANCIAL STATEMENTS.

#### IFRS 10 “CONSOLIDATED FINANCIAL STATEMENTS”, IFRS 12 “DISCLOSURE OF INTERESTS IN OTHER ENTITIES”, IAS 27 “SEPARATE FINANCIAL STATEMENTS”

THE AMENDMENTS TO IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS", IFRS 12 "DISCLOSURE OF INTERESTS IN OTHER ENTITIES" AND IAS 27 "SEPARATE FINANCIAL STATEMENTS" COME FROM THE PROJECT "INVESTMENT ENTITIES" PUBLISHED IN 2012. THE AMENDMENTS DEFINE AN INVESTMENT ENTITY AND INTRODUCE AN EXCEPTION TO CONSOLIDATE CERTAIN SUBSIDIARIES OWNED INVESTMENT ENTITIES. THESE AMENDMENTS REQUIRE AN INVESTMENT ENTITY TO RECORD THESE SUBSIDIARIES AT FAIR VALUE THROUGH PROFIT OR LOSS IN ITS CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS. THE AMENDMENTS ALSO INTRODUCE NEW DISCLOSURE REQUIREMENTS RELATED TO INVESTMENT ENTITIES IN IFRS 12 AND IAS 27. ENTITIES ARE REQUIRED TO APPLY THE AMENDMENTS FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014. EARLIER APPLICATION IS PERMITTED.

TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

#### IAS 36 “IMPAIRMENT OF ASSETS”

THE AMENDMENTS TO IAS 36, ISSUED IN MAY 2013, ARE INTENDED FOR THE DISCLOSURE OF INFORMATION ABOUT THE RECOVERABLE AMOUNT OF IMPAIRED ASSETS, IF THIS AMOUNT IS BASED ON FAIR VALUE LESS COSTS TO SELL. THESE CHANGES ARE RELATED TO THE ISSUANCE OF IFRS 13 "FAIR VALUE MEASUREMENT". THE AMENDMENTS SHOULD BE APPLIED RETROSPECTIVELY FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014. EARLIER APPLICATION IS PERMITTED WHEN THE ENTITY HAS APPLIED IFRS 13.

TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

#### IAS 39 “FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT”

THE AMENDMENTS TO IAS 39, ISSUED IN JUNE 2013, PROVIDE AN EXCEPTION TO THE REQUIREMENT TO DISCONTINUE HEDGE ACCOUNTING IN SITUATIONS IN WHICH DERIVATIVES DESIGNATED IN HEDGING RELATIONSHIPS ARE DIRECTLY OR INDIRECTLY NOVATED TO A CENTRAL COUNTERPARTY AS

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A CONSEQUENCE OF LAWS OR REGULATIONS, OR THE INTRODUCTION OF LAWS OR REGULATIONS. ENTITIES ARE REQUIRED TO APPLY THE AMENDMENTS FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014. EARLIER APPLICATION IS PERMITTED.

TO DATE, THE COMPANY IS EVALUATING THE POTENTIAL IMPACT THAT ADOPTION WILL HAVE ON ITS FINANCIAL STATEMENTS.

### IAS 19 “EMPLOYEE BENEFITS”

THE MODIFICATIONS TO IAS 19, ISSUED IN NOVEMBER 2013, ARE APPLIED TO EMPLOYEE OR THIRD PARTY CONTRIBUTIONS TO DEFINED BENEFIT PLANS. THE OBJECTIVE OF THE AMENDMENTS IS TO SIMPLIFY THE ACCOUNTING OF CONTRIBUTIONS THAT ARE INDEPENDENT OF THE EMPLOYEE’S YEARS OF SERVICE; FOR EXAMPLE, EMPLOYEE CONTRIBUTIONS THAT ARE CALCULATED ACCORDING TO A FIXED PERCENTAGE OF THEIR SALARY. THE MODIFICATION IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER 1 JULY 2014 JULY 1, 2014. ITS EARLY APPLICATION IS PERMITTED.

THE COMPANY HAS EVALUATED THE IMPACT GENERATED BY THE ABOVEMENTIONED MODIFICATION, CONCLUDING THAT IT WILL NOT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS.

### IFRS 3 “BUSINESS COMBINATIONS”

“ANNUAL IMPROVEMENTS CYCLE 2010–2012”, ISSUED IN DECEMBER 2013, CLARIFIES SOME ASPECTS OF THE ACCOUNTING OF CONTINGENT CONSIDERATIONS IN A BUSINESS COMBINATION. THE IASB NOTES THAT IFRS 3 “BUSINESS COMBINATIONS” REQUIRES THAT THE SUBSEQUENT MEASUREMENT OF A CONTINGENT CONSIDERATION BE DONE AT FAIR VALUE AND THEREFORE ELIMINATES THE REFERENCES TO IAS 37 “PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS” OR OTHER IFRS THAT POTENTIALLY HAVE ANOTHER BASIS FOR VALUATION THAT DOES NOT CONSTITUTE FAIR VALUE. THE REFERENCE TO IFRS 9 “FINANCIAL INSTRUMENTS” REMAINS; HOWEVER, IFRS 9 “FINANCIAL INSTRUMENTS” IS MODIFIED CLARIFYING THAT A CONTINGENT CONSIDERATION, WHETHER IT IS A FINANCIAL ASSET OR LIABILITY, IS MEASURED AT FAIR VALUE WITH EFFECTS ON INCOME OR OTHER COMPREHENSIVE INCOME DEPENDING ON THE REQUIREMENTS OF IFRS 9 “FINANCIAL INSTRUMENTS”. THE MODIFICATION IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JULY 1, 2014. ITS EARLY APPLICATION IS PERMITTED.

THE COMPANY IS STILL EVALUATING THE IMPACT THAT COULD BE GENERATED BY THIS MODIFICATION ON THE FINANCIAL STATEMENTS.

### IAS 40 “INVESTMENT PROPERTY”

“ANNUAL IMPROVEMENTS CYCLE 2011–2013”, ISSUED IN DECEMBER 2013, CLARIFIES THAT A JUDGMENT IS REQUIRED TO DETERMINE WHETHER OR NOT THE ACQUISITION OF AN INVESTMENT PROPERTY IS THE ACQUISITION OF AN ASSET, A GROUP OF ASSETS OR A BUSINESS COMBINATION WITHIN THE SCOPE OF IFRS 3 “BUSINESS COMBINATIONS” (“IFRS 3”) AND THAT THIS JUDGMENT IS BASED ON THE GUIDANCE OF IFRS 3. THE IASB ALSO CONCLUDES THAT IFRS 3 AND IAS 40 “INVESTMENT PROPERTY” ARE NOT MUTUALLY EXCLUSIVE AND REQUIRE JUDGMENT TO DETERMINE WHETHER THE TRANSACTION IS ONLY THE ACQUISITION OF AN INVESTMENT PROPERTY OR THE ACQUISITION OF A GROUP OF ASSETS OR A BUSINESS COMBINATION

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THAT INCLUDES AN INVESTMENT PROPERTY. THE MODIFICATION IS APPLICABLE FOR THE PERIODS BEGINNING ON OR AFTER JULY 1, 2014. ITS EARLY APPLICATION IS PERMITTED.

THE COMPANY IS STILL EVALUATING THE IMPACT THAT COULD BE GENERATED BY THIS MODIFICATION ON THE FINANCIAL STATEMENTS.

### 2.3 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

UNDER IFRS 10, SUBSIDIARIES ARE ALL ENTITIES OVER WHICH TRANSELEC NORTE S.A HAS CONTROL. AN INVESTOR CONTROLS AN INVESTEE WHEN THE INVESTOR (1) HAS THE POWER OVER THE INVESTEE, (2) IS EXPOSED, OR HAS RIGHTS, TO VARIABLE RETURNS FROM ITS INVOLVEMENT WITH THE INVESTEE, AND (3) HAS THE ABILITY TO AFFECT THOSE RETURNS THROUGH ITS POWER OVER THE INVESTEE. IT IS CONSIDERED THAT AN INVESTOR HAS POWER OVER AN INVESTEE WHEN THE INVESTOR HAS EXISTING RIGHTS THAT GIVE IT THE CURRENT ABILITY TO DIRECT THE RELEVANT ACTIVITIES, I.E. THE ACTIVITIES THAT SIGNIFICANTLY AFFECT THE INVESTEE'S RETURNS. IN CASE OF THE COMPANY, IN GENERAL, THE POWER OVER ITS SUBSIDIARIES IS DERIVED FROM POSSESSION OF MAJORITY OF THE VOTING RIGHTS GRANTED BY EQUITY INSTRUMENTS OF THE SUBSIDIARIES.

SUBSIDIARIES ARE CONSOLIDATED FROM THE DATE ON WHICH CONTROL IS ACQUIRED AND ARE EXCLUDED FROM CONSOLIDATION FROM THE DATE THAT CONTROL CEASES.

BUSINESS COMBINATIONS ARE ACCOUNTED FOR BY APPLYING THE ACQUISITION METHOD. AT THE DATE OF ACQUISITION, THE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OF THE SUBSIDIARY OR JOINTLY-CONTROLLED ENTITY ARE RECORDED AT FAIR VALUE. IN THE EVENT THAT THERE IS A POSITIVE DIFFERENCE BETWEEN THE ACQUISITION COST AND THE FAIR VALUE OF THE ASSETS AND LIABILITIES OF THE ACQUIRED ENTITY, INCLUDING CONTINGENT LIABILITIES, CORRESPONDING TO THE PARENT'S SHARE, THIS DIFFERENCE IS RECORDED AS GOODWILL (SEE ALSO NOTE 2.7.1). IN THE EVENT THAT THE DIFFERENCE IS NEGATIVE, IT IS RECORDED WITH A CREDIT TO INCOME.

ACQUISITION-RELATED COSTS ARE RECOGNIZED AS EXPENSES IN THE PERIODS IN WHICH THE COSTS ARE INCURRED.

THE VALUE OF NON-CONTROLLING INTEREST IN EQUITY AND THE RESULTS OF THE CONSOLIDATED SUBSIDIARY ARE PRESENTED, RESPECTIVELY, UNDER THE HEADINGS "NON-CONTROLLING INTEREST" IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND "PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST" IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

ALL BALANCES AND TRANSACTIONS BETWEEN CONSOLIDATED COMPANIES HAVE BEEN ELIMINATED UPON CONSOLIDATION.

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE BALANCES AND TRANSACTIONS OF THE PARENT TRANSELEC NORTE S.A. AND ITS FOLLOWING SUBSIDIARIES:



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SUBSIDIARY	COUNTRY	FUNCTIONAL CURRENCY	TAX ID NUMBER	PERCENTAGE OF INTEREST HELD DECEMBER 31, 2013		PERCENTAGE OF INTEREST HELD DECEMBER 31, 2012	
				DIRECT	INDIRECT	DIRECT	INDIRECT
Inversiones eléctricas Transam Chile Ltda.	Chile	US Dollars	76.384.810-8	99.899%	-	99.899%	-
Transmisora Huepil Ltda.	Chile	US Dollars	99.508.750-2	1%	99%	1%	99%
Transmisora Abenor Ltda.	Chile	US Dollars	96.728.120-4	1%	99%	1%	99%
Transmisora Araucana de Electricidad Ltda.	Chile	US Dollars	96.710.940-1	1%	99%	1%	99%

## 2.4 FOREIGN EXCHANGE TRANSACTIONS

### 2.4.1 FUNCTIONAL AND PRESENTATION CURRENCY

THESE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN US DOLLARS, WHICH IS THE COMPANY'S AND ALL ITS SUBSIDIARIES' FUNCTIONAL CURRENCY.

### 2.4.2 TRANSACTIONS AND BALANCES

THE OPERATIONS CARRIED OUT BY THE COMPANY AND ITS SUBSIDIARIES IN A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY ARE RECORDED AT THE EXCHANGE RATES IN FORCE AT THE TIME OF THE RESPECTIVE TRANSACTIONS. DURING THE YEAR, DIFFERENCES BETWEEN THE EXCHANGE RATE FOR ACCOUNTING PURPOSES AND THE EXCHANGE RATE IN FORCE AS OF THE COLLECTION OR PAYMENT DATE ARE RECORDED AS FOREIGN EXCHANGE DIFFERENCES IN THE INCOME STATEMENT. LIKEWISE, AS OF YEAR-END BALANCES RECEIVABLES OR PAYABLES IN CURRENCIES OTHER THAN COMPANY'S FUNCTIONAL CURRENCY ARE CONVERTED AT THE CLOSING EXCHANGE RATE. LOSSES AND GAINS ON FOREIGN CURRENCY ARISING FROM SETTLING THESE TRANSACTIONS AND FROM CONVERTING MONETARY ASSETS AND LIABILITIES DENOMINATED IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY USING YEAR-END EXCHANGE RATES ARE RECORDED IN THE INCOME STATEMENT.

### 2.4.3 EXCHANGE RATES

ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY AND UNIDADES DE FOMENTO (UF) HAD THE FOLLOWING RESPECTIVE YEAR-END EXCHANGE RATES AND VALUES:

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	DECEMBER 31, 2013 US\$	DECEMBER 31, 2012 US\$
Chilean peso (\$)	0,00191	0,00208
Unidades de fomento (UF)	44,4321	47,5889

## 2.5 SEGMENT REPORTING

THE COMPANY MANAGES ITS OPERATIONS AND PRESENTS THE INFORMATION IN THE FINANCIAL STATEMENTS BASED ON ITS SOLE OPERATING SEGMENT: TRANSMISSION OF ELECTRICITY.

## 2.6 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT ARE VALUED AT PURCHASE COST, NET OF ANY ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES. IN ADDITION TO THE ACQUISITION PRICE PAID, THE COST ALSO INCLUDES, WHEN APPROPRIATE, 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.

FINANCIAL EXPENSES INCURRED DURING THE CONSTRUCTION PERIOD WHICH ARE DIRECTLY ATTRIBUTABLE TO THE ACQUISITION, CONSTRUCTION OR PRODUCTION OF QUALIFYING ASSETS, WHICH ARE THOSE THAT REQUIRE A SUBSTANTIAL PERIOD OF TIME BEFORE THEY ARE READY FOR USE, ARE CAPITALIZED. THE INTEREST RATE IS USED FOR THE SPECIFIC FUNDING OR, IN ITS ABSENCE, THE AVERAGE COMPANY'S FINANCING.

ANY FUTURE DISBURSEMENTS THAT TRANSELEC NORTE S.A. AND ITS SUBSIDIARY MUST MAKE TO CLOSE THEIR FACILITIES ARE INCORPORATED INTO THE VALUE OF THE ASSET AT THE UPDATED VALUE, AND THE CORRESPONDING PROVISION IS RECOGNIZED FOR ACCOUNTING PURPOSES. MANAGEMENT REVIEWS ITS ESTIMATION OF THESE FUTURE DISBURSEMENTS ON AN ANNUAL BASIS AND INCREASING OR DECREASING THE VALUE OF THE ASSET BASED ON THE RESULT OF THIS ESTIMATION.

ASSETS UNDER CONSTRUCTION ARE TRANSFERRED TO OPERATING ASSETS ONCE THEIR TESTING YEAR HAS BEEN COMPLETED AND THEY ARE AVAILABLE FOR USE, AT WHICH TIME THEIR DEPRECIATION BEGINS.

EXPANSION, MODERNIZATION OR IMPROVEMENT COSTS THAT REPRESENT AN INCREASE IN PRODUCTIVITY, CAPACITY OR EFFICIENCY, OR AN EXTENSION OF THE USEFUL LIVES OF THE ASSETS, ARE CAPITALIZED AS AN INCREASED COST OF THE CORRESPONDING ASSETS.

SUBSTITUTIONS OR RENOVATIONS OF COMPLETE ELEMENTS THAT INCREASE THE ASSET'S USEFUL LIFE OR ECONOMIC CAPACITY ARE RECORDED AS GREATER COST FOR THE CORRESPONDING ASSET, AND THE ELEMENTS THAT HAVE BEEN SUBSTITUTED OR RENOVATED ARE DERECOGNIZED FOR ACCOUNTING PURPOSES. PERIODIC MAINTENANCE, CONSERVATION AND REPAIR COSTS ARE RECORDED DIRECTLY IN INCOME AS A COST FOR THE

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PERIOD IN WHICH THEY ARE INCURRED.

PROPERTY, PLANT AND EQUIPMENT, NET OF THEIR RESIDUAL VALUE, ARE DEPRECIATED USING THE STRAIGHT-LINE METHOD TO DISTRIBUTE THE COST OF THE DIFFERENT COMPONENTS OVER THE ESTIMATED USEFUL LIVES, WHICH CONSTITUTE THE PERIOD OVER WHICH THE COMPANY EXPECT TO USE THEM. THE USEFUL LIVES AND RESIDUAL VALUES OF FIXED ASSETS ARE REVIEWED ON AN ANNUAL BASIS. THE LAND HAS AN INDEFINITE USEFUL LIFE AND IS NOT DEPRECIATED.

THE FOLLOWING TABLE DETAILS USEFUL LIVES OF PRINCIPAL CLASSES OF ASSETS:

ACCOUNT	RANGE FOR ESTIMATED USEFUL LIFE	
	MINIMUM	MAXIMUM
Buildings and infrastructure	20	50
Machinery and equipment	15	40
Other	3	15

## 2.7 INTANGIBLE ASSETS

### 2.7.1 GOODWILL

THE GOODWILL REPRESENTS THE EXCESS OF THE ACQUISITION COST OVER THE FAIR VALUE OF THE NET ASSETS ACQUIRED IN A BUSINESS COMBINATION. GOODWILL IS NOT AMORTIZED, INSTEAD, AT EACH YEAR END, THE COMPANY ESTIMATES WHETHER ANY IMPAIRMENT HAS REDUCED ITS RECOVERABLE VALUE TO AN AMOUNT LOWER THAN THE CARRYING AMOUNT AND, IF APPROPRIATE, ADJUSTS FOR IMPAIRMENT.

FOR IMPAIRMENT TESTING PURPOSES, GOODWILL ACQUIRED IN A BUSINESS COMBINATION IS ALLOCATED FROM THE DATE OF ACQUISITION TO THE CASH GENERATING UNITS THAT ARE EXPECTED TO BENEFIT FROM THIS COMBINATION.

DURING THE PERIODS COVERED BY THOSE FINANCIAL STATEMENTS, THERE WERE NO IMPAIRMENT LOSSES OF GOODWILL.

### 2.7.2 RIGHTS OF WAY

RIGHTS OF WAY ARE PRESENTED AT HISTORICAL COST. THESE RIGHTS HAVE NO DEFINED USEFUL LIFE AND, THEREFORE, ARE NOT AMORTIZED. HOWEVER, THESE INDEFINITE USEFUL LIVES ARE REVIEWED DURING EACH REPORTING YEAR TO DETERMINE IF THEY REMAIN INDEFINITE. THESE ASSETS ARE TESTED FOR IMPAIRMENT ON AN ANNUAL BASIS AND IF THERE ARE INDICATORS OF IMPAIRMENT.

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### 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 LIFE THAT RANGES 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.

### 2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

ASSETS WITH AN INDEFINITE USEFUL LIFE, SUCH AS RIGHTS OF WAY, ARE NOT AMORTIZED AND ARE TESTED ANNUALLY FOR IMPAIRMENT. DEPRECIATED AND 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.

REGARDLESS OF WHAT IS STATED IN THE PRECEDING PARAGRAPH, IN THE CASE OF CASH GENERATING UNITS TO WHICH GOODWILL OR INDEFINITE USEFUL LIFE INTANGIBLES WERE ASSIGNED, THE RECOVERABILITY ANALYSIS IS PERFORMED SYSTEMATICALLY EACH YEAR.

THE RECOVERABLE AMOUNT IS THE HIGHER OF FAIR VALUE LESS COSTS TO SELL AND THE VALUE IN USE, THE LAST ONE BEING PRESENT VALUE OF ESTIMATED FUTURE CASH FLOWS.

IMPAIRMENT LOSSES FROM CONTINUED OPERATIONS ARE RECOGNIZED IN THE INCOME STATEMENT IN THE CATEGORY OF EXPENSES RELATED TO THE FUNCTION OF THE ASSETS THAT SUFFERED IMPAIRMENT.

NON-FINANCIAL ASSETS 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. REVERSALS ARE RECOGNIZED IN THE INCOME STATEMENT.

### 2.9 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 IN THE USE OF A SPECIFIC ASSET OR ASSETS OR THE ARRANGEMENT CONVEYS A RIGHT TO USE THE ASSET, EVEN IF THAT RIGHT IS NOT EXPLICITLY SPECIFIED IN AN ARRANGEMENT.



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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.

### 2.9.1 THE COMPANY AS LESSOR

#### OPERATING LEASES

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.

#### FINANCE LEASES

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 FINANCE INCOME (INTEREST) IS RECOGNIZED ON A PATTERN REFLECTING A CONSTANT PERIODIC RATE OF RETURN ON THE NET INVESTMENT IN THE LEASE.

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.

### 2.10 FINANCIAL ASSETS

UPON INITIAL RECOGNITION, THE COMPANY CLASSIFIES ITS FINANCIAL ASSETS, WITH THE EXCEPTION OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND INVESTMENTS HELD FOR SALE, IN FOUR CATEGORIES:

- LOANS AND RECEIVABLES, INCLUDING RECEIVABLES FROM RELATED PARTIES: THOSE ARE NON-DERIVATIVE FINANCIAL ASSETS WITH FIXED OR DETERMINABLE PAYMENTS THAT ARE NOT QUOTED IN AN ACTIVE MARKET. SUCH FINANCIAL ASSETS ARE CARRIED AT AMORTIZED COST USING THE EFFECTIVE INTEREST RATE METHOD.

- INVESTMENTS HELD TO MATURITY: ARE NON-DERIVATIVE FINANCIAL ASSETS WITH FIXED OR DETERMINABLE PAYMENTS AND FIXED MATURITIES THAT THE COMPANY INTENDS TO HOLD AND IS CAPABLE OF HOLDING UNTIL THEIR MATURITY. AFTER INITIAL RECOGNITION THESE ASSETS ARE VALUED AT ITS AMORTIZED COST AS DEFINED IN THE PRECEDING PARAGRAPH.

DURING THE PERIODS COVERED BY THESE FINANCIAL STATEMENTS, THE COMPANY HAD NO FINANCIAL ASSETS IN THIS CATEGORY.

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- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS: THESE ASSETS INCLUDE THE INVESTMENT PORTFOLIO AND THOSE FINANCIAL ASSETS THAT HAVE BEEN DESIGNATED AS SUCH UPON INITIAL RECOGNITION AND ARE MANAGED AND EVALUATED ACCORDING TO THE FAIR VALUE CRITERION. THEY ARE VALUED AT FAIR VALUE IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION, AND CHANGES IN THEIR VALUE ARE RECORDED DIRECTLY IN INCOME WHEN THEY OCCUR.

DURING THE PERIODS COVERED BY THESE FINANCIAL STATEMENTS, THE COMPANY HAD NO FINANCIAL ASSETS IN THIS CATEGORY.

- AVAILABLE-FOR-SALE INVESTMENTS: THESE ARE ASSETS THAT ARE SPECIFICALLY DESIGNATED AS AVAILABLE FOR SALE OR THAT DO NOT FIT INTO THE THREE PREVIOUS CATEGORIES. ALMOST ALL OF THESE ASSETS CORRESPOND TO FINANCIAL INVESTMENTS IN CAPITAL. THESE INVESTMENTS ARE RECORDED IN THE STATEMENT OF FINANCIAL POSITION AT FAIR VALUE WHEN IT CAN BE RELIABLY DETERMINED. WITH RESPECT TO SHARES IN UNLISTED COMPANIES, NORMALLY THE MARKET VALUE CANNOT BE RELIABLY DETERMINED, AND THEREFORE THEY ARE VALUED AT PURCHASE COST OR A LOWER AMOUNT IF THERE IS EVIDENCE OF IMPAIRMENT. CHANGES IN FAIR VALUE, NET OF TAX EFFECTS, ARE RECORDED WITH A CHARGE OR CREDIT TO AN EQUITY RESERVE CALLED "AVAILABLE-FOR-SALE FINANCIAL ASSETS" UNTIL THE DISPOSAL OF SUCH INVESTMENTS, AT WHICH POINT THE ACCUMULATED AMOUNT IN THIS CATEGORY RELATING TO SUCH INVESTMENTS IS WHOLLY RECORDED IN THE STATEMENT OF INCOME. SHOULD THE FAIR VALUE BE LESS THAN PURCHASE COST, IF THERE IS OBJECTIVE EVIDENCE THAT THE ASSET HAS BEEN AFFECTED BY IMPAIRMENT THAT CANNOT BE CONSIDERED TEMPORARY, THE DIFFERENCE IS RECORDED DIRECTLY IN THE STATEMENT OF INCOME.

PURCHASES AND SALES OF FINANCIAL ASSETS ARE ACCOUNTED FOR USING THE TRANSACTION DATE.

A FINANCIAL ASSET IS DERECOGNIZED WHEN THE RIGHTS TO RECEIVE CASH FLOWS FROM THE ASSET HAVE EXPIRED.

AT EACH REPORTING DATE, THE COMPANY ASSESSES WHETHER THERE IS OBJECTIVE EVIDENCE THAT A FINANCIAL ASSET OR GROUP OF FINANCIAL ASSETS MAY BE IMPAIRED.

A FINANCIAL ASSET OR A GROUP OF FINANCIAL ASSETS IS DEEMED TO BE IMPAIRED IF, AND ONLY IF, THERE IS OBJECTIVE EVIDENCE OF IMPAIRMENT AS A RESULT OF ONE OR MORE EVENTS THAT HAVE OCCURRED AFTER THE INITIAL RECOGNITION OF THE ASSET (AN INCURRED "LOSS EVENT") AND THAT LOSS EVENT HAS AN IMPACT ON THE ESTIMATED FUTURE CASH FLOWS OF THE FINANCIAL ASSET OR THE GROUP OF FINANCIAL ASSETS THAT CAN BE RELIABLY ESTIMATED.

EVIDENCE OF IMPAIRMENT MAY INCLUDE INDICATIONS THAT THE DEBTORS OR A GROUP OF DEBTORS IS EXPERIENCING SIGNIFICANT FINANCIAL DIFFICULTY, DEFAULT OR DELINQUENCY IN INTEREST OR PRINCIPAL PAYMENTS, THE PROBABILITY THAT THEY WILL ENTER BANKRUPTCY OR OTHER FINANCIAL REORGANIZATION AND WHERE OBSERVABLE DATA INDICATE THAT THERE IS A MEASURABLE DECREASE IN THE ESTIMATED FUTURE CASH FLOWS, FOR EXAMPLE DELAYED PAYMENTS.

IN THE CASE OF FINANCIAL ASSETS VALUED AT AMORTIZED COST, THE AMOUNT OF THE IMPAIRMENT LOSS IS MEASURED AS THE DIFFERENCE BETWEEN

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THE CARRYING AMOUNT AND THE PRESENT VALUE OF THE FUTURE ESTIMATED CASH FLOWS. THE CARRYING AMOUNT IS REDUCED USING A PROVISION ACCOUNT AND THE LOSS IS RECOGNIZED IN THE INCOME STATEMENT. IF IN A LATER PERIOD THE AMOUNT OF THE EXPECTED LOSS INCREASES OR DECREASES AS A CONSEQUENCE OF AN EVENT OCCURRED AFTER THE RECOGNITION OF THE IMPAIRMENT, THE IMPAIRMENT LOSS PREVIOUSLY RECOGNIZED IS INCREASED OR REDUCED ADJUSTING THE PROVISION ACCOUNT. IF THE WRITE-OFF IS LATER RECOVERED, THIS REVERSAL IS RECOGNIZED IN THE INCOME STATEMENT.

IN THE CASE OF FINANCIAL ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE, IN ORDER TO DETERMINE IF THE ASSETS HAVE BEEN IMPAIRED, IT IS CONSIDERED IF A SIGNIFICANT OR PROLONGED DECREASE IN FAIR VALUE OF THE ASSETS BELOW COST HAS OCCURRED. IF ANY SUCH EVIDENCE EXISTS FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS, THE CUMULATIVE LOSS, MEASURED AS THE DIFFERENCE BETWEEN THE ACQUISITION COST AND THE CURRENT FAIR VALUE, LESS ANY IMPAIRMENT LOSS ON THAT FINANCIAL ASSET PREVIOUSLY RECOGNIZED IN THE INCOME STATEMENT, IS RECLASSIFIED FROM EQUITY AND RECOGNIZED IN THE INCOME STATEMENT. IMPAIRMENT LOSSES RECOGNIZED IN THE INCOME STATEMENT FOR EQUITY INSTRUMENTS ARE NOT REVERSED IN THE INCOME STATEMENT.

### 2.11 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION INCLUDES CASH, TIME DEPOSITS AND OTHER HIGHLY-LIQUID, SHORT-TERM INVESTMENTS THAT ARE READILY CONVERTIBLE TO KNOWN AMOUNTS OF CASH AND WHICH ARE SUBJECT TO AN INSIGNIFICANT RISK OF CHANGES IN VALUE. THE BALANCE OF THIS ACCOUNT DOES NOT DIFFER FROM THAT PRESENTED IN THE STATEMENT OF CASH FLOWS.

### 2.12 PAID-IN CAPITAL

PAID-IN CAPITAL IS REPRESENTED BY ONE CLASS OF ORDINARY SHARES WITH ONE VOTE PER SHARE.

INCREMENTAL COSTS DIRECTLY ATTRIBUTABLE TO NEW SHARE ISSUANCES ARE PRESENTED IN EQUITY AS A DEDUCTION, NET OF TAXES, FROM INCOME.

### 2.13 FINANCIAL LIABILITIES

THE COMPANY'S FINANCIAL LIABILITIES INCLUDE TRADE PAYABLES AND OTHER ACCOUNTS PAYABLE, LOANS AND LIABILITIES OF SIMILAR NATURE. THE COMPANY DETERMINES THE CLASSIFICATION OF FINANCIAL LIABILITIES ON INITIAL RECOGNITION.

FINANCIAL LIABILITIES ARE INITIALLY RECOGNIZED AT ITS FAIR VALUE. IN THE CASE OF LOANS THEY ALSO INCLUDE THE DIRECT TRANSACTIONS COSTS.

TRADE AND OTHER PAYABLES ARE INITIALLY RECOGNIZED AT FAIR VALUE AND SUBSEQUENTLY MEASURED AT AMORTIZED COST USING THE EFFECTIVE INTEREST RATE METHOD.

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LOANS, BONDS PAYABLE AND FINANCIAL LIABILITIES OF A SIMILAR NATURE ARE SUBSEQUENTLY VALUED AT AMORTIZED COST AND ANY DIFFERENCE BETWEEN THE FUNDS OBTAINED (NET OF COSTS TO OBTAIN THEM) AND REPAYMENT VALUE ARE RECOGNIZED IN THE INCOME STATEMENT OVER THE LIFE OF THE DEBT USING THE EFFECTIVE INTEREST RATE METHOD.

### 2.14 INCOME TAX AND DEFERRED TAXES

EXPENSE OR BENEFIT FROM INCOME TAXES FOR THE YEAR IS DETERMINED AS THE SUM OF THE COMPANY'S CURRENT TAXES BEING THE RESULT OF THE APPLICATION OF THE TAX RATE OVER THE TAXABLE INCOME FOR THE YEAR, AFTER APPLYING ANY ADMISSIBLE TAX DEDUCTIONS, PLUS CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES AND TAX CREDITS FOR BOTH TAX LOSSES AND DEDUCTIONS.

DIFFERENCES BETWEEN THE BOOK VALUE AND THE TAX BASE OF ASSETS AND LIABILITIES GIVE RISE TO DEFERRED TAX ASSET OR LIABILITY BALANCES THAT ARE CALCULATED USING THE TAX RATES THAT ARE EXPECTED TO APPLY WHEN THE ASSETS AND LIABILITIES ARE REALIZED.

CURRENT TAXES AND CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT ARE NOT THE RESULT OF BUSINESS COMBINATIONS ARE RECORDED IN INCOME OR IN EQUITY IN THE STATEMENT OF FINANCIAL POSITION, DEPENDING ON WHERE THE GAINS OR LOSSES GIVING RISE TO SUCH ASSETS OR LIABILITIES WERE RECORDED.

DEFERRED TAX ASSETS AND TAX CREDITS ARE RECOGNIZED ONLY WHEN IT IS LIKELY THAT THERE ARE FUTURE TAX GAINS SUFFICIENT ENOUGH TO RECOVER DEDUCTIONS FOR TEMPORARY DIFFERENCES AND MAKE USE OF TAX LOSSES.

THE CARRYING AMOUNT OF DEFERRED INCOME TAX ASSETS IS REVIEWED AT EACH REPORTING DATE AND REDUCED TO THE EXTENT THAT IT IS NO LONGER PROBABLE THAT SUFFICIENT TAXABLE PROFIT WILL BE AVAILABLE TO ALLOW ALL OR PART OF THE DEFERRED INCOME TAX ASSET TO BE UTILIZED. UNRECOGNIZED DEFERRED INCOME TAX ASSETS ARE REASSESSED AT EACH REPORTING DATE AND ARE RECOGNIZED TO THE EXTENT THAT IT HAS BECOME PROBABLE THAT FUTURE TAXABLE PROFIT WILL ALLOW THE DEFERRED TAX ASSET TO BE RECOVERED.

DEFERRED TAX LIABILITIES ARE RECOGNIZED FOR ALL TEMPORARY DIFFERENCES, EXCEPT THOSE DERIVED FROM THE INITIAL RECOGNITION OF GOODWILL AND THOSE THAT AROSE FROM VALUING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY-CONTROLLED COMPANIES IN WHICH TRANSELEC NORTE S.A. CAN CONTROL THEIR REVERSAL AND WHERE IT IS LIKELY THAT THEY WILL NOT REVERSE 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 BALANCE SHEET DATE.



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### 2.15 PROVISIONS

PROVISIONS FOR OBLIGATIONS OF 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 CONDITIONS, AS OF THE REPORTING DATE, OF THE TIME VALUE OF MONEY, AS WELL AS THE SPECIFIC RISK RELATED TO THE PARTICULAR LIABILITY, IF APPROPRIATE. INCREASES IN PROVISIONS DUE TO THE PASSAGE OF TIME ARE RECOGNIZED IN INTEREST EXPENSE. AS OF THE DATE OF ISSUANCE OF THESE FINANCIAL STATEMENTS, TRANSELEC NORTE AND SUBSIDIARIES HAVE NO OBLIGATION TO ESTABLISH PROVISIONS FOR ENVIRONMENTAL RESTORATION.

### 2.16 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 TWELVE MONTHS OR LESS FROM THE FINANCIAL STATEMENT CLOSING DATE AND NON-CURRENT BALANCES IN MORE THAN TWELVE MONTHS).

IN THE EVENT THAT THERE ARE OBLIGATIONS DUE WITHIN LESS THAN TWELVE MONTHS BUT WHOSE LONG-TERM REFINANCING IS ASSURED AT THE COMPANY'S DISCRETION THROUGH AVAILABLE UNCONDITIONAL CREDIT CONTRACTS EXPIRING IN THE LONG TERM, SUCH OBLIGATIONS MAY BE CLASSIFIED AS LONG-TERM LIABILITIES.

### 2.17 REVENUE RECOGNITION

REVENUE RELATE MAINLY TO REVENUES FROM THE SALE OF ELECTRIC TRANSMISSION CAPACITY OF THE FACILITIES OF THE COMPANY.

REVENUE INCLUDES TRANSMISSION SERVICE PROVIDED BUT NOT INVOICED AT THE END OF THE PERIOD, WHICH IS VALUED AT THE PRICE OF SALE AS REQUIRED BY EXISTING CONTRACTS AND TOLL REPORTS ISSUED BY THE CENTER FOR ECONOMIC LOAD DISPATCH NORTHERN INTERCONNECTED SYSTEM (CDEC-SING).

THE COMPANY RECOGNIZES REVENUES WHEN THE AMOUNT CAN BE RELIABLY MEASURED AND IT IS PROBABLE THAT FUTURE ECONOMIC BENEFITS WILL FLOW TO THE COMPANY.

TRANSELEC NORTE S.A. AND SUBSIDIARIES

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### 2.18 DISTRIBUTION OF DIVIDENDS

DIVIDENDS PAYABLE TO THE COMPANY'S SHAREHOLDERS ARE RECOGNIZED AS A LIABILITY IN THE FINANCIAL STATEMENTS IN THE PERIOD IN WHICH THEY ARE DECLARED AND APPROVED BY THE COMPANY'S SHAREHOLDERS OR WHEN THE CORRESPONDING OBLIGATION ARISES BASED ON CURRENT LEGAL PROVISIONS OR DISTRIBUTION POLICIES ESTABLISHED BY SHAREHOLDERS.

ON THE COMPANY'S BOARD MEETING NO. 78 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 (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST".

### 2.19 RESTATEMENT OF THE FINANCIAL STATEMENTS OF PRIOR YEARS

THE COMPANY HAS REFORMULATED ITS FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012 AND FOR THE YEAR THEN ENDED, IN ORDER TO REFLECT THE CHANGE IN THE ACCOUNTING TREATMENT OF INDEXATIONS AND THE AMOUNT OF THE INSTALLMENT RECEIVABLE CORRESPONDING TO A FINANCE LEASE CONTRACT IN WHICH THE COMPANY ACTS AS A LESSOR. PRIOR TO THE CHANGE, INDEXATIONS WERE RECOGNIZED IN INCOME ONLY THE EXTENT THE INSTALLMENTS WERE ACTUALLY BILLED TO THE CLIENT WITHOUT REFLECTING THE INDEXATION EFFECT ON THE TOTAL AMOUNT OF CAPITAL RECEIVABLE. INDEXATIONS OF CAPITAL ARE CURRENTLY RECOGNIZED IN INCOME IN THE PERIOD IN WHICH CHANGES IN THE RESPECTIVE PRICE INDEXES ACTUALLY OCCUR.

ACCORDING TO THE CRITERIA ESTABLISHED IN IAS 8 "ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS", THE COMPANY HAS RETROACTIVELY REFORMULATED THE FINANCIAL INFORMATION FOR PREVIOUS PERIODS IN ORDER TO REFLECT THE EFFECTS OF THIS CHANGE. THE FOLLOWING TABLES PRESENT THE IMPACT OF SAID REFORMULATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2012 AND AS OF JANUARY 1, 2012 AND ON THE CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR 2012.

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ADDITIONALLY, THE COMPANY RECOGNIZED CERTAIN CHANGES IN THE VALUE OF ASSETS AND LIABILITIES AS OF DECEMBER 31, 2012 AS A RESULT OF THE COMPLETION OF THE FINAL VALUATION OF THE FINAL VALUATION OF NET ASSETS OF THE TRANSAM GROUP ACQUIRED, WHICH WERE PRESENTED IN THE PREVIOUS YEAR'S FINANCIAL STATEMENTS AT THEIR PROVISIONAL VALUES (NOTE 21). CERTAIN EFFECTS ARE PRESENTED SEPARATELY IN THE FOLLOWING TABLES. ADDITIONALLY, AND CONSIDERING THAT THE EFFECTS OF CORRECTING THE INDEXTATIONS ALSO AFFECT THE COMPANY'S FINANCIAL INFORMATION PRESENTED IN THE INTERIM FINANCIAL STATEMENTS ISSUED DURING THE YEAR 2013, INCLUDING COMPARATIVE PERIODS, THE FOLLOWING TABLES ALSO REFLECT THE IMPACT AS OF MARCH 31, JUNE 30 AND SEPTEMBER 30, 2013 AND 2012 RESPECTIVELY, AND FOR THE PERIODS OF 3, 6 AND 9 MONTHS THEN ENDED, RESPECTIVELY.

CONCEPTS	09/30/2013 ThUS\$	06/30/2013 ThUS\$	03/31/2013 ThUS\$	12/31/2013 ThUS\$	09/30/2012 ThUS\$	06/30/2012 ThUS\$	03/31/2012 ThUS\$	01/01/2012 ThUS\$
Finance lease receivable, current and non-current, originally presented	82,831	83,151	67,731	68,337	15,475	15,667	15,859	16,528
Effect of business combination	-	-	-	(50,458)	-	-	-	-
Adjustment	3,070	3,233	3,237	2,775	2,773	2,552	2,551	2,548
<b>TOTAL FINANCE LEASE RECEIVABLE, RESTATED (NOTE 8)</b>	<b>85,901</b>	<b>86,384</b>	<b>70,968</b>	<b>20,654</b>	<b>18,248</b>	<b>18,219</b>	<b>18,410</b>	<b>19,076</b>
Deferred tax liabilities, originally presented	16,858	16,820	13,329	12,743	7,431	6,371	6,462	6,704
Adjustment	614	647	647	555	555	510	510	510
Effects of business combination	-	-	-	4,352	-	-	-	-
<b>DEFERRED TAX LIABILITIES, RESTATED</b>	<b>17,472</b>	<b>17,467</b>	<b>13,976</b>	<b>17,650</b>	<b>7,986</b>	<b>6,881</b>	<b>6,972</b>	<b>7,214</b>
Total equity, originally presented	72,549	70,574	73,637	71,178	69,923	69,205	71,618	70,008
Adjustment	2,456	2,586	2,590	2,220	2,218	2,042	2,041	2,038
<b>TOTAL EQUITY, RESTATED</b>	<b>75,005</b>	<b>73,160</b>	<b>76,227</b>	<b>73,398</b>	<b>72,141</b>	<b>71,247</b>	<b>73,659</b>	<b>72,046</b>

CONCEPTS	01/01/2013 09/30/2013 ThUS\$	01/01/2013 06/30/2013 ThUS\$	01/01/2013 03/31/2013 ThUS\$	01/01/2012 12/31/2012 ThUS\$	01/01/2012 09/30/2012 ThUS\$	01/01/2012 06/30/2012 ThUS\$	01/01/2012 03/31/2012 ThUS\$
Operating revenues, originally presented	21,063	13,971	5,210	20,557	15,606	10,559	5,794
Reclassification from finance revenue	-	-	-	167	-	-	-
Adjustment	(163)	(4)	462	227	220	1	3
<b>OPERATING REVENUES, RESTATED</b>	<b>20,900</b>	<b>13,967</b>	<b>5,672</b>	<b>20,951</b>	<b>15,826</b>	<b>10,560</b>	<b>5,797</b>
Profit before taxes, originally presented	7,457	4,942	2,857	7,007	5,836	3,454	1,888
Adjustment	(163)	(4)	462	227	220	1	3
<b>PROFIT BEFORE TAXES, RESTATED</b>	<b>7,294</b>	<b>4,938</b>	<b>3,319</b>	<b>7,234</b>	<b>6,056</b>	<b>3,455</b>	<b>1,891</b>
Income tax expense, originally presented	(1,513)	(988)	(1,117)	(2,431)	(2,247)	(583)	(278)
Adjustment	33	1	(92)	(45)	(44)	-	-
<b>INCOME TAX EXPENSE, RESTATED</b>	<b>(1,480)</b>	<b>(987)</b>	<b>(1,209)</b>	<b>(2,476)</b>	<b>(2,291)</b>	<b>(583)</b>	<b>(278)</b>
Profit, originally presented	5,944	3,954	1,740	4,576	3,589	2,871	1,610
Adjustment	(131)	(3)	370	182	176	1	3
<b>PROFIT, RESTATED</b>	<b>5,813</b>	<b>3,951</b>	<b>2,110</b>	<b>4,758</b>	<b>3,765</b>	<b>2,872</b>	<b>1,613</b>
Basic/diluted earnings per share, originally	7.92	5.27	2.32	6.10	4.78	3.83	2.15
Adjustment (US\$)	(0.17)	0.00	0.49	0.24	0.24	0.00	0.00
<b>BASIC / DILUTED EARNINGS PER SHARE / , RESTATED (US\$)</b>	<b>7.75</b>	<b>5.27</b>	<b>2.81</b>	<b>6.34</b>	<b>5.02</b>	<b>3.83</b>	<b>2.15</b>

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## 3 - RISK MANAGEMENT POLICY

### 3.1 FINANCIAL RISK

THE COMPANY 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 AND VARIATIONS IN MARKET PRICES DUE TO FACTORS OTHER THAN INTEREST OR EXCHANGE RATES SUCH AS COMMODITY PRICES OR CREDIT SPREAD DIFFERENTIALS.

COMPANY POLICY REGULATES INVESTMENTS AND INDEBTEDNESS, IN AN ATTEMPT TO LIMIT THE IMPACT OF CHANGES IN THE VALUE OF CURRENCIES AND INTEREST RATES ON THE COMPANY'S NET RESULTS BY:

- A) INVESTING CASH SURPLUSES IN INSTRUMENTS MATURING WITHIN NO MORE THAN 90 DAYS.
- B) ENTERING INTO FORWARD CONTRACTS AND OTHER INSTRUMENTS TO MAINTAIN A BALANCED FOREIGN EXCHANGE POSITION.
- C) LONG-TERM FINANCING OBTAINED FROM ITS PARENT TRANSELEC S.A ITS INDIRECT PARENT TRANSELEC HOLDINGS RENTAS LIMITADA AT FIXED INTEREST RATE.

##### 3.1.1.1 INTEREST RATE RISK

**ON ASSETS:** GIVEN THE AVERAGE RECOVERY PERIOD OF INVESTMENT DOES NOT EXCEED 45 DAYS, AN INCREASE IN INTEREST RATES HAS NO SIGNIFICANT IMPACT ON THE COMPANY'S EARNINGS.

**ON LIABILITIES:** THE COMPANY HAS OUTSTANDING BANK LOAN BALANCE OF THUS\$ 21,200 AS OF DECEMBER 31, 2013 THAT BEARS VARIABLE INTEREST RATE OF 3-MONTH LIBOR PLUS 1.82% SPREAD, TWO INTERCOMPANY LOANS FROM ITS DIRECT PARENT TRANSELEC S.A AT FIXED RATE AND AN INTERCOMPANY LOAN FROM ITS INDIRECT PARENT TRANSELEC HOLDINGS RENTAS LIMITADA WITH A FIXED INTEREST RATE.



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### 3.1.1.2 FOREIGN CURRENCY TRANSLATION RISK

THE COMPANY'S FUNCTIONAL CURRENCY IS THE US DOLLAR AND MAJORITY OF ITS TRANSACTIONS ARE CARRIED OUT IN THIS CURRENCY.

EXPOSURE TO EXCHANGE RATE RISK FOR TRANSACTIONS EXPRESSED IN OTHER CURRENCIES (MAINLY THE CHILEAN PESO) IS MINIMAL.

IN TERMS OF CURRENCY MATCHING, THE COMPANY'S CURRENT BALANCE AS OF DECEMBER 31, 2013 WAS A NET LIABILITY IN CHILEAN PESOS EQUIVALENT TO US\$ 17.4 MILLION. THIS EXPOSURE IN PESOS TRANSLATES INTO A GAIN/(LOSS) FROM FOREIGN CURRENCY TRANSLATION OF APPROXIMATELY THUS\$ 333 FOR EACH \$ 10 VARIATION IN THE PESO-DOLLAR EXCHANGE RATE.

### 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, THERE IS A CONCENTRATION OF THE COMPANY'S TOTAL TRANSMISSION REVENUES OF 85.3% IN ONLY ONE CLIENT.

NEVERTHELESS, CONSIDERING THE COMPENSATION OF ENERGY FLOWS MECHANISMS IN THE SYSTEM, THIS PERCENTAGE COULD BE LOWER.

REGARDING THE RISK OF INVESTING SURPLUS CASH, IT CAN BE INVESTED IN BANKS OR FINANCIAL INSTITUTIONS WITH LIMITS SET ACCORDING TO CAPITAL AND RISK CLASSIFICATION OF EACH FINANCIAL INSTITUTION, IN TERMS NOT EXCEEDING 90 DAYS.

### 3.1.3 LIQUIDITY RISK

A) RISK ASSOCIATED WITH MANAGEMENT OF THE COMPANY

LIQUIDITY RISK IS THE RISK OF THE COMPANY NOT SATISFYING A NEED FOR CASH TO PAY A DEBT UPON MATURITY. LIQUIDITY RISK ALSO INCLUDES THE RISK OF NOT BEING ABLE TO LIQUIDATE ASSETS IN A TIMELY MANNER AT A REASONABLE PRICE.

IN ORDER TO GUARANTEE ITS ABILITY TO QUICKLY REACT TO INVESTMENT OPPORTUNITIES AND TO PAY ITS OBLIGATIONS BY THEIR MATURITY DATES, THE COMPANY MAINTAINS A HIGH LEVEL OF LIQUIDITY. ITS PRINCIPAL SOURCE OF LIQUIDITY IS CASH AND CASH EQUIVALENTS, IN ADDITION TO ACCOUNTS RECEIVABLE.

THE FOLLOWING TABLE SHOWS THE AMORTIZATION OF PRINCIPAL AND ESTIMATED PAYMENTS OF INTEREST OF THE COMPANY'S FINANCIAL LIABILITIES (BANK LOAN) ACCORDING TO MATURITY, AS OF DECEMBER 31, 2013 AND 2012. IT SHOULD BE NOTED THAT THE COMPANY HAS NO DERIVATIVE FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2013 AND 2012.

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IN ADDITION, THE COMPANY HAS AN AVAILABLE LOAN BY FROM ITS INDIRECT PARENT COMPANY TRANSELEC HOLDINGS RENTAS LTDA. WITH A MATURITY ON MAY 30, 2016 (NOTE 7).

MATURITY OF DEBT	LESS THAN 1 YEAR ThUS\$	FROM 1 TO 3 YEARS ThUS\$	FROM 3 TO 5 YEARS ThUS\$	FROM 5 TO 10 YEARS ThUS\$	MORE THAN 10 YEARS ThUS\$	TOTAL ThUS\$
Capital	2,064	4,608	5,600	8,928	-	21,200
Interest	375	672	487	359	-	1,893
<b>TOTAL DECEMBER 31,2013</b>	<b>2,439</b>	<b>5,280</b>	<b>6,087</b>	<b>9,287</b>	<b>-</b>	<b>23,093</b>
Capital	1,856	4,240	5,120	10,048	1,792	23,056
Interest	424	733	581	536	44	2,318
<b>TOTAL DECEMBER 31,2012</b>	<b>2,280</b>	<b>4,973</b>	<b>5,701</b>	<b>10,584</b>	<b>1,836</b>	<b>25,374</b>

#### B) ASSOCIATED RISK TO THE SETTLEMENT OF TRUNK TRANSMISSION SYSTEM TARIFF REVENUES

ACCORDING TO DECREE N°4/20.018 FROM THE MINISTRY OF ECONOMY, FOMENTATION AND RECONSTRUCTION, IN ITS ARTICLES 81, 101, 104 AND 106, AND COMPLEMENTARY RULES, TRANSELEC HAS THE RIGHT TO PERCEIVE ON A PROVISORY BASIS THE REAL TARIFF INCOME (IT FOR ITS NAME IN SPANISH) OF THE TRUNK TRANSMISSION SYSTEM GENERATED FOR EVERY PERIOD. IN ORDER TO GET THEIR OWN REVENUES SET UP IN THE FIRST PARAGRAPH OF ARTICLE N°101 OF THE ABOVE MENTIONED DECREE N°4/20.018, THE REAL TARIFF INCOME PERCEIVED ON A PROVISORY BASIS MUST BE SETTLED BY TRANSELEC ACCORDING TO THE REPAYMENT SCHEDULE PREPARED BY THE RESPECTIVE CDEC (CENTER OF ECONOMIC DISPATCH OF CHARGE) THROUGH THE COLLECTION OR PAYMENT TO THE DIFFERENT COMPANIES, OWNERS OF GENERATION FACILITIES.

THE COMPANY MAY FACE THE RISK OF NOT COLLECTING TIMELY THE IT THAT SOME OF THE COMPANIES OWNING GENERATION FACILITIES SHOULD PAY AS SET UP IN THE PAYMENTS SCHEDULES OF CDEC, WHAT MAY TEMPORARILY AFFECTS THE LIQUIDITY SITUATION OF THE COMPANY.

## 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

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EQUAL TO THE REAL OUTCOMES. ESTIMATES AND ASSUMPTIONS WITH A SIGNIFICANT RISK OF CAUSING A MATERIAL ADJUSTMENT TO THE BALANCES OF ASSETS AND LIABILITIES DURING THE UPCOMING YEAR ARE DETAILED BELOW:

- THE ESTIMATES OF RECOVERABLE VALUES OF ASSETS AND GOODWILL TO DETERMINE POTENTIAL EXISTENCE OF IMPAIRMENT LOSSES;
- THE USEFUL LIVES AND RESIDUAL VALUES OF THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES;
- FUTURE DISBURSEMENT FOR ASSET RETIREMENT OBLIGATIONS;
- FINANCE OR OPERATING LEASE CLASSIFICATION IN FUNCTION OF TRANSFER OF RISKS AND REWARDS OF THE LEASED ASSETS.
- DETERMINATION OF EXISTENCE AND CLASSIFICATION OF FINANCIAL OR OPERATING LEASES BASED ON THE TRANSFER OF RISKS AND REWARDS OF THE LEASED ASSETS.

TRANSELEC NORTE S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE FINANCIAL STATEMENTS

As of December 31, 2013

### INTRODUCTION

DURING THE YEAR 2013, TRANSELEC NORTE S.A. AND SUBSIDIARIES RECORDED A NET INCOME OF THUS\$8,718, WHICH IS 83.2% HIGHER THAN THE COMPARISON PERIOD (THUS\$4,758). THIS HIGHER NET INCOME IS MAINLY EXPLAINED BY HIGHER OPERATING INCOME (THUS\$16,102 IN 2013 AND THUS\$9,743 IN 2012), WHICH IS EXPLAIN BY AN INCREASE IN OPERATING REVENUES THAT REACHED THUS\$29,612 AS OF DECEMBER 2013, A 41.3% THAN THE SAME PERIOD 2012 (THUS\$20,951). THIS INCREASE IN OPERATING INCOME IS PARTIALLY OFFSET BY HIGHER LOSS IN NON-OPERATING INCOMES THAT REACHED THUS\$5,229 AS OF DECEMBER 2013, WHICH ARE 108.4% HIGHER THAN THE SAME PERIOD 2012. THE EBITDA\* IN THIS PERIOD WAS THUS\$22,699 WITH A MARGIN OVER INCOME OF 76.7% (68.1% IN 2012).

TRANSELEC NORTE S.A. HAS PREPARED ITS FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), AND CORRESPONDS TO THE COMPREHENSIVE, EXPLICIT AND NON-RESERVED ADOPTION OF THE ABOVE MENTIONED INTERNATIONAL STANDARD. FIGURES IN THIS MANAGEMENT DISCUSSION AND ANALYSIS ARE EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS (THUS\$), WHICH IS THE FUNCTIONAL CURRENCY OF TRANSELEC NORTE S.A.

### 1. INCOME STATEMENT ANALYSIS

ITEMS	DECEMBER 2013 ThUS\$	DECEMBER 2012 ThUS\$	VARIATION 2013/2012 (%)
OPERATING REVENUES	29,612	20,951	41.3%
Toll sales	29,612	20,951	41.3%
OPERATING COSTS	-10,769	-8,067	33.5%
Fixed costs	-4,413	-2,948	49.7%
Depreciation	-6,356	-4,508	41.0%
ADMINISTRATION AND SALES EXPENSES	-2,741	-3,141	-12.7%
<b>OPERATING INCOME</b>	<b>16,102</b>	<b>9,743</b>	<b>65.3%</b>
Other financial income	658	430	53.0%
Financial cost	-5,468	-3,169	72.5%
Foreign Exchange differences	-660	218	-402.8%
Gain (loss) for indexed assets and liabilities	0	0	-
Other income	241	12	1908.3%
<b>NON-OPERATING INCOME</b>	<b>-5,229</b>	<b>-2,509</b>	<b>108.4%</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>10,873</b>	<b>7,234</b>	<b>50.3%</b>
Income tax	-2,155	-2,476	-13.0%
<b>NET INCOME</b>	<b>8,718</b>	<b>4,758</b>	<b>83.2%</b>
<b>EBITDA</b>	<b>22,699</b>	<b>14,263</b>	<b>59.1%</b>

(\*) EBITDA= NET INCOME + ABS(INCOME TAX) + ABS(DEPRECIATION) + ABS(NON-OPERATING INCOME) + ABS(OTHER GAINS) + LEASING INTEREST.



TRANSELEC NORTE S.A. AND SUBSIDIARIES

## REASONED ANALYSIS OF THE FINANCIAL STATEMENTS

As of December 31, 2013

### A) OPERATING INCOME

DURING THE YEAR 2013, OPERATING INCOME REACHED THUS\$16,102, WHICH IS 65.3% HIGHER THAN THE THUS\$9,743 OBTAINED IN THE SAME PERIOD OF 2012. THESE VARIANCES ARE DUE TO AN INCREASE IN OPERATING REVENUES THAT AMOUNTED THUS\$29,612 DURING 2013 (THUS\$20,951 AS OF DECEMBER 2012), WHERE THUS\$6,850 COME FROM THE TRANSAM ACQUISITION. THE TOLL SALES REVENUES ARE MAINLY A RESULT OF SALES OF TRANSMISSION CAPACITY OF THE COMPANY'S FACILITIES IN THE GREAT NORTH INTERCONNECTED SYSTEM (SING) AND THE TRANSELEC NORTE SUBSIDIARY, TRANSAM, WHICH HAS ASSETS IN THE CENTRAL INTERCONNECTED SYSTEM (SIC). IT IS WORTH TO NOTE THAT 94.7% OF THE REVENUES ARE CONTRACTUALLY ESTABLISHED.

OPERATING COSTS AMOUNTED THUS\$10,769, WHICH ARE 33.5% HIGHER THAN THE THUS\$8,067 RECORDED IN 2012. IN PERCENTAGE TERMS, 59.0% OF THE COMPANY'S COSTS CORRESPOND TO THE PROPERTY, PLANT AND EQUIPMENT DEPRECIATION (55.9% IN THE SAME PERIOD IN 2012) WHILE THE REMAINING 41.0% CORRESPONDS TO OPERATING, MAINTENANCE AND ADMINISTRATIVE SERVICES RECEIVED FROM TRANSELEC S.A. (36.5% IN 2012).

### B) NON-OPERATING INCOME

DURING THE YEAR 2013, THE COMPANY RECORDED A NON-OPERATING INCOME LOSS OF THUS\$5,229, WHICH IS 108.4% HIGHER THAN THE COMPARISON PERIOD (THUS\$2,509), MAINLY DUE TO AN INCREASE IN FINANCIAL COST, THAT REACHED THUS\$5,468 AS OF DECEMBER 31, 2013 (THUS\$3,169 AT 2012). THIS INCREASES IS MAINLY EXPLAINED BY HIGHER EXPENSES RELATED WITH LOANS INTEREST PAYMENTS TO TRANSELEC S.A, THE PARENT COMPANY, FOR AN AMOUNT OF THUS\$1,688 AND INTEREST AND FINANCIAL EXPENSES FOR THUS\$ 611.

## 2. BALANCE SHEET ANALYSIS

ITEMS	DECEMBER 2013 ThUS\$	DECEMBER 2012 ThUS\$	VARIATION 2013/2012 (%)
Current assets	35,290	30,971	13.9%
Non-current assets	234,678	219,161	7.1%
<b>TOTAL ASSETS</b>	<b>269,968</b>	<b>250,132</b>	<b>7.9%</b>
Current liabilities	28,968	62,457	-53.6%
Non current liabilities	166,122	114,277	45.4%
Equity	74,878	73,398	2.0%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>269,968</b>	<b>250,132</b>	<b>7.9%</b>

TRANSELEC NORTE S.A. AND SUBSIDIARIES

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TOTAL ASSETS AS OF DECEMBER 31, 2013, SHOWED AN INCREASE OF 7.9% OVER THE PREVIOUS PERIOD IN THE LAST YEAR, DUE TO AN INCREASE IN THE NON-CURRENT AND CURRENT ASSETS. CURRENT ASSETS ARE HIGHER MAINLY DUE TO AN INCREASE IN TRADE AND OTHER RECEIVABLES THAT ARE PARTIALLY OFFSET BY A LOWER AMOUNT IN CASH AND CASH EQUIVALENTS. HIGHER NON-CURRENT ASSETS ARE DUE TO ADVANCES IN WORK IN PROGRESS AND BUILDINGS AND INFRASTRUCTURE.

TOTAL LIABILITIES AS OF DECEMBER 31, 2013 GROWTH 7.9% IN COMPARISON TO THE SAME PERIOD 2012, MAINLY DUE TO AN INCREASE IN NON-CURRENT LIABILITIES, THAT ARE EXPLAINED BY A HIGHER AMOUNT IN PAYABLES TO RELATED PARTIES. THIS WAS OFFSET BY A DECREASE IN CURRENT LIABILITIES, DUE TO A LOWER AMOUNT IN TRADE PAYABLES AND PAYABLES TO RELATED PARTIES.

### VALUE OF PRINCIPAL OPERATING PROPERTY, PLANT AND EQUIPMENT

FIXED ASSETS	DECEMBER 2013 ThUS\$	DECEMBER 2012 ThUS\$	VARIATION 2013/2012 (%)
Land	2,955	2,957	-0.1%
Building, Infraestructure, works in progress	222,682	197,358	12.8%
Machinery and equipment	25,123	24,535	2.4%
Other fixed assets	173	559	-69.1%
Depreciation (less)	-39,326	-33,172	18.6%
<b>TOTAL</b>	<b>211,607</b>	<b>192,237</b>	<b>10.1%</b>

AS OF DECEMBER 31, 2013, PROPERTY, PLANT AND EQUIPMENT MAINLY CONSIST OF BUILDINGS AND INFRASTRUCTURE.

### 3. PRINCIPAL CASH FLOWS FOR THE PERIOD

ITEMS	DECEMBER 2013 ThUS\$	DECEMBER 2012 ThUS\$	VARIATION 2013/2012 (%)
Cash flow arising from (used in) operating activities	20,132	15,762	27.7%
Cash flow arising from (used in) investing activities	-19,597	-51,132	-61.7%
Cash flow arising from (used in) financing activities	-6,427	45,527	-114.1%
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT	-5,892	10,157	-158.0%
Cash and cash equivalent at the beginning of the period	17,361	7,204	141.0%
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	11,469	17,361	-33.9%

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DURING THE YEAR 2013, THE COMPANY RECORDED A NET NEGATIVE CASH FLOW OF THUS\$5,892, THAT IS MAINLY DUE TO NEGATIVE CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES OF THUS\$19,597, AND THUS\$6,427 RESPECTIVELY, PARTIALLY OFFSET BY POSITIVE CASH FLOWS FROM OPERATING ACTIVITIES OF THUS\$20,132. IN THE SAME PERIOD OF 2012, THE COMPANY RECORDED A NET POSITIVE CASH FLOW OF THUS\$10,157, MAINLY DUE TO POSITIVE CASH FLOWS FROM FINANCING ACTIVITIES OF THUS\$45,527 AND OPERATING ACTIVITIES OF THUS\$15,762, THIS WAS OFFSET BY NEGATIVE CASH FLOWS FROM INVESTING ACTIVITIES (THUS\$51,132).

INVESTING ACTIVITIES DURING 2013 RECORDED A NEGATIVE CASH FLOW OF THUS\$19,597, CORRESPONDING TO A DECREASE OF 61.7% COMPARED TO THE SAME PERIOD OF 2012 (THUS\$51,132). THIS LOWER AMOUNT IS MAINLY EXPLAINED BY THUS\$46,393 DISBURSEMENT IN 2012 THAT CORRESPONDED TO THE ACQUISITION OF TRANSAM. DURING THE YEAR 2013 THERE WERE NOT CASH FLOWS USED TO OBTAIN CONTROL OF SUBSIDIARIES OR OTHER BUSINESSES. THIS DECREASE IS PARTIALLY OFFSET BY A HIGHER AMOUNT OF THUS\$15,278 USED IN ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT.

FINANCING ACTIVITIES IN 2013 ARE PRINCIPALLY EXPLAINED TO DIVIDENDS PAID TO THE PARENT COMPANY FOR THUS\$4,571, AND IN THE YEAR 2012 ARE MAINLY DUE TO A POSITIVE CASH FLOW FROM RELATED PARTIES LOANS FOR AN AMOUNT OF THUS\$49,200.

AS OF DECEMBER 31, 2013, THE FINAL BALANCE OF CASH AND CASH EQUIVALENTS AMOUNTED TO THUS\$11,469, FROM AN OPENING BALANCE OF THUS\$17,361. THE FINAL BALANCE OF CASH AND CASH EQUIVALENTS AS OF DECEMBER 31, 2012, AMOUNTED TO THUS\$17,361, FROM AN OPENING BALANCE OF THUS\$7,204.

## 4. RATIOS

INDICATORS * 2013'S INDEXES ARE ANNUALIZED	DECEMBER 2013	DECEMBER 2012	VARIATION 2013/2012
<b>PROFITABILITY</b>			
Shareholders' Equity profitability (*)	11.64%	6.48%	79.6%
Assets profitability (*)	3.23%	1.90%	69.8%
Operating assets profitability (*)	7.58%	5.05%	50.2%
Earnings per share (US\$) (*)	11.62	6.34	83.2%
<b>LIQUIDITY &amp; INDEBTEDNESS</b>			
Current Ratio	1.22	0.50	145.7%
Acid-Test Ratio	1.22	0.50	145.7%
Debt to Equity	2.61	2.41	8.2%
% Short term debt	14.85	35.34	-58.0%
% Log term debt	85.15	64.66	31.7%
EBITDA/Financial expenses (coverage)	4.15	4.90	-15.3%

NOTE: THE RATIOS IN THIS TABLE HAVE BEEN ANNUALIZED.

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## REASONED ANALYSIS OF THE FINANCIAL STATEMENTS

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## 5. THE MARKET

THE BUSINESS OF TRANSELEC NORTE S.A. IS MAINLY FOCUSED ON COMMERCIALIZING THE ELECTRICITY TRANSMISSION AND TRANSFORMATION CAPACITY OF ITS FACILITIES LOCATED IN THE SING, WHICH COVERS CHILE'S NORTHERN REGIONS OF TARAPACÁ (I), ARICA Y PARINACOTA (XV) AND ANTOFAGASTA (II), AT A VOLTAGE OF 220KV AND THROUGH THE SUBSIDIARY TRANSAM THE CENTRAL INTERCONNECTED SYSTEM (SIC), MAINLY IN BIOBÍO (VIII).

## 6. MARKET RISK FACTORS

DUE TO THE NATURE OF THE ELECTRICAL MARKET AND THE STANDARDS THAT REGULATE THIS SECTOR, THE COMPANY IS NOT EXPOSED TO SIGNIFICANT RISKS IN DEVELOPING ITS PRINCIPAL BUSINESS. HOWEVER, THE FOLLOWING RISK FACTORS SHOULD BE MENTIONED:

### 6.1 TECHNOLOGICAL CHANGES

TRANSELEC NORTE S.A. IS COMPENSATED FOR INVESTMENTS THAT MAKE IN ELECTRICAL TRANSMISSION FACILITIES THROUGH AN ANNUAL VALUATION OF THE EXISTING FACILITIES (AVI). ANY IMPORTANT TECHNOLOGICAL CHANGES IN THE EQUIPMENT AT ITS FACILITIES COULD LOWER THIS VALUATION. THIS SITUATION WOULD PREVENT PARTIAL RECOVERY OF THE INVESTMENTS MADE. HOWEVER, TRANSELEC NORTE S.A. AND ITS SUBSIDIARIES POSSESS LONG-TERM CONTRACTS THAT GUARANTEE ITS REVENUES.

### 6.2 REGULATORY FRAMEWORK

THE LAWS GOVERNING THE ELECTRICITY TRANSMISSION BUSINESS IN CHILE WERE AMENDED BY THE ENACTMENT OF LAW 19,940, REFERRED TO "LEY CORTA I" LAW, PUBLISHED MARCH 13, 2004.

DURING THE YEAR 2010, A SECOND TRUNK TRANSMISSION STUDY WAS CONDUCTED TO SET TARIFFS AND INDEXATION FORMULAS FOR THE FOUR-YEAR PERIOD FROM 2011 TO 2014. DECREE 61, PUBLISHED NOVEMBER 17, 2011, CONTAINS THE TARIFFS THAT WILL BE RETROACTIVELY APPLIED BEGINNING JANUARY 1, 2011. DURING THE YEAR 2012 AND 2013 THE NEW RATES HAVE BEEN APPLIED AND THE PROCESS OF REASSESSMENT FOR THE YEAR 2011 WAS COMPLETED DURING 2012.

DECREE NO. 320 FROM THE MINISTRY OF ECONOMY, DEVELOPMENT AND RECONSTRUCTION, WHICH SETS TARIFFS FOR SUBTRANSMISSION FACILITIES, WAS PUBLISHED IN THE OFFICIAL GAZETTE ON JANUARY 9, 2009 AND THE NEW TARIFFS BEGIN TO BE APPLIED ON JANUARY 14, 2009 AND WILL BE IN EFFECT UNTIL DECEMBER 31, 2010. ON APRIL 9, 2013, THE SUPREME DECREE N°14 WAS PUBLISHED BY THE MINISTRY OF ENERGY, SETTING SUBTRANSMISSION TARIFFS FROM JANUARY 2011 TO DECEMBER 2014 HAS BEEN ISSUED. THE DIFFERENCE BETWEEN AMOUNTS INVOICED USING THESE PROVISIONAL TARIFFS SINCE JANUARY 2011 TO THE DECREE PUBLISH DATE WILL BE REASSESSMENT BY THE CDEC BASED ON THE DIFFERENCE BETWEEN THE PROVISIONAL TARIFF AND THE DEFINITIVE VALUES ON DECREE N°14.



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### 6.3 CONCENTRATION OF INCOME

THE MAJORITY OF TRANSELEC NORTE'S REVENUES COME FROM THE COMPANIES E-CL (GRUPO SUEZ), COMPAÑÍA ELÉCTRICA DE TARAPACÁ S.A. (CELTA) AND LA EMPRESA NACIONAL DE ELECTRICIDAD S.A. (ENDESA). A SIGNIFICANT CHANGE IN THE FINANCIAL POSITION OF THESE COMPANIES COULD POTENTIALLY HAVE A NEGATIVE IMPACT ON TRANSELEC NORTE.

### 6.4 EXPOSURE TO EXCHANGE RATE VARIATIONS

SINCE THE COMPANY MAINTAINS ITS ACCOUNTING AND MANAGES ITS PRINCIPAL FINANCIAL COMMITMENTS AND INCOME IN US DOLLARS, IT IS NOT SIGNIFICANTLY EXPOSED TO FOREIGN EXCHANGE VARIATION RISKS.

### 6.5 APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

TRANSELEC NORTE OPERATIONS IN CHILE ARE SUBJECT TO LAW NO. 19,300, ON GENERAL ENVIRONMENT ("ENVIRONMENTAL LAW"), ENACTED IN 1994. ACCORDING TO ITS RECENT AMENDMENT BY LAW 20,417 PUBLISHED IN THE OFFICIAL JOURNAL ON 26.01.2010, WAS CREATED, AMONG OTHER MATTERS, A NEW INSTITUTIONAL MESH CONSISTING OF: (I) THE MINISTRY OF ENVIRONMENT, (II) THE COUNCIL OF MINISTERS FOR SUSTAINABILITY, (III) THE ENVIRONMENTAL ASSESSMENT SERVICE, AND (IV) THE SUPERINTENDENT OF THE ENVIRONMENT, INSTITUTIONS IN CHARGE OF REGULATION, ASSESSMENT AND CONTROL ACTIVITIES THAT ARE LIKELY TO GENERATE ENVIRONMENTAL IMPACTS. THESE NEW INSTITUTIONS REPLACED THE NATIONAL ENVIRONMENT COMMISSION ("CONAMA") AND THE REGIONAL COMMISSIONS OF ENVIRONMENTAL AFFAIRS AND ARE FULLY OPERATIVE THROUGH THE ENACTMENT OF AN UPDATED REGULATION, THAT IS UNDER REVIEW BY THE COMPTROLLER GENERAL OF THE REPUBLIC.

THE LAW COURTS PUBLISHED THE OFFICIAL GAZETTE NO. 20,600 ON JUNE 28, 2012, WHICH CREATES THE ENVIRONMENTAL FINAL STEP FOR THE SUPERINTENDENCY OF THE ENVIRONMENT (SMA) TO BEGIN TO FULLY IMPLEMENT ITS POWERS OF CONTROL AND PENALTY. ON DECEMBER 28 WITH THE IMPLEMENTATION OF THE ENVIRONMENTAL COURT (SECOND ENVIRONMENTAL COURT IN SANTIAGO) THE SMA ASSUMES THE FULL MONITORING AND CONTROL OF THE ENVIRONMENTAL QUALIFICATION RESOLUTION (RCA) AMONG OTHER MATTERS.

SUBJECT TO TRANSELEC NORTE MEETS THE ENVIRONMENTAL REQUIREMENTS OF ENVIRONMENTAL LAW, IT IS NOT POSSIBLE TO ENSURE THAT THESE PRESENTATIONS (EIA OR DIA) TO THE ENVIRONMENTAL AUTHORITY WILL BE APPROVED BY GOVERNMENT AUTHORITIES, OR THAT PUBLIC OPPOSITION WILL NOT GENERATE DELAYS OR CHANGES IN THE PROPOSED PROJECTS, OR THAT THE LAWS AND REGULATIONS WILL NOT CHANGE OR BE INTERPRETED IN A MANNER WHICH MAY ADVERSELY AFFECT THE OPERATIONS AND PLANS OF THE COMPANY, AS THE NEW INSTITUTIONAL FRAMEWORK IS RECENTLY UNDERWAY.

### 6.6 FINANCIAL RISK

THE COMPANY IS EXPOSED TO THE FOLLOWINGS HAZARDS AS A RESULT OF HOLDING FINANCIAL INSTRUMENTS: MARKET RISK (INTEREST RATE RISK,

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EXCHANGE RATE AND OTHER PRICES THAT IMPACT THE MARKET VALUES OF FINANCIAL INSTRUMENTS), CREDIT RISK AND RISK LIQUIDITY.

THE FOLLOWING IS A DESCRIPTION OF THESE RISKS AND THEIR MANAGEMENT:

## 6.6.1 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 AND CHANGES IN MARKET PRICES DUE TO FACTORS OTHER THAN INTEREST OR EXCHANGE RATES SUCH AS SHARE PRICES, COMMODITY PRICES OR CREDIT DIFFERENTIALS.

THE COMPANY'S TREASURY POLICY REGULATES INVESTMENTS AND INDEBTEDNESS, IN AN ATTEMPT TO LIMIT THE IMPACT OF CHANGES IN THE VALUE OF CURRENCIES AND INTEREST RATES ON THE COMPANY'S NET RESULTS BY:

- A) INVESTING CASH SURPLUSES IN INSTRUMENTS MATURING WITHIN NO MORE THAN 90 DAYS.
- B) ENTERING INTO FORWARD CONTRACTS AND OTHER INSTRUMENTS TO MAINTAIN A BALANCED FOREIGN EXCHANGE POSITION.
- C) SECURING LONG-TERM, FIXED-RATE FINANCING FROM ITS PARENT TRANSELEC S.A. AND ITS INDIRECT PARENT COMPANY TRANSELEC HOLDINGS RENTAS LTDA. WITH A FIXED RATE.

### 6.6.1.1 INTEREST RATE RISK

**ON ASSETS:** GIVEN THE AVERAGE RECOVERY PERIOD OF INVESTMENT DOES NOT EXCEED 45 DAYS, AN INCREASE IN INTEREST RATES HAS NO SIGNIFICANT IMPACT ON THE COMPANY'S EARNINGS.

**ON LIABILITIES:** THE COMPANY HAS OUTSTANDING BANK LOAN BALANCE OF THUS\$ 21,200 AS OF DECEMBER 31, 2013 THAT BEARS VARIABLE INTEREST RATE OF 3-MONTH LIBOR PLUS 1.82% SPREAD, TWO INTERCOMPANY LOANS FROM ITS DIRECT PARENT TRANSELEC S.A. WITH A FIXED INTEREST RATE AND ONE LOAN FROM ITS INDIRECT PARENT TRANSELEC HOLDINGS RENTAS LIMITADA WITH A FIXED INTEREST RATE.

### 6.6.1.2 FOREIGN EXCHANGE RISK

THE COMPANY'S FUNCTIONAL CURRENCY IS THE U.S. DOLLAR AND MOST OF ITS TRANSACTIONS ARE MADE IN THIS CURRENCY. THE EXPOSURE TO FOREIGN EXCHANGE RISK FOR TRANSACTIONS EXPRESSED IN OTHER CURRENCIES (PRIMARILY THE CHILEAN PESO) IS MINIMAL. IN TERMS OF CURRENCY MATCHING, THE COMPANY'S CURRENT BALANCE AS OF DECEMBER 31, 2013 WAS A NET LIABILITY IN CHILEAN PESOS EQUIVALENT TO US\$ 17.4 MILLION. THIS EXPOSURE IN PESOS TRANSLATES INTO A GAIN/ (LOSS) FROM FOREIGN CURRENCY TRANSLATION OF APPROXIMATELY THUS\$ 333 FOR

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EACH \$ 10 VARIATION IN THE PESO-DOLLAR EXCHANGE RATE.

### 6.6.2 CREDIT RISK

CREDIT RISK CORRESPONDING TO RECEIVABLES FROM COMMERCIAL ACTIVITIES IS HISTORICALLY VERY LOW DUE TO THE NATURE OF THE COMPANY'S CLIENTS BUSINESS AND THE SHORT TERM OF COLLECTION TO CLIENTS, WHICH EXPLAIN THE FACT OF NOT HAVING LARGE ACCUMULATED AMOUNTS.

HOWEVER, THERE IS A CONCENTRATION OF THE COMPANY'S TOTAL TRANSMISSION REVENUES OF 85.3% IN TWO CLIENTS (DETERMINED ON THE INVOICING BASIS). NEVERTHELESS, CONSIDERING THE COMPENSATION OF ENERGY FLOW MECHANISMS IN THE SYSTEM, THIS PERCENTAGE COULD BE LOWER.

REGARDING THE RISK OF INVESTING SURPLUS CASH, IT CAN BE INVESTED IN BANKS OR FINANCIAL INSTITUTIONS WITH LIMITS SET ACCORDING TO CAPITAL AND RISK CLASSIFICATION OF EACH FINANCIAL INSTITUTION, IN TERMS OF NOT EXCEEDING 90 DAYS.

### 6.6.3 LIQUIDITY RISK

#### A) RISK ASSOCIATED WITH THE MANAGEMENT OF THE COMPANY

LIQUIDITY RISK IS THE RISK OF THE COMPANY NOT SATISFYING A NEED FOR CASH TO PAY A DEBT UPON MATURITY. LIQUIDITY RISK ALSO INCLUDES THE RISK OF NOT BEING ABLE TO LIQUIDATE ASSETS IN A TIMELY MANNER AT A REASONABLE PRICE.

IN ORDER TO GUARANTEE ITS ABILITY TO QUICKLY REACT TO INVESTMENT OPPORTUNITIES AND TO PAY ITS OBLIGATIONS BY THEIR MATURITY DATES, THE COMPANY MAINTAINS A HIGH LEVEL OF LIQUIDITY. ITS PRINCIPAL SOURCE OF LIQUIDITY IS CASH AND CASH EQUIVALENTS, IN ADDITION TO ACCOUNTS RECEIVABLE.

THE FOLLOWING TABLE PRESENTS THE CAPITAL AMORTIZATIONS CORRESPONDING TO THE COMPANY'S FINANCIAL LIABILITIES, ACCORDING TO THEIR MATURITY DATE, AS OF DECEMBER 31, 2013 AND 2012:

CAPITAL IN THUS\$	0 TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
December 31, 2013	2,064	4,608	5,600	8,928	0	21,200
December 31, 2012	1,856	4,240	5,120	10,048	1,792	23,056

INTEREST IN THUS\$	0 TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
December 31, 2013	375	672	487	359	0	1,893
December 31, 2012	424	733	581	536	44	2,318

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THE COMPANY HAS A LINE OF CREDIT AVAILABLE FROM ITS INDIRECT PARENT COMPANY, TRANSELEC RENTAS HOLDINGS LTDA. THAT ENABLES IT TO ADDRESS ANY CASH NEEDS.

**B) RISK RELATED TO THE RESETTLEMENT OF INCOME FROM TARIFFS OF THE TRUNK TRANSMISSION SYSTEM.**

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 NORTE HAS THE RIGHT TO PERCEIVE ON A PROVISORY BASIS THE REAL TARIFF INCOME (IT FOR ITS NAME IN SPANISH) OF THE TRUNK TRANSMISSION SYSTEM GENERATED FOR EVERY PERIOD. IN ORDER TO GET THEIR OWN REVENUES SET UP IN THE FIRST PARAGRAPH OF ARTICLE N°101 OF THE ABOVE MENTIONED DECREE N°4/20.018, THE REAL TARIFF INCOME PERCEIVED ON A PROVISORY BASIS MUST BE SETTLED BY TRANSELEC ACCORDING TO THE REPAYMENT SCHEDULE PREPARED BY THE RESPECTIVE CDEC (CENTER OF ECONOMIC DISPATCH OF CHARGE) THROUGH THE COLLECTION OR PAYMENT TO THE DIFFERENT COMPANIES, OWNERS OF GENERATION FACILITIES.

THE COMPANY MAY FACE THE RISK OF NOT COLLECTING TIMELY THE IT THAT SOME OF THE COMPANIES OWNING GENERATION FACILITIES SHOULD PAY AS SET UP IN THE PAYMENTS SCHEDULES OF CDEC, WHAT MAY TEMPORARILY AFFECTS THE LIQUIDITY SITUATION OF THE COMPANY.







## STATEMENT OF RESPONSIBILITY

THE DIRECTORS, AS WELL AS, THE CEO OF TRANSELEC S.A., THAT SUBSCRIBE THIS STATEMENT ARE RESPONSIBLE, UNDER OATH, REGARDING THE VERACITY OF THE INFORMATION PROVIDED WITHIN THE 2013 ANNUAL REPORT, IN FULFILLMENT OF NORM N° 30 ISSUED BY THE SUPERINTENDENCE OF SECURITIES AND INSURANCE.



**Richard Legault**  
CHAIRMAN  
Foreigner



**Patrick Charbonneau**  
DIRECTOR  
Foreigner



**Brenda Eaton**  
DIRECTOR  
Foreigner



**Mario Valcarce Durán**  
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DIRECTOR  
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**Alfredo Ergas**  
DIRECTOR  
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**Alejandro Jadresic Marinovic**  
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**José Ramón Valente Vias**  
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**Blas Tomic Errázuriz**  
DIRECTOR  
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CEO  
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