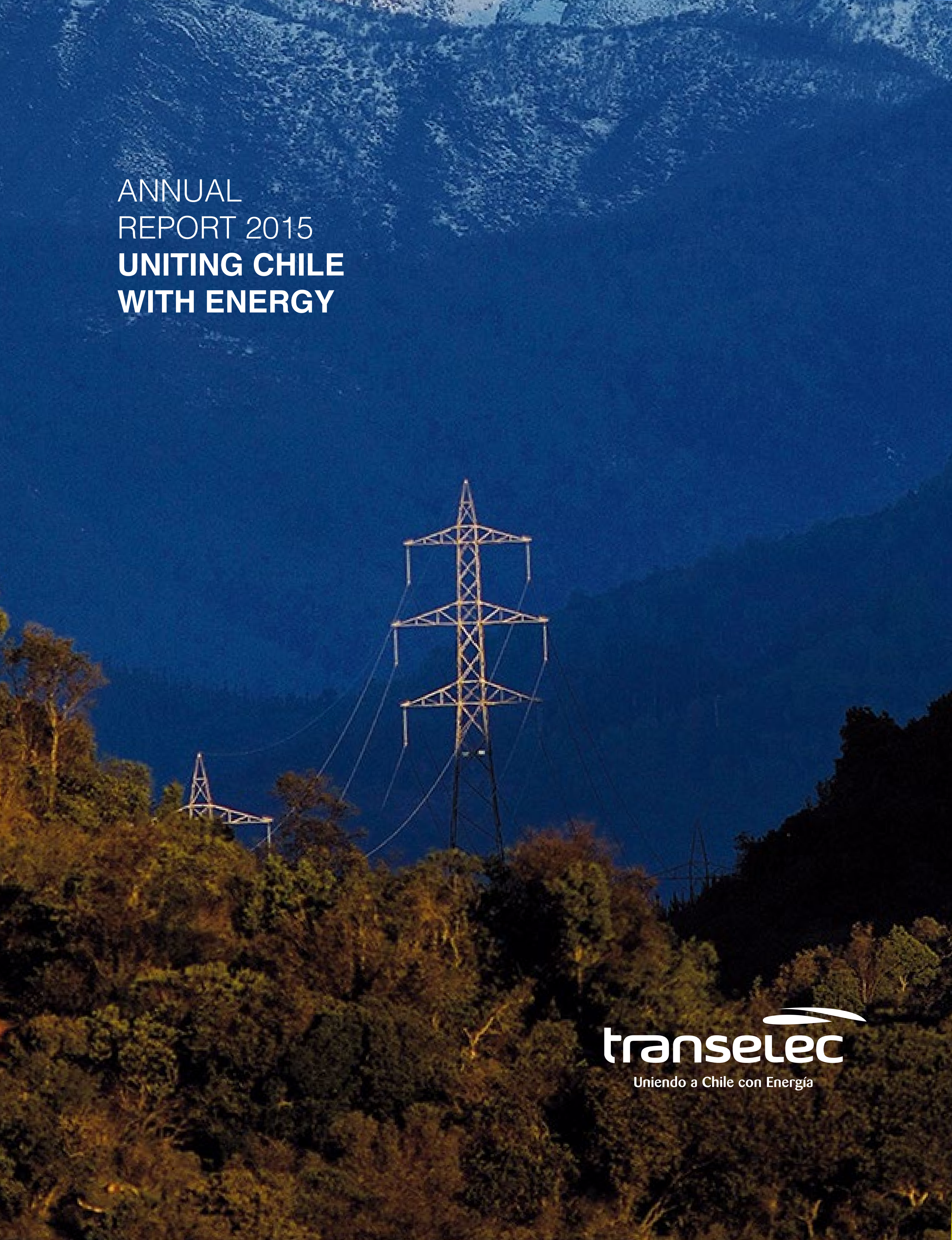
ANNUAL
REPORT 2015

UNITING CHILE WITH ENERGY



transelec
Uniendo a Chile con Energía

transelec

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01 BACKGROUND

IDENTITY

Name	: Transelec S.A.
National Securities Registration	: Number 974
Legal Domicile	: Santiago, without prejudice of agencies, branches or offices it may establish in the country or overseas.
Tax List Number	: 76,555,400-4
Address	: Orinoco Nº 90, 14th floor, Las Condes
Phone	: (56-2) 2467 7000
E-mail	: transelec@transelec.cl
Webpage	: www.transelec.cl

SHARE OWNERSHIP

Transelec's capital is divided into 1,000,000 ordinary, nominative and with no nominal value shares. Transelec Holding Rentas Limitada owns 999,900 shares, while Rentas Eléctricas I Limitada owns 100 shares.

THE COMPANY

Transelec is the leading supplier of high voltage power transmission systems in Chile and is the largest transmission company that operates 500 kV and 220 kV power lines and substations throughout Chile. Likewise, Transelec's 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 Chiloé Island (SIC). Transelec's power transmission system features a total of 9,560 kilometers of single and double circuit power lines as well as 57 substations with a total transformation capacity of 15,981 MWA. In the SIC power grid, the company owns 80% of all the power lines belonging to the trunk system, whereas in the SING power grid it owns 100%.

Throughout its history, Transelec has gained extensive experience in each one of the links that make up the value chain of the electricity transmission industry: from a project's evaluation, basic and conceptual engineering, systemic studies execution and the design of power transmission and connection solutions to project management and construction, commissioning consultancy, as well as the operation, maintenance and administration of new facilities.

The Company contributes with its extensive experience and knowledge to the development of power projects for a wide range of customers from the electricity, mining, and industrial sectors throughout Chile, who have trusted in the support and excellence of the integral transmission solutions provided by the Company.

Richard Legault

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders

On behalf of Transelec Board of Directors, it is with great pleasure that we present the Company's Annual Report corresponding to the 2015 fiscal year for the consideration of Transelec's shareholders. The company continued to focus on providing high quality and efficient service to all customers, growing the existing operations, and further strengthening its role as a steward of Chile's transmission backbone and as a responsible corporate citizen.

Transelec has worked in order to improve its system performance, controlling risks, applying rigorous procedures, and enhancing operating management. This is monitored by the Equivalent Interruption Time (EIT) indicator, which decreased from 6.26 system-minutes in 2014 to 3.40 system-minutes in 2015, showing the company's commitment to quality of service.

In 2015, the company also expanded its operations, commissioning over US$135 million on projects during the year. This included the 'Lo Aguirre Substation' project which features multiple auto-transformers with a total capacity of 1,000 MVA. The project was commissioned three months ahead of schedule, exemplifying the strong capabilities of our project development team. In addition, the company also commissioned the 'Ancoa Second Transformer 500/220 kV' project and ten different trunk upgrade projects.

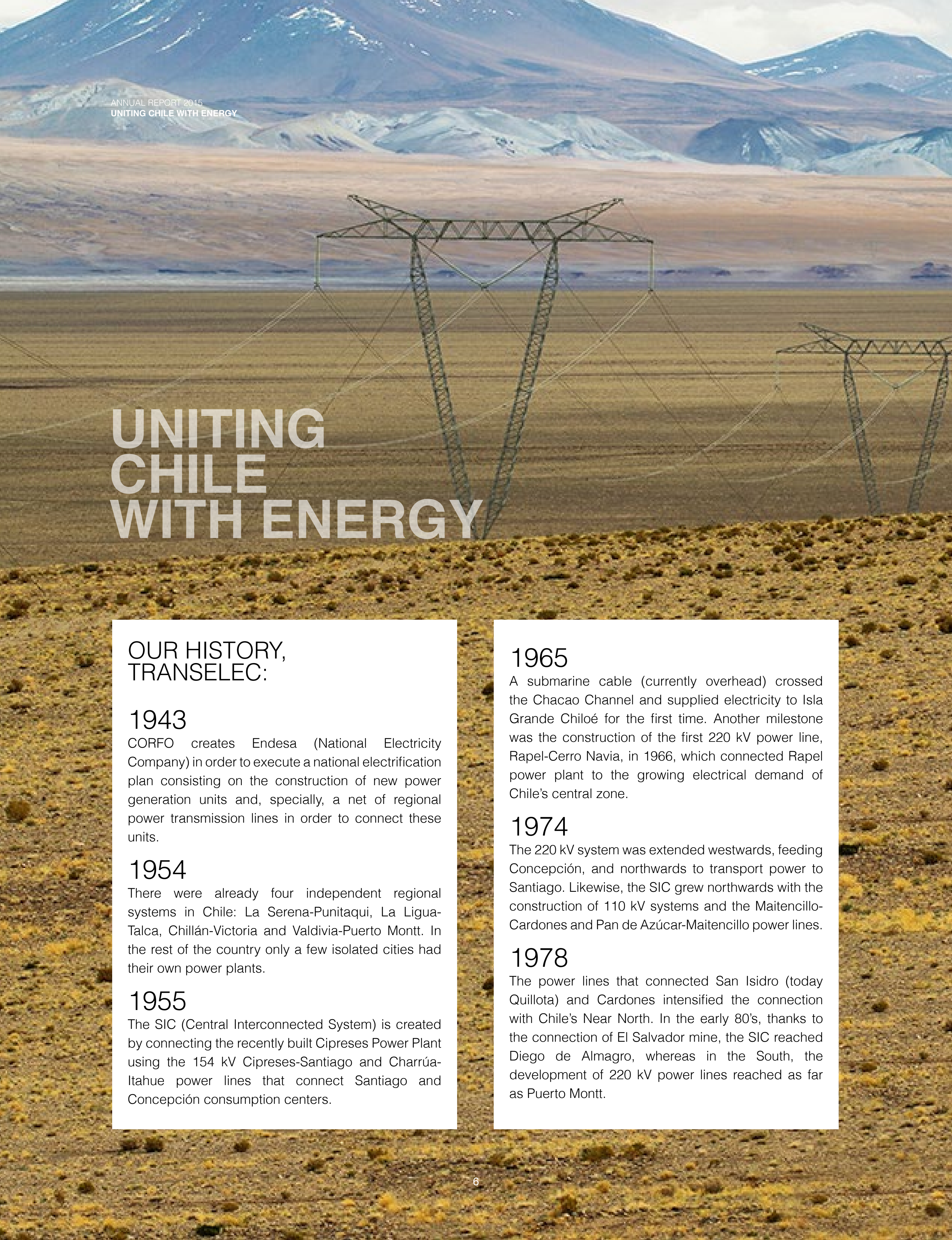
As a result of our track record of continued growth and efficient operations, Transelec once again achieved strong financial results during the year. The stability of the company's cash flow profile exemplifies its low business risk and prudent financial management which did not go unnoticed. In 2015 the company experienced an improvement in both its domestic and international credit ratings by Humphrey's/Fitch (AA-) and Fitch International (BBB), respectively. Additionally, in 2015, both S&P and Moody's ratified the international credit ratings of Transelec (BBB and Baa1, correspondingly).

As always, these achievements would not have been possible without the hard work, dedication and professionalism of our leadership team and our employees. A further reflection of our excellent team was the 'Desarrollo Sustentable del Sector Eléctrico' award granted by the Comité Chileno del Cigré in 2015. This was given as recognition to Transelec's efforts in working with the indigenous population of the country, respecting the communities' interests while supporting regional development and the local environment. The company was also awarded 'Sello ProPyme' award, recognizing its strong commitment and compliance to pay their 'Small and Medium-Sized' suppliers.

Likewise, in December of last year, the ESE Business School of Universidad de Los Andes placed Transelec among the country's 20-most innovative companies according to its 2015 'Ranking Most Innovative Companies Chile'. Transelec was also ranked first in the Utilities category of the same ranking, which is a reflection of the Company's intention to continue implementing innovative practices within our development and operational capabilities.

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



UNITING CHILE WITH ENERGY

OUR HISTORY, TRANSELEC:

1943
CORFO creates Endesa (National Electricity Company) in order to execute a national electrification plan consisting on the construction of new power generation units and, specially, a net of regional power transmission lines in order to connect these units.

1954
There were already four independent regional systems in Chile: La Serena-Punitaqui, La Ligua-Talca, Chillán-Victoria and Valdivia-Puerto Montt. In the rest of the country only a few isolated cities had their own power plants.

1955
The SIC (Central Interconnected System) is created by connecting the recently built Cipreses Power Plant using the 154 kV Cipreses-Santiago and Charrúa-Itahue power lines that connect Santiago and Concepción consumption centers.

1965
A submarine cable (currently overhead) crossed the Chacao Channel and supplied electricity to Isla Grande Chiloé for the first time. Another milestone was the construction of the first 220 kV power line, Rapel-Cerro Navia, in 1966, which connected Rapel power plant to the growing electrical demand of Chile's central zone.

1974
The 220 kV system was extended westwards, feeding Concepción, and northwards to transport power to Santiago. Likewise, the SIC grew northwards with the construction of 110 kV systems and the Maitencillo-Cardones and Pan de Azúcar-Maitencillo power lines.

1978
The power lines that connected San Isidro (today Quillota) and Cardones intensified the connection with Chile's Near North. In the early 80's, thanks to the connection of El Salvador mine, the SIC reached Diego de Almagro, whereas in the South, the development of 220 kV power lines reached as far as Puerto Montt.

1986
The extra high-voltage era started with the commissioning of the first 500 kV power lines (Ancoa-Alto Jahuel 1 and 2), crucial to inject the 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., afterwards Transelec S.A. was established in order to plan, operate and maintain the system as well as to provide services to the different power generating companies that used the SIC. Additionally, the overhead crossing of Chacao, consisting of two 179-meter towers, and a 2,680 mts. power line, was commissioned.

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
The Canadian company Hydro-Québec purchased all Transelec's shares.

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 allowed connecting Ralco hydroelectric plant (690 MW).

2006
The Canadian consortium led by Brookfield Asset Management purchased 100% Transelec's shareholdings, contributing with its solid financial strength to the service of Chile's growth requirements.

2008
The 500 kV energization of the Alto Jahuel-Polpaico double-circuit power line allowed to end northbound network saturation and was largely responsible for creation of a 500 kV ring surrounding Santiago, one of the key developments for the system's future.

2009
Nogales substation was commissioned; this will allow expanding efficiently the system from Chile's V region towards the North of the country.

2010
Transelec purchased Barrick Gold's Punta Colorada substation in order to consolidate service provision to the mining sector, as well as Tinguiririca Substation from Hidroelétrica La Higuera. The Company also commissioned Las Palmas substation, which is the core wind power contribution to the SIC power grid.

2011

Transelec signs a contract with Minera Lumina Copper Chile for the execution of the Caserones project, one of the most important in the mining industry. The Company also commissioned the Nogales-Polpaico project (Nogales substation, Nogales power line diagonal, buys at the Polpaico station and the Nogales-Polpaico power line). In addition, sixteen new projects were undertaken, including the Maitencillo-Caserones power line (including GIS enlargement of the Maintencillo substation), as well as Neptuno substation and its connection to the SIC.

2012

Transelec finished the transmission system construction for the 'Mina Caserones' project, located in Chile's Third Region, positioning the Company as a successful agent in the development and execution of highly complex transmission solutions for customers from the mining industry. The Company also purchased 100% of Transam Chile, which includes Abenor, Araucana and Huepil transmission lines; and purchased the 173-km Crucero Lagunas power line located in the SING by means of a private tender conducted by the E-CL.

Additionally, the company was awarded the new trunk transmission works for Lo Aguirre Substation and the installation of a Static Reactive Compensation (SRC) at the Cardones Substation. Likewise, 350 MVA flow control equipments were commissioned – independently for each circuit of the 220 kV Polpaico-Cerro Navia power line, which enables more Flexibility for transporting electricity to the Region Metropolitana.

Lastly, the Company was awarded with the 2012 SOFOFA and Capital Magazine Corporate Social Responsibility Award in the big companies category.

2013

During this period S.V.C Plus equipments were commissioned at Diego de Almagro Substation and Static Reactive Compensation (SRC) equipment was commissioned at Cardones substation. Additionally, the third autotransformer bank was inaugurated at the Charrúa Substation; the Minister of Energy, Jorge Bunster, attended the event. In financial terms, the company issued corporate bonds in the local market for a total of UF 3,100,000 in the Santiago Stock Exchange and in the international markets for an amount of US$ 300,000,000.

In this fiscal year Transelec was distinguished as a finalist for the 2013 Carlos Vial Espantoso award. This recognition is given to companies that build labor relations of trust and value the contribution of people in their results. The Ministry of Social Development awarded the Company for the second consecutive year with the 'Sello Más Por Chile 2013' recognition for its Corporate Social Responsibility Program 'Juega+ con Transelec' which is presented by The Ministry of Social Development.

2014

On December 1st, the legal process for the merger of Transelec Norte S.A. with Transelec S.A. finished thanks to the Board of Directors authorization.

Additionally, Transelec S.A. commissioned six trunk transmission upgrading projects amounting a total of US$ 43 million. Furthermore, the Company made acquisitions by total Investment Value of US$ 56 million, mostly related to the purchase of the 'Maitencillo - Cardones Line'.

In financial terms, the Company placed bonds in the international markets for an amount of US$ 375 million an historical figure for Transelec and renewed a revolving credit facility for US$ 250 million.

Likewise, during this fiscal year the Company was awarded the Fundación Carlos Vial Espantoso prize, Chile's most important recognition given to a company in terms of labor relationships, as well as the Preventive Risk Management Asociación Chilena de Seguridad distinction that reflects the work that Transelec and its contractors have done in terms of occupational safety and health.

Transelec was awarded with two trunk projects 'Transformador 500/220 kV, 750 MVA, S/E Alto Jahuel' and the 'Línea Lo Aguirre- Cerro Navia 2x 220 KV'.

With the presence of the President of the Republic Michelle Bachelet, Transelec opened its National Transmission Operation Center (CNOT) located in the municipality of Cerro Navia.

2015

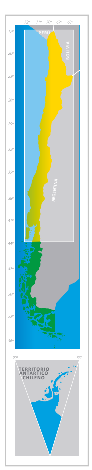
Reaffirming the solid financial performance of the Company, in January 2015, Fitch Ratings upgraded Transelec's international rating to 'BBB' from 'BBB-'. Additionally, Fitch Ratings and Humphrey's upgraded Transelec's local rating to 'AA-' from 'A+'.

In 2015, the Company commissioned, in advance, Lo Aguirre Substation which features a four-autotransformer bank amounting a total capacity of 1000 MVA.

In November, the Comité Chileno de Cigré awarded Transelec with the 'Desarrollo Sustentable del Sector Eléctrico Chileno' recognition thanks to its program 'Juega Más con Transelec: Pueblos Originarios' which was implemented within the framework of Cautín Substation's operation and that made it possible to combine the communities' interests, the local development and the respect for the environment. Likewise, in December, The ESE Business School of Universidad de Los Andes Placed Transelec among the Country's 20-most innovative companies according to its Ranking Most Innovative Companies Chile 2015.

Lastly, The Economy Ministry awarded the Company with the 'Sello ProPyme', a recognition granted to companies that have a strong commitment and compliance to pay their suppliers.

TRANSMISSION SYSTEM MAP



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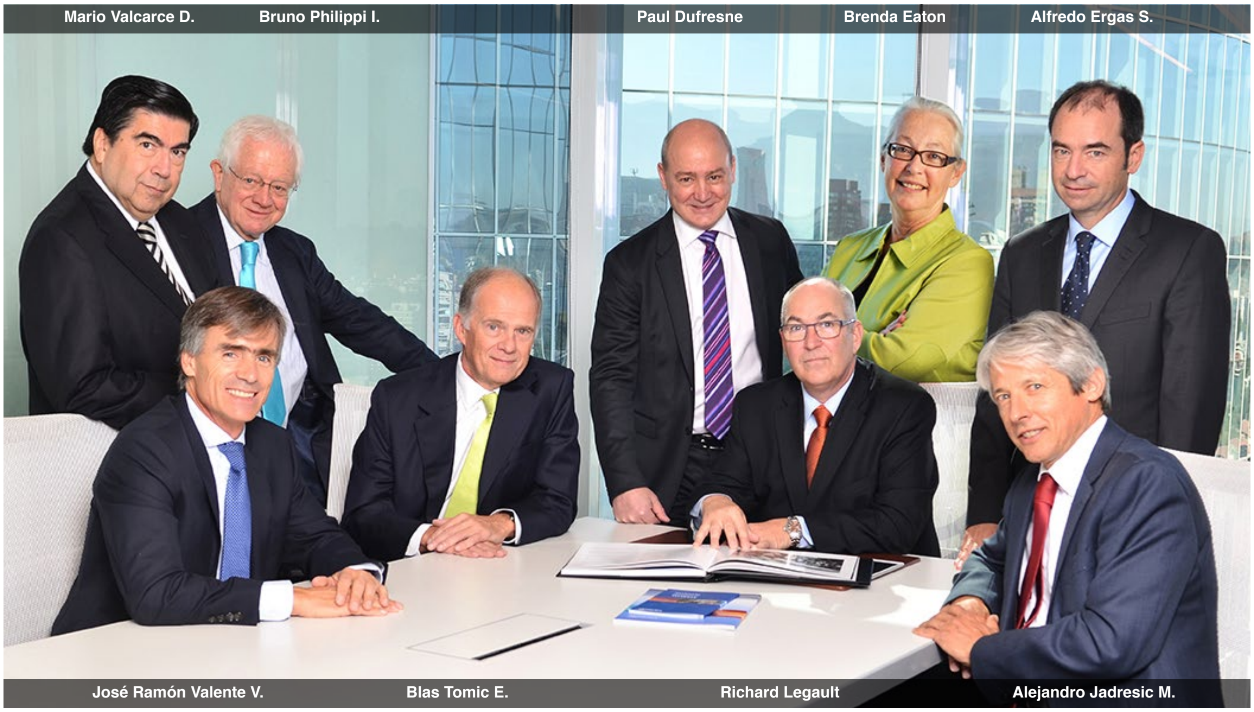
Updated February 2016

TRANSMISSION
SYSTEM MAP

02 CORPORATE GOVERNANCE

BOARD OF DIRECTORS



Richard Legault
Chairman
Foreign

Bruno Philippi Irarrázabal
Director
I.D.: 4,818,243-7

Blas Tomic Errázuriz
Director
I.D.: 5,390,891-8

Paul Dufresne
Director
Foreign

Alfredo Ergas Segal
Director
I.D.: 9,574,296-3

Mario Valcarce Durán
Director
I.D.: 5,850,972-8

Brenda Eaton
Director
Foreign

José Ramón Valente Vías
Director
I.D.: 8,533,255-4

Alejandro Jadresic Marinovic
Director
I.D.: 7,746,199-K

In accordance with the Company's bylaws, the Board of Directors is composed of nine members elected by the shareholders at the respective Shareholders Meeting. The aforementioned members hold office for a period of two years, without prejudice to the possibility of their reappointment. The Chairman is appointed by the directors elected at the Shareholders Meeting.

In compliance with the Law and the Bylaws, the Board of Directors shall meet at least once a month. During 2015 fiscal year, Transelec S.A. held 12 Ordinary Meetings and 2 Extraordinary Board of Directors meetings.

The Board of Directors is currently made up of Messrs. Richard Legault, Paul Dufresne, Brenda Eaton, Alfredo Ergas Segal, Bruno Philippi Irarrázabal, Mario Valcarce Durán, Blas Tomic Errázuriz, José Ramón Valente Vias, and Alejandro Jadresic Marinovic, and by their corresponding Alternate Directors, Messrs. Jeffrey Rosenthal, Patrick Charbonneau, Jerry Divoky, Etienne Middleton, José Ignacio Concha Vial, Patricio Leyton Flores, Rodrigo Ferrada Celis, Stella Muñoz Schiattino, and Valeria Ruz Hernández, all elected at the Transelec's Eighth Ordinary Shareholders Meeting, held on April 28th 2015.

BOARD OF DIRECTORS COMPENSATION

It was agreed at Transelec's Eighth Ordinary Shareholders meeting –held on April 28th– that the annual Director's compensation will remain at US$ 90,000 gross value.

Directors Richard Legault, Alfredo Ergas, Paul Dufresne, Brenda Eaton, as well as all Alternate Directors waived compensation corresponding to the 2015 fiscal year. Thus, Directors' compensations during 2015 fiscal year were as follows:

Bruno Philippi Irarrázabal	CLP$ 57,849,525
Mario Valcarce Durán	CLP$ 57,849,525
Blas Tomic Errázuriz	CLP$ 57,849,525
José Ramón Valente Vias	CLP$ 57,849,525
Alejandro Jadresic Marinovic	CLP$ 57,849,525

BOARD OF DIRECTORS EXPENSES

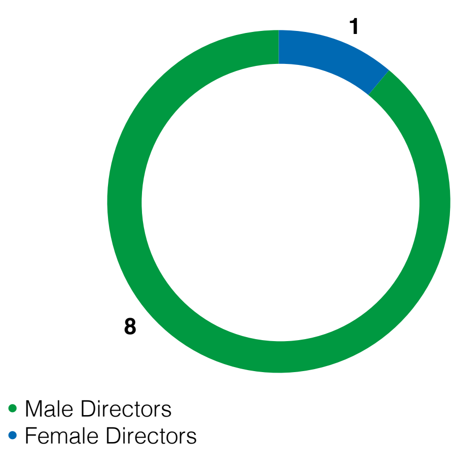
During 2015 fiscal year there were no payments associated to Directors' expenses.

BOARD OF DIRECTORS:

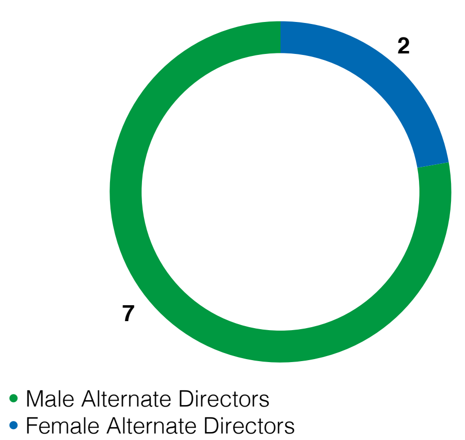
Regarding diversity within the Board of Directors, there is one woman; while in the alternate Directors, two are women. The following charts and graphics show the distribution by nationality, age and seniority in the Board of Directors.

i) Number of People by Gender

Director's Gender

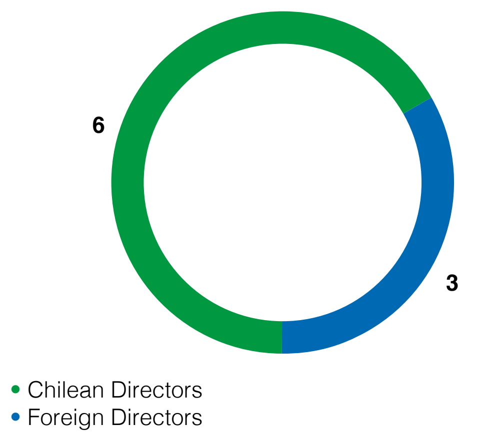


Alternate Director's Gender

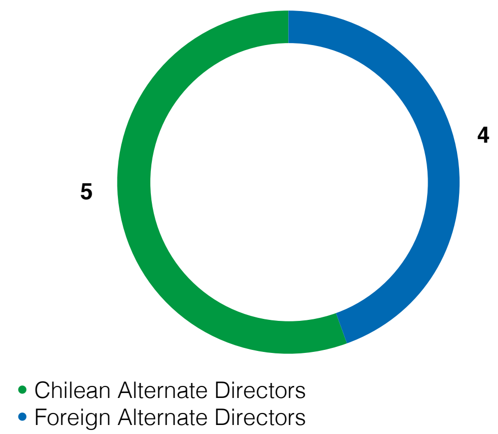


ii) Number of People by **Nationality**

Directors' Nationality

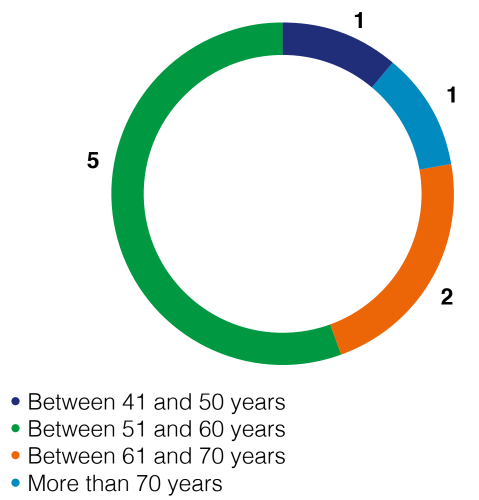


Alternate Directors' Nationality

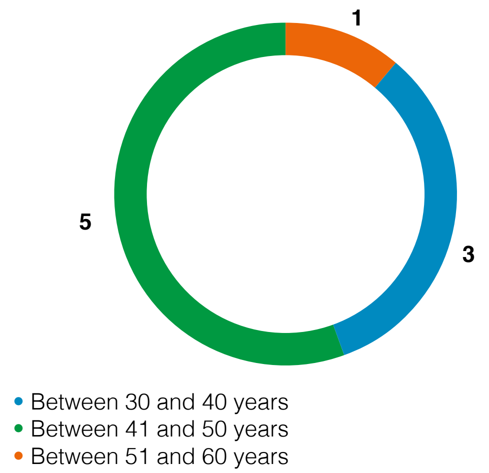


iii) Number of People by **Age Range**

Director's Age

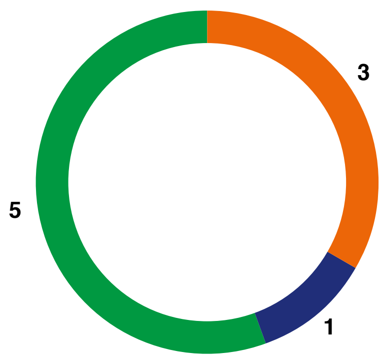


Alternate Director's Age



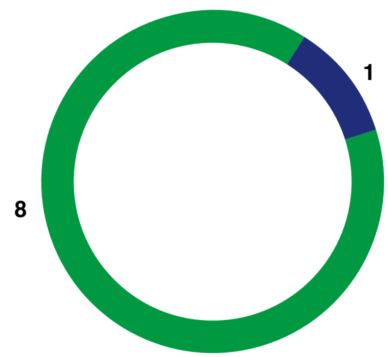
iv) Number of People by **Seniority**

Director's Seniority



- Less than 3 years
- Between 3 and 6 years
- Between 6 and 9 years

Alternate Director's Seniority



- Less than 3 years
- Between 6 and 9 years

AUDIT COMMITTEE

In April 2007, it was approved the creation of an Audit Committee, different from that established in the Corporations Law. The Audit Committee's duties include reviewing the auditor's reports, balance sheets, other financial statements of the Company and internal systems, among others. The Audit Committee is composed of four directors appointed by the Board of Directors. These Directors hold office for two years and are eligible for re-election. The Committee appoints a Chairman among its members and a Secretary, which can be one of its members or the Board of Directors' Secretary. During 2015, the Audit Committee held four meetings.

As of December 31st, 2015, the audit Committee was composed of its Chairman, Mr. Mario Valcarce Durán, the directors Mr. Alfredo Ergas, Mrs. Brenda Eaton and Mr. José Ramón Valente Vías, in addition to the Secretary, Mr. Arturo Le Blanc Cerda.

Members of the Committee are entitled to receive the corresponding remuneration as determined at the Ordinary Shareholders Meeting.

It was agreed at Transelec's Eighth Ordinary Shareholders Meeting held on April 28th 2015 that remuneration of each of the Committee members would continue to be US$ 10,000 per year.

Directors, Mr. Alfredo Ergas and Mrs. Brenda Eaton waived compensation corresponding to the 2015 fiscal year.

Compensation paid to other members of the Audit Committee during 2014 fiscal year is listed as follows:

Mario Valcarce Durán	CLP$ 6,067,500
José Ramón Valente Vías	CLP$ 6,067,500

INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee is composed of Directors and senior executives. The purpose of this Committee is to improve the information submitted to the Board of Directors regarding the Company's different projects and thus facilitate their decision-making.

REGULATION AND CORPORATE REPUTATION COMMITTEE

The Regulatory and Corporate Reputation Committee is composed of Directors and executives of the Company that meet on a bimonthly basis to review the Regulatory and Corporate Reputation Strategy against major modifications of laws and regulations of the electrical and environmental sector. Moreover, this committee leads the tariff processes of trunk transmission and subtransmission systems.

FINANCE COMMITTEE

The Finance Committee is composed of Directors and executives of the Company that meet on a monthly basis to review subjects related to financial matters. The purpose of this Committee is to review the Financial Strategy of the Company as well as to advice and approve the different proposals that are relevant for the financial activities of the Company.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is composed of Directors and executives of the Company that meet at least once a year to review subjects related to the people that are part of Transelec's team. Among other topics, the Committee reviews the financial KPI's upon which the current incentive pyramid of variable bonuses is based, as well as other topics related to people's development, training, etc.

OTHER COMMITTEES

A) Coordination Committees: They involve Transelec's Vice-Presidencies and are carried out periodically. These Committees are intended to coordinate the most relevant issues of the Company:

- Executive Committee.
- Business Committee.
- Project Committee.
- Operations Committee.
- Human Resources Committee.
- Results and Operational Excellence Committee.
- Regulatory Agenda.

B) Integrated Management System Committee: The task of this committee is to address all the matters regarding safety and risk prevention, maintenance and the Company's compliance with the environmental regulation and occupational health. The Committee is composed of several vice-presidents, the quality, Safety and Occupational Health Assistant Manager and a legal advisor from the Legal Affairs department.

MANAGEMENT TEAM

Andrés Kuhlmann Jahn
CEO
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
I.D. Number 6,554,568-3

Rodrigo López Vergara
OPERATIONS VICE PRESIDENT
Civil Electrical Engineer
Universidad de Chile
I.D. Number 7,518,088-8

Claudio Aravena Vallejo
HUMAN RESOURCES VICE PRESIDENT
Commercial Engineer
Pontificia Universidad Católica de Chile
I.D. Number 9,580,875-1

Francisco Castro Crichton
FINANCE VICE PRESIDENT
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
I.D. Number 9,963,957-1

Arturo Le Blanc Cerda
LEGAL AFFAIRS VICE PRESIDENT
AND GENERAL COUNSEL
Lawyer
Universidad de Chile
I.D. Number 10,601,441-8

David Noe Scheinwald
CORPORATE AFFAIRS AND SUSTAINABILITY
VICE PRESIDENT
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
I.D. Number 10,502,232-8

Eric Ahumada Gómez
COMMERCIAL AND BUSINESS DEVELOPMENT
VICE PRESIDENT
Civil Electrical Engineer
Universidad de Chile
I.D. Number 9,899,120-4

Alexandros Semertzakis Pandolfi
ENGINEERING AND PROJECT
DEVELOPMENT VICE PRESIDENT
Civil Engineer
Universidad de Santiago de Chile
I.D. Number 7,053,358-8

03

OUR PEOPLE

Among the pillars of Transelec's strategic plan; its collaborators play a key role. The high quality standards upon which we develop our work, together with the Company's growing challenges mean that Transelec seeks to recruit and retain the best professionals the market has to offer in the different performance areas.

In this context, Transelec has benefit policies, compensations and incentive plans that allow it to be a competitive company in terms of recruitment, motivation and talent retention.

Regarding the professional development of our collaborators, the Company periodically implements training programs in order to keep the high standards of professional quality; developing also among the Company the concept of Knowledge Management, which aims to retain the knowledge within the Company and to transmit it to future generations.

In terms of quality life promotion, Transelec has several initiatives; one of them is the part-time Friday throughout all year. Another very important benefit is the Pause Gymnastic Program, which was started in 2011 and is carried out in Santiago and regions. With this regard, we also highlight Transelec's Club that, by means of the 1+1 sponsorship, carries out recreational, sport and culture activities in which it provides the same amount of money than its collaborators.

As part of its family integration program, the Company once again –and for the fifth consecutive year- hosted in Santiago and regions the Open Day', a day in which Transelec open its offices to our collaborator's children in order to have them to meet their parents workplace as well as their contribution to the company.

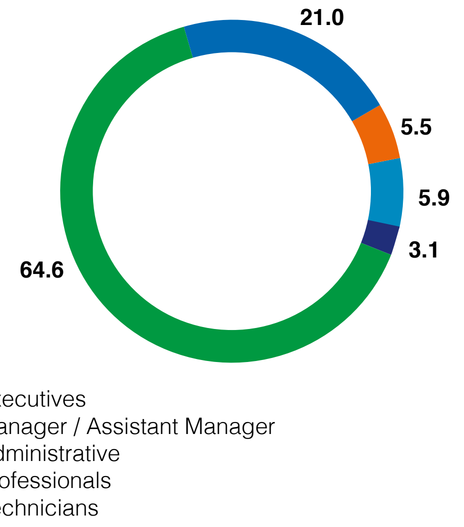
In the same line, in December the Company held its traditional Christmas Party together with the employees' families.

OUR EMPLOYEES

As of December 31st, 2015, Transelec employed 491 workers. More than 96% of them have a technical or professional specialization, which means the Company is highly knowledge-intensive and consistent with the quality service the Company needs

76.4% of the Company's workers are employed in the Operations and Engineering & Project Development areas.

Employee Distribution (%)



Note: Project personnel are not included.

Regarding diversity within Transelec, we can mention that at the Senior Management and those who report to it, includes a female manager, while in the rest of the organization 17% of the employees are women (81). The following charts and graphics show the distribution by nationality, age and seniority in the Company.

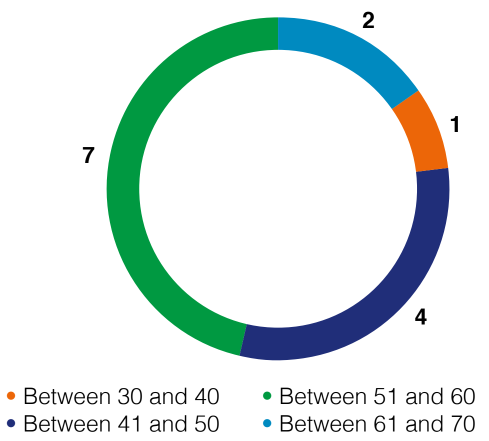
1. Nationality

	Executives			Organization		
Nationality	**M**	**F**	**Total**	**M**	**F**	**Total**
Chilean	13	1	14	392	76	468
Foreign	1		1	3	5	8
Overall total	**14**	**1**	**15**	**395**	**81**	**476**

2. Distribution by Age

a. Executives

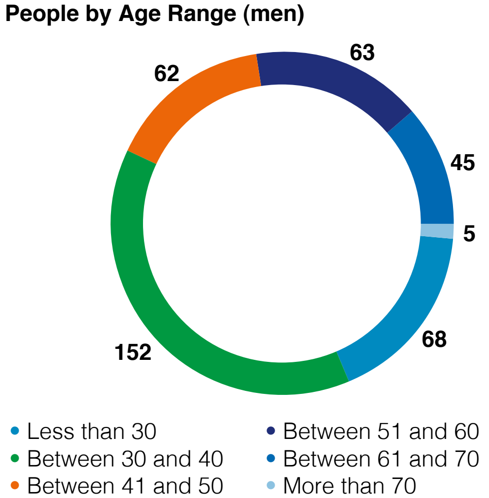
People by Age Range (men)



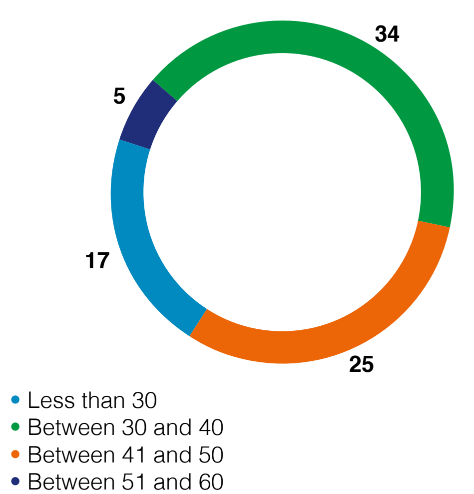
For women age range is between 51 and 60 years old.

b. Organization

People by Age Range (men)



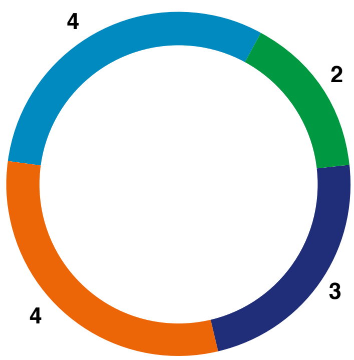
People by Age Range (women)



3. Distribution by Seniority

a. Executives

People by Seniority (men)

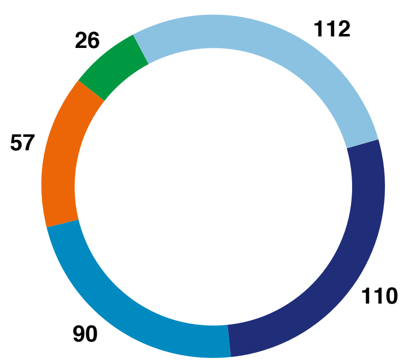


- Less than 3
- Between 3 and 6
- More than 6 and less than 9
- More than 12

For women the seniority range is between 3 and 6 years.

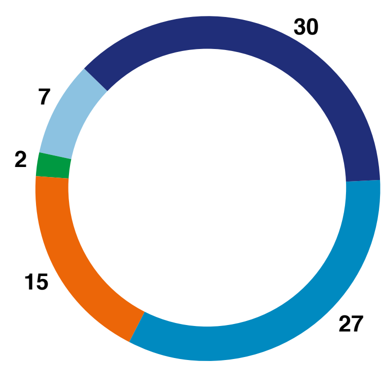
b. Organization

People by Seniority (men)



- Less than 3
- Between 3 and 6
- More than 6 and less than 9
- Between 9 and 12
- More than 12

People by Seniority (women)



- Less than 3
- Between 3 and 6
- More than 6 and less than 9
- Between 9 and 12
- More than 12

4. Salary Gap

In terms of salary gaps between men and women, the following chart shows such difference proportionally. The salary gap is calculated based on women's net average salary compared to the men's.

Position	Gap
Administrative	131%
Analyst	87%
Managers	99%
Engineers	107%
Supervisors	102%
Technician	68%
Average	**92%**

LABOR RELATIONS AND ORGANIZATIONAL CLIMATE

In 2015, Transelec continued working on driving up good labor relationships, which have been actually recognized in former years with different awards. The main axis of this work is the open-door policy towards the 2 existing unions in the Company and that materializes in the regular meetings where different working issues are discussed, making it possible to build up a trusted relationship between both parties.

As far as organizational climate is concerned, it remains in good shape. During this year, work was focused on improving the lowest-graded areas in the 2014 Organizational Health Survey; thus the Company organized different activities, such as workshops, focus groups and coaching.

KNOWLEDGE MANAGEMENT

The total training time during 2015 was 30,839 hours, which represents a monthly average of 5.2 training hours per worker. Thus, 92.6% of Transelec's workers attended training programs related to operating divisions, management support, safety, engineering, innovation, post-graduate, languages and information technology, among others.

During 2015, we continued developing the Knowledge Management Program, known as BIGBANG. Several lectures related to the Company's activities were broadcasted via streaming, bringing knowledge closer to workers in regions.

Additionally, and for eight consecutive years since its creation, we held four 'Programa de Maestros' workshops. The ultimate goal of this program is to transfer the knowledge of people with extensive experience to younger professionals within the Company.

In 2015, The Leadership Training Center -created in 2014 with the support of Universidad Adolfo Ibañez- continued developing skills in all the Company's leaders. A relevant milestone was the incorporation of 100% of leaders who are in charge of staff to the program. In December this year, the first groups of 2014 finished their training, so currently there are 51 students in graduation process. Among the skills this program covers are: personal leadership, communicational and relationship skills, leading others, openness to changes, leading the business and security leading.

VICE PRESIDENTS SALARIES

In 2015, Transelec paid executive salaries amounting to CLP$ 2,374 million. This value includes the salaries of corporate executives as of December 31st, 2015.

BONUS PLANS

In Transelec, employees are part of a bonus plan that is part of an incentive program related to the accomplishment of goals based on the Company's strategy and that are developed according to the level of detail and responsibility in Transelec's corporate hierarchy.

ORGANIZATIONAL CHART

CHIEF EXECUTIVE OFFICER
Andrés Kuhlmann J.

OPERATIONS
VICE PRESIDENCY
Rodrigo López V.

COMMERCIAL AND BUSINESS
DEVELOPMENT VICE PRESIDENCY
Eric Ahumada G.

ENGINEERING AND
PROJECT DEVELOPMENT
VICE PRESIDENCY
Alexandros Semertzakis P.

FINANCE VICE
PRESIDENCY
Francisco Castro C.

HUMAN RESOURCES
VICE PRESIDENCY
Claudio Aravena V.

LEGAL AFFAIRS
VICE PRESIDENCY
Arturo Le Blanc C.

CORPORATE AFFAIRS AND
SUSTAINABILITY
VICE PRESIDENCY
David Noe S.

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 their facilities into three categories (Trunk Transmission Systems, Subtransmission Systems and Additional Systems). It also establishes an open access layout for the first two systems as well as for additional power lines making use of rights of way by means of a power concession and those that use national public goods for their layout –as long as the corresponding Economic Load Dispatch Center (CDEC) determines there is technical transmission capacity- thereby they can be used by third parties under non-discriminatory technical and economic conditions. In addition, this framework establishes criteria and procedures for determining compensation that power-transmission facility owners are entitled to.

Trunk facilities are defined as the set of economically efficient power lines and substations that are required to supply all demand stemming from different scenarios of power generation availability.

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 injecting production of a power plant or a limited group of power plants into the system.

TRUNK TRANSMISSION

Transelec´s revenues 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 existing trunk system. The segments that comprise the trunk system and their corresponding VATT are determined every four years by a consultant that performs a study known as 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 investments that must be classified as new projects or as upgrades.

The National Energy Commission formulates a technical report based on TTS results. Based on this report, the Ministry of Energy sets 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 tendered by the respective 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. Subsequently, The National Energy Commission (CNE) determines the upgrade plan for the following 12 months.

SUBTRANSMISSION

Subtransmission remuneration is based on facilities economically adapted to the projected demand on a 10-year basis and considers the annual investment value (AIV), 'operating, maintenance and administration costs' (OMAC), medium loses of energy and power, as well as the indexing formulas to be applied to the set of facilities. The calculation is made for each Subtransmission system and then the revenues of each owner are calculated based on the AIV+OMAC proportion of their facilities with respect to the AIV+OMAC of the entire system.

In subtransmission, the study determines not-binding upgrading works, but that in the first four years are part of the Subtransmission values and their corresponding payment. In this segment, owners determine their own investment plan.

In order to determine the aforementioned payment, every four years the companies that own Subtransmission hire a consultant to conduct a study. Then, the National Committee of Energy reviews, corrects and/or modifies it based on a process regulated by the Decree Nº 144, which most of the times includes the participation of a Panel of Experts. By means of this process, the Committee issues a Technical Report and the Ministry of Energy sets the tariffs for the Subtransmission Systems for the next four years, dividing payments of generators into one fixed annual quota and the collection payment as a single monthly payment.

ADDITIONAL

Incomes from additional facilities come from the provisions set on the transportation contracts between users and the facility's owner; these are normally fixed based on the AIV+OMAC calculation agreed by the parties.

Additional facilities are for the exclusive use of a specific group of power generators or free customers and the authority could eventually declare them as subtransmission or Trunk as long as they change their operation conditions and meet the corresponding requirements.

TARIFF STUDIES

During 2014 and 2015, the third Trunk Transmission Study was conducted. The study provides the basis for fixing trunk rates for the 2015-2018 period. However, on February 17th, 2015, the Official Gazette published the law Nº 20,805, which, among other topics, entitled the Ministry of Energy to extend –only once and until December 31st, 2015– rates set by decree Nº 61 by means of a supreme decree. This was made official by means of Decrees Nº 8T of March 17th 2015. Because of this, new rates were postponed for the 2016-2019 period, keeping trunk 2015 rates the same as previous year.

In November 2015, the National Energy Commission forwarded the Ministry of Energy the Technical Report that includes the use of the Opinion Nº 6-2015 of the Panel of Experts, so that they can issue the decree that will initiate the valid period for the new trunk transmission rates for the 2016-2019 period. It is expected that this decree would be published at the beginning of 2016.

Studies to determine the Annual Value of the Sub transmission Systems were performed during 2014 and 2015. These studies provide the basis for setting the rates for the five SIC's subtransmission systems and the single SING subtransmission system for the 2015-2018 period. However, on February 17th, 2015, the Official Gazette published Law N° 20,805, in which, among other topics, entitled the Ministry of Energy to extend –only once and until December 31st, 2015– rates set by decree Nº 61 by means of a supreme decree Nº 7T of March 17th 2015.

Consequently, the effective date for the new rates was postponed for the 2016-2018 quadrennium, which resulted on subtransmission rates for 2015 remain the same as the former year. It is expected that: i) At the beginning of 2016, the National Energy Commission would issue a technical report based on the results of the studies for setting the Annual Value of Subtransmission Systems and the companies' observations and ii) the Ministry of Energy will publish the decree with the new subtransmission rates in the second term 2016.

BILL ON TRANSMISSION

The Ministry of Energy and the National Energy Commission prepared a Draft of a Bill that was entered to the National Congress through the Chamber of Deputies on August 7th, 2015. The draft's core goals are:

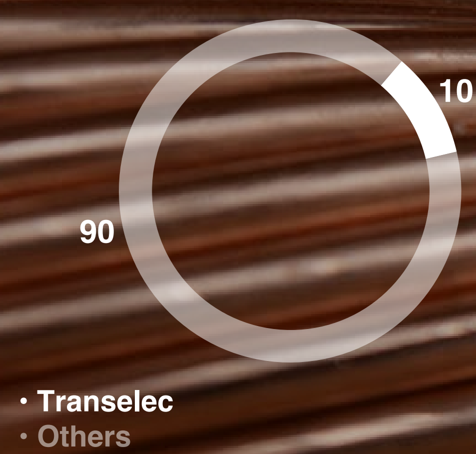
- Establishment of a single coordinating body at national level, independent and with legal personality and own equity.
- New qualification of Power Transmission Systems (National System, Zonal System, Dedicated System and new Transmission System for Developing Poles, International Systems).
- Universal Open Access to all transmission systems' facilities (including substations).
- Modification of Supply Compensations and the incorporation of compensations for unavailability of facilities.
- Power and Transmission Planning based on a flexible and long-term approach.
- State participation in the layout and location of new transmission systems, considering a citizen participation scheme.
- New valuation and remuneration of transmission facilities.
- Modification of the Panel of Expert's authority.

The Chamber of deputies already passed the Bill with some indications. Then, it was dispatched to the Senate in January 2016.

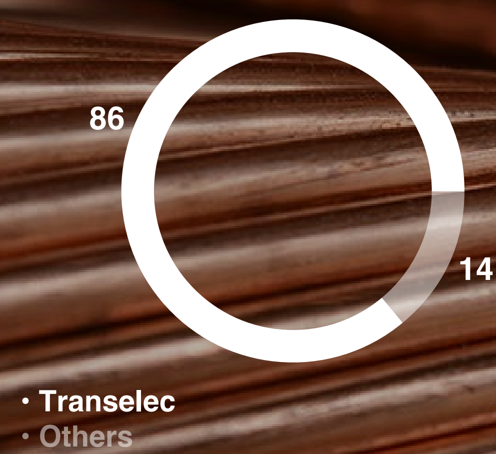
MARKET SHARE AS OF DECEMBER 31ST, 2015

Transelec owns 81% of the 500 kV power lines in service in the country, and has a 42% stake in the 220 kV power lines. The Company therefore has an 86% market share for 154 kV power lines and a 10% share for 110 kV and 66 kV power lines.

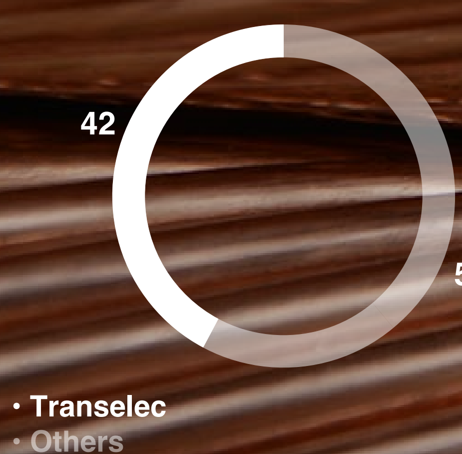
66+110 kV (%)



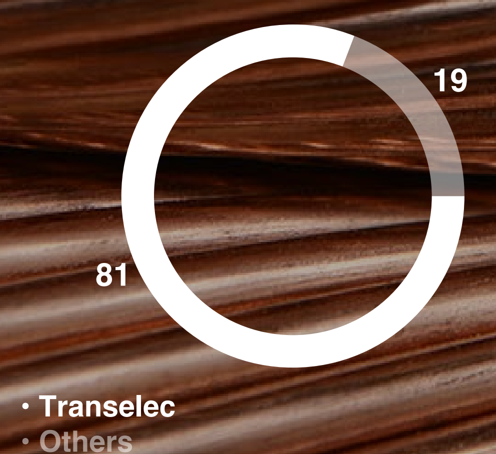
154 kV (%)



220 kV (%)



500 kV (%)



TRUNK SYSTEM PROJECTS

NEW PROJECTS

1. Studies

On April 21st, 2015, The Official Gazette published the Decree Nº 158 establishing the 'Trunk Transmission System Upgrade Plan' SIC and SING –New works for the next twelve months.

As a result, the Economic Load Dispatch Center of the SIC (CDEC-SIC) and the Economic Load Dispatch Center of the SING (CDEC-SING), made a call to international public tender for following projects:

- 'New 2x500 kV 1500 MW power line between Los Changos and Nueva Cruceros Encuentro Substations, 2x750 MVA 500/220 kV Autotransformer Bank at Nueva Crucero Encuentro Substation, 750 MVA 500/220 kV Autotransformers Bank at Los Changos Substation and New 2x220 kV 1500 MW power line between Los Changos and Kapatur Substations'.
- 'Nueva Diego de Almagro Sectioning Substation, New 2x220 kV power line between Nueva Diego de Almagro - Cumbres Substations and 1x750 MVA 500/220 kV Autotransformer Bank'.

Transelec S.A. is carrying out all the studies required to evaluate its participation in the bidding process and expects to submit proposals in January 2016.

2. Projects Awarded

On July 12th, 2014, the Official Gazette Published the Decree Nº 201 establishing the 'Trunk Transmission Upgrade Plan' SIC-New Works for the next twelve months.

As a result the Economic Load Dispatch Center CDEC-SIC and the Economic Load Dispatch Center of the SING (CDEC-SING), made a call to international public tender for following projects:

- 'New Crucero – Encuentro Substation'.
- 'Nueva Charrúa Substation, sectioning of power lines 2x500 kV Charrúa - Ancoa 1 and 2, and a new 2x220 kV Nueva Charrúa-Charrúa power line'.
- 2x500 kV Pichirropulli-Puerto Montt line, energized at 220 kV.

3. Projects Development

Under provisions of Decree Nº 310 of 2013, Transelec continued to develop the following projects:

- 'New 2x220 kV Lo Aguirre – Cerro Navia Power Line': Transelec S.A. submitted the lowest Annual Transmission Value per Segment. The project has a reference Investment Value (VI) amounting US$ 54.61 million and the deadline established for the project is 48 months.
- 'Third 500/220 kV, 750 MVA Autotransformer Bank at Alto Jahuel Substation. The Project has a reference Investment Value (I.V.) amounting US$ 44.68 million and the construction deadline established for the project is 36 months.

4. Commissioning

Under provisions of Decree Nº 115 of 2013, Transelec S.A. executed and delivered for commercial operation to the CDEC-SIC, the following project:

- **June 10th:** 'Lo Aguirre Sectioning Substation: Stage I' featuring the construction of 500/220 kV Lo Aguirre sectioning substation, a bank of four single-phased 500/√3:220/√3 kV autotransformers amounting to a total of 1000 MVA, with space for a second 500/220 kV transformer bank. The construction lasted 33 months and the reference Investment Value (I.V.) amounts US$ 69.02 million.

Under the provisions of Decree Nº 82 dated in 2012, Transelec executed and delivered for commercial operation to the CDCEC-SIC, the following project:

- **October 08th:** 'Second 500/220 kV Transformer at Ancoa'. Featuring the installation of a 500/220 kV autotransformer bank amounting to a total 750 MVA, plus one standby unit. The construction deadline was 24 months and the reference Investment Value (I.V.) amounts US$ 20.45 million.

UPGRADES

1. Studies

Transelec S.A. is conducting studies included in the Expansion Plan of the Trunk Transmission system for the period 2015-2016.

Additionally, under the provisions of Decree Nº 158, Transelec is studying the following project:

- '2x220 KV Crucero - Lagunas power lines extension for relocating connections from Crucero to Nueva Crucero Encuentro Substations'.

2. Projects Awarded

On April 21st, 2015, the Official Gazette published the official Decree N° 158 describing the Trunk Transmission Expansion Plan SIC-SING, New Updating Works, 2014-2015 period.

Under the provisions the decree establishes, Transelec S.A. initiated the development of the following projects:

- '220 kV Carrera Pinto Substation Upgrading'.
- '1x220 kV Cardones - Carrera Pinto-Diego de Almagro power transmission line upgrade'.
- '220 kV Cardones Substation Upgrade'.
- '52JS, 52JCE1, 52J6, 52JZ3 and 52J7 circuit breaker replacement at 220 kV Alto Jahuel Substation'.
- '52JT5, 52JT6 and 52J15 circuit breaker replacement at 220 kV Charrúa Substation'.
- '220 kV Temuco Substation upgrade'.

The referential investment value (I.V.) of the portfolio to be awarded amounts to US$ 38.850 million.

3. Project Development

Under the provisions of Exceptional Decree N°942 of 2009 and its modifications by means of the Decree N°1,403 dated in 2009, Transelec S.A. continued the development of the following project:

- '2x220 kV Punta Cortés - Tuniche Power Transmission Line' featuring the construction of a power transmission line spanning approximately 10 km between Punta Cortés Substation and Tuniche Substation (current Tap-Off connection point to Rancagua). The construction deadline established was 40 months with referential Investment Value (I.V.) amounting to US$ 3.69 million.

Under the provisions of Decree N° 310 dated 2013, Transelec S.A. continued developing the following projects:

- '500 kV Polpaico Substation Upgrade and replacement of a circuit breaker for the 52JR coupling bay' featuring the upgrade of the two main busbars and the transfer busbar at the 500kV yard and replacement of the circuit breaker for the 52JR coupling bay and its equipment at the 220 kV yard. The construction deadline established was 18 months with referential Investment Value (I.V.) amounting to US$ 9.81 million.

- '500 kV Charrúa Substation Upgrade and replacement of a circuit breaker for the 52JR1, 52JR2 and 52JR3 coupling bays' featuring the upgrade of the two main busbars and the transfer busbar at the 500 kV yard and replacement of 52JR1, 52JR2 and 52JR3 circuit breakers and their bay equipment. The Construction deadline is 24 months with a referential Investment Value (I.V.) amounting to US$ 18.40 million.

- '220 kV Ciruelos Substation Upgrade' featuring 220 kV yard upgrade, incorporation of a transfer busbar, main busbar extension and the construction of a second busbar section. Additionally, it features the incorporation of the corresponding bays and sectioning-and-coupling circuit breaker. The Construction deadline is 36 months with a referential Investment Value (I.V.) amounting to US$ 21.50 million.

- '220 kV Lagunas Substation Upgrade, 60 MVAr condenser bank and TTCC replacement for bays J1 and J2' featuring main-busbar, transfer busbar and platform upgrade at the 220 kV bay for the construction of two power transmission line bays and related equipment. It also features the construction of a 60 MVAr static condenser bank and TTCC replacement for bays J1 and J2. The Construction deadline is 18 months with a referential Investment Value (I.V.) amounting to US$ 5.19 million.

- '220 kV Upgrade at Encuentro Substation', capacity upgrade for the 2x22 kV Crucero-Encuentro power transmission line and TTCC and line trap replacement for bay J5 at the Crucero Substation' featuring 220kV upgrade to pass a double-busbar plus a transfer busbar configuration. Additionally, it features a 2x200 kV Crucero-Encuentro transmission line upgrade to 1,000 MVA. The Construction deadline is 27 months with a referential Investment Value (I.V.) amounting to US$ 6.29 million.

- '220 kV Miraje Sectioning Substation' consisting on the construction of a new substation that in the first stage features the connection of four circuits resulting from the 220 kV Atacama-Encuentro transmission line sectioning. The Construction deadline is 24 months with a referential Investment Value (I.V.) amounting to US$ 11.77 million.

- '220 kV Sectioning Busbar at the Tarapacá Substation' featuring the construction of a second main busbar and its corresponding sectioning bay and circuit connection to the busbar. The Construction deadline is 26 months with a referential Investment Value (I.V.) amounting to US$ 4.65 million.

Under the provisions of Decree Nº 201 dated 2014, Transelec S.A. continued developing the following projects:

- 'Main busbar sectioning at Carrera Pinto' featuring the construction of a second main busbar section, the increase of existing auxiliary services, adjustment of the busbar differential protection to provide room for constructing two sectioning bays for the Cardones – Diego de Almagro circuit 2. The Construction deadline is 27 months with a referential Investment Value (I.V.) amounting to US$ 4.98 million.

- '1x220 kV Maitencillo-Cardones power transmission line upgrade' featuring a 260 MVA upgrade at Maitencillo-Cardones power transmission line. The Construction deadline is 24 months with a referential Investment Value (I.V.) amounting to US$ 6.84 million.

- '500 kV busbar sectioning at Alto Jahuel substation' featuring the construction of GIS bays or outdoor Hybrid as 500kV busbar sectioning. The Construction deadline is 27 months with a referential Investment Value (I.V.) amounting to US$ 17.90 million.

- '500 kV busbar sectioning at Ancoa Substation' featuring the construction of GIS bays or outdoor Hybrid as 500kV busbar sectioning. The Construction deadline is 27 months with a referential Investment Value (I.V.) amounting to US$ 17.90 million.

- '500 kV busbar sectioning at Charrúa substation' featuring the construction of GIS bays or outdoor Hybrid as 500 kV busbar sectioning. The Construction deadline is 27 months with a referential Investment Value (I.V.) amounting to US$ 17.90 million.

- 'Complete Sectioning at Rahue substation' featuring sectioning of 2x220 kV power line circuit N°2 at Valdivia - Puerto Montt Substation. Additionally, the project includes busbar sectioning bay as well as the construction and supply of the new elements necessary for the sectioning of this line. The Construction deadline is 27 months with a referential Investment Value (I.V.) amounting to US$ 7.35 million.

- '500 kV Ancoa Substation Upgrade' featuring the platform upgrade at the new 500 kV bay. The Construction deadline is 15 months with a referential Investment Value (I.V.) amounting to US$ 1.86 million.

4. Commissioning

Under the provisions of Decree Nº 310 dated 2013, Transelec S.A. commissioned the following projects:

- **January 15th:** '220 kV Cardones substation upgrade' featuring the update of the two main busbars and transfer busbar 220 kV bay to provide room for the bays of the new 220 kV power transmission line that connects the future substation part of the '2x500 kV Cardones –Maitencillo substation' project and the '2x220 kV Cardones-Diego de Almagro New Line' project. The Construction deadline was 18 months with a referential Investment Value (I.V.) amounting to US$ 2.46 million.

- **June 14th:** '220 kV Cerro Navia Substation Upgrade' featuring the two-main busbars and transfer busbar upgrade as well as other works to provide room for the '2x220 kV Lo Aguirre-Cerro Navia New Line' Project. The Construction deadline was 18 months with a referential Investment Value (I.V.) amounting to US$ 3.02 million.

- **June 24th:** '220 kV Maitencillo Substation Upgrade' featuring main busbars upgrade of the GIS 220 kV equipment as well as the connection of the GIS equipment to the 220 kV transfer busbar to provide room for the 220 kV power transmission line bays and the future substation to be built as part of the 'New Maitencillo- Pan de Azúcar Transmission Line' project. The Construction deadline was 18 months with a referential Investment Value (I.V.) amounting to US$ 3.75 million.

- **June 26th:** '220 kV Las Palmas Substation Upgrade' featuring the incorporation a transmission busbar in the 220 kV yard and the corresponding busbar coupling bay. The Construction deadline is 24 months with a referential Investment Value (I.V.) amounting to US$ 4.07 million.

- **July 26th:** '220 kV Rapel Substation Upgrade and 52JS circuit breaker installation' featuring the readjustment of the Quelentaro by-pass. Additionally it includes the replacement of the current busbar sectioning for a 52JS circuit breaker. The Construction deadline was 20 months with a referential Investment Value (I.V.) amounting to US$ 5.17 million.

- **August 12th:** 'Circuit breaker replacement for the 52JR coupling bay at Alto Jahuel Substation' featuring the replacement of the 52JR coupling circuit breaker and its equipment. The Construction deadline was 24 months with a referential Investment Value (I.V.) amounting to US$ 2.83 million.

- **October 26th: '**Switchgear replacement for J3, J4 and JR bays at the Quillota Substation and JR switchgear at the Polpaico Substation' which involves changing of the switchgear due to their limited capabilities of power transfers. The Construction deadline was 30 months with a referential Investment Value (I.V.) amounting to US$ 3.28 million.

- **November 30th:** '220 kV Diego de Almagro Substation Upgrade' featuring the readjustment and use of existing facilities for the construction of a second main busbar and transfer busbar at the 220 kV yard. The Construction deadline is 24 months with a referential Investment Value (I.V.) amounting to US$ 6.91 million.

MAIN PROJECTS IN 2015

Trunk Transmission System

Figures in million pesos

Project Type	Real Investment
New Work	14,998
Upgrade Works	28,820
Carry-Over (*)	82
Total project Trunk System	**43,899**

(*) Corresponding to payments made in 2015 for projects commissioned in 2014 or earlier.

SUBTRANSMISSION SYSTEM PROJECTS

1. Studies

During 2015 studies were done for the projects awarded as detailed in the following point C2.

2. Projects Awarded

In 2015, Transelec S.A. started the execution of the following projects:

- 'Transformation capacity upgrade at Pan de Azúcar Substation' featuring the assembly of a new 220/110 kV 150 MVA transformer in order to increase the substation's security level. Additionally, the Company made the adjustments needed to comply with the safety technical standard and the quality service standard with regards to 8-and-9 severity failures.
- 'Transformation capacity upgrade at Quillota Substation' featuring the assembly of a new 220/110 kV 150 MVA transformer in order to increase the safety level of the substation.
- 'Transformation Capacity upgrade at Cerro Navia Substation' featuring the construction of a 220/110 kV autotransformers bank with three 133 MVA single-phase units. Additionally, necessary adjustments were made in order to comply with the safety technical standard and the quality service standard with regards to 8-and-9 severity failures.
- '220/154 KV Transformation Bank at Tinguiririca Substation' featuring the construction of a 220/154 kV autotransformers bank with three 100 MVA single-phase units, plus 1 standby unit.

3. Projects Development

No subtransmission projects were developed in 2015.

4. Commissioning

No subtransmission projects were commissioned in 2015.

INVESTMENT IN 2015

Subtransmission System

Figures in million pesos

Project Type	Real Investment
Works	134
Total projects Subtransmission System	134

ADDITIONAL SYSTEM PROJECTS

1. Studies

During 2015 Transelec S.A. continued searching for new opportunities in the business aiming to establish and strengthen customer relations, as well as to support these customers with its expertise when it comes to offering technical, innovative and competitive solutions.

2. Projects Awarded

Development of no additional works was awarded during the period.

3. Projects Development

In the framework of the contract signed between Metro and Transelec S.A., the development work of the 'Neptuno Substation' and the 'Neptuno Boot Line' continued. The projects include construction of the Neptuno Type-GIS (Gas Insulated Substation) Substation and interconnection of the Neptuno Substation to the Alto Jahuel - Cerro Navia substation by means of a 2x220 kV transmission line.

The Construction deadline is 46 months with a referential Investment Value (I.V.) amounting to US$ 21.265 million.

4. Commissioning

In 2015, the following works were commissioned:

- **May 18th:** '220 kV busbar upgrade at Maitencillo Substation' featuring circuit breakers replacement based on their limited current-transfer capacity. The Construction deadline was 4 months with a referential Investment Value (I.V.) amounting to US$ 2.13 million.

- **November 18th:** 'Installation of a 220/23 kV, 30 MVA transformer at Atacama Substation' featuring bay construction, new 220/23 kV, 30 MVA transformer assembly, d23 kV output switch, a new control house and adjustments required for control, protection and communication systems. The Construction deadline is 20 months with a referential Investment Value (I.V.) amounting to US$ 7.06 million.

MAIN PROJECTS IN 2015

Additional System

Figures in million pesos

Project Type	Real Investment
Metro	3,364
Molyb	2,494
AES Gener	275
Carry-Over (*)	3
Total projects Additional System	6,136

(*) Corresponding to payments made in 2015 for projects commissioned in 2014 or earlier.

OUR CUSTOMERS

Transelec transports electric power that all Chileans need thanks to its transmission lines that carry electricity from the production centers to the cities and big industrial and mining users.

We are the main supplier of power transmission services between the SING and SIC. Our customers are those users that withdraw, inject energy or use the transmission systems, namely, clients from the mining and industrial sectors, as well as companies that generate and distribute power.

We are convinced that being leaders in the transmission market implies, not only being in charge of big projects, but also and mostly, working on providing good solutions to all kind of customers. For the first time and with the intention of delivering new solutions for the access of NCRE to the net, Transelec has promoted an Open Season for those companies that have power-generating projects and that are interested in being connected to the Paposo-Diego de Almagro area. The goal of this initiative is to add demand and make use of scale economies for the design of joint solutions, which we expect to continue improving with the purpose of applying it to other regions of the system.

Our commitment has been focused on accompanying these and other projects during their process of connecting themselves to Transelec Transmission System. It is because of this that we have been adapting ourselves and searching improvements in our gaps to facilitate this process. We have also improved and made flexible our offer in different areas, which has allowed us to reach agreements for the development of transmission solutions in this market.

On the other hand, Transelec has continuously expressed its wish of being an active agent in the energy development of our country. In 2015, the Company has participated in roundtables organized by the Government to identify regulatory improvements in transmission and keeps an intensive program of cooperation and approach to the communities where some of its facilities are located.

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Finally, in 2015, Transelec has made incursions in the exploitation of new Latin-American markets, such as the Peruvian and Colombian, with the purpose of knowing in depth those markets, their composition, regulations and operation. This new version comes from the interest in finding new opportunities beyond borders, which we expect to assess more actively during the curse of 2016.

CUSTOMER SERVICE POLICY

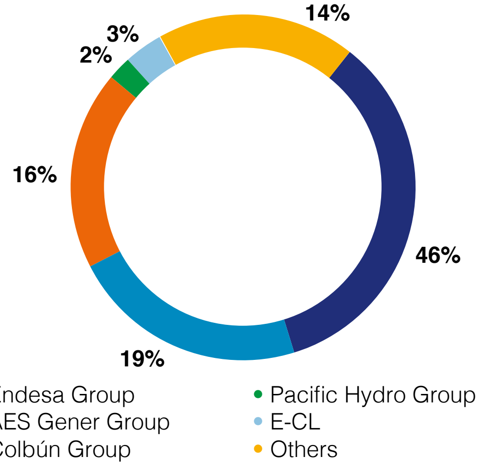
Our policy is to interpret and understand our customers' needs, identifying optimum technical and economic solutions for each of their projects as well as executing them in conformity with the best quality, safety and environmental parameters. This is a commitment that establishes a long-term relationship over the years.

Our commitment is to be increasingly 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.

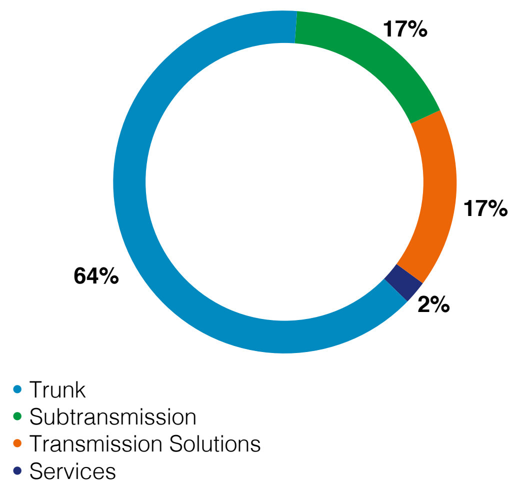
Finding and delivering a specialized offer allows us to develop the best and most innovative power transmission solutions, especially for highly complex projects with limited deadlines, incorporating state-of-the-art technological solutions to the market.

During last years, and especially during 2015, renewable energies have burst into the power generating market. A great number of projects have been developed; some them have decided to enter pricing their injection at a marginal cost, others have successfully participated in biding processes organized by the CNE and, finally, some of them are being developed in the pursuit of being awarded a participation in the bidding process of blocks of power that the CNE will launch the first quarter of the next year. We have focused on accompanying these projects in their process of connecting themselves to Transelec's transmission system. During 2015, Transelec connected approximately 1.259 MB of NCRE to the transmission system, corresponding to 729 MW and 530 MW to the SIC and SING, respectively. Almost 50% more than year 2014 where a total of 628 MW were connected, a sample of the important contribution made by Transelec in managing third-party connections.

Transelec Customer Share



Revenue Distribution by System

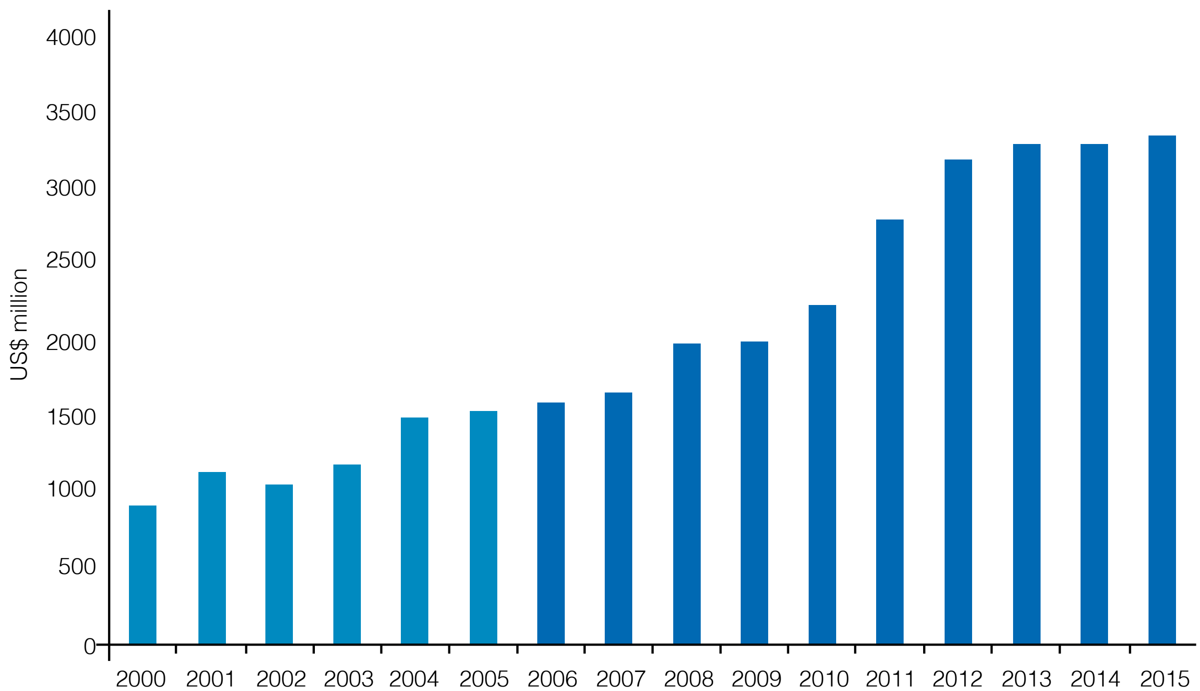


VALUE OF INVESTMENT (VI)

The current regulation framework establishes calculation and publication mechanisms for the Value of Investment of power transmission company at market prices. This information is used for setting service rates.

VI of Transelec power transmission facilities as of December 31st, 2015, came up to US$ 3,341 billion.

Value of Investment (VI)



05 THE OPERATION

Transelec's commitment as an important collaborator in the country's growth and development means that the essential operation purpose is to supply power with high safety and quality service standards. Pursuant this goal Transelec counts on highly specialized personnel and contractors as well as processes and technical resources whose management is executed following criticality and risk models from a long-term perspective that supports power transmission operation with high standards.

The Operations Vice-Presidency, which is responsible for network operation, has employed an ongoing strategy for continuous improvement and incorporation of best practices, both for operation and network maintenance.

During 2015, one of the biggest initiatives was the consolidated operation of 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 that gathers best practices detected through benchmarking with world-class companies.

Following these concepts, the Company's annual execution of Preventive Maintenance was greater than scheduled at the beginning of the year, thanks to the compliance of 100% of the higher risk activities and a surplus in the compliance of the other categories. This plan is managed dynamically, which means that new risk evaluations and risk prevention assessments are continuously applied in order to evaluate condition of assets. In the event that risk situations are detected, force majeure modalities considered in the regulations are used in order to provide operating conditions that will ensure that these maintenance procedures are executed.

Controlling the performance of assets is one of the focal points of this new management; and the most important indicator is the failure rate. In this aspect, a multisystem approach is used. This spans from maintenance and assets' renewal to specific controlling actions such as the pursuit of best practices implemented by international companies, together with internal innovation and multidisciplinary studies with universities aiming to understand the interaction of birds with power transmission lines in order to propose initiatives that could reduce power outages for this reason.

As of network failures, we wish to highlight the systematic and steady application of investigation and root-cause analysis methodology preformed during 2015. This has been fundamental for supporting continuous improvement and determining decisions regarding maintenance and renewal of assets as well as operational processes.

Following these concepts, during 2015 we continued an intense plan of assets' renewal based on year-on-year plans organized based on the asset criticality assessment and in order to maintain the value of the Company's assets, increasing reliability, reducing failure rates and ensuring compliance with standards levels.

Regarding our substations, it is worth mentioning the replacement of 28 circuit breakers in our Zone Divisions during 2015. Likewise, the Company continued to replace control, protection and teleprotection assets, which amounted to 56 replacements throughout the year. Both are core initiatives in Transelec's quality strategy and follow long-term plans that include, for the upcoming years, ongoing tenders under flexible modalities and with the strategic cooperation of suppliers. Replacement of others equipment throughout different stations also continued.

Regarding transmission lines, important renewal works were executed during the year, the main ones being the changes of conducting and isolating at sections of the SINC's and SING's 220 kV and 110 kV transmission lines. Likewise, and as a result of the corrosion map elaborated in 2014, the Company elaborated the anticorrosive treatment planning for high-voltage mechanic structures, which will be performed since 2016 and the following years.

The implementation of these initiatives, focused both, to maintenance as well as to assets renewal, allowed, among other things, to reduce significantly the rate of failure of main assets during 2015. Therefore, the challenge for the upcoming years is to maintain this excellent performance.

Additionally, and keeping in mind that for Transelec there is no goal or operational emergency that justifies exposing an employee to uncontrolled risks, we have implemented strategies for measure and treatment of High Risk accidents that involve people. On the other hand -and consistent with the aforementioned- during the last five years, we have achieved high compliance of Security and Occupational Safety and Health (SSO Planes and Programs, which had direct involvement of constructors. Thanks to this we achieved 70% decrease of Time lost events and 95% decrease of Lost Days events related to these events.

In addition, the ongoing application and continuous improvement of the operating risk management system for maintenance activities continued in 2015. 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. Furthermore, this year we worked on the escalation process of the management risk methodology towards other sources of risk, such as cyber security and physical security, among others.

At the same time, in 2015 'Transelec's Operational Continuity Plan' was consolidated, integrating guidelines for prevention, mitigation, effective and efficient response to emergency situations into a single procedure in order to recover and preserve operational continuity of Company's facilities. Also this year, a series of drills were performed, aiming not only to assess the general performance, but also to introduce the necessary improvements that may be needed.

For network operation it is very important the role played by the National Transmission Operating Center (CNOT) -which started operations in 2013 with the partial moving to a new and modern center featuring facilities that meet the highest standards applicable to control centers- and that in 2014 materialized with the absorption of all Regional Centers. In this way the centralization of all Transelec's facility operations in real time, including their telecommand, together with coverage for both, SING and SIC was achieved. In addition to the above, in 2015 we conducted a skill-management process for engineers that operate de CNOT. The process concluded gathering model skills, an evaluation of operators based in this framework of reference and concluded by closing the gaps. This process will be carried out on a cyclical and continuous basis and the next year will be complemented with a simulation environment for the CNOT engineers.

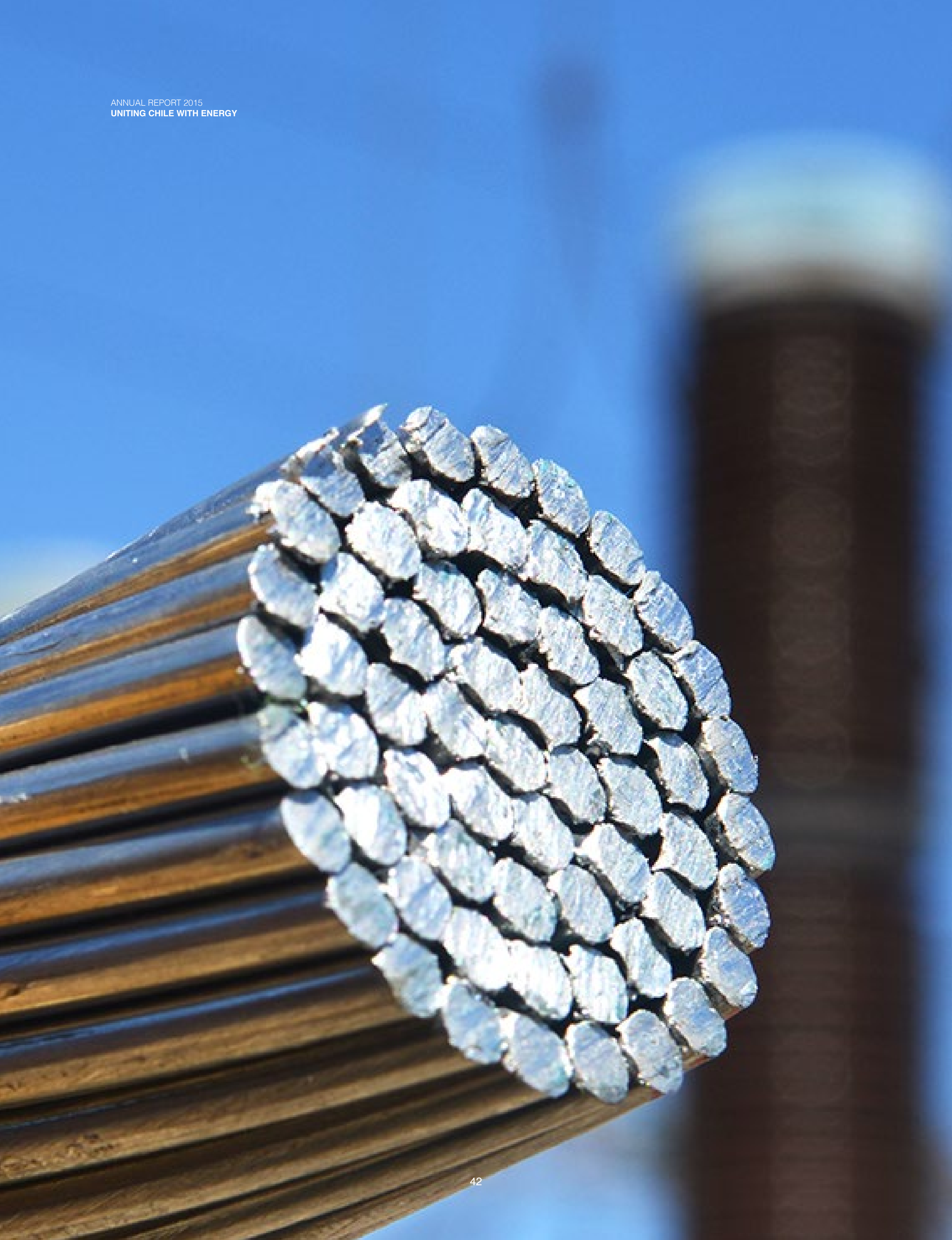
The investments, improvements and updates such as those indicated above, as well as the application of strict operational procedures, aim to ensure that quality service remains within the expected parameters, which is monitored by the Equivalent Interruption Time (EIT) which measures the service safety based on the total power not supplied to free and regulated customers over a twelve-month period, expressed as 'equivalent interruption minutes.

Thirty three power outages attributable to Transelec were reported the SIC and SING. These disconnections caused an electricity shortage with EIT amounting 3,398 system-minutes. This shows a significant improvement in the service quality, since the EIT registered in the SING was the lowest in the last 5 years.

The recurrence of theft of copper conductors in high voltage transmission lines was a special condition compromising quality service. In 2015, these actions increased, amounting a total of 69.1 km, which is 56.3 tons stolen, of which 19.5 km were recovered (equivalent to 13 tons). Transelec is aware of its impact and has established for 2016 a series of actions aiming to prevent, hamper, impede or disrupt the probability of being stolen copper conductors.

This Year, the Bureau Veritas certification company conducted a new Integral Management System External Audit. The process concluded successfully and backed our OSHAS 18001, ISO 9001 and ISO 14001 certifications. In turn, during 2015, the Integral Management System (SGI) was strengthened by the implementation of information technology tools, ensuring information quality and availability. Also, and in coordination with the Commercial and Business Development vice Presidency, the first specific survey on Service Experience was conducted among clients of the Operation and Maintenance process.

Despite the fact that the new Load Economic Dispatch Centers institutionality has removed the participation of representatives of companies that belong to its board of directors, Transelec continued to enhance improvements that contribute to the positive performance of these organisms motivated by the Company's commitment with the quality service. We wish to highlight consolidated implementation of the N-1 safety criteria for trunk transmission system power transformers pioneered by Transelec in the SIC and establishment of more safety requirements in the Service Quality and Safety Technical Standard published during the year by the National Energy Commission (CNE), regarding the design and operation of busbars and transformers of the trunk transmission system.



06
FINANCE

MAIN ACTIVITIES IN THE FINANCIAL AREA

In 2015, Transelec conducted several financial operations, including:

i) In December 2014, the Board of Directors approved the absorption of Inversiones Eléctricas Transam Chile Limitada with Transelec S.A. The purpose of this operation was to achieve administrative efficiencies as well as the optimization of processes. On August 31st, 2015, the total absorption of Inversiones Eléctricas Transam Chile Limitada was successfully concluded, this includes the absorption of its subsidiaries Transmisora Abenor Ltda., Transmisora Araucana de Electricidad Ltda. and Transmisora Huepil Ltda. These subsidiaries existed due to an acquisition done in 2012. As a result of this, since September 1st, 2015, Transelec Financial Statements are individual.

ii) On April 2nd, 2015, the Company subscribed a loan agreement with Banco Estado amounting CLP$ 16,000,000,000, maturing on April 2nd, 2016, at a 3.80% annual rate, in order to totally prepay the debt of its subsidiary Huepil Ltda. (April 10th, 2015) and, thus proceeding with the absorption.

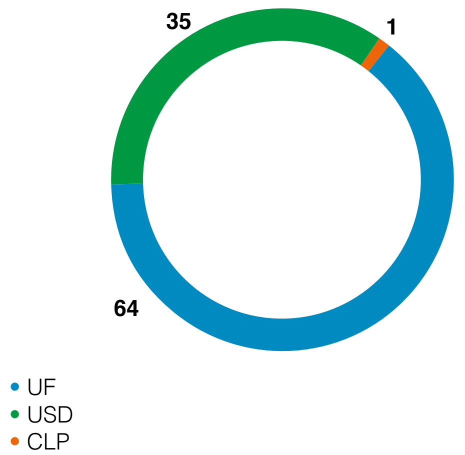
DEBT AS OF DECEMBER 31ST 2015

DEBT	ISSUANCE	INTEREST RATE	MATURITY	VALID AMOUNT	CURRENCY
Bond D	14 DEC 06	4.25%	15 DEC 27	13,500,000	UF
Bond C	21 MAR 07	3.50%	01 SEP 16	6,000,000	UF
Bond H	13 AUG 09	4.80%	01 AUG 31	3,000,000	UF
Bond K	04 DEC 09	4.60%	01 SEP 31	1,600,000	UF
Bond M	19 JAN 11	4.05%	15 JUN 32	3,400,000	UF
Bond N	19 JAN 11	3.95%	15 JUN 38	3,000,000	UF
Bond Q	03 MAY 13	3.95%	03 OCT 42	3,100,000	UF
Bond US$	26 JUL 13	4.63%	26 JUL 23	300,000,000	US$
Bond US$	09 JUL 14	4.25%	14 JAN 25	375,000,000	US$
Banco Estado	02 APRIL 15	3.80%	2 APRIL 16	16,000,000,000	CLP

UF: Unidad de Fomento (Readjustable unit set by the Central Bank of Chile, Law 18,840).
All bonds are bullet bonds (principal paid upon maturity of the last coupon).

As of December 31st, 2015 the Company's debt can be broken down as follows:

Debt Breakdown by Currency



The percentage of dollar denominated debt has increased due to the favorable conditions that American bond market has offered in 2013 and 2014. The total dollar denominated debt is cover naturally with assets of the company and Cross Currency Swap contracts.

DEBT SERVICE RESERVE

Since December 2006, Transelec has a debt service reserve required by the bond issuance contracts in order to be in conditions to pay restricted payments (according to their definition in debt contracts). This debt service reserve considers each of the Company's public debts and benefits all bondholders, both local (bonds C, D, H, K, M, N and Q) as well as international (bonds 114a issued between 2013 and 2014). This reserve covers the costs of interests and principal payments –with exception of bullet maturities corresponding to a six-month period for the aforementioned bonds. 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 2015, the Debt Service Reserve was US$ 50,000,000.

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 to the end of 2015 fiscal year is fully available, in accordance to the conditions described as follows:

Bank	Maturity	Amount (up to)
Scotiabank-DnBNor-BTMU Citibank-JP Morgan-EDC	09-24-2017	US$ 250,000,000

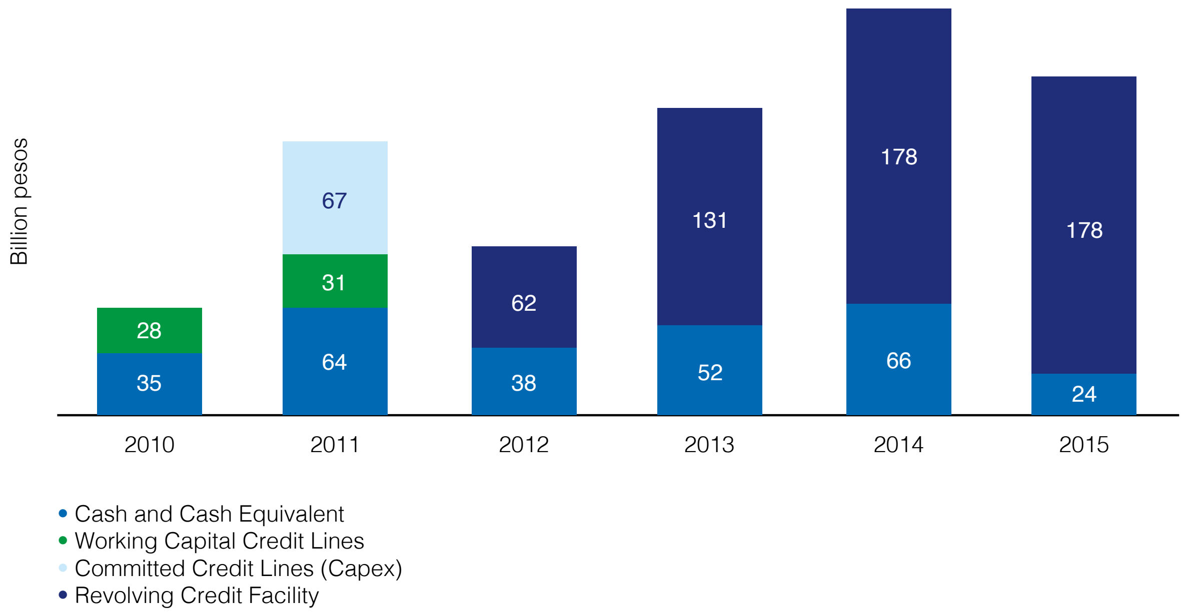
Loan Type	Use
Unsecured revolving credit facility	Working capital / capex / short-term refinancing

PREFORMANCE INDICATORS

LIQUIDITY

Due to positive results of 2015, Transelec shows proper levels of liquidity, which, together with a) the availability of the revolving credit facility and b) partial reinvestment of its own cash generation will allow the Company to finance its upcoming investments plans in new transmission assets, which is backed by the commitment of the Company's shareholders to invest or reinvest in Transelec when necessary.

Liquidity

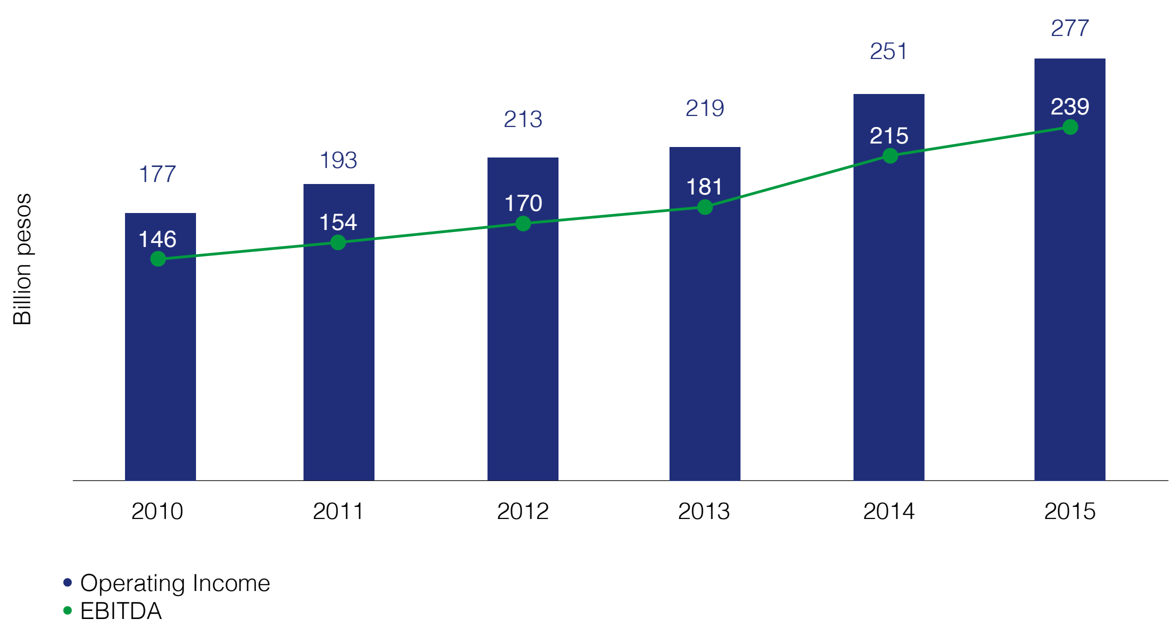


2015 OPERATING INCOME

The Company has two main sources of revenue a) regulated revenue coming from services provided by assets of the trunk transmission and subtransmission systems, and b) contractual revenue stipulated in bilateral contracts which consider additional transmission assets as defined by Short Law I, among others.

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.

Revenues and EBITDA Variation



RISK FACTORS

Given the characteristics of the Chilean electricity market as well as 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 is worth mentioning and considering the following risks:

REGULATORY FRAMEWORK

Transelec is subject of several standards under Chile's Ley Eléctrica[1] including the rates it is allowed to charge for the use of its trunk transmission facilities and subtransmission systems; these standards can affect negatively our operation results. The key aspects of our current regulatory framework include a toll structure designed to provide a VI life annuity and the recovery of the OMAC. The Chilean Government announced that it would make changes to the electric legislation in order to improve the transmission regulation. These changes should not affect our business, financial situation and operating results significantly.

SETTLEMENT OF TRUNK AND SUBTRANSMISSION REVENUES

According to article Nº 101 of the DFL N°4/20,018 of the Ministry of Economy, Development and Reconstruction Transelec is entitled to collect the Annual Transmission Value by Segment of its existing trunk facilities on a yearly basis. In order to collect the revenues provided in Article N°101 of the DFL N°4/20,018, every month it collects the tolls for each section - and temporarily actual tariff revenues- which later settles according to the expected tariff incomes used for the calculation of tolls in compliance with the payment schedules the corresponding CDEC (Center of Economic Dispatch of Charge) establishes, through the collection or payment to the different companies owners of generation facilities.

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 do not consist of managing how payment due is charged, but rather the mere collection and transfer of absolutely external appraised surplus and deficit revenue to third parties, with the exception of estimated tariff revenue.

In Subtransmission, Transelec collects, on a monthly basis, and in each subtransmission system, part of the total incomes that the system produces which result from charging single tariffs $/kWh that the tariff decree sets up on energy collection for those systems, plus the payment of generating companies that inject power directly into the system –which is also established by the tariff decree. The part that each company owner of a subtransmission facility receives is a proportion between its assets' valorization and the valorization of the total assets of the system. Besides that, there is also a charge for the difference of power losses that take place between actual power losses and those considered in the tariff. Depending on the monthly system operation, this amount can be positive or negative.

The main risks associated to subtransmission revenues are the eventual differences that can occur between each system's real power demand and projected power demand for tariff fixing.

SINGLE CUSTOMER REVENUE CONCENTRATION

Revenues from Empresa Nacional De Electricidad S.A. (ENDESA) and its power generation subsidiaries represent 46% of Transelec's revenues. 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

Revenues generated by certain additional facilities come from long-term contracts. Once these contracts expire, it is necessary to renegotiate the conditions, including new terms of payment, tariffs and definition of the transmission services 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.

[1] DFL No. 4, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982, General Electricity Services Law in matters related to electricity transmission.

INCREASING COMPETITION ON THE TRANSMISSION MARKET

Chile's transmission market is becoming increasingly competitive. We believe this trend will continue over the short 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, work stoppages or other labor conflicts affecting Transelec could have a negative effect on the Company's business, financial conditions, operating outcome and other projections. Approximately 66.5% 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 2016 and 2018. Although Transelec's management believes that current labor relations evidence mutual collaboration, the Company can not assure that strikes, delays or suspensions will not occur in the future after the maturity of any of the agreements or possible arbitrages. We are unable to estimate the effect of these events on Transelec's operations. Finally, as of July 29th, 2015, Transelec was included by the government in the list of 'Strategic Companies'.

FINES FROM TRANSMISSION SERVICE SUSPENSION

Currently, Transelec has four legal procedures pending with the Superintendence of Electricity and Fuels (SEC) due to charges pressed by the Authority stemming from forced service suspensions. Two procedures have not yet been settled, while in the other cases Transelec has requested appeal for reversal to the same authority. Once these procedures are settled at the administrative office, the Company will consider appealing the SEC's decision by means of legal proceedings.

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. The Environmental Law requires companies developing high-voltage transmission lines and substations projects, as well as any major modifications of the same, to enter the Environmental Impact Evaluation System (SEIA) and to submit Environmental Impact Evaluations (EIS) or Environmental Impact Declarations (EID) so that the corresponding Commissions for Environmental Assessment rate them, thus obtaining an Environmental Qualification Resolution. The standard also establishes that the responsible for the project would be able to request the Environmental Assessment Service its opinion regarding whether a project or its modification should be submitted to the Environmental Impact Assessment System. These presentations are called Letter of Project Pertinence.

As mentioned above, the Environmental Law was modified and this has entailed changes to environmental institutions. New environmental management instruments were created or the existing ones were modified, therefore, Transelec had to adjust to these new environmental requirements. According to recent amendments, among other issues, a new institutional framework was created and made up of the following:

(i) The Ministry of the Environment;
(ii) The Council of Ministers for Sustainability;
(iii) Advisory Councils;
(iv) The Environmental Evaluation Service;
(v) The Environmental Superintendence; and
(vi) Environmental Courts.

These institutions are in charge, among other issues, of the design and enforcement of policies, plans and programs regarding environmental issues; the proposal of sustainability criteria for elaboration of planning policies and processes for the ministries; regulation; SEIA administration as well as project auditing and penalty. These new institutions are fully operational and replaced the National Environmental Commission (CONAMA) as well as the Regional Environmental Commissions. With the approval of the Environmental Evaluation System regulations update (D.S. N°40/2012), on December 24th, 2013, new requirements were established for the following procedures: environmental impact evaluations procedures, environmental impact studies, environmental impact declarations as well as community involvement and indigenous consultation.

It is 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 (EIA, DIA or Letter of Project Pertinence) to the environmental authority will be approved or that eventual public opposition will not lead to delays or modifications for the submitted projects, or that laws and regulations will not change or be interpreted in a way that could hamper the Company's operations and plans, since the new authority is in full capacity, ongoing and perfectioning. An example of the aforementioned is that, the creation of the 'Presidential Advisory Commission for the Evaluation of the Environmental Impact Studies System'. The purpose of this commission is to assess changes made to the Regulation on the Environmental Impact Assessment, modified in 2013.

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 total or partial 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 and/or to cover from assets and liabilities imbalances.

However, we cannot guarantee that Transelec will be fully 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 or recouponing clauses 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 could be diminished and thus prevent the Company from recovering the total investment.

CREDIT RISK

Credit risk corresponding to accounts receivable stemming from power Transmission activity has been historically very low due to the limited number of customers, their risk ratings and short collection time (less than 30 days).

However, revenue is highly concentrated in a few power-generating customers that will make a large portion of Transelec's future cash flow. Any substantial change in these power generation companies' assets, financial status and/or operating results could affect negatively the Company.

Regarding to counterparty risk associated to financial assets held by the company, the treasury's policy establishes various limits:

- Investment restriction in financial institutions that are acceptable for Transelec or mutual fund Administrators owned by these institutions.
- Risk classification and required capital for eligible financial institutions.
- Maximum amounts invested by institution depending on their risk classification.
- Maximum rates of concentration of investments on a single institution.

As for credit risk associated to financial assets (term deposits, fixed income mutual funds and covenants) the treasury's policy establishes various limits:

- Just instruments or those instruments who issuers have an acceptable risk rating for Transelec.
- Maximum amounts depending on the risk rating.
- Maximum amount to the total assets of the mutual fund.

LIQUIDITY RISK

Liquidity risk is the risk of the Company not being able to satisfy a monetary commitment in cash or to 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, in addition to its cash surpluses and short-term accounts receivable stemming, has a revolving credit facility equivalent to US$ 250 million, which as of December 31st, 2015 is fully available. In addition, Transelec has uncommitted credit facilities with local banks.

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 the structure of its debt's maturity extended over time.

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 gain (loss) in indexed assets and liabilities, these impacts are currently mitigated by the Company's revenue, which is also partially adjusted according to local inflation variation by means of contract's indexing polynomials.

In addition, the loans that the Company holds with related companies are expressed in Chilean pesos, UF and in US dollars and feature a fixed interest rate, which also helps to reduce this risk.

RISK CLASSIFICATION

In 2015, Fitch and Humphrey's upgraded the Company's local risk classification in recognition to the good results of achieved in last years. Thus, all classifications ('Investment Grade') for the different bonds lines as well as for the series of bonds issued and placed by the company are at the same level.

Local Classification

Risk Rating Agencies	Current Rating
Humphrey´s	AA-
Feller-Rate	AA-
Fitch-Ratings Chile	AA-

Likewise, the Company was also classified at an international level. The results Transelec obtained recently exceeded Fitch Ratings expectations; hence, in January, 2015, the international risk classification was upgraded from BBB- to BBB level.

International Classification

Risk Rating Agencies	Current rating
Fitch Ratings International	BBB
Moody´s	Baa1
S&P	BBB

INSURANCE

Throughout 2015 fiscal year, Transelec continued its insurance policy of holding insurance policies to protect all 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 due to fires, 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 a few exceptions that we have covered since they are considered strategic as well as others due to contract issues.

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. On the other hand the Company's vehicles and mobile equipment are still insured. Likewise, insurance coverage is provided for national and international transport of equipment and material. As of engineering projects, any construction and assembly risk, as well as transportation and civil liability are fully covered.

Finally, the company continues to hold a work accident insurance policy for their workers, which includes complementary health insurance, travel assistance, service commissions and others.

DIVIDENDS

2015 PROFIT-SHARING POLICY

For 2015, the Company's Profit-Sharing Policy establishes that for any given year its Board of Directors recommends sharing 100% of the reported net income, this considering Transelec's financial status, commitments signed by the Company when issuing bonds in the national and international markets as well as in consideration of the impact of IFRS implementation. However, no profit shall be declared if this could stop the Company from meeting its financial commitments. With respect to any given fiscal year, if the Board of Directors were to see it appropriate, it would be entitled to declare temporary profits to be distributed depending on the conditions at that time. Overall payment of temporary profits shall not exceed 75% of the Company's distributable profit estimated for the ongoing fiscal year based on the last estimation available.

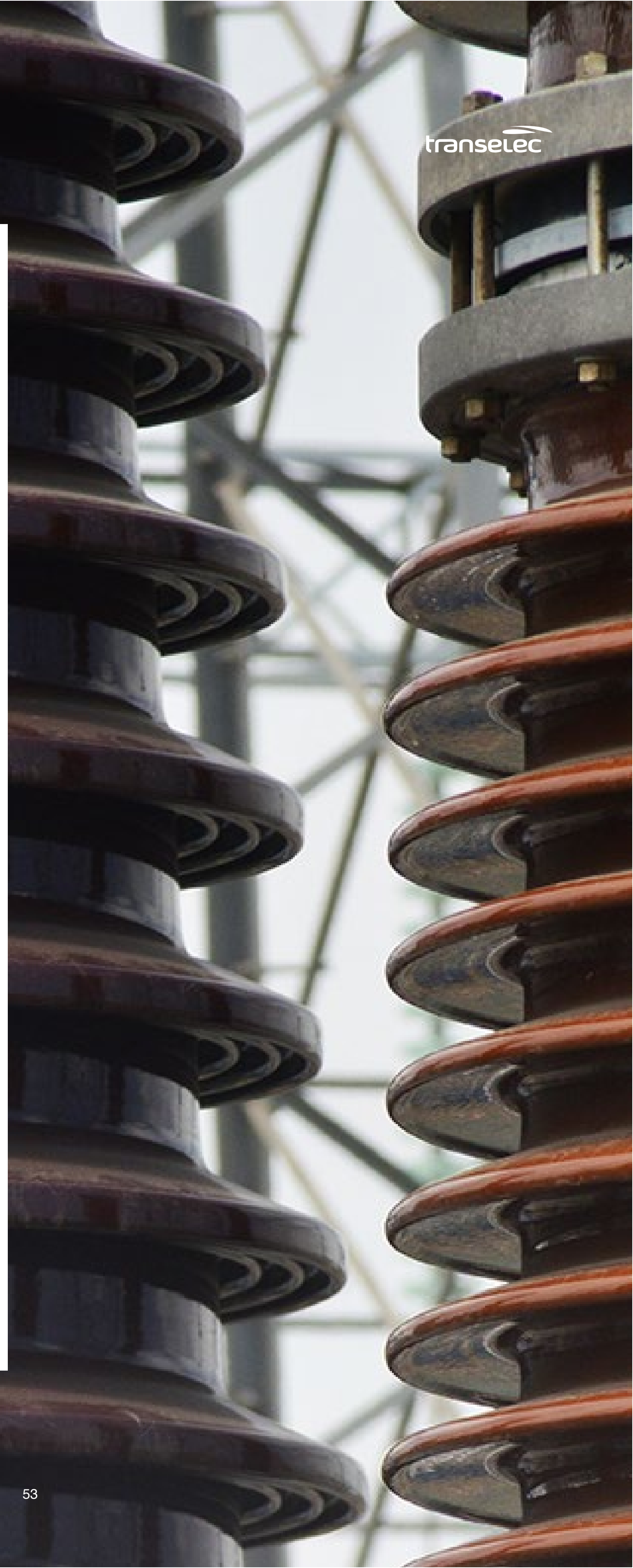
PROFITS SHARED 2015

It was agreed at Transelec S.A. Ordinary Shareholders Meeting, held on April 28th, 2015 to approve the distribution of the effective dividend surplus of 2014 for a total of CLP$ 24,845,230,291, paid since May 28th.

It was agreed at Transelec S.A. Board of Directors Meeting held on May 13th, 2015 that provisional dividend for CLP$ 16,355,000,000 would be distributed and deducted from 2015 fiscal year earnings.

Besides, it was agreed at Transelec S.A. Board of Directors Meeting held on August 12th, 2015 that a provisional dividend for CLP$ 18,167,000,000 would be distributed and deducted from 2015 fiscal year earnings.

Lastly, it was agreed at Transelec S.A. Board of Directors Meeting, held on November 16th, 2015 that a provisional dividend for CLP$ 28,799,000,000 would be distributed and deducted from 2015 fiscal year earnings.



DIVIDENDS PAID EACH YEAR (*)

(Temporary, Eventual and Final)

Year	Historical Value (CLP$ million)
2006	2,339
2007	34,955
2008	20,934
2009	28,118
2010	55,129
2011	45,866
2012	106,806
2013	59,064
2014	63,038
2015	88,166

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

PROFIT SHARED

(Charged to each fiscal year)

Year	CLP$ million (*)	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	63,292	98%
2014	66,773	100%
2015 (**)	63,321	76%

(*) : Values as of December each year.
(**) : Only corresponds to provisional dividends paid in 2015, since final dividends to be paid from the 2015 fiscal year had not yet been reported as of December 31st. These will be agreed to at the Shareholders Meeting to be held in 2016.

MATERIAL FACTS

1) On January 23rd, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law N°18,045, the following material fact was reported:

It was agreed at Transelec S.A. Extraordinary Shareholders Meeting held on January 23rd, 2015 to approve the merger of the subsidiary Inversions Eléctricas Transom Chile Limitada with Transelec S.A. under the terms and conditions discussed at the meeting, delegating to the Board of Directors the establishment of the time the merger should be materialized.

2) On March 12th, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law N°18,045, the following material fact was reported:

It was agreed at the Board of Directors Meeting held on March 11th, 2015 to summon an Ordinary Shareholders Meeting to be held on April 28th, 2015 in order to inform and request approval for the following matters:

2.1 Annual Report, Balance Sheet, Financial Statements, and External Auditors Report corresponding to 2015 fiscal year ended on December 31st.
2.2 Final Profit sharing. In this regard, the Company's Board of Directors agreed to suggest at the Shareholders Ordinary Meeting the distribution of a final dividend for a total amount of CLP$ 24,845,230,291 corresponding to 2014 fiscal year and to be paid under the conditions and terms agreed at that meeting.
2.3 Profit sharing policy and information about payment procedures.
2.4 Board of Directors and Audit Committee compensation.
2.5 Appointment of external auditors.
2.6 Newspaper to be used for the publication of Shareholders Meeting summons.
2.7 Agreements made by the Board of Directors regarding issues contained in Articles 146 et seq. of the Corporations Law.
2.8 Board of Directors Appointment.
2.9 Other issues of interest for the Company and within the shareholders' competency.

3) On March 13th, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law N° 18,045, the material fact sent to the SVC via SEIL on March 12th, 2015, SVC ID N° 2015030029448, was rectified in the sense of eliminating from the annual Shareholders Meeting summoned for April 28th, 2015, point '8) Board of Directors Appointment'.

4) On April 29th, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law N° 18.045, the following material fact was reported:

It was agreed at Transelec S.A. Ordinary Shareholders meeting held on April 28th, 2015 the following matters:

4.1 Approve the Annual Report, Balance Sheet, Financial Statements, and the External Auditors Report corresponding to 2014 fiscal year ended on December 31st.
4.2 Approve the distribution of a Final Dividend corresponding to 2014 fiscal year amounting to CLP$ 24,845,230,291, which shall be paid as of May 28th, 2014 to shareholders registered in the respective Shareholders' Registry as of May 22nd, 2015.
4.3 Approving the Profit Sharing Policy.
4.4 Approving Board of Directors and Audit Committee compensation.
4.5 Approving the appointment of the firm Ernst & Young as the Company's external auditors for the 2015 fiscal year.
4.6 Approving *Diario Financiero* for publishing shareholder meetings summons.
4.7 Reporting agreements made by the Board of Directors regarding issues contained in Articles 146 et. subseq. of the Corporations Law.
4.8 It was agreed to renew the Board of Directors as follows: Mr. Richard Legault as Director and Mr. Jeffrey Rosenthal as his respective Alternate Director; Mr. Paul Dufresne as Director and Mr. Patrick Charbonneau as his respective Alternate Director; Mrs. Brenda Eaton as Director and Mr. Jerry Divoky as her corresponding Alternate Director; Mr. Alfredo Ergas Segal as Director and Mr. Etienne Middleton as his corresponding Alternate Director; Mr. Bruno Philippi Irarrázabal, as Director and Mr. José Ignacio Concha Vial as his corresponding Alternate Director; Mr. Mario Valcarce Durán as Director and Mr. Patricio Leyton Flores as his corresponding Alternate Director; Mr. Blas Tomic Errázuriz as Director and Mr. Rodrigo Ferrada Celis as his corresponding Alternate Director; Mr. José Ramón Valente Vias as Director and Mrs. Stella Muñoz Schiattino as his corresponding Alternate Director; and, Mr. Alejandro Jadresic Marinovic as Director and Mrs.

Valeria Ruz Hernández as his corresponding Alternate Director.

4.9 It was agreed to clarify the agreement of the Extraordinary Shareholders Meeting Held on January 23rd, 2015 on the absorption of the subsidiary Inversiones Eléctricas Transam Chile Limitada by Transelec S.A.

5) On May 13th, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law N°18,045 and the provisions under Law N°30 of the Superintendence of Securities and Insurance, the following material fact was reported:

That at Transelec S.A. Ordinary Board of Directors Meeting N°124 held on May 13th, Mr. Richard Legault was elected Chairman of Transelec Board of Directors.

6) On May 18th, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law Nº 18,045 and Circular Nº 660 of the Superintendence of Securities and Insurance, the following material fact was reported:

It was agreed at Transelec S.A. Board of Directors Meeting held on May 13th, 2015; the provisory dividend distribution corresponding to 2015 fiscal year for the amount of CLP$ 16,355,000,000, which shall be paid as of June 11th, 2015 to the shareholders registered in the respective Shareholders' Registry as of June, 2015.

Profit sharing form N°1 was attached in accordance with the aforementioned Circular.

7) On August 13th, 2015 and in compliance with the provisions of Article 9 and second paragraph of Article 10 of the Securities Market Law N°18,045 the following material fact was reported:

It was agreed at Transelec S.A. Board of Directors Meeting held on August 12th, 2015, to give the administration the instructions to proceed as agreed at Transelec S.A. Extraordinary meeting held on January 23rd, 2015 with the absorption of the subsidiary Inversiones Eléctricas Transam Chile Limitada. Likewise, it was agreed that the absorption should materialized during 2015 second term by means of the purchase of 100% of Inversiones Eléctricas Transam Chile Limitada social rights by Transelec S.A., resulting in its dissolution.

8) On August 13th, 2015 and in compliance with the provisions of Circular Nº 660 of the Superintendence of Securities and Insurance, the following material fact was reported:

It was agreed at Transelec S.A. Board of Directors Meeting held on August 12th, 2015; the provisory dividend distribution corresponding to 2015 fiscal year for the amount of CLP$ 18,167,000,000, which shall be paid as of September 9th, 2015 to the shareholders registered in the respective Shareholders' Registry as of September 3rd, 2015.

Profit sharing form N°1 was attached in accordance with the aforementioned Circular.

9) On November 17th, 2015 and in compliance with the provisions of Circular Nº 660 of the Superintendence of Securities and Insurance, the following material fact was reported:

It was agreed at Transelec S.A. Board of Directors Meeting held on November 16th, 2015; the provisory dividend distribution corresponding to 2015 fiscal year for the amount of CLP$ 28,799,000,000, which shall be paid as of December 16th, 2015 to the shareholders registered in the respective Shareholders' Registry as of December 10th, 2015.

Profit sharing form N°1 was attached in accordance with the aforementioned Circular.

07

LEGAL INCORPORATION AND AMMENDMENTS

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 June 6th, 2006 granted at the Santiago notary office owned by Mrs. 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 June 9th, 2006.

The assignment of rights and actions for the Company was executed by means of public deed dated June 15th, 2006 granted at the Santiago notary office owned by Mrs. María Gloria Acharán Toledo, with the Corporations Rentas Eléctricas I Limitada and Rentas Eléctricas II Limitada established as partners. In addition, the Company'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 June 30th, 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 July 20th, 2006.

By means of public deed dated March 26th, 2007 granted at the Santiago notary office owned by Mrs. María Gloria Acharán Toledo, the Company 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 March 30th, 2007.

It was agreed at the Company's Extraordinary Shareholders Meeting N°1 held on April 24th, 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 Extraordinary Shareholders Meeting were executed as public deed dated April 25th, 2007.

The Company's Articles of Incorporation were amended at the Extraordinary Shareholders Meeting N°2 held on June 30th, 2007. The Firm name was changed to 'Transelec S.A.' and a new Board of Directors was elected. The minutes of this Second Extraordinary Shareholders Meeting were executed as public deed dated June 30th, 2007 at the Santiago notary office owned by Mrs. 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 July 13th, 2007.

In June 2007, Transelec S.A., tax I.D, Number N°76,555,400-4, absorbed Transelec S.A., Tax I.D. Number N° 76,555,430-6, as stated in public deed dated June 30th, 2007, granted at the Santiago notary office owned by Mrs. 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 July 13th, 2007.

It was agreed at the Company's Extraordinary Shareholders Meeting N°3 held on April 4th, 2008 that according to the Bargain and Sale Contract dated June 30th, 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 June 27th, 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 Extraordinary Shareholders Meeting N°4 held July 21st, 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 Extraordinary Shareholders Meeting N°5 held on October 16th, 2008 that all actions by Transelec representatives when negotiating and issuing the committed credit facility with Corpbanca and Scotiabank Sudamericano Banks amounting to up to UF 3,206,453 should be expressly ratified.

It was agreed at the Company's Extraordinary Shareholders Meeting N°6 held June 3rd, 2009, that the agreement reached by the Company'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 UF 20,000,000 each.

It was agreed at the Company's Extraordinary Shareholders Meeting N°7 held on October 28th, 2009, 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, Bruce Hogg, Patrick Charbonneau, 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: 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 Extraordinary Shareholders Meeting N°8 held on August 24th 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 Extraordinary Shareholders Meeting N°9 held on October 21st, 2010 that the Company's 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 UF10,000,000. In addition, the Board of Directors agreed to entitle the Company 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 Extraordinary Shareholders Meeting N°10 held on May 24th, 2011 that the price level restatement corresponding to the 2009 fiscal year amounted to CLP$ 19,732,724,601. The Company's bylaws were therefore modified and its share capital was increased. The minutes of this Extraordinary Shareholders Meeting N°10 were executed as public deed dated June 6th 2011 at the Santiago notary office owned by Mrs. 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 June 24th 2011.

It was agreed at the Company's Extraordinary Shareholders Meeting N°11 held on June 28th, 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 US$ 200 million and for the materialization of eventual future disbursements that could jointly or individually amount to or exceed US$ 100 million. In addition, it was agreed that agreements reached by the Company's Board of Directors at Extraordinary 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 Company'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 63 the securities registry of the Superintendence of Securities and Insurance were ratified at the meeting.

It was agreed at the Company's Extraordinary Shareholders Meeting N°12 held on August 30th, 2012 that a request to increase the amount established in the Revolving Credit Contract signed on July 9th, 2012 with Scotiabank Sudamericano, DNB Nor, Bank of Tokyo-Mitsubishi and other banks for between US$ 180 million to US$ 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 revoked. 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; Mrs. 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 Vias 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 Extraordinary Shareholders Meeting N°13 held on December 5th, 2012 that the agreements reached by the Board of Directors at Meeting N°88 would be ratified in conformity with Article 28 of the Company's bylaws, 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 company 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 Extraordinary Shareholders Meeting N°14 held on January 25th, 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 US$ 150 million, or an equivalent amount in national currency at the exchange rate published by the Central Bank of Chile at the date of this Extraordinary 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 US$ 150 million, or an equivalent amount in national currency at the exchange rate published by the Central Bank of Chile at the date of this Extraordinary 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 Extraordinary Shareholders Meeting N°15 held on May 7th, 2013 that agreements 64 made by the Company's Board of Directors at its N°92 meeting would be ratified in conformity with Article 28 of the Company's bylaws, 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 US$ 200 million 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 Company'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 Extraordinary Shareholders Meeting N°16 held on June 21st, 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 Extraordinary Shareholders Meeting N°17 held on July 26st, 2013, that agreements made by the Company's Board of Directors at its Meeting N°96 would be ratified in conformity with Article 28 of the Company's bylaws 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 Company's debt. In addition, those in attendance at the meeting unanimously ratified Company 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 Company's representatives for this purpose.

It was agreed at the Company's Extraordinary Shareholders Meeting N°18 held on January 22nd, 2014 to ratify agreements made by the Company's Board of Directors at its Meeting N°101 regarding the approval of the following short-term intercompany loans made in December 2013 under market conditions: a) Loan to Rentas Eléctricas I Limitada: for the amount of US$ 15,000, which will bear an annual interest of 1.07% over the amount calculated in dollars of the United States of America, this interest shall be paid periodically and in the terms agreed by Rentas Eléctricas I Limitada and the Company; and b) Loan to Transelec Holdings Rentas Limitada: for the amount of US$ 149,985,000, which will bear an annual interest of 1.07% over the amount calculated in dollars of the United States of America, this interest shall be paid periodically and in the terms agreed by Transelec Holdings Rentas Limitada and the Company.

Likewise, the Board agreed an $857,944,547,865 capital reduction divided into 1,000,000 ordinary, nominative and with no nominal value shares to the amount of CLP$ 776,355,047,865 divided into 1,000,000 shares with the same characteristics of the aforementioned. The reduction was executed in line with the current fraction of shareholders that own the Company; in this way Rentas Eléctricas I Limitada owns 100 shares, amounting to CLP$ 77,635,505 corresponding to 0.01% of the share capital and Transelec Holding Rentas Limitada maintains 999,900 shares, which amounts CLP$ 776,277,412,360 corresponding to 99.99% of the share capital, modifying for this purpose Transitory Articles 5 and 1 of the Company's bylaws.

It was agreed at the Company's Extraordinary Shareholders Meeting N°19, held on June 6th, 2014, to ratify agreements made by the Company's Board of Directors at its Extraordinary Meeting N°109 held on June 5th, 2014 in compliance with Article N°28 of the Company's bylaws, regarding the authorization of debt issuance in international or national markets, or both, for an amount up to US$ 700,000,000. Likewise, Shareholders unanimously ratified the special faculties granted by the Company's Board of Directors to the preparation and execution of acts and contracts pursuant this issuance.

It was informed at the Company's Extraordinary Shareholders Meeting N°20, held on January 23rd, 2015, that it was agreed to materialize the absorption of the companies Transmisora Abenor Limitada, Transmisora Araucana de Electricidad Limitada and Transmisora Huepil Limitada by Eléctricas Transam Chile Limitada. Also, it was agreed at this Extraordinary Shareholders Meeting to approve the absorption of the Subsidiary Inversiones Eléctricas Transam Chile Limitada by Transelec S.A., delegating to the Board of Directors the establishment of the time the absorption should be materialized.

Adittionally, it was agreed at the Company's Extraordinary Shareholders Meeting N°8, held on April 28th, 2015 to clarify, due to a written notice from the SVS, saying that the purpose of such agreement was that of approving the absorption the Subsidiary Inver Inversiones Eléctricas Transam Chile Limitada by Transelec S.A., and to authorize the Company's Board of Directors to establish the moment and mechanism to proceed with such absorption, which should be in any case materialized during 2016, whether through a merger as such (for which a new Shareholders Meeting should be summoned) or by means of an improper merger or any other mechanism agreed by the Board of Directors in compliance with the Corporations Law. On August 31st, the absorption of the subsidiary Inversiones Eléctricas Transam Chile Limitada by de Transelec S.A. was materialized.

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 Meeting N°113 on January 30th, 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 Extraordinary Shareholders Meeting for the HQI Transelec Chile S.A. Company held on August 16th, 2006 and executed as public deed on August 23rd that same year at the Santiago notary office owned by Mr. Iván Tamargo Barros, when the Company's name was changed to Transelec S.A.

FIRM NAME CHANGED FROM HQI TRANSELEC CHILE S.A. TO TRANSELEC S.A.

The minutes HQI TRANSELEC CHILE S.A. of Extraordinary Shareholders Meeting N°8 held on August 16th, 2006, were executed as public deed dated August 23rd, 2006 granted at the Santiago notary office owned by Mr. Iván Tamargo Barros reporting the change of firm name from HQI Transelec Chile S.A., Tax List Number 77,498,870-K, to Transelec S.A., same Tax List Number. The extract was registered in the Business Registry of the Real Estate Official Property Registry of Santiago in Sheet 34,753, N°24,453 corresponding to the year 2006 and published in the Official Gazette on August 23rd, 2006.

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

The minutes of Transelec S.A. Extraordinary Board of Directors Meeting N°101 held on November 22nd, 2006 were executed as pubic deed dated November 30th, 2006 granted at the Santiago notary office owned by Mr. Iván Tamargo Barros reporting the dissolution by absorption of Transelec S.A., since all of its shares were concentrated in the possession of Nueva Transelec S.A., Tax List Number 76,555,430-6. The extract was registered in the Business Registry of the Real Estate Official Property Registry of Santiago in Sheet 49,292, N°35,195 corresponding to the year 2006 and published in the Official Gazette on December 6th, 2006.

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

The minutes of Nueva Transelec S.A. Extraordinary Shareholders Meeting N°3 were executed as public deed dated November 30th, 2006 granted at the Santiago Notary Office owned by Mrs. María Gloria Acharán Toledo reporting the change of firm name from Nueva Transelec S.A. to Transelec S.A. The extract was registered 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 and published in the Official Gazette on December 9th, 2006.

DISOLUTION BY ABSORPTION OF TRANSELEC S.A. INTO RENTAS ELÉCTRICAS III S.A.

The minutes of the Transelec S.A. Extraordinary Shareholders Meeting N°16 held on June 6th, 2007 were executed as public deed dated June 30th, 2007 granted at the Santiago notary office owned by Mrs. María Gloria Acharán Toledo, 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 Company's shares. The Transelec S.A. Extraordinary Board of Directors Meeting N°16 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 July 13th, 2007. The minutes of the Rentas Eléctricas III S.A. Extraordinary Board of Directors Meeting N°5 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 Company's shares, were executed as public deed dated June 30th, 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.

FIRM NAME CHANGED FROM RENTAS ELÉCTRICAS III S.A. TO TRANSELEC S.A.

The minutes of Rentas Eléctricas III S.A. Extraordinary Shareholders Meeting N°2 held on June 30th 2007 were executed as public deed dated June 30th, 2007 granted at the Santiago Notary Office owned by Mrs. María Gloria Acharán Toledo reporting the change of name from Rentas Eléctricas III S.A. to Transelec S.A. The extract was registered in the Business Registry of the Real Estate Official Property Registry of Santiago in Sheet 27,530, N°19,941 corresponding to the year 2007 and published in the Official Gazette on July 13th, 2007.

DISOLUTION BY ABSORPTION OF TRANSELEC NORTE S.A. INTO TRANSELEC S.A.

The minutes of Transelec Norte S.A. Extraordinary Board of Directors Meeting N°132 held on June 26th, 2014 were executed as public deed dated December 4th, 2014 granted at the Santiago notary office owned by Mrs. María Gloria Acharán Toledo reporting the dissolution by absorption of Transelec Norte S.A., Tax List Number 99,521,950-6 into Transelec S.A., Tax List Number 76,555,400-4 since the latter had purchased all of the Company's shares. The extract was registered in the Business Registry of the Real Estate Official Property Registry of Santiago in Sheet 94,440, N° 57,701 corresponding to the year 2014 and published in the Official Gazette on December 31st, 2014. The Minutes of Transelec S.A. Extraordinary Board of Directors Meeting N°116 held on November 26th, 2014 were executed as public deed dated November 27th, 2012 granted at the Santiago notary office owned by María Gloria Acharán Toledo, reporting the dissolution by absorption of Transelec Norte S.A., Tax List Number 99,521,950-6, into de Transelec S.A., Tax List Number 76,555,400-4, since the latter had purchased all of the Company's shares. Transelec S.A. declares that it is the legal successor of Transelec Norte S.A., assuming its rights and obligations and declaring to be jointly responsible for taxes owed or which may be owed.

DISOLUTION BY ABSORPTION OF INVERSIONES ELÉCTRICAS TRANSAM CHILE LIMITADA INTO TRANSELEC S.A.

By means of public deed, dated August 31st, 2015 granted at the Santiago notary office owned by Mr. Raul Undurraga Laso, reporting the dissolution by the absorption of Inversiones Eléctricas Transam Chile Limitada, Tax List Number 76,384,810-8 into Transelec S.A., Tax List Number 76,555,400-4, since the latter had purchased all the company's shares. The extract was registered in the Business Registry of the Real Estate Official Property Registry of Santiago in Sheet 71,421, N°41,726, corresponding to year 2015 and published on the Official Gazette on September 30th, 2015.

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FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

TRANSELEC S.A.

Santiago, Chile
For the year ended December 31, 2015 and 2014
(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 financial statements of Transelec S.A, which comprise the statement of financial position as of December 31, 2015 and 2014, and the related 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with instructions and standards of preparation and presentation of financial information issued by *Superintendencia de Valores y Seguros* described in Note 2.1 to the financial statements. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transelec S.A. as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with instructions and standards of preparation and presentation of financial information issued by the *Superintendencia de Valores y Seguros* described in Note 2.1 to the financial statements.

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Basis of Accounting

As described in Note 2.1 to the financial statements, on October 17, 2014 the Superintendencia de Valores y Seguros under its authority issued Circular No. 856 instructing entities under its supervision, to record the differences in assets and liabilities for deferred taxes arising as a direct effect of the changes in the tax rates introduced by Law 20.780 against equity, thereby changing the conceptual accounting framework for the preparation and presentation of financial information adopted until that that date, from the previous framework (International Financial Reporting Standards) which is required to be adopted in comprehensive and explicit manner and without reservations.

However, notwithstanding that they were prepared on the same basis of accounting, the statements of comprehensive income and the preparation of the related statements of changes in shareholders' equity for the years ended December 31, 2015 and 2014, with regard to registration of differences of assets and liabilities for deferred taxes are not comparative according to the explanation provided in the previous paragraph and whose effect is explained in Note 22.

Marek Borowski

EY LTDA.

Santiago, March 9, 2016

TRANSELEC S.A.

Statements of Financial Position
As of December 31, 2015 and 2014
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	December 31, 2015 ThCh$	December 31, 2014 ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	24,156,607	65,913,009
Other financial assets	(9)	802,284	672,589
Other non-financial assets		1,569,557	3,585,043
Trade and other receivables	(6)	49,874,884	55,556,746
Receivables from related parties	(7)	12,936,861	1,018
Inventory	(8)	33,854	16,836
Current tax assets		2,703,682	2,768,732
Total current assets		**92,077,729**	**128,513,973**
NON-CURRENT ASSETS			
Other financial assets	(9)	50,368,953	24,389,878
Other non-financial assets		2,975,108	3,593,924
Receivables from related parties	(7)	205,832,822	135,746,433
Intangible assets other than goodwill	(10)	176,820,590	170,083,172
Goodwill	(10)	342,651,175	342,724,940
Property, plant and equipment	(11)	1,378,500,777	1,351,910,964
Deferred tax assets	(12)	-	102,334
Total non-current assets		**2,157,149,425**	**2,028,551,645**
Total assets		**2,249,227,154**	**2,157,065,618**

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

TRANSELEC S.A.

Statements of Financial Position
As of December 31, 2015 and 2014
(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, 2015 ThCh$	December 31, 2014 ThCh$
CURRENT LIABILITIES			
Other financial liabilities	(13)	196,684,760	18,242,526
Trade and other payables	(14)	50,581,109	69,554,568
Current provisions for employee benefits	(17)	6,761,681	7,336,216
Current tax liabilities		-	105,286
Other non-financial liabilities		3,893,393	1,691,031
Total current liabilities		**257,920,943**	**96,929,627**
NON-CURRENT LIABILITIES			
Other financial liabilities	(13)	1,161,954,209	1,229,972,702
Deferred tax liabilities	(12)	27,564,721	14,270,024
Non-current provisions for employee benefits	(17)	4,398,855	4,511,004
Other non-financial liabilities		6,739,867	6,130,413
Total non-current liabilities		**1,200,657,652**	**1,254,884,143**
Total liabilities		**1,458,578,595**	**1,351,813,770**
EQUITY			
Paid-in capital	(19)	776,355,048	776,355,048
Retained earnings		19,668,085	24,238,710
Other reserves	(19)	(5,374,574)	4,628,915
Total equity attributable to owners of the parent		790,648,559	805,222,673
Non-controlling interest		-	29,175
Total equity		**790,648,559**	**805,251,848**
Total equity and liabilities		**2,249,227,154**	**2,157,065,618**

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

TRANSELEC S.A.

Statements of Comprehensive Income by function
For the twelve-month periods ended December 31, 2015 and 2014
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	2015 ThCh$	2014 ThCh$
Statement of comprehensive income by function			
Operating revenues	(20)	276,736,836	250,525,045
Cost of sales	(21)	(83,121,225)	(75,950,456)
Gross Margin		**193,615,611**	**174,574,589**
Administrative expenses	(21)	(16,842,009)	(17,609,298)
Other gains (losses), net	(20)	6,785,410	8,629,122
Financial income	(20)	8,259,076	10,129,175
Financial expenses	(21)	(59,138,042)	(56,709,876)
Foreign Exchange differences, net	(21)	839,346	(1,809,424)
Gain (loss) for indexed assets and liabilities	(21)	(32,438,850)	(46,842,143)
Profit before Income taxes		**101,080,542**	**70,362,145**
Income tax expense	(22)	(17,452,852)	(3,588,939)
Profit from continuing operations		83,627,690	66,773,206
Profit (loss) from discontinued operations		-	-
Profit (loss)		**83,627,690**	**66,773,206**
Profit (loss) attributable to:			
Profit attributable to owner of the parent		83,627,690	66,772,341
Profit (loss) attributable to non – controlling interest		-	865
Profit (loss)		**83,627,690**	**66,773,206**
Earnings per share			
Basis earning per share / diluted			
Basis earning per share / diluted from Continued operations ($/a)	(23)	83,628	66,773
Basis earnings (loss) per share / diluted from discontinued operations		-	-
Basic earnings per share / diluted ($/a)	**(23)**	**83,628**	**66,773**

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

TRANSELEC S.A.

Statements of Comprehensive Income by function
For the twelve-month periods ended December 31, 2015 and 2014
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	2015 ThCh$	2014 ThCh$
PROFIT (LOSS)	83,627,690	66,773,206
Components of other comprehensive income, before taxes		
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	(121,795)	558,119
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	(13,412,522)	(2,429,132)
Other comprehensive income		
Actuarial calculation	-	(431,169)
Income taxes related to components of other comprehensive income		
Income taxes related to components of net investment hedge	32,885	(172,347)
Income taxes related to components of cash flow hedge	3,497,943	216,398
Income taxes related to actuarial calculations	-	107,792
Other comprehensive income	**(10,003,489)**	**(2,150,339)**
Total comprehensive income	**73,624,201**	**64,622,867**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	73,624,201	64,622,002
Comprehensive income attributable to non-controlling interest	-	865
Total comprehensive income	**73,624,201**	**64,622,867**

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

TRANSELEC S.A.

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

	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total reserves	Retained Earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2015	776,355,048	4,915,612	36,680	(323,377)	4,628,915	24,238,710	805,222,673	29,175	805,251,848
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	83,627,690	83,627,690	-	83,627,690
Other comprehensive income	-	(219,994)	(9,792,118)	8,623	(10,003,489)		(10,003,489)	-	(10,003,489)
Total comprehensive income	**-**	**(219,994)**	**(9,792,118)**	**8,623**	**(10,003,489)**	**83,627,690**	**73,624,201**	**-**	**73,624,201**
Dividends	-	-	-	-	-	(88,166,230)	(88,166,230)	-	(88,166,230)
Effect of Of. C. 856 SVS, Tax Reform. Law 20.780	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes	-	-	-	-	-	(32,085)	(32,085)	(29,175)	(61,260)
Total changes in equity	**-**	**(219,994)**	**(9,792,118)**	**8,623**	**(10,003,489)**	**(4,570,625)**	**(14,574,114)**	**(29,175)**	**(14,603,289)**
Closing balance as of December 31, 2015 (Note 19)	776,355,048	4,695,618	(9,755,438)	(314,754)	(5,374,574)	19,668,085	790,648,559	-	790,648,559

	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total reserves	Retained Earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2014	857,944,548	4,529,840	2,249,414	-	6,779,254	22,367,938	887,091,740	3,908	887,095,648
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	66,772,341	66,772,341	865	66,773,206
Other comprehensive income	-	385,772	(2,212,734)	(323,377)	(2,150,339)	-	(2,150,339)	-	(2,150,339)
Total comprehensive income	**-**	**385,772**	**(2,212,734)**	**(323,377)**	**(2,150,339)**	**66,772,341**	**64,622,002**	**865**	**64,622,867**
Dividends	-	-	-	-	-	(63,037,637)	(63,037,637)	-	(63,037,637)
Effect of Of. C. 856 SVS, Tax Reform. Law 20.780	-	-	-	-	-	(2,278,545)	(2,278,545)	-	(2,278,545)
Increase (decrease) from transfers and other changes	(81,589,500)	-	-	-	-	414,613	(81,174,887)	24,402	(81,150,485)
Total changes in equity	**(81,589,500)**	**385,772**	**(2,212,734)**	**(323,377)**	**(2,150,339)**	**1,870,772**	**(81,869,067)**	**25,267**	**(81,843,800)**
Closing balance as of December 31, 2014 (Note 19)	776,355,048	4,915,612	36,680	(323,377)	4,628,915	24,238,710	805,222,673	29,175	805,251,848

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

TRANSELEC S.A.

Statements of Cash Flows
For the twelve-month periods ended December 31, 2015 and 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	**2015 ThCh$**	**2014 ThCh$**
Cash Flows Provided by (used in) Operating Activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	398,464,219	398,710,677
Other proceeds from operating activities	3,687,453	7,266,869
Proceeds from interest received	7,388,174	7,686,031
Classes of payments		
Payments to suppliers for goods and services	(159,035,643)	(162,847,674)
Other payments for operating activities	(486,501)	-
Payments to employees	(13,098,181)	(13,373,704)
Interest paid	(58,053,408)	(51,012,781)
Income taxes received (paid)	123,125	15,006
Net cash flows provided by operating activities	**178,989,238**	**186,444,424**
Cash Flows Provided by (used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	(26,886)	(1,752)
Additions of property, plant and equipment	(79,981,450)	(98,000,767)
Amounts from the sale of property, plant and equipment	1,579	1,136,155
Cash advances and loans to third parties	(570,713)	(2,005,143)
Loans to related parties	(104,562,851)	(6,233,605)
Receivables from related parties	48,961,026	5,342,529
Net cash flows used in investing activities	**(136,179,295)**	**(99,762,583)**
Cash Flows Provided by (Used in) Financing Activities		
Loan to related parties	16,000,000	-
Loans paid	(13,302,918)	(1,249,525)
Proceeds from bonds	-	205,134,242
Bond principal repayment	-	(210,728,356)
Dividends paid	(88,166,230)	(63,037,637)
Other entries (paid)	902,803	(3,309,547)
Net cash flows used in financing activities	**(84,566,345)**	**(73,190,823)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(41,756,402)**	**13,491,018**
Cash and Cash Equivalents, at the beginning of the year (Note 5)	**65,913,009**	**52,421,991**
Cash and Cash Equivalents, at the ending of the year (Note 5)	**24,156,607**	**65,913,009**

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

TRANSELEC S.A.

Notes to the Financial Statements
As of December 31, 2015 and 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 1 - GENERAL INFORMATION

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

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

On May 16, 2007, the Company was listed under number 974 in the Securities Registry of the Chilean Superintendency of Securities and Insurance (SVS) and is subject to the supervision of the SVS. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

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

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

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

The Company is domiciled at Orinoco No. 90, floor 14, Las Condes, Santiago, Chile.

The Company has the exclusive objective of operating and developing electricity systems owned by the Company or by third parties designed to transport or transmit electricity and may, for these purposes, obtain, acquire and use the respective concessions and permits and exercise all of the rights and powers that current legislation confers on electric companies. Its line of business includes: commercializing the transport capacity of lines and transformation capacity of substations and equipment associated with them so that generating plants, both Chilean and foreign, may transmit the electricity they produce to their consumption centers; providing engineering or management consulting services related to the company’s line of business; and developing other business and industrial activities to use electricity transmission facilities. The Company may act directly or through subsidiaries or affiliates, both in Chile and abroad.

TRANSELEC S.A.

Notes to the Financial Statements
As of December 31, 2015 and 2014
(Translation of financial statements originally issued in Spanish-See Note 2.1)

The Company is controlled directly by Transelec Holdings Rentas Limitada and indirectly by ETC Holdings Ltd.

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

These financial statements were approved by the Board of Directors in Ordinary Meeting No.136 held on March 09, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the financial statements are detailed below. These policies have been based on IFRS in effect as of December 31, 2015 and applied uniformly for the periods presented.

2.1 Basis of preparation of the financial statements

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

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

The figures in these financial statements and their notes are expressed in thousands of Chilean pesos, which is the functional currency of the Company.

For the convenience of the reader, these financial statements and their accompanying notes have been translated from Spanish to English.

In preparing these financial statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. Management was also required to exercise judgment in applying Transelec's accounting policies. Areas involving a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for these financial statements are described in Note 4.

The information contained in these financial statements is the responsibility of the Company's management.

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Company for the year ended December 31, 2014, except for the adoption of new standards and interpretations in effect as of January 1, 2015.

The Company made reclassifications to the consolidated financial statements to the balances affecting 2014. However these reclassifications do not have significant effect as these were performed within the account non-current assets.

2.2 New standards and interpretations accounting

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

	New Standards	Date of obligatory application
IFRS 9	Financial Instruments	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

IFRS 9 "Financial Instruments"

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

IFRS 14 "Regulatory Deferral Accounts"

Deferred Regulatory Statements IFRS 14, issued in January 2014. The standard was issued for the entities that are involved in activities with regulated prices for comparability purposes. This standard allows entities with regulated prices that apply IFRS for the first time to use the measurement requirements considering the specific requirements from prior GAAP. Entities that have already applied IFRS should not implement this standard. Its application is effective as of July 1, 2016. Earlier application is permitted. The Company assessed the possible impact that this new standard could generate and concluded that it will not significantly affect its financial statements.

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IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 issued in May 2014, is a new standard that is applicable to all contracts with customers except leases, financial instruments and insurance contracts. It is a joint project with the FASB to eliminate differences in the recognition of income between IFRS and U.S. GAAP. This new standard provide an improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. Provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. It also requires more detailed disclosure. Its application is required starting on January 1, 2018 and early adoption is permitted. The Company is evaluating the potential impact that this adoption will have on its financial statements.

IFRS 16 "Leases"

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

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

Enhancements and Modifications

	Enhancements and Modifications	**Date of obligatory application**
IAS 19	Employee benefits	January 1, 2016
IAS 16	Property, Plant & Equipment	January 1, 2016
IAS 38	Intangible Assets	January 1, 2016
IAS 41	Agriculture	January 1, 2016
IFRS 11	Joint Arrangements	January 1, 2016
IAS 27	Separate financial statements	January 1, 2016
IAS 28	Investments in associates and joint ventures	January 1, 2016
IFRS 10	Consolidated financial statements	January 1, 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2016
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IAS 34	Interim Financial Reporting	January 1, 2016
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2016
IAS 1	Presentation of Financial Statements	January 1, 2016

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IAS 19 - "Employee Benefits"

"Annual Improvements cycle 2012-2014", issued in September 2014, clarifies that depth of the market for corporate bonds with high credit quality is evaluated based on the currency in which the obligation is denominated, instead of the country where there is the obligation. Where there is no deep market for these bonds in that currency, bonds issued by the government in the same currency and deadlines will be used. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IAS 16 - "Property, Plant & Equipment", IAS 38 - "Intangible Assets"

IAS 16 and IAS 38 establish the principle of depreciation and amortization base being the expected pattern of consumption of the future economic benefits of an asset. In its amendments to IAS 16 and IAS 38 issued in May 2014, the IASB clarified that the use of income-based to calculate the depreciation of an asset method is not suitable because the income generated by an activity that involves the use of an active generally reflect factors other than consumption of economic benefits embodied in the asset. The IASB also clarified that income generally has an inadequate basis for measuring the consumption of the future economic benefits embodied in an intangible asset. However, this presumption may be rebutted in certain limited circumstances. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IAS 16 - "Property, Plant & Equipment", IAS 41 - "Agriculture"

The amendments to IAS 16 and IAS 41 provide the accounting treatment of host plants that should be treated the same way as property, plant & equipment, because their operations are similar to manufacturing operations. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IFRS 11 - "Joint Arrangements"

Amendments to IFRS 11, issued in May 2014, apply to the acquisition of a stake in a joint operation that constitutes a business. The amendments clarify that the purchasers of these parties must apply all the principles of accounting for business combinations under IFRS 3 Business Combinations and other rules do not conflict with the guidelines of IFRS 11 Joint Arrangements. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IAS 27 - "Separate Financial Statements"

The amendments to IAS 27, issued in August 2014, permit the option of using the equity method accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address the recognition of profits or losses of sales of assets between an investor and an associate or a joint venture, which are recognized for the total when the transaction involves assets, which constitute business, will be partial. When the transaction involves a business (both when in a subsidiary or not) a gain or loss is recognized full.
A gain or partial loss is recognized if the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations"

"Annual Improvements cycle 2012-2014", issued in September 2014, clarifies that if an entity reclassifies an asset (or group of assets for disposal) from held for sale directly held for distribution to owners or from held for distribution to owners directly held for sale, then the change in classification is considered a continuation of the original plan of sale. The IASB clarifies that in these cases the requirements of accounting for changes shall not apply to the changes in the sales plan. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IFRS 7 - "Financial Instruments: Disclosures"

"Annual Improvements cycle 2012-2014", issued in September 2014, clarifies that service agreements may constitute continuing involvement in a transferred asset for the purposes of the disclosures for transfers of financial assets. Usually this will be the case when the administrator has an interest in the future performance of financial assets transferred as a result of that contract. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

IAS 34 - "Interim Financial Reporting"

"Annual Improvements cycle 2012-2014", issued in September 2014, clarifies that the disclosures required should be either in the interim financial statements or should have a cross-reference to any additional report containing that information. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

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

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

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

IAS 1 - "Presentation of Financial Statements"

In December 2014 the IASB issued amendments to IAS 1 "Disclosure Initiatives". The amendments to IAS 1 address some expressed concerns about the presentation and disclosure requirements, and ensure that entities have the ability to exercise judgment when applying IAS 1. The amendments will become mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

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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 subsidiary are presented, respectively, under the headings "Profit (loss) attributable to non-controlling interest" in the statement of comprehensive income.

The financial statements include balances and transactions of the parent Transelec S.A. and its following subsidiaries:

				Percentage of interest held December 31, 2015		Percentage of Interest held December 31, 2014	
Subsidiary	**Country**	**Functional Currency**	**Tax ID number**	**Direct**	**Indirect**	**Direct**	**Indirect**
Inversiones Eléctricas Transam Chile Ltda.	Chile	US Dollars	76.384.810-8	-	-	99.899%	-
Transmisora Huepil Ltda.	Chile	US Dollars	99.508.750-2	-	-	-	100%
Transmisora Abenor Ltda.	Chile	US Dollars	96.728.120-4	-	-	-	100%
Transmisora Araucana de Electricidad Ltda.	Chile	US Dollars	96.710.940-1	-	-	-	100%

On November 27, 2014 the parent company, Transelec Holdings Rentas Limitada, transferred its participation of 0.1% for US$ 3,000 to its subsidiary Transelec S.A., joining all the shares of Transelec Norte S.A. in Transelec S.A., which resulted in the dissolution and merger of Transelec Norte S.A. with Transelec S.A. which acquired 99.899% investment in Inversiones Electrica Transam Chile S.A. This merger had no effect on the consolidated financial statements of Transelec S.A.

On this same time Transelec S.A. assigned and transferred their social rights in Inversiones Electricas Transam Chile Limitada that equates to a 0.101% to Transelec Holdings Rentas Limitada for $ 26,885,949.

On September 1, 2015, Transelec acquired 0.101% of the ownership of Inversiones Eléctricas Transam Chile Ltda, to Transelec Holdings Rentas Limitada, having in Transelec S.A. the totality of the Company´s rights, which determines the dissolution and merger of Inversiones Eléctricas Transam Chile Ltda.

On August 1, 2015, Inversiones Eléctricas Transam Chile Ltda had acquired from Transelec S.A. 1% of the companies rights: Transmisora Huepil Ltda., Transmisora Abenor Ltda and Transmisora Araucana de Electricidad Ltda. whereby all the companies´ rights were concentrated in Inversiones Eléctricas Transam Chile Ltda, therefore the dissolution and merger of such companies was determined.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The Company's functional currency is the Chilean peso. These 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 Inversiones Eléctricas Transam Chile Ltda.

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.

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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, 2015	December 31, 2014
Unidad de Fomento	25,629.09	24,627.10
US$	710.16	606.75
Euro	774.61	738.05

2.5 Segments reporting

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

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:

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

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.

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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 lives that range from three to five years.

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

2.8 Impairment of non-financial assets

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

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

The recoverable amount is the higher of its fair value less costs to sell and its value in use this being the present value of the expected future cash flows.

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

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

Impairment of goodwill is not reversed.

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

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

2.9 Financial assets

Upon initial recognition, the Company classifies its financial assets, excluding equity method investments and investments held for sale, into four categories:

- **Trade and other receivables, including Receivables from related parties:** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method.

- **Investments held to maturity:** non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold and is capable of holding until their maturity. After initial recognition these assets are valued at its amortized cost as defined in the preceding paragraph.

- **Financial assets at fair value through profit or loss:** This includes the trading portfolio and those financial assets that have been designated as such upon initial recognition and those are managed and evaluated using fair value criteria. They are valued at its fair value in the statement of financial position, with changes in value recorded directly in income when they occur.

- **Available-for-sale investments:** These are financial assets specifically designated as available for sale or that do not fit within any of the three preceding categories and consist almost entirely of financial investments in shares/equity instruments. These investments are recorded in the statement of financial position at fair value when it can be reliably determined. In the case of interests in unlisted companies, normally the market value cannot be reliably determined and, thus, when this occurs, they are valued at acquisition cost or a lower amount if evidence of impairment exists. Changes in fair value, net of taxes, are recorded with a charge or credit to an Equity Reserve known as "Available-for-sale financial assets" until the investment is disposed of, at which time the amount accumulated in this account for that investment is fully charged to the income statement. Should the fair value be lower than the acquisition cost, if there is objective evidence that the asset has been more than temporarily impaired, the difference is recorded directly in the income statement.

Purchases and sales of financial assets are accounted for using their trade date.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, for example delayed payments.

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

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

2.10 Financial instruments and hedge activities

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

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

The types of hedges are as follows:

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

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

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

2.10.1 Fair value hedges

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

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

2.10.2 Cash flow hedges

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

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

2.10.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under “Other reserves” heading) until the investment’s disposal. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”. Until September 1, 2015, the Company applied the net investment´s hedge in the consolidated of its subsidiary Inversiones Eléctricas Transam Chile Ltda. having U.S dollar functional currency, which was absorbed at mentioned date.

2.10.4 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”.

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

2.13 Paid-in capital

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

2.14 Financial liabilities

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

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

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

2.15 Income tax and deferred taxes

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

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

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

Deferred tax assets and tax credits are recognized only when it is likely that there are future tax profits sufficient enough to recover deductions for temporary differences and make use of tax losses.

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

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

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

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

2.16 Employee benefits

2.16.1 Staff severance indemnity

The Company records liabilities for staff severance indemnity obligations based on collective and individual employment contracts, payable when their employees cease to provide services.

This benefit is recorded at nominal value.

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The Company records liabilities for severance obligations personnel services for their employees, based on the provisions of the collective and individual staff contracts. If this benefit is contractual, the obligation is treated in the same way as defined benefit plans in accordance with IAS 19 and is recorded using the projected unit credit method.

Defined benefit plans define the amount of the benefit that an employee will receive upon termination of employment, which usually depends on one or more factors such as the employee's age, rotation, years of service and compensation.

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation plus/minus adjustments for unrecorded actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting cash outflows estimated using as a reference BCU (rate of Chilean Central Bank bonds denominated in Unidades de Fomento) interest rates for terms similar to the maturity of the staff severance indemnity obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income.

2.16.2 Profit sharing

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

2.17 Provisions

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

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

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

As of the date of issuance of these financial statements, Transelec have no obligation to establish provision for environmental restoration and similar expenses.

2.18 Classification of current and non-current balances

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

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

2.19 Revenue recognition

The regulatory framework that governs electrical transmission activity in Chile comes from the by - Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19,940 (called also the "Short Law") enacted on March 13, 2004, Law 20,018 ("Short Law II"), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto.

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

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

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

2.20 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.

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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.

2.20.1 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.

Company makes a provision at the end of each year for the 30% of the profit of the year, in accordance with Law N° 18,046.

On the Company's Board meeting No. 57 held on September 30, 2010, the policy used for the determination of distributable net profit was approved. This policy does not contemplate adjustments to the profit attributable to owners of the parent.

NOTE 3 - RISK MANAGEMENT POLICY

3.1 Financial risk

Transelec is exposed to the following risks as a result of the financial instruments it holds: market risk stemming from interest rates, exchange rates and other prices that impact market values of financial instruments, credit risk and liquidity risk. The following paragraphs describe these risks and how they are managed.

3.1.1 Market risk

Market risk is defined for these purposes as the risk of changes in the fair value or future cash flows of a financial instrument as a result of changes in market prices. Market risk includes the risk of changes in interest and exchange rates, inflation rates and variations in market prices due to factors other than interest or exchange rates such as commodity prices or credit spread differentials, among others.

Company policy regulates investments and indebtedness, in an attempt to limit the impact of changes in the value of currencies and interest rates on the Company's net results by:

a) Investing cash surpluses in instruments maturing within no more than 90 days.

b) Entering into swap contracts and other instruments to maintain a balanced foreign exchange position.

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

3.1.1.1 Interest rate risk

Significant changes in fair values and future cash flows of financial instruments that can be directly attributable to interest rate risks include changes in the net proceeds from financial instruments whose cash flows are determined in reference to floating interest rates and changes in the value of financial instruments with fixed cash flows.

The Company´s assets are primarily fixed and long-lived intangible assets. Consequently, financial liabilities that are used to finance such assets consist primarily of long-term liabilities at fixed rates. This debt is recorded in the balance sheet at amortized cost.

The objective of interest rate risk management is to achieve a balanced debt structure, decrease the impact on costs due to interest rate variations and, reduce volatility in the income statement.

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The table below compares the debts of the Company and shows that majority of the debt as of December 31, 2015 and December 31, 2014 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, 2015	December 31, 2014
Bono Series C	UF	3.50%	Fixed	6,000	6,000
Bono Series D	UF	4.25%	Fixed	13,500	13,500
Bono Series H	UF	4.80%	Fixed	3,000	3,000
Bono Series K	UF	4.60%	Fixed	1,600	1,600
Bono Series M	UF	4.05%	Fixed	3,400	3,400
Bono Series N	UF	3.95%	Fixed	3,000	3,000
Bono Series Q	UF	3.95%	Fixed	3,100	3,100
Senior Notes	USD	4.625%	Fixed	300,000	300,000
Senior Notes	USD	4.250%	Fixed	375,000	375,000
Revolving Credit Facility	USD	1.58%	Floating (*)	-	-
Huepil Loan	USD	-	Floating (**)	-	19,136
Local Note	CLP	3.80%	Fixed	16,000,000	-

(*) The floating rate of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At December 31, 2015, the Company did not utilize this line therefore does not pay interest of 2.01% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

(**) Loan was prepaid in advance on April 4, 2015, with the funds obtained from the Local Note.

However, increases in inflation could impact the cost of UF-denominated debt and, therefore, the Company's financial expenses. These impacts are lessened partially by receivables denominated in UF.

3.1.1.2 Exchange rate risk

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

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

Exchange rate exposure is managed using an approved policy that involves:

The exposure to exchange rate is managed through the approved policy which includes fully hedge the balance exposed (monetary items) through various instruments such as dollar positions and cross currency swaps.

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

	Liabilities		Assets	
	December 31, 2015 MCh$	December 31, 2014 MCh$	December 31, 2015 MCh$	December 31, 2014 MCh$
U.S. dollar (amounts associated with balance sheet items)	482,980	420,498	499,757	405,821
U.S. dollar (amounts associated with income statement)	-	-	-	-
Chilean peso	1,728,400	1,713,348	1,711,623	1,728,024

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.

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

Item (Currency)	Position MCh$ Long / (Short)	Net income (gain)/loss MCh$ Change (-10%)	Net income (gain)/loss MCh$ Change (+10%)	Position MCh$ Long / (Short)	OCI (gain)/loss MCh$ Change (-10%)	OCI (gain)/loss MCh$ Change (+10%)
Cash (US$)	23,806	(37)	37	-	-	-
Leasing (US$)	14,194	(22)	22	-	-	-
Senior Notes (US$)	(479,913)	751	(751)	-	-	-
Financial instrument swap	261,716	(409)	409	(225,018)	352	(352)
Intercompany loan (US$)	200,071	(313)	313	-	-	-
Other (US$)	(3,063)	5	(5)	-	-	-
Total	**(16,811)**	**(25)**	**25**	**(225,018)**	**352**	**(352)**

Item	Position (UF) Long/(Short)	Effect annual on income (ThCh$) Gain / (Loss) Inflation (-1%)	Effect annual on income (ThCh$) Gain / (Loss) Inflation (+1%)
Loan	**(31,684,062)**	**8,120,308**	**(8,120,308)**

3.1.2 Credit risk

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

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

Revenues	For the year ended December 31, 2015 ThCh$	For the year ended December 31, 2014 ThCh$
Grupo Endesa	125,969,566	121,246,616
Grupo Colbún	44,129,127	41,390,405
Grupo Pacific Hydro-LH-LC	6,736,146	10,810,575
Grupo AES Gener	52,658,967	42,317,109
Others	47,243,030	34,760,340
Total	**276,736,836**	**250,525,045**
% of concentration of 4 top customers	82.93%	86.13%

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 it is able to react financially to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables:

1. The Company has committed line of credit for working capital of US$ 250 million. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR. Additionally this line was renegotiated and extended on October 15, 2014 until October 15, 2017. This time the

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bank syndicate was formed by the following banks: Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR, Citibank, JP Morgan Chase Bank and Export Development Canada. In that renovation the following was improved: (i) the costs not committed (Commitment Fee) from 0.6% to 0.4375% (ii) the margin or spread for use from 2.35% to 1.25% by amount rotated and (iii) other restrictions clauses more favorable to Transelec.

2. Letter of Credit to comply with the provisions of the prospects of local bonds, which considered within the limitations for the Issuer a “Proof of Distribution”, which must be complied with in full in order for the Company to be able to make “Restricted Payments“. One of the requirements of this test is to be in compliance with the Reserve Contract for Debt Servicing. This contract stipulates that the Company should have a reserve fund to cover six months of interest and partial redemption of all public debt of the Company. Since December 2015, Transelec is backing up this reserve with a Letter of Credit issued by Scotiabank for US$ 50 million equivalent to MCh$ 35,508 with an interest rate of 0.2% annually.

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, 2015 and December 31, 2014.

Debt maturity	Less than 1 Years ThCh$	1 to 3 Years ThCh$	3 to 5 Years ThCh$	5 to 10 Years ThCh$	More than 10 Years ThCh$	Total ThCh$
December 31, 2015	226,264,902	101,690,945	101,690,945	708,219,336	884,187,142	2,022,053,271
December 31, 2014	53,258,892	249,538,997	97,061,176	410,285,186	1,110,499,125	1,920,643,376

The maturity of derivatives is presented Note 15.3.

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

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

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20,018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies, owners of generation facilities.

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

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

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

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

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of December 31, 2015 and December 31, 2014, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of December 31, 2015 ThCh$	Balance as of December 31, 2014 ThCh$
Bank and cash balances	21,173,289	8,633,677
Short-term deposits	2,983,318	17,538,716
Reverse repurchase agreements and mutual funds	-	39,740,616
Total	**24,156,607**	**65,913,009**

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Cash and cash equivalents included in the statement of financial position as of December 31, 2015 and December 31, 2014 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, 2015 ThCh$	December 31, 2014 ThCh$
Amount of cash and cash equivalents	U.S. dollars	23,776,117	74,130
Amount of cash and cash equivalents	Euros	30,968	91,309
Amount of cash and cash equivalents	Chilean pesos	349,522	65,747,570
Total		**24,156,607**	**65,913,009**

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

NOTE 6 - TRADE AND OTHER RECEIVABLES

As of December 31, 2015 and December 31, 2014, this account is detailed as follows:

Item	Balance as of	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Trade receivables	51,053,016	56,356,252
Miscellaneous receivables	214,251	592,877
Total trade and other receivables	**51,267,267**	**56,949,129**
Provision for uncollectible amount (*)	(1,392,383)	(1,392,383)
Total trade and other receivables (net)	**49,874,884**	**55,556,746**

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Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of December 31, 2015 and December 31, 2014, the aging of trade and other receivables is as follows:

	Balance as of	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Maturing in less than 30 days	26,972,371	37,770,448
Maturing in more than 30 days up to 1 year	22,902,513	17,786,298
Total	**49,874,884**	**55,556,746**

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

(*) On September 13, 2011 the company Campanario Generación S.A. was declared bankrupt and stopped paying Transelec S.A. from tolls and tariff revenue. Based on the legal and regulatory history, the Company estimated that there are no indications to attest that the accounts receivable outstanding from tariff revenues, are impaired. Therefore, Transelec S.A. recorded a provision for uncollectible amount as of December 31, 2015 for ThCh$ 1,392,383 relating to accounts receivable for items other than tariff revenues for which - at the date of the presentation of these financial statements - there is no certainty that the Company will recover.

The movement of the provision for uncollectible amount is presented the period ended December 31, 2015 and December 31, 2014:

	ThCh$
Balance as of January 1, 2014	1,396,485
Increase charged to the current period	366,099
Decrease due to utilization	-
Decrease due to reversals and receivables	(370,201)
Balance as of December 31, 2014	**1,392,383**
Increase charged to the current period	-
Decrease due to utilization	-
Decrease due to reversals and receivables	-
Balance as of December 31, 2015	**1,392,383**

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NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

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

Receivables from related parties

							Balance as of			
							Current		Non-current	
Tax ID Number	**Company**	**Country**	**Description**	**Maturity**	**Relation**	**Currency**	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Direct parent	ThCh$	12,936,861	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	UF	-	-	5,761,487	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Direct parent	US$	-	-	200,071,335	135,746,433
76.248.725-K	CyT Operaciones SpA	Chile	Loan	Not defined	Indirect parent	US$	-	1,018	-	-
	Total						**12,936,861**	**1,018**	**205,832,822**	**135,746,433**

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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:

Tax ID Number	Company	Country	Relation	Description of the transaction	December 31, 2015		December 31, 2014	
					Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Mercantile current account	104,562,851	-	6,388,862	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	48,961,026	-	85,066,511	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest earned	6,727,152	6,727,152	7,336,994	7,336,994
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Exchange rate	-	-	1,693,918	(1,693,918)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	UF Readjustment	26,021,959	26,021,959	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received	1,087,544	1,087,544	-	-
76.559.580-0	Rentas Eléctricas I Ltda.	Chile	Indirect parent	Loans paid	-	-	8,159	-

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

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. For each Board Member there is an alternate Board Member. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on April 28, 2015. The current Chairman of the Board was elected at the Board meeting dated May 13, 2015.

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7.2.1 Board of Directors' compensation

As established in Article No. 33 of Law No. 18,046 on Anonymous Societies, on the Eighth Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2015, shareholders established annual gross compensation for the Company's Directors of the equivalent of US$ 90,000, regardless of the number of sessions actually attended or held and that the alternate directors do not receive remuneration. Allowances are paid on a quarterly basis.

Directors Richard Legault, Alfredo Ergas, Paul Dufresne, Patrick Charbonneau and Brenda Eaton, and also all alternate directors waived their respective allowances. Accordingly, the following compensation was received by directors during the periods 2015 and 2014:

	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Blas Tomic Errázuriz	57,850	50,124
José Ramón Valente Vias	57,850	50,124
Alejandro Jadresic Marinovic	57,850	50,124
Mario Alejandro Valcarce Duran	57,850	50,124
Bruno Pedro Philippi Irarrazabal	57,850	50,124

7.3 Consulting expenses for the Board

During the years 2015 and 2014, there have been no expenses related to consulting for the Board.

7.4 Audit committee

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other financial statements and internal systems. Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company. Committee members are appointed by the Board of Directors.
They hold their positions for two years and may be re-elected. The Committee appoints a Chairman-from among its members- and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Audit Committee held two meetings both during the period 2015 and 2014.

As of December 31, 2015, the Audit Committee members were composed by its president Mario Valcarce, Directors Mr. Alfredo Ergas, Mrs. Brenda Eaton and Mr. José Ramón Valente, besides the Secretary, Mr. Arthur Le Blanc Cerda.

On the Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2015, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

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The following compensation was received by members of the Audit Committee during 2015 and 2014:

	December 31, 2015 ThCh$	**December 31, 2014 ThCh$**
José Ramón Valente	6,067	5,246
Mario Alejandro Valcarce Duran	6,067	5,246

7.5 Compensation of key management that are not Directors

Members of Key Management

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

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

Compensation of key management personnel by concept for the periods 2015 and 2014 is detailed as follows:

	December 31, 2015 ThCh$	**December 31, 2014 ThCh$**
Salaries	1,503,234	1,511,104
Short-term employee benefits	620,156	635,378
Long-term employee benefits	250,126	245,289
Total compensation received by key management personnel	**2,373,516**	**2,391,771**

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NOTE 8 - INVENTORY

As of December 31, 2015 and December 31, 2014, this account is detailed as follows:

Classes of inventory	Balance as of	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Safety equipment	33.854	16.836
Total	**33.854**	**16.836**

NOTE 9 - OTHER FINANCIAL ASSETS, LEASES

As of December 31, 2015 and December 31, 2014, this account is detailed as follows:

	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Finance lease receivables current	802,284	672,589
Sub-total Other financial assets current	802,284	672,589
Finance lease receivables non-current	13,391,570	12,324,190
Swap Contracts	36,698,535	11,786,839
Other financial assets	278,848	278,849
Sub-total Other financial assets non-current	50,368,953	24,389,878
Total	**51,171,237**	**25,062,467**

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, 2015			
Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	802,284	641,132	1,443,416
1-5	4,519,229	2,697,849	7,217,078
Over 5	8,872,341	2,785,325	11,657,666
Total	**14,193,854**	**6,124,306**	**20,318,160**

December 31, 2014			
Period in years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	672,589	582,115	1,254,704
1-5	2,946,370	2,072,444	5,018,814
Over 5	9,377,820	3,315,743	12,693,563
Total	**12,996,779**	**5,970,302**	**18,967,081**

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, 2015 ThCh$	December 31, 2014 ThCh$
Real estate lease	1,003,543	963,603
Other leases	705,716	644,454
Total operating leases	**1,709,259**	**1,608,057**

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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	1,338,057	5,352,229	-
Other leases	940,954	3,763,817	-
Total operating leases	**2,279,011**	**9,116,046**	**-**

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of December 31, 2015 and December 31, 2014:

Intangible assets, net	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Rights of way	174,170,622	168,069,830
Software	2,649,968	2,013,342
Total intangible assets	176,820,590	170,083,172
Goodwill	342,651,175	342,724,940
Total intangible assets, net	**519,471,765**	**512,808,112**

Intangible assets, gross	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Rights of way	174,170,622	168,069,830
Software	7,617,212	6,305,413
Goodwill	342,651,175	342,724,940
Total intangible assets	**524,439,009**	**517,100,183**

Accumulated amortization and impairment	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Software	(4,967,244)	(4,292,071)
Total accumulated amortization	**(4,967,244)**	**(4,292,071)**

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

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

Movements in intangible assets	**Rights of way ThCh$**	**Software ThCh$**	**Goodwill ThCh$**	**Net intangible assets ThCh$**
Opening balance as of January 1, 2014	157,570,262	1,648,089	342,214,791	501,433,142
Movements in intangible assets				
Additions	4,470,377	941,705	-	5,412,082
Amortization	-	(576,452)	-	(576,452)
Transfer to operating assets	921,256	-	510,149	1,431,405
Translation difference	5,107,935	-	-	5,107,935
Ending balance of intangible assets as of December 31, 2014	168,069,830	2,013,342	342,724,940	512,808,112

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, 2015 and December 31, 2014 to be recovered.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Land	20,630,332	20,059,769
Buildings and infrastructure	863,685,819	853,150,552
Work in progress	72,801,826	73,169,038
Machinery and equipment	415,852,900	401,137,550
Other property, plant and equipment	5,529,900	4,394,055
Property, plant and equipment, net	**1,378,500,777**	**1,351,910,964**

Property, plant and equipment, gross	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Land	20,630,332	20,059,769
Buildings and infrastructure	1,080,462,476	1,046,213,694
Work in progress	72,801,826	73,169,038
Machinery and equipment	580,389,433	546,349,403
Other property, plant and equipment	5,529,900	4,394,055
Total property, plant and equipment, gross	**1,759,813,967**	**1,690,185,959**

Total accumulated depreciation and impairment, property, plant and equipment, net	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Buildings and infrastructure	(216,776,657)	(193,063,142)
Machinery and equipment	(164,536,533)	(145,211,853)
Total accumulated depreciation and impairment, property, plant and equipment	**(381,313,190)**	**(338,274,995)**

11.2 Reconciliation of changes in property, plant and equipment

The following table details the reconciliation of changes in property, plant and equipment by class during the periods ended December 31, 2015 and December 31, 2014:

		Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2015		20,059,769	853,150,552	401,137,550	73,169,038	4,394,055	1,351,910,964
Movement	Additions	-	-	-	82,379,749	908,679	83.288.428
	Retirements	-	(3,208,821)	(3,442,877)	(1,018,048)	-	(7.669.746)
	Transfer to operating assets	570,563	32,824,895	40,687,606	(81,728,913)	227,166	(7.418.683)
	Depreciation	-	(24,021,601)	(22,529,379)	-	-	(46.550.980)
	Translation adjustment	-	4,940,794	-	-	-	4.940.794
Balance as of December 31, 2015		20,630,332	863,685,819	415,852,900	72,801,826	5,529,900	1,378,500,777

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		Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2014		19,776,629	801,524,808	371,698,132	89,680,294	4,260,410	1,286,940,273
Movement	Additions	-	-	-	114,030,450	119,417	114,149,867
	Retirements	-	(651,784)	(2,708,356)	(404,040)	-	(3,764,180)
	Transfer to operating assets	44,224	60,885,309	53,649,472	(131,856,905)	-	(17,277,900)
	Depreciation	-	(22,494,826)	(22,761,639)	-	-	(45,256,465)
	Translation adjustment	238,916	13,887,045	1,259,941	1,719,239	14,228	17,119,369
Balance as of December 31, 2014		20,059,769	853,150,552	401,137,550	73,169,038	4,394,055	1,351,910,964

11.3 Additional information on property, plant and equipment

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

The Company held as of December 31, 2015 and December 31, 2014 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engeenering-Procurment-Construction) in the amount of ThCh$ 86,784,307 and ThCh$ 192,070,271, respectively.

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

	December 31, 2015	December 31, 2014
Capitalization rate (Annual basis)	7.74%	9.72%
Capitalized interest costs (ThCh$)	3,709,092	2,932,169

Work in progress balances amounts to ThCh$72,801,826 and ThCh$ 73,169,038 as of December 31, 2015 and December 31, 2014 respectively.

NOTE 12 - DEFERRED TAXES

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of December 31, 2015 and December 31, 2014, is detailed as follows:

Temporary differences	Net deferred taxes	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Depreciable fixed assets	(70,430,126)	(43,382,975)
Financial expenses	(1,021,760)	(1,086,226)
Leased assets	(1,198,091)	(721,967)
Materials and spare parts	(152,846)	622,791
Tax losses	51,378,939	39,241,019
Staff severance indemnities provision	131,967	164,517
Deferred income	1,873,212	1,473,120
Investment value provision	12,955	11,995
Lawsuit provision	27,945	45,212
Obsolescence provision	311,411	24
Provision for decommissioning	-	46,828
Work in progress	1,049,221	929,386
Vacation provisions	443,526	344,774
Intangible assets	(8,641,523)	(10,604,998)
Adjustment of effective interest rate of bonds	(2,798,382)	(2,321,846)
Land	1,072,888	754,934
Allowance for doubtful receivables	375,943	327,210
Prepaid expenses	-	(11,488)
Net deferred tax assets/(liabilities)	**(27,564,721)**	**(14,167,690)**
Reflected in the statement financial position as follows:		
Deferred tax assets	-	102,334
Deferred tax liabilities	**(27,564,721)**	**(14,270,024)**
Net deferred tax assets/(liabilities)	**(27,564,721)**	**(14,167,690)**

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12.2 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the statement of financial position for the periods 2015 and 2014 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2014	2,121,696	9,257,520
Increase (decrease)	(2,019,362)	4,264,034
Translation adjustment	-	748,470
Balance as of December 31, 2014	102,334	14,270,024
Increase (decrease)	(102,334)	12,350,786
Translation adjustment	-	943,911
Balance as of December 31, 2015	-	27,564,721

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, 2015 and December 31, 2014 is as follows:

Interest bearing loans	December 31, 2015		December 31, 2014	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	178,476,226	1,158,934,826	14,774,702	1,217,748,297
Total bonds payable	**178,476,226**	**1,158,934,826**	**14,774,702**	**1,217,748,297**
Bank loans payable	16,152,000	-	1,420,115	9,626,797
Swap contract (Note 15)	2,012,588	-	2,012,588	-
Other financial liabilities	43,946	3,019,383	35,121	2,597,608
Total obligations with banks	**18,208,534**	**3,019,383**	**3,467,824**	**12,224,405**
Total	**196,684,760**	**1,161,954,209**	**18,242,526**	**1,229,972,702**

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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, 2015 and December 31, 2014 are shown below:

Taxpayer ID number	Debtor name	Country	Placement in Chile or abroad	Instrument registration number	Series	Indexation unit	Nominal interest rate	Effective interest rate	Interest payments	Periodicity principal payments	Final maturity	December 31, 2015 ThCh$	December 31, 2014 ThCh$
76.555.400-4	Transelec S.A.	Chile	Chile	481	C	UF	4.03%	3.50%	At maturity	Semiannually	01-09-2016	155,027,191	148,241,864
76.555.400-4	Transelec S.A.	Chile	Chile	480	D	UF	4.37%	4.25%	At maturity	Semiannually	15-12-2027	342,875,869	329,243,935
76.555.400-4	Transelec S.A.	Chile	Chile	599	H	UF	4.79%	4.80%	At maturity	Semiannually	01-08-2031	78,436,327	75,371,119
76.555.400-4	Transelec S.A.	Chile	Chile	599	K	UF	4.61%	4.60%	At maturity	Semiannually	01-09-2031	41,591,387	39,964,274
76.555.400-4	Transelec S.A.	Chile	Chile	599	M	UF	4.26%	4.05%	At maturity	Semiannually	15-06-2032	37,581,581	36,076,493
76.555.400-4	Transelec S.A.	Chile	Chile	599	M-1	UF	4.23%	4.05%	At maturity	Semiannually	15-06-2032	47,494,328	45,587,908
76.555.400-4	Transelec S.A.	Chile	Chile	599	N	UF	4.29%	3.95%	At maturity	Semiannually	15-12-2038	73,274,046	70,320,372
76.555.400-4	Transelec S.A.	Chile	Chile	744	Q	UF	4.02%	3.95%	At maturity	Semiannually	15-10-2042	79,351,463	76,202,674
76.555.400-4	Transelec S.A.	Chile	Foreign	1st issuance	Sr N	US$	5.10%	4.63%	At maturity	Semiannually	26-07-2023	214,641,039	185,934,418
76.555.400-4	Transelec S.A.	Chile	Foreign	2st issuance	Sr N	US$	4.66%	4.25%	At maturity	Semiannually	14-01-2025	267,137,821	225,579,942
											Total	**1,337,411,052**	**1,232,522,999**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1,447,933,665 and ThCh$1,393,034,676 as of December 31, 2015 and December 31, 2014, respectively (it does not include other current and non-current liabilities such as swap agreements which are presented in the financial statements at fair value). The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities. This value is categorized as level 2 according to the hierarchy of fair value.

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

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, 2014 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	December 31, 2014 Non-current ThCh$
76.555.400-4	Transelec S.A.	481	1,939,094	-	1,939,094	146,302,771	-	-	146,302,771
76.555.400-4	Transelec S.A.	480	-	620,702	620,702	-	-	328,623,233	328,623,233
76.555.400-4	Transelec S.A.	599	1,456,933	-	1,456,933	-	-	73,914,186	73,914,186
76.555.400-4	Transelec S.A.	599	595,650	-	595,650	-	-	39,368,624	39,368,624
76.555.400-4	Transelec S.A.	599	-	68,816	68,816	-	-	36,007,677	36,007,677
76.555.400-4	Transelec S.A.	599	-	86,307	86,307	-	-	45,501,601	45,501,601
76.555.400-4	Transelec S.A.	599	-	138,438	138,438	-	-	70,181,934	70,181,934
76.555.400-4	Transelec S.A.	744	535,325	-	535,325	-	-	75,667,349	75,667,349
76.555.400-4	Transelec S.A.	1st issuance	4,389,738	-	4,389,738	-	-	181,544,680	181,544,680
76.555.400-4	Transelec S.A.	2st issuance	4,943,699	-	4,943,699	-	-	220,636,242	220,636,242
		Total	**13,860,439**	**914,263**	**14,774,702**	**146,302,771**	**-**	**1,071,445,526**	**1,217,748,297**

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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, 2015 and December 31, 2014:

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, 2015 ThCh$	December 31, 2014 ThCh$
76.555.400-4	Transelec S.A.	Chile	97.030.000-7	BANCO DEL ESTADO DE CHILE	Chile	CLP	Semiannually	3.80%	3.80%	2016	16,152,000	-
99.508.750-2	Transmisora Huepil Ltda.	Chile	N/A	Portigon-WestLB.	Germany	US$	Quarterly	3.59%	1.74%	2021	-	11,036,845
76.555.400-4	Transelec S.A.	Chile	N/A	Scotiabank	Canada	US$	Quarterly	2.66%	2.66%	2015	-	10,067
										Total	**16,152,000**	**11,046,912**

Debtor taxpayer ID number	Debtor Name	Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	Current: December 31, 2015 Current ThCh$	Non-Current: Maturity 1 to 3 years ThCh$	Non-Current: Maturity 3 to 5 years ThCh$	Non-Current: Maturity more than 5 years ThCh$	Non-Current: December 31, 2015 Non-current ThCh$
99.508.750.-2	Transelec S.A.	BANCO DEL ESTADO DE CHILE	-	16,152,000	16,152,000	-	-	-	-
		Total	**-**	**16,152,000**	**16,152,000**	**-**	**-**	**-**	**-**

Debtor taxpayer ID number Debtor taxpayer ID number	Debtor Name Debtor Name	Creditor institution Creditor institution	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	Current: December 31, 2015 Current ThCh$	Non-Current: Maturity 1 to 3 years ThCh$	Non-Current: Maturity 3 to 5 years ThCh$	Non-Current: Maturity more than 5 years ThCh$	Non-Current: December 31, 2015 Non-current ThCh$
99.508.750.-2	Trasmisora Huepil Ltda.	Portigon-WestLB.	419,832	990,216	1,410,048	4,873,416	3,786,120	967,261	9,626,797
76.555.400-4	Transelec S.A.	Scotiabank	10,067	-	10,067	-	-	-	**-**
		Total	**429,899**	**990,216**	**1,420,115**	**4,873,416**	**3,786,120**	**967,261**	**9,626,797**

The fair values of bank loans do not differ significantly from the book values.

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c) Other Financial Liabilities

The other financial liabilities by creditor institution name, currencies, rates and maturities as of December 31, 2015 and December 31, 2014 are as follows:

Debtor taxpayer ID number	Debtor Name	Country	Creditor ID Number	Creditor institution name	Country	Currency	Periodicity principal payments	Effective interest rate	Nominal interest rate	Maturity	December 31, 2014 ThCh$	December 31, 2014 ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A.)	Chile	77.277.800-7	Eléctrica Aguas del Melado	Chile	US$	Monthly	6.11%	6.11%	2043	3,063,329	2,632,729
										Total	**3,063,329**	**2,632,729**

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

Debtor taxpayer ID number	Debtor name	Creditor institution name	Current			Non – Current			
			Maturity less than 90 days ThCh$	Maturity more than 90 days s ThCh$	December 31, 2014 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	December 31, 2014 Non-current ThCh$
99.521.950-6	Transelec Norte S.A. (Transelec S.A)	Eléctrica Aguas del Melado	8,586	26,535	35,121	118,760	91,749	2,387,099	2,597,608
		Total	**8,586**	**26,535**	**35,121**	**118,760**	**91,749**	**2,387,099**	**2,597,608**

13.3 Other aspects

As of December 31, 2015 and 2014, Transelec had available a credit line of US$250 million which at the balance sheet date it did not have any drawn pending at that time were no outstanding orders.

Many of the Company's debt agreements include an obligation to comply with certain covenants, including certain financial ratios (see Note 19), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

NOTE 14 - TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2015 and December 31, 2014, are detailed as follows:

	Current		Non- current	
Trade and other payables	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Trade and other payables	50,581,109	69,554,568	-	-
Total	**50,581,109**	**69,554,568**	**-**	**-**

The average payment period for suppliers in the periods ended 2015 and 2014 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.

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15.1 Hedge assets and liabilities

	December 31, 2015				December 31, 2014			
	Asset		Liability		Asset		Liability	
	Current ThCh$	Non - current ThCh$	Current ThCh$	Non - current ThCh$	Current ThCh$	Non - current ThCh$	Current ThCh$	Non - current ThCh$
Currency hedge Swap	-	36,698,535	2,012,588	-	-	11,786,839	2,012,588	-
Total	**-**	**36,698,535**	**2,012,588**	**-**	**-**	**11,786,839**	**2,012,588**	**-**

15.2 Other Information

The following table details Transelec's derivatives as of December 31, 2015 and December 31, 2014, including their fair values as well as their notional and contractual values by maturity:

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

Financial derivatives		Maturity						
	Fair value ThCh$	Before 1 year ThCh$	2017 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	Subsequent years ThCh$	December 31, 2014 Total ThCh$
Currency hedge Swap	9,774,251	(2,012,588)	-	-	-	-	11,786,839	9,774,251

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the periods presented December 31, 2015 and December 31, 2014, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

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

15.3 Fair value hierarchies

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

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

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	December 31, 2015	Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	34,685,947	-	34,685,947	-
Total, net	**34,685,947**	**-**	**34,685,947**	**-**

The following table details financial assets and liabilities measured at fair value as of December 31, 2014.

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	December 31, 2014	Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	9,774,251	-	9,774,251	-
Total, net	**9,774,251**	**-**	**9,774,251**	**-**

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

December 31, 2014	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	65,913,009	-	-	-	-	65,913,009
Other financial assets, current	-	672,589	-	-	-	672,589
Trade and other receivables	-	55,556,746	-	-	-	55,556,746
Other financial assets, non-current	-	12,324,191	11,786,839	-	278,848	24,668,726
Receivables from related parties, current	-	1,018	-	-	-	1,018
Receivables from related parties, non-current	-	135,746,433	-	-	-	135,746,433
Total	**65,913,009**	**204,300,977**	**11,786,839**	**-**	**278,848**	**282,279,673**

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

December 31, 2015	Other financial liabilities ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Total ThCh$
Other financial liabilities, current	194,672,172	2,012,588	-	196,684,760
Trade and other payables	50,581,109	-	-	50,581,109
Other financial liabilities, non-current	1,161,954,209	-	-	1,161,954,209
Total	**1,407,207,490**	**2,012,588**	-	**1,409,220,078**

December 31, 2014	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	16,229,938	2,012,588	-	18,242,526
Trade and other payables	69,554,568	-	-	69,554,568
Other financial liabilities, non-current	1,229,972,682	20	-	1,229,972,702
Total	**1,315,757,188**	**2,012,608**	-	**1,317,769,796**

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NOTE 17 - PROVISIONS

17.1 Detail of provisions

As of December 31, 2015 and December 31, 2014, this account is detailed as follows:

Detail	Current		Non-current	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Staff severance indemnities	582,924	475,066	4,389,325	4,501,474
Accrued vacations	1,642,689	1,467,122	-	-
Profit sharing benefits	4,330,591	4,804,642	9,530	9,530
Other provisions	205,477	589,386	-	-
Total	**6,761,681**	**7,336,216**	**4,398,855**	**4,511,004**

17.2 Provision movements

In 2015 and 2014, provision movements were the following:

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

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Movements in provisions	**Staff severance Indemnities ThCh$**	**Profit sharing benefits ThCh$**	**Accrued vacations ThCh$**	**Other provisions ThCh$**	**Total ThCh$**
Beginning balance as of January 1, 2014	**3,744,637**	**5,458,885**	**1,381,592**	**589,386**	**11,174,500**
Movements in provisions:					
Provisions during the year	1,281,000	3,111,270	1,070,306	54,247	5,516,823
Other increase (decrease) in exchange rates	431,169	-	-	-	431,169
Payments	(480,267)	(3,755,982)	(984,776)	(54,247)	(5,275,272)
Ending balance as of December 31, 2014	**4,976,539**	**4,814,173**	**1,467,122**	**589,386**	**11,847,220**

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

As of December 31, 2015

Detail	**Less than 1 year**	**More than 1 year and up to 3 years**	**More than 3 years and up to 5 years**	**More than 5 years**
Staff severance indemnities	582,924	529,307	352,872	3,507,146
Accrued vacations	1,642,689	-	-	-
Profit sharing benefits	4,330,591	9,530	-	-
Other provisions	205,477	-	-	-
Total	**6,761,681**	**538,837**	**353,872**	**3,507,146**

As of December 31, 2014

Detail	**Less than 1 year ThCh$**	**More than 1 year and up to 3 years ThCh$**	**More than 3 years and up to 5 years ThCh$**	**More than 5 years ThCh$**
Staff severance indemnities	475,066	486,425	729,637	3,285,411
Accrued vacations	1,467,122	-	-	-
Profit sharing benefits	4,804,642	9,531	-	-
Other provisions	589,386	-	-	-
Total	**7,336,216**	**495,956**	**729,637**	**3,285,411**

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Severance pay for years of service

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

Vacation accrual

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

Annual benefits

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

Other provisions

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

17.3 Lawsuits and arbitration proceedings

Transelec S.A.

1. Regarding the delay in commissioning the Rodeo-Chena project, and in accordance with the bidding terms and conditions, which stipulate a fine of US$30,000 per day of delay with a maximum of 60 days, the Company paid the fine amounting to US$ 1,800,000. Collection of a stand-by letter amounting to US$ 313,500 by authority is pending.

   As of December 31, 2015 the Company has established a provision for these and other contingents liabilities totaling to ThCh$461,392 considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC. In addition, there are cases with appeals before the SEC and for which the body normally and to some extent has kept the fine charged.

2. As of December 31, 2015, the company Campanario Generación S,A, has not fulfilled its obligation to pay invoices issued by Transelec for the injection and withdrawal balances issued by the CDEC-SIC in September, July, August and September 2011. On August 3, 2011, Transelec notified the SEC of this company's failure to comply with its obligation so it could adopt legally appropriate measures.

   In order to collect the funds owed by Campanario Generación S.A., on August 12, 2011, Transelec S.A. filed a preparatory invoice notification measure against that company before the 5th Civil Court of Santiago for unpaid invoices totaling ThCh$ 6,285,171, This judicial management was presented to the 5th Civil Court of Santiago, On September 13, 2011, Campanario Generación S.A. was declared bankrupt by the 6th Civil Court of Santiago, In this bankruptcy proceeding, Transelec claimed $ 14,688,235,160, which includes VAT of ThCh$ 2,345,064, plus principal, interest, indexation adjustments and costs.

By Exempt Resolution No, 2288 dated August 26, 2011, the SEC ordered the CDEC-SIC to exclude the Company from the Balance of Energy and Power which is made to calculate tariff revenues (IT). In compliance with the order, CDEC-SIC issued a new procedure, which was approved by the National Energy Commission (CNE), Transelec S,A, impugned the proceedings before the Panel of Experts, which in Opinion No, 24-2011 ordered the issuance of a new procedure by the CDEC-SIC that still requires an approval by the CNE.

In relation with the final tolls and IT for 2011, the CDEC-SIC issued the corresponding settlement, which was also impugned by Transelec before the Panel of Experts, which through Opinion No, 2-2012 ordered CDEC-SIC to determine new settlements of tolls and final IT for 2011, declaring that Transelec S,A, is not responsible for the payments of amounts owed by Campanario Generación S.A. to generators, and also that they must pay the IT related to Campanario Generación S,A, to Transelec S.A. This new settlement issued was objected by Endesa through discrepancy filed with the Panel of Experts, which to date did not issue a final resolution. The distribution of the amount already recovered by Transelec in bankruptcy proceeding (ThCh$ 8,012,745) depends on the final settlement mechanism.

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.

3. Parties: Hyundai Corporation with Transelec S.A. Subject: Ordinary civil action of collection of balance price. Court: Judge arbitrator Sergio Fernández designated by the Arbitration and Mediation Center of the Chamber of Commerce of Santiago. On December 11, 2013 Transelec was notified of the lawsuit lodged by Hyundai Corporation which purpose is the collection of the unpaid balance price (US $ 2,988,263.25) related to the contract for the provision of high power towers of Nogales-Polpaico project. The payment of US$ 3,000,000 as a compensation for moral damages is also intended. The answer to the ordinary civil action was presented. Transelec recognizes an outstanding debt of US$2.4M to Hyunday rejecting the other petitions. This, notwithstanding the credit that Transelec has against Hyundai amounting US$ 3.7M of the compensation awarded in arbitration followed by Transelec against Hyundai for infringements of it in the contract of high power towers aforementioned. To date, the cause is in sentencing. Result: The sentence issued in January established that Transelec should only paid an outstanding balance of the adequate price (US$2.4 Million) plus indexation and interest. In November 2015, a transaction was held with Hyundai in which credits under both parties are compensated, forcing Hyundai by concept of favorable balance also to pay Transelec the sum of USD $ 0.8M, which would be fulfilled in January 2016.

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4. Was notified of the lawsuit filed by by CGE against Transelec and the other 115 companies sanctioned by the SEC for their role in the blackout of March 14, 2010. CGE seeks to be reimbursed for the compensation paid to customers for a total of $1,088,887,708. As of December 31, 2015, CGE and Transelec are negotiating the conditions to end this process and avoid other derivative of four other faults for which Transelec was sanctioned by the SEC.

NOTE 18 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

18.1 Detail of account

Post-employment and other benefit obligations	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Staff severance indemnity provision-current	582,924	475,066
Staff severance indemnity provision no-current	4,389,325	4,501,473
Total current and non-current obligations for post-employment benefits	**4,972,249**	**4,976,539**

18.2 Detail of post-employment and other similar obligations

As of December 31, 2015 and December 31, 2014, this account is detailed as follows:

Post-employment and other benefits obligations	Staff severance indemnity	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Present value of defined benefit plan obligations opening balance	4,976,539	3,744,637
Current service cost of defined benefit plan obligations	513,183	563,640
Actuarial calculation cost of defined benefit plan obligations	-	1,148,529
Payments	(517,473)	(480,267)
Present value of defined benefit obligations ending balance	4,972,249	4,976,539

18.3 Balance of post-employment and other similar obligations

	Staff severance indemnity	
	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Present value of defined benefit obligations, ending balance	4,972,249	4,976,539
Present obligation with defined benefit plan funds	4,972,249	4,976,539
Fair value of defined benefit plan assets, ending balance	-	-
Balance of defined benefit obligations, ending balance	4,972,249	4,976,539

18.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2015 to December 31, 2015 ThCh$	January 1, 2014 December 31, 2014 ThCh$	
Current service cost of defined benefit plan	257,958	563,640	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	474,106	717,360	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	**732,064**	**1,281,000**	

18.5 Actuarial hypothesis

Detail	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Discount rate used	1.95%	1.95%
Inflation rate	4.6%	4.6%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

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

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18.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of December 31, 2015:

	Discount rate used		Inflation rate		Future salary increase	
Level of Sensitivity	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**
Impact on current and non-current of employment benefit obligation	(336,897)	378,949	7,936	(7,942)	325,112	(303,822)

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, 2015.

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

	December 31, 2015 ThCh$	**December 31, 2014 ThCh$**
During the upcoming 12 month	582,924	156,571
Between 2 to 5 years	882,178	972,850
Between 5 to 10 years	1,667,921	1,191,211
More than 10 years	1,839,226	2,655,907
Total Payments Expected	**4,972,249**	**4,976,539**

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NOTE 19 - EQUITY

19.1 Subscribed and paid capital

As of December 31, 2015 and December 31, 2014 authorized, subscribed and paid share capital amounts to ThCh$ 776,355,048.

19.2 Number of subscribed and paid shares

	Number of shares subscribed	Number of shares paid	Number of shares with voting rights
Sole series	1,000,000	1,000,000	1,000,000

No shares have been issued or redeemed in the years covered by these financial statements.

On January 22, 2014, the extraordinary shareholders meeting was celebrated, where a capital reduction was approved since the amount of $ 857,944,547,865 divided into 1,000,000 ordinary shares, without par value the amount of $ 776,355,047,865 divided into 1,000,000 ordinary shares held, no par value, therefore the decrease was M $ 81,589,500.

19.3 Dividends

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

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

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

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

On April 21, 2014, the Ordinary Shareholders meeting of the Company was celebrated, on which it was unanimously agreed to approve a final dividend for the year 2013, amounting to Ch$ 21,109,661,795. As of December 31, 2014 this dividend is fully paid.

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On May 7, 2014, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a provisional dividend with debit to 2014 income, in the amount of Ch$13,360,575,000. As of December 31, 2014, this dividend has been paid in full.

On September 4, 2014, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a provisional dividend with debit to 2014 income, in the amount of Ch$12,182,561,000. As of December 31, 2014, this dividend has been paid in full.

On November 26, 2014, the Company's Board of Directors met in an Ordinary Meeting, where they agreed to distribute a provisional dividend with debit to 2014 income, in the amount of Ch$16,384,840,000. As of December 31, 2014, this dividend has been paid in full.

19.4 Other reserves

Other reserves as of December 31, 2015 and December 31, 2014 are detailed as follows:

Description	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Investment hedge	6,432,354	6,554,149
Cash flow hedge (exchange rate)	(13,363,615)	48,907
Actuarial calculation exchange rate	(431,169)	(431,169)
Deferred taxes	1,987,856	(1,542,972)
Total	**(5,374,574)**	**4,628,915**

The movements of other comprehensive income for the period 2015 are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2015	**4,915,612**	**36,680**	**(323,377)**	**4,628,915**
Translation adjustment	(121,796)	(13,412,521)	-	**(13,534,317)**
Deferred tax	(98,198)	3,620,403	8,623	**3,530,828**
Closing balance as of December 31, 2015	**4,695,618**	**(9,755,438)**	**(314,754)**	**(5,374,574)**

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19.5 Capital management

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

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

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

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

- Maintain individual and indebtedness levels (Total debt / Total capitalization ratio) no greater than 0.7 based on the definitions of these terms in the respective prospectuses.
- Maintain minimum individual and equity of fifteen million UF equivalents to ThCh$384,436,350 as of December 31, 2015.
- The test of distribution of restricted payments (net cash flow of the operations / financial costs) must be greater than 1.5 times, as those terms are defined in the respective prospectuses.

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The following tables present – as of December 31, 2015 and December 31, 2014 - 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, 2015 ThCh$**	**December 31, 2014 ThCh$**
A	Other financial liabilities, current	196,685	18,243
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,161,954	1,229,973
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	1,358,639	1,248,216
G	Debt with guarantees (1)	-	31,647
DT=E+G	**Total debt**	1,358,639	1,279,863
H	Non-controlling interest	-	29
P	Equity attributable to owners of the parent	790,649	805,223
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	2,174,257	2,110,085
DT/CT	**Total debt / Total capitalization ratio**	0,62	0.61

(1) Amount of the debt with guarantees corresponds to a guarantee issued by Transmisora Huepil Limitada, indirect subsidiary of Transelec S.A.

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Covenant 2	**Minimum equity** **Greater than or equal to UF 15 million**	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
P	Equity attributable to owners of the parent	790,649	805,223
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	815,619	830,193
UF	UF value	25,629.09	24,627.10
(I+P)/UF	**Equity (in UF millions)**	31.82	33.71

Covenant 3	**Restricted payments test** **Funds from operations (FNO) / Financial costs > 1.5**	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
FO	Cash flow from operations	178,989	186,444
CF	Financial costs	59,138	56,710
IG	Income tax expense	17,453	3,589
FNO=FO+CF+IG	**Funds from operations**	255,580	246,743
FNO/CF	**Funds from operations / Financial costs**	4.32	4.35

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 twelve-month periods ended December 31, 2015 and 2014:

Revenue	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Revenues from regulated transmission services	136,417,138	121,256,192
Revenues from contractual transmission services	139,907,755	128,570,706
Leases revenue	411,943	698,147
Total revenues	**276,736,836**	**250,525,045**

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20.2 Other operating income

The following table details operating income for the twelve-month periods ended December 31, 2015 and 2014:

Other operating income	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Financial income (Note 21.4)	8,259,076	10,129,175
Other gains (losses), net	6,785,410	8,629,122
Total other operating income	**15,044,486**	**18,758,297**

NOTE 21 - RELEVANT INCOME STATEMENT ACCOUNTS

21.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the twelve-month periods ended December 31, 2015 and 2014:

Detail	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Personnel expenses	17,881,456	18,539,172
Operating expenses	14,700,248	13,839,749
Maintenance expenses	6,528,665	5,182,827
Depreciation and write-offs	55,247,348	49,564,907
Other	5,605,517	6,433,099
Total	**99,963,234**	**93,559,754**

21.2 Personnel expenses

As of December 31, 2015 and 2014, this account is detailed as follows:

Detail	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Salaries and wages	15,969,535	15,208,487
Short-term employee benefits	819,882	2,426,395
Staff severance indemnity	732,064	1,281,000
Other long-term benefits	1,199,119	1,070,307
Other personnel expenses	6,082,063	4,477,828
Expenses capitalized on construction in progress	(6,921,207)	(5,924,845)
Total	**17,881,456**	**18,539,172**

21.3 Depreciation and amortization

The following table details depreciation and amortization for the twelve-month periods ended December 31, 2015 and 2014:

Detail	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Depreciation	46,550,980	45,253,807
Amortization	675,173	579,110
Losses from damages	8,021,195	3,731,990
Total	**55,247,348**	**49,564,907**

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21.4 Financial results

The Company's financial result for the twelve-month periods ended December 31, 2015 and 2014 is detailed as follows:

Detail	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Financial income:	**8,259,076**	**10,129,175**
Commercial interest earned	504,946	155,512
Bank interest earned	1,026,978	2,636,670
Interest earned from related parties	6,727,152	7,336,993
Financial expenses:	**(59,138,042)**	**(56,709,876)**
Interest on bonds	(52,917,087)	(50,647,305)
Interest on bank loans	(692,943)	(330,445)
Commercial interest incurred	(72,494)	(299,382)
Interest costs on related parties transactions	-	(1,693,919)
Swap Interest	(4,321,144)	(1,569,762)
Other expenses	(1,134,374)	(2,169,063)
Gain (loss) from indexation of UF	**(32,438,850)**	**(46,842,143)**
Foreign exchange gains (losses), net	**839,346**	**(1,809,424)**
Positive	67,875,893	38,545,034
Negative	(67,036,547)	(40,354,458)
Total financial result, net	**(82,478,470)**	**(95,232,268)**

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NOTE 22 - INCOME TAX RESULT

Income tax expense (income)	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Current tax expense	224,643	(1,203,584)
Current tax expense, net, total	224,643	(1,203,584)
Deferred tax expense relating to origination and reversal of temporary differences	17,228,209	4,792,523
Deferred tax expense, net, total	17,228,209	4,792,523
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	17,452,852	3,588,939

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense

The following table reconciles income taxes resulting from applying statutory tax rate to the "Profit Before Taxes" to the income tax expense recorded in the income statement for the periods 2015 and 2014:

Using Effective Rate	**December 31, 2015 ThCh$**	**December 31, 2014 ThCh$**
Tax expense at statutory rate	(22,743,122)	(14,776,050)
Price level restatement of equity	2,278,289	4,735,087
Lawsuits	-	(197,175)
Change in income tax rate, Tax Reform Law 20,780	-	(2,278,545)
Differences in application real / statutory rate	(3,874,475)	-
Re-classification to Equity according to Bulletin N°856 of the SVS	-	2,278,545
Goodwill to be absorbed (*)	6,907,747	6,530,588
Other differences increase (decrease)	(21,291)	118,611
Total adjustments to tax expense using statutory rate	**5,290,270**	**11,187,111**
Tax Expense at effective Rate	(17,452,852)	(3,588,939)

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	December 31, 2015	December 31, 2014
Statutory Tax Rate	22.5%	21.00%
Price level restatement of equity	(2.25%)	(6.73%)
Lawsuits	-	0.28%
Change in income tax rate, Tax Reform Law 20.780	-	3.50%
Differences in application real / statutory rate	3.83%	-
Re-classification to Equity according to Bulletin N°856 of the SVS	-	(3.50%)
Goodwill to be absorbed (*)	(6.83%)	(9.28%)
Other differences increase (decrease)	0.02%	(0.17%)
Adjustments to Statutory Tax Rate, Total	(5.23)%	(15.90%)
Effective Tax Rate	17.27%	5.10%

(*) In November 2014, revaluation of tax assets belonging to the subsidiary Transelec Norte S.A. as a result of the merger of this company were made; in July 2015, re-valuation of tax assets belonging to subsidiaries Transmisora Huepil Ltda, Transmisora Abenor Ltda and TransmisoraLtda Araucana de Electricidad Ltda. as a result of the merger of these companies were carried out. As of December 31, 2015, these effects are included in this line.

The tax rate used for the periods 2015 and 2014 reconciliations corresponds to 22.5% and 21%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations.

Tax Reform Chile

On September 29, 2014, the law N° 20.780 was published, named "Tax Reform which modifies the Tax System on the income and which introduces various adjustments on the Tax System".

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

For the calculation of the deferred taxes, the Company has applied the attributed income system. The change in income tax from 20% to 21% from January to September in 2014, increased the taxes in the amount of ThCh$70,307 that has been recorded as income tax in the profit and loss statement.

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In relation to deferred tax provisions the bulletin No. 856 of the SVS was considered, whereby the differences in deferred tax assets and liabilities arising as a direct effect of the increased tax rate of first category income tax, will have been recorded in the current year in equity. The amount recorded in equity corresponds to a charge amounting to ThCh$ 2,278,545 recorded at December 31, 2015.

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, 2015	December 31, 2014
Profit attributable to equity holders of parent (ThCh$)	83,627,690	66,773,206
Earnings available to common shareholders, basic (ThCh$)	83,627,690	66,773,206
Total basic shares	**1,000,000**	**1,000,000**
Basic earnings per share (Ch$)	83,628	66,773

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

NOTE 24 - SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

Information about products and services

	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Revenues from regulated transmission services	136,417,138	121,256,192
Revenues from contractual transmission services and others	140,319,698	129,268,853
Total revenues	**276,736,836**	**250,525,045**

Information about sales and principal customers

The Company has three customers that individually represent more than 10% of total revenues for the twelve-month ended on December 31, 2015. The amounts of revenues recognized from these customers were: ThCh$125,969,566, ThCh$52,658,967 y ThCh$44,129,127, respectively. For the twelve-month periods ended December 31, 2015 the Company had three customers that individually exceeded 10% of total revenues. The amounts of revenues recognized from these customers were: ThCh$121,246,616, ThCh$42,317,109 y ThCh$41,390,405, respectively.

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

As of December 31, 2015, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$18,634,565 (ThCh$36,498,486 as of December 31, 2014). In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favor of the Company.

NOTE 26 - DISTRIBUTION OF PERSONNEL (UNAUDITED)

As of December 31, 2015 and December 31, 2014, personnel employed by Transelec S.A. are detailed as follows:

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

	December 31, 2014				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**16**	**342**	**135**	**493**	**495.4**

NOTE 27 - ENVIRONMENT

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

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During for the twelve-month periods ended December 31, 2015 and 2014, the Company has not made the following environmental disbursements:

Company making disbursement	Project	December 31, 2015 ThCh$	December 31, 2014 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	653,132	583,311
Total		**653,132**	**583,311**

NOTE 28 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

			December 31, 2015		December 31, 2014	
Current Assets	**Foreign Currency**	**Functional Currency**	**Maturity less than 90 days ThCh$**	**Maturity more than 91 to 1 year ThCh$**	**Maturity less than 90 days ThCh$**	**Maturity more than 91 to 1 year ThCh$**
Cash and cash equivalents	Dollars	CH$	23,776,117	-	74,130	-
	Chilean Pesos	CH$	349,522	-	65,747,570	-
	Other Currency	CH$	30,968	-	91,309	-
Trade and other receivables	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	26,972,371	22,902,513	37,770,448	17,786,298
	Other Currency	CH$	-	-	-	-
Receivables from related parties, Current	Dollars	CH$	-	-	1,018	-
	Chilean Pesos	CH$	12,936,861	-	-	-
	Other Currency	CH$	-	-	-	-

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Current Liabilities	Foreign Currency	Functional Currency	December 31, 2015 Maturity less than 90 days ThCh$	December 31, 2015 Maturity more than 91 to 1 year ThCh$	December 31, 2014 Maturity less than 90 days ThCh$	December 31, 2014 Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	10,744	2,045,790	11,784,511	1,016,751
	Chilean Pesos	CH$	22,795,182	171,833,044	4,527,001	914,263
	Other Currency	CH$	-	-	-	-
Trade payables and other payables	Dollars	CH$	-	-	43,437,115	-
	Chilean Pesos	CH$	50,581,109	-	26,117,453	-
	Other Currency	CH$	-	-	-	-
Current provisions for employee benefits	Dollars	CH$	-	-	-	-
	Chilean Pesos	CH$	6,761,681	-	2,056,508	6,299,439
	Other Currency	CH$	-	-	-	-

b) Non-Current assets and liabilities

Non-Current Assets	Foreign Currency	Functional Currency	December 31, 2015 1 to 3 year ThCh$	December 31, 2015 3 to 5 year ThCh$	December 31, 2015 More than 5 year ThCh$	December 31, 2014 1 to 3 year ThCh$	December 31, 2014 3 to 5 year ThCh$	December 31, 2014 More than 5 year ThCh$
Trade and other receivables	Dollar	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Property, plant and equipment	Dollars	CH$	-	-	-	-	-	34,455,225
	Chilean Pesos	CH$	-	-	1,378,500,777	-	-	1,264,829,463
	Other Currency	CH$	-	-	-	-	-	-
Deferred tax assets	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	102,334	-
	Other Currency	CH$	-	-	-	-	-	-

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			December 31, 2015			December 31, 2014		
			1 to 3 year	3 to 5 year	More than 5 year	1 to 3 year	3 to 5 year	More than 5 year
Non-Current Liabilities	**Foreign Currency**	**Functional Currency**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, non-current	Dollars	CH$	96,106	108,199	474,740,739	4,992,176	3,877,869	393,748,443
	Chilean Pesos	CH$	-	-	687,009,165	146,302,771	-	669,264,604
	Other Currency	CH$	-	-	-	-	-	-
Other liabilities, non-current	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	-	-	-	-
	Other Currency	CH$	-	-	-	-	-	-
Non-current provisions for employee benefits	Dollars	CH$	-	-	-	-	-	-
	Chilean Pesos	CH$	-	-	4,398,855	651,531	582,997	2,256,745
	Other Currency	CH$	-	-	-	-	-	-

NOTE 29 - SUBSEQUENT EVENTS

Between December 31, 2015, closing date of these 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.

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Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

SUMMARY

As of December 31, 2015, Transelec S.A. obtained an EBITDA(*) of MCh$238,806, an 11.0% higher than the comparison period of 2014 (MCh$215,159), with an EBITDA(*) over revenues of 86.3% (85.9% in 2014). This increase is mainly explained by operating revenues that reached MCh$276,737 in December 2015, a 10.5% higher than the revenues obtained in the same period of 2014 (MCh$250,525) and by a decrease of MCh$423 in fixed costs for administration and sales expenses. This was partially offset by a decrease in other income (MCh$1,844) and an increase in fixed costs in Operating costs (MCh$1,144).

The net income recorded by the Company as of December 31, 2015 was MCh$83,628, which is 25.2% higher respect to the comparison period (MCh$6,773). This increase is mainly explained by higher revenues in Operating Income (12.6%) and lower loss in Non-Operating Income (12.6%), partially offset by higher Income Tax (386.3%).

The loss in Non-Operating Income as of December 31, 2015 of MCh$75,693, shows a decrease of 12.6% compared with the same period in 2014 (MCh$86,603), that is mainly explained by lower losses for indexed assets and liabilities (30.7%), which measures the inflation impact on the UF denominated debt of the Company, and by a gain in foreign exchange differences (MCh$839), partially offset by higher financial costs.

During 2015, the company incorporated US$138.3 million of new facilities, where US$70.5 correspond to the commissioning of the trunk expansion project 'S/E Lo Aguirre', US$19.0 million correspond to the commissioning of the trunk expansion project 'Segundo transformador Ancoa', US$37.9 million to the commissioning of ten trunk upgrade projects and US$10.9 million to other projects.

Relevant facts of the period:

- On January 23, 2015, an extraordinary Shareholders' Meeting of Transelec S.A. was held. The merger of the subsidiary Inversiones Eléctricas Transam Chile with Transelec S.A. was approved, in the terms and conditions discussed at the meeting, delegating to the Board of Directors the establishment of the adequate timing for the merger.
- During 2015, Fitch Ratings has upgraded Transelec to 'BBB' from 'BBB-' internationally and 'AA-' from 'A+' locally. Humphrey's also upgraded to 'AA-' from 'A+' locally. Moody's and S&P both ratified Transelec's international rating in 'Baa1' and 'BBB' respectively and Feller ratified Transelec's local rating in 'AA-'.
- On April 2, 2015, Transelec S.A. subscribed a loan agreement with 'Banco Estado' (1 year bullet, 3.8% rate), amounting MCh$16,000, maturing on April 2, 2016, to prepay the debt of its subsidiary Transmisora Huepil Ltda.

(*) EBITDA = Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income.

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Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

- On April 10, 2015, the subsidiary Transmisora Huepil Ltda. totally prepaid the principal and interests related to its only outstanding debt, transaction required for the merger of its parent company Inversiones Eléctricas Transam Chile Ltda. with Transelec S.A.
- During 2015's first semester, Transelec S.A. made an intercompany loan to Transelec Holdings Rentas Limitada for UF 1.76 million. On September the currency was redenominated to US Dollar and UF.
- On August 1, 2015, Inversiones Eléctricas Transam Ltda. was merged with its subsidiaries.
- On September 1, 2015, the merger between Transelec S.A. and Inversiones Eléctricas Transam Ltda. was finalized.
- In 2015, Transelec S.A. paid to their shareholders the following amounts:
    - MCh$24,845 as 2014's final dividend. Agreed to be distributed on Transelec S.A. Ordinary Shareholders Meeting in April 28, 2015.
    - MCh$16,355 as the 2015 first interim dividend. Agreed to be distributed on Transelec S.A. Board of Directors Meeting in May 13, 2015.
    - MCh$18,167 as the 2015 second interim dividend. Agreed to be distributed on Transelec S.A. Board of Directors Meeting in August 12, 2015.
    - MCh$28,799 as the 2015 third interim dividend. Agreed to be distributed on Transelec S.A. Board of Directors Meeting in November 16, 2015.
- On October, 2015, the Panel of Experts made their resolution about the Trunk Transmission Study claims presented on August. It is expected that the decree will be published on the first quarter of 2016. However the new trunk transmission rates for the 2016-2019 period shouldn't show significant changes to Transelec.

Transelec S.A. has prepared its financial statements as of December 31st, 2015 according to International Financial Reporting Standards (IFRS), and taking into account the instructions and standards of financial reporting issued by the SVS, in particular Circular No. 856 (10/17/2014) which instructs a form of registration of differed taxes for audited companies by this Superintendency. Note 2.1 of the Financial Statements, from which this MD&A is part, accounts and describes this instruction. The figures in this MD&A are expressed in millions of Chilean pesos (MCh$), since Chilean Peso corresponds to the functional currency of Transelec S.A.

TRANSELEC S.A.

Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

1. INCOME STATEMENT ANALYSIS

Items	December 2015 MCh$	December 2014 MCh$	Variation 2015/2014 MCh$	Variation 2015/2014 %
Operating Revenues	**276,737**	**250,525**	**26,212**	**10.5%**
Toll sales	272,596	246,328	26,268	10.7%
Work and services	4,141	4,197	-56	-1.3%
Operating costs	**-83,121**	**-75,950**	**-7,171**	**9.4%**
Fixed costs	-29,086	-27,942	-1,144	4.1%
Depreciation	-54,035	-48,009	-6,026	12.6%
Administration and sales expenses	**-16,842**	**-17,609**	**767**	**-4.4%**
Fixed costs	-15,630	-16,053	423	-2.6%
Depreciation	-1,212	-1,556	344	-22.1%
Operating Income	**176,774**	**156,965**	**19,808**	**12.6%**
Other Financial Income	8,259	10,129	-1,870	-18.5%
Financial Costs	-59,138	-56,710	-2,428	4.3%
Foreign exchange differences, net	839	-1,809	2,649	-146.4%
Gain (loss) for indexed assets and liabilities	-32,439	-46,842	14,403	-30.7%
Other income	6,785	8,629	-1,844	-21.4%
Non-Operating Income	**-75,693**	**-86,603**	**10,910**	**-12.6%**
Income before Income Taxes	**101,081**	**70,362**	**30,718**	**43.7%**
Income tax	-17,453	-3,589	-13,864	386.3%
Net Income	**83,628**	**66,773**	**16,854**	**25.2%**
EBITDA (*)	**238,806**	**215,159**	**23,647**	**11.0%**

(*) EBITDA = Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income

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Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

a) Operating Income

During 2015, operating revenues reached MCh$276,737, which is 10.5% higher compared with the same period in 2014 (MCh$250,525). This increase is mainly explained by higher Toll sales that reached MCh$272,596 in December 2015, a 10.7% higher than 2014 (MCh$246,328). This increase is mainly due to MCh$14,227 derived from macroeconomical effects (indexation and foreign exchange), MCh$2,346 related to the ending of a negotiation of terms and conditions of certain pending agreements with Endesa, MCh$1,303 of higher subtransmission revenues, MCh$5,524 for additional revenues due to commissioned projects and MCh$1,221 of lower revenues in December 2014 due to forward contracts. Additionally, Work and Services revenues reached MCh$4,141 as of December 31, 2015, a 1.3% lower than 2014 (MCh$4,197).

During this period, the operating costs reached MCh$83,121, a 9.4% higher than 2014 (MCh$75,950). These costs are mainly related to the maintenance and operation of the Company's facilities and, in percentage terms, 65.0% of the company's costs correspond to property, plant and equipment depreciation (63.2% in 2014) and the remaining 35.0% corresponds to personnel, supplies and contracted services (36.8% in 2014). As of December 2015, fixed costs were slightly higher than the costs reached in the same period in 2014 (4.1% increase), while the depreciation was 12.6% higher, which is mainly explained by the retirement of fixed assets as a result of sinister and commissioning of new facilities occurred during 2015.

Administrative and selling expenses amounted MCh$16,842, a 4.4% less than 2014 (MCh$17,609), and primarily consist in 92.8% of personnel and work expenses, supplies and contracted services (91.2% in 2014), and 7.2% of depreciation (8.8% in 2014). The decrease in administrative and selling expenses is mainly explained by less fine payments in 2015, less payment for consultancies for the trunk transmission study. This decrease was partially offset by the reclassification of personnel costs from operating costs to administration and sales expenses and personnel performance bonus paid in 2014.

b) Non-Operating Income

Despite net income of 2015 was negatively impacted by the non-operating loss of MCh$75,693, this result was a 12.6% lower than the one recorded in the same period of 2014 (MCh$86,603), and is mainly explained by lower losses in indexed assets and liabilities (MCh$14,403) and in the earnings by foreign exchange differences (MCh$839) which in 2014 where losses for MCh$1,809. This effects were partially offset by less other financial incomes (MCh$1,870) and higher financial costs (MCh$2,428).

Loss from indexed assets and liabilities of MCh$32,439, compared with the loss of MCh$46,842 recorded in the same period of 2014, is mainly explained by the UF variation. This variation corresponds to a 4.1% for the current period compared to 5.7% in 2014 due to less inflation in 2015.

Gain from Foreign exchange differences in 2015, reached MCh$839 compared to the losses in 2014 of MCh$1,809. Losses recorded as of December 31, 2014, are mainly explained by the negative impact of higher exchange rate on the Senior Notes bonds issued in July 2013 and July 2014 (MCh$40,360) partially offset by gains related to receivables from related companies (MCh$18,068) and gains derived from the Cross Currency Swap contracted in August 2014 (MCh$12,281). In 2015, the negative impact of higher exchange rate on the US bonds (MCh$64,975) was offset by gains derived from the Cross Currency Swap (MCh$38,077) and gains related to receivables from related companies (MCh$26,240).

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Financial costs as of December 31, 2015, reached MCh$59,138, a 4.3% higher than the same period of 2014 (MCh$56,710). This increase is mainly explained by MCh$7,913 of interest related to the Senior Notes bonds. However it is partially offset by less interest related to UF bonds (MCh$3,397). This is mainly explain by the new debt structure of the company (the maturity of Series E, F, and I bonds during the third quarter of 2014, the prepayment of Series L Bond on December of 2014). Lower bank fees & expenses (MCh$789) and more interests activated due to new projects also offset the increase.

Other financial income as of December 31, 2015, reached MCh$8,259, an 18.5% lower than the same period in 2014 (MCh$10,129), mainly explained by lower bank interest earned due to less cash balance and lower interest accrued to related companies (Transelec Holding Rentas Ltda.).

Earnings due to Other Income as of December 31, 2015 reached MCh$6,785, a 21.4% lower than the same period in 2014 (MCh$8,629). The difference is mainly explained by less exceptional gains partially offset by higher income due to disposal of materials.

c) Income tax

The income tax increased because of a 44% increment of the basis for calculating tax, also by a higher income tax rate and the absorption effect of mergers with related companies and other permanent effects.

2. BALANCE SHEET ANALYSIS

Items	December 2015 MCh$	December 2014 MCh$	Variation 2015/2014 MCh$	Variation 2015/2014 %
Current assets	92,078	128,514	-36,436	-28.4%
Non-current assets	2,157,149	2,028,552	128,598	6.3%
Total Assets	**2,249,227**	**2,157,066**	**92,162**	**4.3%**
Current liabilities	257,921	96,930	160,991	166.1%
Non-current liabilities	1,200,658	1,254,884	-54,226	-4.3%
Equity	790,649	805,252	-14,603	-1.8%
Total Liabilities & Equity	**2,249,227**	**2,157,066**	**92,162**	**4.3%**

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Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

The increase in the total assets between December 2014 and December 2015 is mainly explained by higher non-current assets, partially offset by a decrease in the current assets. The increase in non-current assets is mainly due to higher receivables from related parties (Transelec Holdings Rentas Ltda.), an increase in fixed assets derived from the increase of work in progress and the commissioning of the trunk expansions projects 'S/E Lo Aguirre' and 'Segundo Transformador Ancoa', among others and an increase in Other financial assets. On the other hand, the decrease in current assets is mainly explained by lower Cash and cash equivalents, lower Trade and other receivables and also lower Other non-financial assets partially offset by an increase of Receivables from related parties.

The increase in total liabilities between December 2014 and December 2015 is explained by higher current liabilities, mainly due to an increase in Other financial liabilities. This increase is primarily explained by higher obligations to the public due to the bond C maturity in September 2016 and the obligations with banks due to a loan agreement subscribed with 'Banco Estado' in April 2015; partially offset by less balance in Trade and other payables. On the other hand, non-current liabilities recorded a decrease that is mainly explained by lower Other financial liabilities due to the short-term reclassification of bond C, partially offset by an increase in Deferred tax liabilities due to lower obligations with banks due to prepayment of Transmisora Huepil Ltda. loan in April 2015.

VALUE OF THE MAIN PP&E IN OPERATION

Assets	December 2015 MCh$	December 2014 MCh$	Variation 2015/2014 MCh$	Variation 2015/2014 %
Land	20,630	20,060	571	2.8%
Building, Infrastructure, works in progress	1,080,462	1,046,214	34,249	3.3%
Work in progress	72,802	73,169	-367	-0.5%
Machinery and equipment	580,389	546,349	34,040	6.2%
Other fixed assets	5,530	4,394	1,136	25.8%
Depreciation (less)	-381,313	-338,275	-43,038	12.7%
Total	**1,378,501**	**1,351,911**	**26,590**	**2.0%**

CURRENT DEBT

					Amount in original currency (million) Unpaid capital	
Debt	**Currency or index**	**Interest rate**	**Type of rate**	**Maturity Date**	**December 2015**	**December 2014**
Series C bond	UF	3.50%	Fixed	01 September, 2016	6.0	6.0
Series D bond	UF	4.25%	Fixed	15 December, 2027	13.5	13.5
Series H bond	UF	4.80%	Fixed	01 August, 2031	3.0	3.0
Series K bond	UF	4.60%	Fixed	01 September, 2031	1.6	1.6
Series M bond	UF	4.05%	Fixed	15 June, 2032	3.4	3.4
Series N bond	UF	3.95%	Fixed	15 December, 2038	3.0	3.0
Series Q bond	UF	3.95%	Fixed	15 October, 2042	3.1	3.1
Series Senior Notes bond	USD	4.625%	Fixed	26 July, 2023	300.0	300.0
Series Senior Notes bond	USD	4.25%	Fixed	14 January, 2025	375.0	375.0
Revolving Credit Facility	USD	2.01%	Variable	15 October, 2017	-	-
Huepil Loan	USD	1.88%	Variable	04 April, 2015	-	19.1
Local Note	CLP	3.80%	Fixed	02 April, 2016	16,000.0	-

Although increases in inflation can impact the cost of debt denominated in UF and, therefore, on the financial costs of the Company, these impacts are mitigated by the revenues of the Company, which are also indexed to the inflation by the polynomials revenues.

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**Reasoned Analysis of the Consolidated Financial Statements
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3. MAIN CASH FLOWS DURING THE YEAR

Items	December 2015 MCh$	December 2014 MCh$	Variation 2015/2014 MCh$	Variation 2015/2014 %
Cash flows provided by (used in) operating activities	178,989	186,444	-7,455	-4.0%
Cash flows provided by (used in) investing activities	-136,179	-99,763	-36,417	36.5%
Cash flows provided by (used in) financing activities	-84,566	-73,191	-11,376	15.5%
Net increase (decrease) of cash and cash equivalent	**-41,756**	**13,491**	**-55,247**	**-409.5%**
Cash and cash equivalent at the beginning of the period	65,913	52,422	13,491	25.7%
Cash and cash equivalent at the end of the period	**24,157**	**65,913**	**-41,756**	**-63.4%**

As of December 31, 2015, cash flows provided by operating activities reached MCh$178,989, which is 4.0% lower than the same period of 2014 (MCh$186,444), mainly explained by higher Interest paid (MCh$7,041) due to the new debt structure previously explained.

During this period, cash flow used in investing activities reached MCh$136,179, an 36.5% higher than the amount used in the same period of 2014 (Mch$99,763), which is mostly explained by higher cash flow used in loans to related parties (MCh$98,329), mainly to Transelec Holding Rentas Ltda., partially offset by an increase in Receivables from related parties (MCh$43,619) and lower Additions of property, plant and equipment that reached MCh$18,019, mainly explained by the acquisition of the line 'Maitencillo – Cardones' to Guacolda S.A in February 2014 (MCh$29.995).

During the same period, cash flows used in financing activities reached MCh$84,556, a 15.5% higher than the amount used in the same period of 2014 (MCh$73,191), mainly explained by higher flow used in dividends paid (MCh$25,129), partially offset by the import proceeds from the loan agreement subscribed by Transelec S.A. with Banco Estado on April, 2015 (MCh$16,000), used to prepay the Transmisora Huepil Ltda. loan (MCh$13,303). On the other hand, on 2014 there was bond issuance for MCh$205,134 and a bond payment for MCh$210,728, items that had no movements in 2015.

In addition, the Company has secured the following fully available committed credit line to ensure funds are immediately available to cover working capital needs:

Bank	Amount (up to)	Maturity	Type of Credit
Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR, Citibank JP Morgan Chase Bank and Export Development Canada	US$250,000,000	Oct 15th, 2017	Working Capital

4. INDICATORS

Bonds	Covenant	Limit	December 2015	December 2014
All local Series	Distribution Test (**)	FNO(*)/Financial Expenses > 1,5	4.32	4.35
	Capitalization Ratio	< 0,7	0.62	0.61
	Shareholder's Equity (million UF) (***)	> UF15	31.82	33.71

(*) 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, 2015 amounted to MCh$24.970.

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Ratios	December 2015	December 2014	Variation 2015/2014
Profitability			
Shareholders' Equity profitability	10.6%	8.3%	27.6%
Assets profitability	3.7%	3.1%	20.0%
Operating assets profitability	5.4%	4.4%	22.8%
Earnings per share ($)	83,628	66,773	25.2%
Liquidity & Indebtedness			
Current Ratio	0.36	1.33	-72.9%
Acid-Test Ratio	0.36	1.33	-73.1%
Debt to Equity	1.84	1.68	9.5%
% Short term debt	17.68	7.17	146.6%
% Log term debt	82.32	92.83	-11.3%
Financial expenses coverage	4.04	3.79	6.4%

5. THE MARKET

Transelec S.A. develops its activities in the electricity market, which has been divided into three sectors: generation, transmission and distribution. The generation sector includes companies that are dedicated to generate electricity that will subsequently be used throughout the country by end users. The purpose of the distribution sector is to carry electricity to the physical location where each end user will use this electricity. Finally, the primary goal of the transmission sector is to transport the generated electricity from where it is produced (electrical power plants) to the 'points of entry' of the distribution companies' networks or of the large end users.

Transelec's business mainly focuses on commercializing the capacity of its facilities to transport and transform electricity, in accordance with established safety and quality standards. The transmission system of Transelec S.A. and its subsidiary, which stretches between 'Arica y Parinacota' Regions to 'Los Lagos' Region, encompasses the majority of the trunk transmission lines and substations in the Central Interconnected System (SIC) and the Great North Interconnected System (SING). This transmission system transports the electricity that supplies approximately 98.5% of Chile's population. The Company owns the 81% of all of the 500 kV electricity transport lines, approximately 42% of the 220 kV lines, 86% of the 154 kV lines and 10% of the 110kV and 66kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) and its subsequent modifications, including Law 19,940 ('Ley Corta I') published on March 13, 2004, Law 20,018 ('Ley Corta II') published on May 19, 2005, Law 20,257 (Generation with Non-Conventional Renewable Energy Resources) published on April 1, 2008, Law 20,701 (Procedure to grant Electrical Concessions) published on October 14, 2013, Law 20,698 (Contribute with the Generation mix expansion through

Non-Conventional Renewable Energy) published on October 22, 2013, the Law 20,726 (that promote the interconnection of independents electrical systems) published on February 7, 2014 and Law N° 20.805 (Refines Bidding System of Power Supply for customers subject to price regulation), published on January 29, 2015. These standards are complemented by the Regulations of the General Electricity Services Law of 1997 (Supreme Decree No. 327/97 from the Ministry of Mining) and its respective modifications, the Regulations that establish the Structure, Functioning and Financing of Load Dispatch Centers (Supreme Decree No. 291/2007), the Regulations of Complementary Services in 2012 (Supreme Decree No. 130, Ministry of Energy) and also the Technical Standard on Reliability and Service Quality (Exempt Ministerial Resolution No. 40 of May 16, 2005) and its subsequent modifications.

Law 19,940, also called 'Ley Corta I', modified the General Electricity Services Law of 1982 in matters related to electricity transmission activity, subdividing the transmission network into three types of systems: trunk transmission, sub-transmission and additional transmission. It also establishes that electricity transmission – both by trunk transmission as well as sub-transmission systems – is considered a public service and is subject to regulated tariffs and to the open access regime.

Finally, Law 19,940 establishes that the new payment regime for using trunk facilities would become effective as of March 13, 2004 and determines a transitory period that was in effect until the first trunk transmission decree was issued. Thus, from 2004 to 2007, collection and payment for using transmission facilities was carried out provisionally using subsequent recalculations in accordance with legal and regulatory standards in effect until 'Ley Corta I' was published.

On January 15, 2008, a decree from the Ministry of Economy, Development and Reconstruction was published, and set the new Investment Value (VI), the Annuity of the Investment Value (AVI), the Operation, Maintenance and Administration Costs (COMA) and the Annual Transmission Value per Segment (VATT) for trunk facilities for the period from March 14th, 2004 to December 31, 2010, as well as the indexation formulas applicable during that period. New rates for the trunk transmission system began being applied in April 2008, and during 2008 trunk income was recalculated for the period from March 13, 2004 to December 31, 2007. The determination of trunk facilities and their Annual Transmission Value (VATT) is updated every four years using an internationally-tendered study. During 2010, the second Trunk Transmission Study was conducted which allowed setting the tariffs and the corresponding indexation formulas for the period 2011 - 2014.

Decree No. 61, published on November 17, 2011 contains the tariffs that were retroactively applicate from January 1, 2011. During 2012 to 2014 the new tariffs have been applied and particularly the assessment process form 2011 was published in March and April for SING and SIC respectively. The SIC assessment for 2011 was modified in December 2012 according to the Expert Panel Report N°2-2012.

According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 8T of April 22, 2015, the validity of the Decree No. 61/2011, which fixes the qualification of its trunk facilities and the tariffs, is extended until December 31, 2015, except for the values associated with Annual Value of Investment (AVI) of upgrade works.

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During 2014 and 2015 were developed the third trunk facilities tariff process in order to determinate the tariffs and indexation formulas corresponding to the period 2016 - 2019, that are expected to be published by Decree of the Minister of Energy during the first semester of 2016.

Decree No. 320 from the Ministry of Economy, Development and Reconstruction, which sets tariffs for subtransmission facilities, was published in the Official Gazette on January 9, 2009. The new tariffs began to be applied on January 14th, 2009 and were in effect until December 31, 2010. On April 9, 2013, the Supreme Decree No. 14 was published by the Ministry of Energy, setting subtransmission tariffs from January 2011 to December 2014. The difference between invoiced amounts using these provisional tariffs since January 2011 until the publishing date of this decree were reassessed by the CDEC based on the difference between the provisional tariff and the definitive values established by Decree No. 14. According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 7T of April 22, 2015, the validity of the Decree No. 121/2010, which fixes the tariffs of subtransmission facilities, and of the Exempt Decree No. 14/2013, which fixes the qualification of subtransmission facilities, is extended until December 31, 2015, except for the values associated with Annual Value of Investment (AVI) of upgrade works.

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

6. MARKET RISK FACTORS

Due to the nature of the electrical market and the legislation and standards that regulate this sector, the Company is not exposed to significant risks in developing its principal business. However, the following risk factors should be mentioned and considered:

6.1 Regulatory Framework

Electricity transmission tariffs are set by law and are indexed in order to guarantee real annual returns for the operator. The nature of the industry enables transmission income to be stable over time. In addition, this income is complemented with income obtained from private contracts with large clients.

However, the fact that these tariffs are revised every four years in Trunk Transmission and Subtransmission Studies could place the Company at risk of new tariffs that are detrimental or less attractive given the investments it has made.

Since both Trunk Transmission and Subtransmission Systems are subject to the regime of unrestricted open access, as provided by the law that regulates our industry, there is a risk that the authority attempt to extend this access not only to the network connection - connecting a bay to a busbar of a substation - but also a physical access to the transmission facilities, meaning to force the transmitter, owner of such facilities, to share assets or areas inside some substations. The same may happen with additional systems that are subject to the open access regime when these facilities use ways of rights or national public goods in its layout and have available technical capacity.

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

The Bill of Law should be approve by the Senate during the first semester of 2016.

6.2 Operating Risks

Although the Company's management believes it has adequate risk coverage, in line with industry practices, it cannot guarantee the sufficiency of its insurance policy coverage for certain operating risks to which it is exposed, including forces of nature, damages to transmission facilities, on-the-job accidents and equipment failure. Any of these events could negatively affect the Company's financial statements.

6.3 Application of regulations and / or Environmental Law

The operations of Transelec are subject to Law No. 19.300, on Chilean general basis of the environment ('Environmental Law'), enacted in 1994 and modified through the Law No. 20.417 published in the Official Gazette on January 26, 2010. This modification considered an institutional change, creating new institutions with environmental competencies: (i) the Ministry of Environmental Affairs; (ii) the Minister Council for Sustainability; (iii) the Environmental Assessment Service; and (iv) the Superintendence of Environmental Affairs; these institutions are in charge of the regulation, evaluation and inspection of the activities that are likely to generate environmental impacts. Afterwards, the Law No. 20.600 was published on June 28, 2012, creating the Environmental Courts, whose function is to resolve environmental disputes within its jurisdiction. This institutional specialization generates a scenario of greater control and supervision in the Company's actions.

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

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

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

6.4 Delays in the Construction of New Transmission Facilities

The success of the program for extending the trunk transmission network and building new facilities will depend on numerous factors, including cost and availability of funding. Although Transelec has experience with large-scale construction projects, the construction of new facilities could be negatively affected by factors commonly associated with such projects including delays in obtaining regulatory authorizations, scarcity of equipment, materials or labor, etc. Any of these factors could cause delays in the partial or total completion of the capital investment program, and could increase the costs of the projects.

6.5 Technological Changes

Transelec is compensated for investments that makes in electrical transmission facilities through an annual valuation of the existing facilities (AVI), which is performed every four years using current market prices. Any significant technological advance in the equipment that are part of Transelec' facilities could lower this valuation, which would prevent partial recovery of the investments made.

6.6 Foreign Exchange Risk

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

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

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

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The following table details the amounts of monetary assets and liabilities as of December 31, 2015 and December 31, 2014:

	December 2015		December 2014	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	499,757	482,980	405,821	420,498
Dollar (amounts associated with income statement items)	-	-	-	-
Chilean peso	1,711,623	1,728,400	1,728,024	1,713,348

EXCHANGE RATES (Observed exchange rates)

Month	Average 2015 ($)	Last Day 2015 ($)	Average 2014 ($)	Last Day 2014 ($)
January	620.91	632.03	537.03	553.84
February	623.62	618.76	554.41	559.38
March	628.50	626.58	563.84	551.18
April	614.73	611.28	554.64	564.59
May	607.60	616.66	555.40	550.72
June	629.99	639.04	553.06	552.72
July	650.14	671.11	558.21	573.14
August	688.12	695.25	579.05	590.91
September	691.73	698.72	593.47	599.22
October	685.31	690.32	589.98	576.50
November	704.00	711.20	592.46	605.46
December	704.24	710.16	612.92	606.75
Average of the period	**654.07**	**660.09**	**570.37**	**573.70**

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.

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Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

6.7 Credit Risk

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

As of December 31, 2015, the company has four main clients which represent individually between 2.4% and 45.5% of the total revenues. These are Endesa Group (MCh$125,970), AES Gener Group (MCh$52,659), Colbún Group (MCh$44,129) and Pacific Hydro-LH-LC Group (MCh$6,736). The total revenues recognized for these clients represent an 82.9% of the total revenues of the company. In the period of comparison, the company had the same structure of clients which revenues reached to MCh$121,247, MCh$42,317, MCh$41,390 and MCh$10,811 respectively, with a percentage of the total incomes of 86.1%.

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

In terms of the Company's credit risk associated with financial assets (time deposits, fixed-return mutual funds and sell-back agreements), its treasury policy establishes certain limits on a particular institution's exposure; such limits depend on the risk rating and capital of each institution. Likewise, for investments in mutual funds, only funds with a risk rating qualify.

6.8 Liquidity Risk

Liquidity risk is the risk of the Company not satisfying a need for cash or debt payment upon maturity. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

a) Risk associated to Company's Management

In order to guarantee that Transelec is able to quickly react financially to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed line of credit for working capital of US$250 million, equivalent to MCh$159,760. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR. Additionally, this line was renegotiated and extended on October 15, 2014 until October 15, 2017. This time, the bank syndicate was formed by the following banks: Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR, Citibank, JP Morgan Chase Bank and Export Development Canada. In that renovation, has been improved: (i) the costs not committed (Commitment Fee) from 0.6% to 0.4375%, (ii) the margin or spread for use from 2.35% to 1.25% by withdrawn amount and (iii) other restrictions clauses that resulted more favorable to Transelec.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of December 31, 2015 and December 31, 2014.

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 31, 2015	226,265	101,691	101,691	708,219	884,187	2,022,053
December 31, 2014	53,259	249,539	97,061	410,285	1,110,499	1,920,643

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.

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Reasoned Analysis of the Consolidated Financial Statements as of December 31, 2015

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, 2015, and as of December 31, 2014, was at a fixed rate, corresponding to 100.0% y 99.1% respectively. However, in the case of UF indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

UF Values

Month	Average 2015 ($)	Last Day 2015 ($)	Average 2014 ($)	Last Day 2014 ($)
January	24,601.1	24,557.2	23,369.9	23,435.9
February	24,538.6	24,545.2	23,482.2	23,508.5
March	24,577.9	24,622.8	23,552.5	23,607.0
April	24,685.4	24,754.8	23,685.1	23,773.4
May	24,832.6	24,904.8	23,860.5	23,931.7
June	24,955.1	24,983.0	23,986.2	24,023.6
July	25,028.9	25,086.6	24,048.8	24,062.3
August	25,144.7	25,194.2	24,081.0	24,103.4
September	25,264.8	25,346.9	24,134.1	24,168.0
October	25,426.5	25,490.0	24,237.8	24,326.9
November	25,548.2	25,598.4	24,438.2	24,553.7
December	25,625.1	25,629.1	24,617.6	24,627.1
Average of the period	**25,019.1**	**25,059.4**	**23,957.8**	**24,010.1**

RESPONSIBILITY STATEMENT

Both the Directors and the CEO of Transelec S.A., which are signing this declaration, are responsible, under oath, regarding the accuracy of the information provided in this 2015 Annual Report, pursuant to General Norm No. 30, issued by the Superintendency of Securities and Insurance.

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