TRANSELEC S.A. AND SUBISIDIARIES

REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

SUMMARY

As of December 31, 2014, Transelec S.A. and subsidiaries obtained an EBITDA* of MCh$215,159, an 18.5% higher than the comparison period of 2013 (MCh$181,525), with an EBITDA* over revenues of 85.9% (82.5% in 2013). This increase is mainly explained by higher operating revenues that reached MCh$250,525 as of December 2014, a 13.9% higher than the revenues obtained in the same period of 2013 (MCh$219,949). In addition, operating costs had no significant variation between the periods compared, increasing only in 5.5%

The net income recorded by the Company as of December 31, 2014 was MCh$66,773, which is a 3.4% higher respect to the comparison period (MCh$64,607). This increase is mainly explained by higher Operating Income (17.8%) and lower Income Tax (75.1%), partially offset by higher loss in the Non-Operating Income (59.8%).

The loss in Non-Operating Income as of December 31, 2014, shows an increase of MCh$32.413 compared with the same period in 2013, that is mainly explained by MCh$29.585 of higher loss for indexed assets and liabilities, which measures the inflation impact on the UF denominated debt of the Company.

During the year 2014, the company incorporated US$98.9 million of new facilities, where US$43.2 million correspond to six new commissioned trunk upgrades, and US$54.7 million to the acquisition of the line belonging to the Trunk Transmission System "Maitencillo – Cardones 2x220 kV" to Guacolda S.A.

Relevant facts of the period:

- On July 9, Transelec S.A. closed an international bond issuance for an amount of US$375 million under rule 144A Regulation S of the United State Securities Act of 1933. The maturity date of this bond is January 14, 2025, with an annual nominal rate of 4.250%. Effective placement rate was 4.372%, with a spread over Treasury bonds of the United States of America at 10 years of 1.78%. Interests will be paid on a semiannual basis and the principal will be repaid in a single payment at the due date.
- On August 1, was made the payment of principal and interest of the Bonds Series E and F, finishing these obligations with the public.
- On September 1, was made the payment of principal and interest of the Bond Serie I, finishing this obligation with the public.
- On July 8, the international credit rating agency Standard & Poor's assigned its BBB corporate credit rating to Transelec S.A.
- The negotiation of the revolving facility amendment agreement with the banks was closed on October 15. This amendment considers an extension for 3 more years, a lower commitment fee (from 0.6% to 0.4375%) and rate (from Libor + 2.35 to Libor + 1.25), and the incorporation of three new banks. The final list is composed by the existing lenders (Scotiabank, DNB Group, BTMU) and new lenders EDC, JP Morgan, Citibank.
- On October 22, Transelec S.A. acquired 100% of the shares of Transelec Norte S.A. Therefore, according to the Corporations Law, Transelec Norte S.A. was dissolved as of

December 1. As a consequence of the dissolution through absorption, all the assets, rights and obligations of Transelec Norte S.A. were transferred to Transelec S.A.

- On December 15, was made the payment of principal and interest of the Bond Serie L, finishing this obligation with the public in advance.
- On December 23, the BoD authorized the study of the merge by absorption of the subsidiary Inversiones Eléctricas Transam Chile Ltda. by Transelec S.A.

Transelec S.A. and its subsidiary Inversiones Eléctricas Transam Chile Ltda. have prepared their financial statements as of December 31, 2014, in conformity with International Financial Reporting Standards (IFRS) and correspond to the comprehensive, explicit and non-reserved adoption of the above mentioned international standard. The figures of this ratio analysis are expressed in millions of Chilean pesos (MCh$) as the Chilean peso is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

Items	December 2014 MCh$	December 2013 MCh$	Variation 2014/2013 MCh$	Variation 2014/2013 %
Operating Revenues	**250,525**	**219,949**	**30,576**	**13.9%**
Toll sales	246,328	213,897	32,430	15.2%
Work and services	4,197	6,051	-1,854	-30.6%
Operating costs	**-75,950**	**-71,986**	**-3,964**	**5.5%**
Fixed costs	-27,942	-28,913	971	-3.4%
Depreciation	-48,009	-43,073	-4,936	11.5%
Administraton and sales expenses	**-17,609**	**-14,742**	**-2,867**	**19.4%**
Fixed costs	-16,053	-13,128	-2,926	22.3%
Depreciation	-1,556	-1,615	58	-3.6%
Operating Income	**156,965**	**133,220**	**23,745**	**17.8%**
Other Financial Income	10,129	10,869	-739	-6.8%
Financial Costs	-56,710	-48,473	-8,236	17.0%
Foreign exchange differences, net	-1,809	-2,945	1,136	-38.6%
Gain (loss) for indexed assets and liabilities	-46,842	-17,257	-29,585	171.4%
Other income	8,629	3,617	5,012	138.6%
Non-Operating Income	**-86,603**	**-54,190**	**-32,413**	**59.8%**
Income before Income Taxes	**70,362**	**79,030**	**-8,668**	**-11.0%**
Income tax	-3,589	-14,423	10,834	-75.1%
Net Income	**66,773**	**64,607**	**2,166**	**3.4%**
EBITDA	**215,159**	**181,525**	**33,634**	**18.5%**

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

a) Operating income

During the year 2014, operating revenues reached MCh$250,525, which is 13.9% higher compared with the same period in 2013 (MCh$219,949). This increase is mainly explained by higher Toll sales that reached MCh$246,328 during 2014, an 15.2% higher than 2013 (MCh$213.897). This increase is mainly due to new commissioned projects, that resulted in MCh$14,899 of additional revenues, including MCh$3,173 from the acquisition of the Maitencillo - Cardones line to Guacolda S.A., and due to macroeconomical effects that resulted in

MCh$15,622 of higher revenues. These higher operating revenues were partially offset by lower work and services revenues that reached MCh$4,197 in 2014 and MCh$6,051 in 2013, corresponding to a 1.7% and 2.8% of the total revenues respectively.

During this period, the operating costs reached MCh$75,950, a 5.5% higher than 2013 (MCh$71,986). These costs are mainly related to the maintenance and operation of the Company's facilities and, in percentage terms, 63.2% of the company's costs correspond to property, plant and equipment depreciation (59.8% in 2013) and the remaining 36.8% corresponds to personnel, supplies and contracted services (40.2% in 2013). Fixed costs as of December, 2014 were mostly aligned compared with the same period in 2013 (3.4% decrease), mainly explained by savings in maintenance services (MCh$638), principally derived from the delayed commissioning of the new Scada System. On the other hand, as of December 2014, depreciation was 11.5% higher than recorded in the same period in 2013, which, besides the commissioning of new projects, is mainly explained by the retirement due to obsolescence of some fixed assets.

Administrative and selling expenses amounted MCh$17,609, an 19.4% higher than 2013 (MCh$14,742), and primarily consist in 91.2% (89% in 2013) of personnel and work expenses, supplies and contracted services, and 8.8% of depreciation (11% in 2013). The increase in administrative and selling expenses is mainly explained by the compensation due to outages payment to Distribution companies made in December 2014 (MCh$1,683) and by higher expenses on leases and other non-operational expenses (MCh$1,105).

b) Non-operating income

Net income for the year 2014 was negatively impacted by the non-operating loss of MCh$86,603, a 59.8% higher than recorded in the same period of 2013 (MCh$54,190), and is mainly explained by MCh$29,585 of higher loss from indexed assets and liabilities and MCh$8,236 of higher financial costs, partially offset by MCh$5,012 of higher Other Incomes, that include MCh$5,525 from a subtransmission reassessment corresponding to the period 2011 – 2013.

Loss from indexed assets and liabilities of MCh$46,842, significantly higher in comparison with the same period of 2013 (MCh$17.257), is mainly explained by a higher variation of the UF. This variation corresponds to a 5.7% for the current period and 2.4% for the comparison period in 2013.

Higher financial costs are mostly explained by higher interests paid due to the Series Q and Senior Notes bonds issued on May 3 and July 23 of 2013 respectively, due to the interests associated to the new US Bond issued on July 9, 2014 and due to the interest of the cross currency swap associated to the issuing of this latest Bond. The interests paid during the year 2014 due to the Bonds issuing reached MCh$16,017 in comparison with MCh$5,338 paid in the same period of 2013, and the interest corresponding to the swap reached MCh$2,013. This increase is partially offset by lower bank interests paid (MCh$2,534) and by higher capitalized interest (MCh$2,012). The lower bank interests are mainly explained by the use of the Revolving Credit Facility (RCF) and the Non-committed line of credit during 2013, which did not record movements during 2014.

Loss from Foreign exchange differences reached MCh$1,809 as of December, 2014, which is 38.6% lower in comparison with the same period of 2013 (MCh$2,945). This loss is mainly explained by the increase of the exchange rate that, as of December, 2014, had a negative impact of MCh$40,360 on the US Bonds issued in July 2013 and July 2014, which was significantly higher that the loss recorded in the same period 2013 (MCh$5,754). This higher negative impact (MCh$34,606) was offset by higher gains due to swap contracts (MM$14,294), receivables from related parties (MM$10,925), bank investments (MM$1,980) and forward contracts (MM$1,116). Additionally, losses associated with the use of the Revolving Credit

Facility Line were recorded as of December, 2013; nevertheless during 2014 this Line did not register movements, causing a positive difference of MM$7,417.

2. BALANCE SHEET ANALYSIS

The decrease in the total assets between December 2013 and December 2014 is explained by lower current assets, partially offset by higher non-current assets. The decrease in current assets is mainly explained by lower receivables from related parties, mainly due to the payment of an intercompany loan to Transelec Holding Rentas Ltda. made in December 2013. On the other hand, the increase in non-current assets is mainly explained by higher fixed assets derived from the commissioning of six trunk upgrade projects and the acquisition of the Maitencillo - Cardones line to Guacolda S.A recorded as of December, 2014, by higher other non-financial assets due to the cross currency swap contract, and due to an increase in intangible assets other than goodwill, mainly rights of way.

The decrease in total liabilities between December 2013 and December 2014 is explained by lower current liabilities, partially offset by higher non-current liabilities. The decrease in current liabilities is mostly explained by lower bonds payable due to the payment of the bonds series E, F, I and L made during the second semester of 2014. On the other hand, the increase in non-current liabilities is mainly explained by an increase in other financial liabilities, especially due to the USD bond issued on July 9, 2014, that was partially offset by the elimination of the payable to Transelec Holding Rentas Ltda, due to the absorption of Transelec Norte S.A. in Transelec S.A. The decrease in equity is mostly explained by a capital reduction of MCh$81,590 made during the first semester of 2014.

Items	December 2014 MCh$	December 2013 MCh$	Variation 2014/2013 MCh$	Variation 2014/2013 %
Current assets	128,514	209,451	-80,937	-38.6%
Non-current assets	2,028,552	1,969,931	58,621	3.0%
Total Assets	**2,157,066**	**2,179,381**	**-22,316**	**-1.0%**
			0	
Current liabilities	96,930	238,758	-141,828	-59.4%
Non current liabilities	1,254,884	1,053,528	201,356	19.1%
Equity	805,252	887,096	-81,844	-9.2%
Total Liabilities & Equity	**2,157,066**	**2,179,381**	**-22,316**	**-1.0%**

VALUE OF THE MAIN PP&E IN OPERATION

Assets	December 2014 MCh$	December 2013 MCh$	Variation 2014/2013 MCh$	Variation 2014/2013 %
Land	20,060	19,777	283	1.4%
Building, Infraestucture, works in progress	1,046,214	970,214	75,999	7.8%
Work in progress	73,169	89,680	-16,511	-18.4%
Machinery and equipment	546,349	498,519	47,830	9.6%
Other fixed assets	4,394	4,260	134	3.1%
Depreciation (less)	-338,275	-295,511	-42,764	14.5%
Total	**1,351,911**	**1,286,940**	**64,971**	**5.0%**

CURRENT DEBT

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) Unpaid capital December 2014	December 2013
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 E bond	UF	3.90%	Fixed	01 August, 2014	0.0	3.3
Series F bond	CLP	5.70%	Fixed	01 August, 2014	0.0	33,600.0
Series H bond	UF	4.80%	Fixed	01 August, 2031	3.0	3.0
Series I bond	UF	3.50%	Fixed	01 September, 2014	0.0	1.5
Series K bond	UF	4.60%	Fixed	01 September, 2031	1.6	1.6
Series L bond	UF	3.65%	Fixed	01 December, 2014	0.0	2.5
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	4.250%	Fixed	14 January, 2025	375.0	0.0
Revolving Credit Facility	USD	2.76%	Variable		0.0	0.0
Huepil Loan	USD	1.73%	Variable	10 October, 2023	19.1	21.2

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 indexing the polynomials revenues.

3. MAIN CASH FLOWS DURING THE YEAR

Items	December 2014 MCh$	December 2013 MCh$	Variation 2014/2013 MCh$	Variation 2014/2013 %
Cash flows provided by (used in) operating activities	186,444	140,735	45,709	32.5%
Cash flows provided by (used in) investing activities	-99,763	-220,921	121,159	-54.8%
Cash flows provided by (used in) financing activities	-73,191	94,652	-167,843	-177.3%
Net increase (decrease) of cash and cash equivalent	**13,491**	**14,466**	**-975**	**-6.7%**
Cash and cash equivalent at the begining of the period	52,422	37,956	14,466	38.1%
Cash and cash equivalent at the end of the period	**65,913**	**52,422**	**13,491**	**25.7%**

As of December, 2014, cash flows provided by operating activities reached MCh$186,444, a 32.5% higher than the same period of 2013 (MCh$140,735), mainly explained by lower payments to suppliers for goods and services that reached MCh$162,847 in 2014 compared with MCh$212,184 paid in the same period of 2013.

During this period, cash flow used in investing activities reached MCh$99,763, an 54.8% lower than the amount used in the same period of 2013 (Mch$220,921), which is mostly explained by lower cash flow used in loans to related parties, mainly to Transelec Holding Rentas Ltda, that as of December, 2014 reached MCh$6,233 in comparison to MCh$171,465 reached in the same period of 2013. This was partially offset by lower Cash receipts from sale of property, plant and equipment that reached MCh$1,163 during 2014, compared with MCh$77.466 recorded in 2013 as a result of the sale of Caserones project.

During the same period, cash flows used in financing activities reached MCh$73,191, unlike the positive cash flow received in 2013 (MCh$94,652). This difference is mainly due to the cash flow used in the Principal payment from bonds that reached MCh$210,728 as of December, 2014 (Bonds Series E, F, I and L) and as of December, 2013 no movement were recorded, and due to Proceeds from short and long term loans that as December, 2014 did not record disbursements, while as the same period of 2013 these proceeds reached MCh$118,450, mainly explained by the use of the Revolving Credit Facility Line (RCF) and the Non-committed line of credit. Additionally, as of December, 2014, the Cash receipts from bonds (Senior Note US$375 million) was MCh$15,925 lower than the same period in 2013 (Serie Q and Senior Note US$300 million). This was partially offset by lower cash flow used in the payment of loans that as of December, 2014 reached MCh$1,250 compared with MCh$185,628 reached in the same period of 2013, mainly explained by the payment of the Revolving Credit Facility and the Non-committed line of credit.

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

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

4. INDICATORS

Bonds	Covenant	Limit	December 2014	December 2013
All local Series	Distribution Test (**)	FNO(*)/Financial Expenses > 1,5	4.35	4.20
	Capitalization Ratio	< 0,7	0.61	0.57
	Shareholder's Equity (million UF) (***)	> ThUF15.000	33.71	39.13

(*) 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, 2014 amounted to MCh$24.970.

Ratios *Figures as of June are annualized	December 2014	December 2013	Variation 2014/2013
Profitability			
Shareholders' Equity profitability *	8.3%	7.3%	13.9%
Assets profitability *	3.1%	3.0%	4.7%
Operating assets profitability *	4.4%	4.5%	-1.8%
Earnings per share ($) *	66,773	64,607	3.4%
Liquidity & Indebtedness			
Current Ratio	1.33	0.88	51.1%
Acid-Test Ratio	1.33	0.88	51.1%
Debt to Equity	1.68	1.46	15.1%
% Short term debt	7.17	18.48	-61.2%
% Log term debt	92.83	81.52	13.9%
Financial expenses coverage	3.79	3.74	1.3%

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 all of the 500 kV electricity transport lines, approximately 47% of the 220 kV lines, 85% 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 and the Law 20,726 (that promote the interconnection of independents electrical systems) published on February 7, 2014. These standards are complemented by the Regulations of the General Electricity Services Law of 1997 (Supreme Decree No. 327/97 from the Ministry of Mining) and its respective modifications, the Regulations 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. Currently, the third Transmission Trunk Study is under development, which will set the basis for determining the tariffs and indexation formulas corresponding to the period 2015 - 2018, that are expected to be published by Decree of the Minister of Energy during the second semester of 2015.

Decree No. 61, published on November 17, 2011 contains the tariffs that will be retroactively applicable from January 1, 2011. During 2012 and 2013 the new tariffs have been applied and particularly the assessment process form 2011 was published 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.

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 will be reassessed by the CDEC based on the difference between the provisional tariff and the definitive values established by Decree No. 14. The new Subtransmission Systems Studies that will set the basis for determining the tariffs and indexation formulas corresponding to the period 2015 - 2018 were finished during December 2014. These tariffs are expected to be published by Decree of the Minister of Energy during the second semester of 2015.

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.

The Company cannot guarantee that other regulatory changes will not negatively affect it or its clients or creditors, thus compromising Transelec's income.

6.2 Operating Risks

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

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 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 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. Both decrees have not obtained the overall validation from indigenous communities' representatives, thereby causing consultation processes with low effectiveness, implying delays in the management of projects and even the prosecution of some environmental authorizations.

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 approaches in an early stage. 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 the matters in conflict.

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:

- The revenues of its subsidiary are denominated in U.S. dollars.
- Transelec carries out several types of transactions in U.S. dollars (construction contracts, import purchases, etc.).
- Maintains accounts receivables in 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.

The following table details the amounts of monetary assets and liabilities as of December 31, 2014 and December 31, 2013:

	December 2014		December 2013	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	405,821	420,498	189,028	239,275
Dollar (amounts associated with income statement items)	0	0	0	36,512
Chilean peso	1,728,024	1,713,348	1,923,016	1,872,770

(*) Indexing polynomials of the Company's revenues contain formulas for setting these revenues in the short term, differing from the long-term indexing. In order that the short-term indexing is consistent with long-term indexing, the Company, periodically (every six months) sell a percentage of their semi-annual fixed dollar income using currency forwards. These forwards are considered as cash flow hedges and therefore, changes in fair value, meanwhile they are not done, are included in other comprehensive income.

EXCHANGE RATES (Observed exchange rates)

Month	Average 2014 ($)	Last Day 2014 ($)	Average 2013 ($)	Last Day 2013 ($)
January	537.0	553.8	472.7	471.4
February	554.4	559.4	472.3	473.0
March	563.8	551.2	472.5	472.0
April	554.6	564.6	472.1	471.3
May	555.4	550.7	479.6	499.8
June	553.1	552.7	502.9	507.2
July	558.2	573.1	505.0	515.4
Agoust	579.1	590.9	512.6	509.7
September	593.5	599.2	504.6	504.2
Octubre	590.0	576.5	500.8	507.6
Noviembre	592.5	605.5	519.3	529.6
Diciembre	612.9	606.8	529.5	524.6
Average of the period	**570.4**	**573.7**	**495.3**	**498.8**

The indexation formulas, updated semiannually for toll contracts and sub-transmission fees and updated monthly for regulated trunk income, take into account variations in the value of the facilities and operating costs, maintenance and administrative costs. In general, those indexation formulas take into consideration variations in the international prices of equipment, materials and local labor.

6.7 Credit Risk

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

As of December 31, 2014, the company has four main clients which represent individually between 4% and 48% of the total revenues. These are Endesa Group (MCh$121,247), Colbún Group (MCh$41,390), AES Gener Group (MCh$42,317) and Pacific Hydro-LH-LC (MCh$10,811). The total revenues recognized for these clients represent an 86.1% of the total revenues of the company. In the period of comparison, the company had the same structure of clients which represent individually between 13% and 33% of the total revenues, whose amounts reached to MCh$71,492, MCh$60,906, MCh$27,615 and MCh$30,446 respectively, with a percentage of the total incomes of 86.6%.

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$151,688. 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, 2014 and December 31, 2013.

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, 2014	53,259	249,539	97,061	410,285	1,110,499	1,920,643
December 31, 2013	194,098	281,307	71,735	333,619	858,363	1,739,122

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period. In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies, owners of generation facilities.

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

6.9 Interest Rate Risks

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

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

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

The majority of the debt as of September 30, 2014, and as of December 31, 2013, was at a fixed rate, corresponding to 99.1% y 99.04% 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 2014 ($)	Last Day 2014 ($)	Average 2013 ($)	Last Day 2013 ($)
January	23,369.9	23,435.9	22,811.8	22,807.5
February	23,482.2	23,508.5	22,818.6	22,838.5
March	23,552.5	23,607.0	22,857.3	22,869.4
April	23,685.1	23,773.4	22,898.6	22,940.0
May	23,860.5	23,931.7	22,933.7	22,886.0
June	23,986.2	24,023.6	22,857.1	22,852.7
July	24,048.8	24,062.3	22,949.9	22,888.7
Agoust	24,081.0	24,103.4	23,002.8	23,038.7
September	24,134.1	24,168.0	23,067.9	23,091.0
Octubre	24,237.8	24,326.9	23,133.5	23,186.8
Noviembre	24,438.2	24,553.7	23,221.9	23,236.7
Diciembre	24,617.6	24,627.1	23,267.2	23,309.6
Average of the period	**23,957.8**	**24,010.1**	**22,985.0**	**22,995.5**

Subsequent Events:

- On January 23, 2015, an extraordinary Shareholders' Meeting of Transelec S.A. was held. It was agreed to approve the merger of the subsidiary Inversiones Eléctricas Transam Chile with Transelec S.A., in the terms and conditions discussed at the meeting, delegating to the Board of Directors the establishment of the time the merger should be materialized.
- On January 30, 2015, Fitch Ratings has upgraded Transelec to 'BBB' from 'BBB-' internationally and 'AA-' from A+' locally, both corresponding to 1 notch increase from our previous standing.