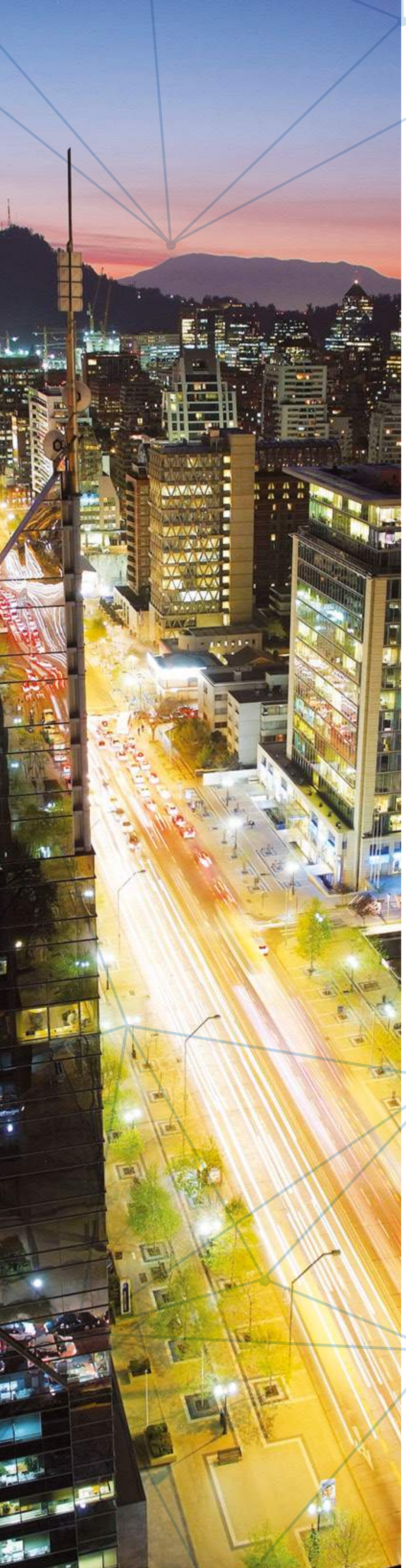
transelec®

Uniendo a Chile con Energía®

ANNUAL REPORT 2018



IDENTIFICATION

Name or Firm Name:
Transelec S.A.

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

Tax list number:
76.555.400-4

Address:
Orinoco N°90, 14th floor, Las Condes

Entity type:
Open Stock Corporation

National Securities Registration:
Number 974

Telephone:
(56-2) 2467 7000

E-mail:
transelec@transelec.cl

Webpage:
www.transelec.cl

SHARE OWNERSHIP

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

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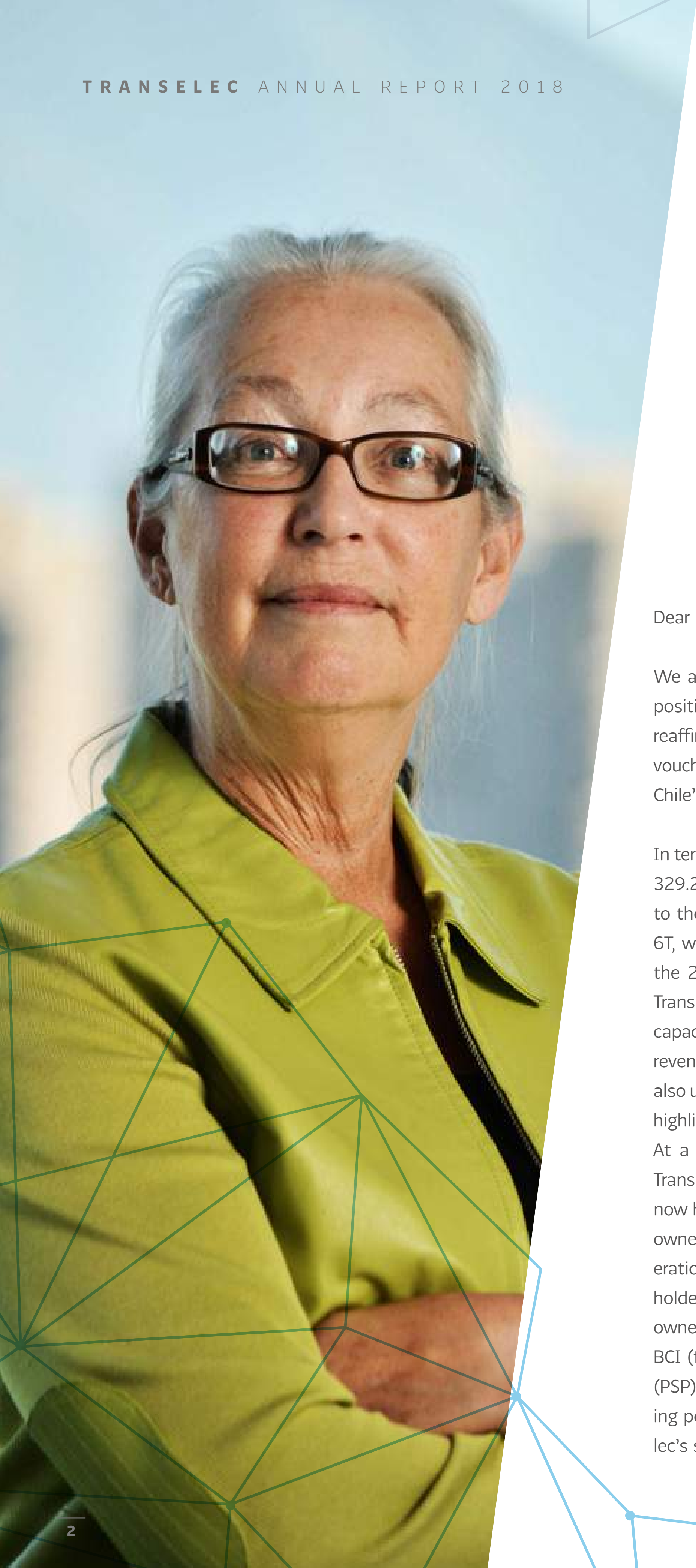


Letter from The Chair of the Board Of Directors

Brenda Eaton

Dear Shareholders,

We are satisfied to announce that we have finished 2018 on a positive note, with outstanding results, achievements and awards reaffirming Transelec's leadership position in the power sector and vouching for our company's quality and ongoing commitment to Chile's development.

In terms of results, Transelec reported revenue amounting to CLP$ 329.28 billion. This evidences important business growth related to the commissioning of new projects and publication of decree 6T, which mainly determines tariffs for the Zonal system during the 2018-2019 period. This tariff update means that 100% of Transelec's power transmission revenue now comes from installed capacity, providing even more stability for the company's future revenue flow. Transelec's increased income means that Ebitda was also up substantially compared to last year, at CLP$ 278.15 billion, highlighting our top-notch liquidity and cash generation capacity. At a corporate level, one of the most important headlines for Transelec was that China Southern Power Grid International (CSG) now holds an interest in the Company after purchasing the stake owned by Brookfield Asset Management in March 2018. This operation gave CSG a 27.79% stake in Transelec as an indirect shareholder. The remaining 72.21% of Transelec's share capital is still owned by the Canadian Pension Plan Investment Board (CPP), BCI (former bcIMC) and Public Sector Pension Investment Board (PSP). As we stated last year, this agreement with one of the leading power transmission companies in the world confirms Transelec's status as leader in the Chilean power sector, recognizing the commitment honored and excellent work done by all of its collaborators over time.

One of the most important milestones in the projects area last year was the commissioning of the new 2x220 kV Lo Aguirre – Cerro Navia transmission line in the city of Santiago. This was an important challenge and achievement for the company in that the line goes through a densely populated urban environment requiring innovation in terms of project design and daily work with the community. This project included an underground section for the transmission line and urban posts, substantially mitigating the visual impact of the transmission line, replaced towers. One of the greatest technical challenges was construction of a tunnel spanning approximately 1.5 km with minimum impact on the community. Several authorities recognized this tunnel as a flagship example of infrastructure innovation.

Another important milestone was the award of important tendered expansion projects. Two of these are located in the National system (the Río Malleco and Frutillar Norte substations) and two in the Zonal system (the Río Aconcagua and Lastarria substations). These substations will be built over the coming years.

With regard to risk management and service quality, in 2018 Transelec continued to implement its asset management program for system operation, which has led to steady improvement in service quality over the last few years. However, Equivalent Interruption Time, one of the indicators used by the Company to assess service quality, came to approximately 8 system-minutes, which was up from historically low levels reported in former years. Considering low levels reported for this index over the last few years, any important electrical failure substantially alters the indicator. This is exactly what happened in the city of Arica on December 14-15. Situations like this generally occur in areas, such as Arica, that do not have backup transmission lines to mitigate the impact of electrical failures.

This event has undoubtedly posed important challenges for service quality and led to lessons learned for emergency management. Our ongoing mission to provide service meeting excellent quality standards to our customers and to maintain efficiency and competitiveness levels is backed by innovation, digital transformation and productivity initiatives under way at all Company levels.

In 2018, Transelec continued to receive important awards in areas that we as a Company have made a commitment to further develop, such as Sustainability, Innovation and Business Development. We are pleased to announce that Transelec received the National Engineering College Award in the corporate category, an annual prize awarded to the institution that has made the greatest contribution to Chile's development and to its inhabitants' standard of living.

In the field of sustainability, we received 3rd place in the PROhumana Ranking that highlighted seven companies for outstanding performance in sustainable management at different corporate levels. This result of ongoing sustainability efforts was achieved thanks to the committed work of all Transelec collaborators.

Transelec was once again included among Chile's 50 most innovative companies in the Innovación Best Place to Innovate ranking. This annual award is presented to companies perceived to be the most innovative in Chile.

Finally, we hosted the First Convention for Directors and Collaborators in the month of November. As directors we had the opportunity to explain how the Board of Directors and its different Committees work and outline their different responsibilities to our collaborators. Collaborators also presented important initiatives they have been developing at the Company to Directors.

We are proud to announce the Company's achievements in 2018 and sincerely thank our collaborators and contractors for their support. In keeping with our strategy, they enable Transelec, the leading power transmission company in Chile, to continue contributing to the country's development.

On behalf of the Board of Directors, I leave you with this 2018 annual report. The report highlights the hard work and efforts put forth by everyone at Transelec, as well as our commitment to provide a service of excellence throughout nearly 10,000 kilometers of transmission lines spanning between Arica and Chiloé.

Brenda Eaton
Chair of the Board of Directors

01
THE COMPANY

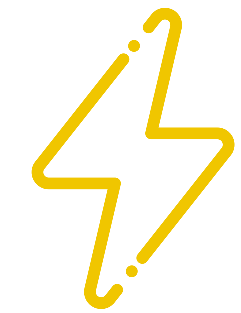
Transelec assets consist of 9,672 kilometers of power transmission lines, of a total transformation capacity of 18,535 MVA distributed between 61 substations, considering all substations where Transelec is the owner, lessee, usufructuary or operates an important number of power transmission facilities in any capacity. Therefore, Transelec is the most important power transmission company in Chile's National Power Grid spanning from Arica to the island of Chiloé. The power infrastructure it develops and operates provides energy to 98% of Chile's population. ,

Throughout its corporate history, Transelec has gained extensive knowledge and experience with each of the links comprising the chain of value for the power transmission industry: ranging from project evaluation, conceptual and basic engineering, power transmission and connection design to project management and construction, consultancy for commissioning, operation, maintenance and administration of new facilities.

Transelec contributes its extensive experience and knowledge of power projects to a wide range of customers in the power, mining and industrial sectors throughout Chile. These customers trust in the support and excellence provided by the Company's integral power transmission solutions.

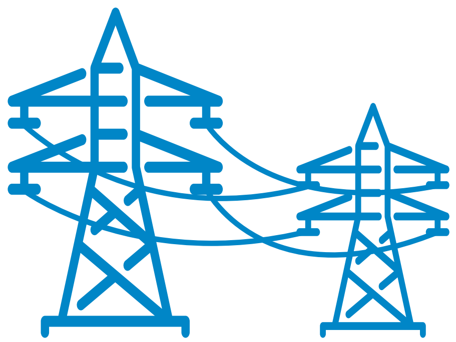
18,535 MVA

is the ability to transformation, distributed in 61 substations.



9,672 KM

of transmission lines, they are part of the Electrical System National of the country, which goes from Arica to the Island of Chiloé.



98 %

of the population of Chile it is supplied with energy, thanks to the infrastructure electrical that develops and operates Transelec.

OUR CORPORATE HISTORY, TRANSELEC: UNITING CHILE WITH ENERGY

1943

Corfo created **Empresa Nacional de Electricidad** (Endesa) in order to power up a national plan featuring construction of new power generation units and especially a network of regional power transmission lines.

1955

The **SIC power grid (Central Interconnected System)** was created by connecting the recently built Cipreses Power Plant by means of 154 kV power transmission lines to consumption centers in Santiago and Concepción.

1965

A submarine cable (presently an aerial cable) was laid across the Chacao Channel, **supplying power to Isla Grande de Chiloé for the first time.**

1966

The first 220 kV line, Rapel-Cerro Navia, was built. In 1966, it connected the Rapel Plant with the growing electricity demand in the central zone of Chile.

1978

Interconnection with Chile's Near North was enhanced with power transmission lines connecting San Isidro (presently Quillota) and Cardones. In the early 80s, the SIC power grid was extended as far as Diego de Almagro in order to connect the El Salvador mining company, while 220 kV power transmission lines were extended as far as Puerto Montt in southern Chile.

1986

The extra high voltage era started with the commissioning of **the first 500 kV power transmission lines (Ancoa-Alto Jahuel 1 and 2)**. These were essential for the injection of power generated by the Colbún-Machicura into the SIC power grid.

1993

Endesa transformed its Power Transmission Division into the subsidiary Compañía Nacional de Transmisión Eléctrica S.A., followed by the **creation of Transelec S.A.**, which was designed to plan, operate and maintain the system. In addition, the aerial crossing of the Chacao Channel was commissioned, consisting of two 179 meter towers and power transmission lines spanning a total length of 2,680 meters.

1996

Transelec built its first 220 kV transmission line between Charrúa and Ancoa in order to connect the Pangue power plant (460 MW), which was later upgraded to connect the Ralco power plant.

2000

All Transelec shares were purchased by the **Canadian company Hydro-Québec**.

2003

Transelec entered the SING power grid after purchasing 924 kilometers of 220kV transmission lines.

2004

The largest power transmission development project in history was completed: upgrading the system **between Charrúa y Alto Jahuel to 550 kV**, thus enabling connection of the Ralco hydroelectric power plant (690 MW).

2006

The **Canadian consortium** comprised of Brookfield Asset Management (BAM), Canada Pension Plan Investment Board (CPP), BCI and Public Sector Pension Investments (PSP) purchased 100% of Transelec's shares, contributing its solid financial strength to meet Chile's growth requirements.

2008

Energization of the 500 kV Alto Jahuel-Polpaico double circuit transmission line brought northbound network saturation to an end and was largely responsible for **creation of a 500 kV ring surrounding Santiago**, one of the key developments for the system's future.

2010

Transelec purchased the Punta Colorada substation from Barrick Gold in order to consolidate service provision to the mining sector. In addition, Transelec commissioned the Las Palmas substation, which is the core node for **wind power contribution to the SIC power grid**.

2014

At a ceremony attended by President of the Republic Michelle Bachelet, **Transelec commissioned its National Transmission Operation Center (CNOT)**, which enabled the operation of our facilities to be centralized in real time with the highest standards.

2015

Lo Aguirre sectioning substation featuring total capacity of 1,000 MVA was commissioned in order to boost power supply to the Metropolitan Region and to enable potential future connection of **continuous current** transmission lines.

2018

The company China Southern Power Grid (CSG) purchased shares held by BAM in 2018, making CSG shareholder of the 27.79% indirect interest in Transelec owned by BAM. Transelec final share ownership was consequently comprised of CPP, BCI, PSP and CSG.

The First Directors and Collaborators Meeting was held in November, outlining how the Board of Directors and different Committees were to operate, as well as their respective duties. Collaborators were also able to present certain initiatives being developed at the Company.

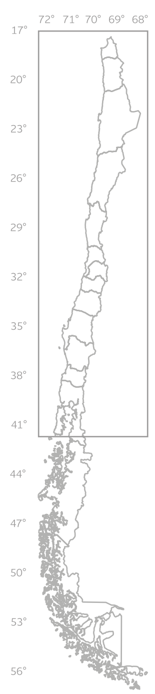
On November 7, 2018 Transelec energized the new Line 2x220 kV Lo Aguirre - Cerro Navia which represented an important challenge and achievement for the company. Since the project was located in an urban environment, a section of the line had to be built underground. Its design had to reconcile the technical challenge of the **construction of a tunnel of approximately 1.5 km.** of extension with the minimum impact for the community.

POWER TRANSMISSION SYSTEM MAP

Authorized circulation, by Resolution No.15 of January 23rd, 2003 of the National Border and Limits Board of the State. The edition and circulation of maps, geographic charts and other prints and documents referred or related to the boundaries and frontiers of Chile, do not compromise in any way the State of Chile, according to Art. 2, letter g) of DFL. No. 83 of 1979 from Ministry of Foreign Affairs.

Updated in October 2018.

TRANSELEC	LÍNEAS -kV	OTRAS EMPRESAS
―	500	- - -
―	345	- - -
―	220	- - -
―	154	- - -
―	110	- - -
―	66 o menores	- - -
	CENTRALES EÓLICAS	★
	CENTRALES HIDROÉLECTRICAS	■
	CENTRALES TERMOÉLECTRICAS	▲
	CENTRALES SOLARES	◆
	CENTRALES GEOTÉRMICAS	▰
◉	SUBESTACIÓN	●



02
CORPORATE **GOVERNMENT**

BOARD OF DIRECTORS

1) **Brenda Eaton**
Chair
Foreigner
Deputy Director:
Jordan Anderson

2) **Paul Dufresne***
Director
Foreigner
Deputy Director:
Jean Daigneault

3) **Rui Han**
Director
Foreigner
Deputy Director: Sihong Zhong

4) **Alfredo Ergas Segal**
Director
Tax identity number: 9.574.296-3
Deputy Director: Ricardo Szlejf

5) **Blas Tomic Errázuriz**
Director
Tax identity number: 5.390.891-8
Deputy Director: Rodrigo Ferrada Celis

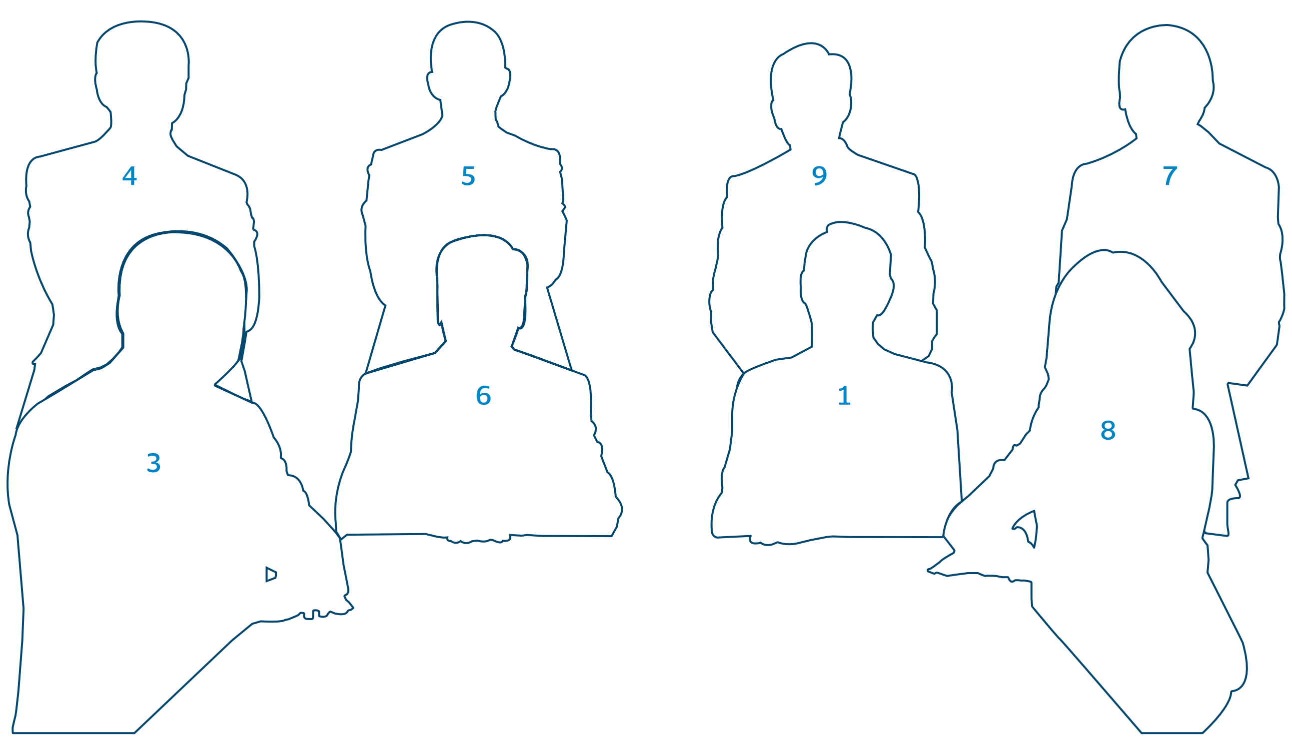
6) **Mario Valcarce Durán**
Director
Tax identity number: 5.850.972-8
Deputy Director: Patricio Leyton Flores

7) **Alejandro Jadresic Marinovic**
Director
Tax identity number: 7.746.199-K
Deputy Director: Valeria Ruz Hernández

8) **Patricia Núñez Figueroa**
Alternate Director
Tax identity number:
9.761.676-0

9) **Juan Benabarre Benaiges**
Alternate Director
Tax identity number:
5.899.848-6

** El Sr. Paul Dufresne presentó su renuncia el 15 de Enero de 2019.*



According to the company's articles of incorporation, the Board of Directors is comprised of nine members elected by the shareholders at the respective shareholders meeting. Board members serve for a period of two years and are eligible for re-election. There is one Deputy Director for each Director elected. The Chairman is elected by directors chosen at the shareholder meeting.

In conformity with the law and its by-laws, the Board of Directors meets at least once per month. The Transelec S.A. corporation held twelve ordinary meetings and four special Board of Directors meetings during the 2018 fiscal year.

Board of Directors Salaries

Directors Alfredo Ergas, Paul Dufresne and Han Rui waived salary payment corresponding to the 2018 fiscal year. Salaries paid to directors throughout the 2018 fiscal year are listed as follows:

Brenda Eaton
CLP 73,912,323

Mario Valcarce Durán
CLP 58,720,275

Blas Tomic Errázuriz
CLP 58,720,275

Alejandro Jadresic Marinovic
CLP 58,720,275

Patricia Núñez Figueroa
CLP 20,585,475

Juan Benabarre Benaiges
CLP 20,585,475

BOARD OF DIRECTORS EXPENSES

Total payment for director expenses throughout the fiscal year amounted to **CLP 54,276,417**.

DIVERSITY ON THE BOARD OF DIRECTORS

In terms of diversity, there are two women serving on the Board of Directors and two deputy directors are women, as well. The following graphs and figures show Board of Directors distribution by nationality, age and seniority at the Company.

I) Number of persons by gender
(woman / men)

DIRECTORS	ALTERNATE DIRECTORS	DEPUTY DIRECTORS
1/6	1/1	2/5

II) Number of persons by nationality
(foreigners / Chileans)

DIRECTORS	ALTERNATE DIRECTORS	DEPUTY DIRECTORS
3/4	0/2	4/3

III) Number of persons by age range

	DIRECTORS	ALTERNATE DIRECTORS	DEPUTY DIRECTORS
Under 30 years	0	0	0
Between 30 and 40 years	0	0	1
Between 41 and 50 years	0	0	5
Between 51 and 60 years	3	1	1
Between 61 and 70 years	4	1	0
Over 70 years	0	0	0

IV) Number of persons by seniority

	DIRECTORS	ALTERNATE DIRECTORS	DEPUTY DIRECTORS
Less than 3 years	1	2	5
Between 3 and 6 years	3	0	2
More than 6 and less than 9 years	1	0	0
Between 9 and 12 years	2	0	0
More than 12 years	0	0	0

AUDIT COMMITTEE

Creation of an Audit Committee different from that established in the Corporations Law was approved in April 2007. Its functions, among others, are to revise auditor reports, balance sheets and other financial statements for the company, and to revise the annual (internal and external) audit plan, as well as its progress and reports, and to supervise the application, operation and certification of the Company's Crime Prevention Model.

The Transelec Audit Committee is comprised of four directors who are appointed by the Board of Directors, serve for a period of two years and are eligible for re-election. The Committee elects a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Committee held four meetings in 2018..

As of 31 December 2018, the Audit Committee was comprised of its Chairman, Mr. Mario Valcarce Durán, directors Mr. Alfredo Ergas, Mrs. Brenda Eaton and Mr. Paul Dufresne, and its Secretary, Mr. Arturo Le Blanc Cerda.

The salary paid to Mr. Mario Valcarce Durán as member of the Audit Committee between 1 January 2018 and 31 December 2018 amounted to CLP 6,147,500.

INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee is responsible for improving information presented to the Board of Directors regarding the Company's different projects, thus facilitating decision making by the Board of Directors. The main objectives of the Committee are to recommend to the Board the rates of return per project, the bidding strategy, the mitigation of risks and other factors specific to the project; and provide an instance for the Management to access the resources and experience of the shareholders.

REGULATORY AND CORPORATE REPUTATION COMMITTEE

The Regulatory and Corporate Reputation Committee meets on a bimonthly basis to revise the Regulatory and Corporate Reputation Strategy to be executed with regard to the main legal and regulatory amendments in the power and environmental sectors, and to manage tariff processes in the National and Zonal Power Transmission Systems.

FINANCE COMMITTEE

The Finance Committee meets regularly to review the Company's financial strategy. The Committee also provides consultancy and approves different proposals made by Transelec. Issues such as financing, hedging, risk management, distribution, tax issues and projections are reviewed, among others. These issues, in case of requiring approval, are subsequently presented to the Board of Directors.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee meets at least once per year to review issues related to the people comprising the Transelec team. Among other issues, the Committee reviews financial KPIs, which are the base of the incentive pyramid for the Company's current variable bonus system, as well as other issues related to personal development, training, etc.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Government Committee was created in 2016. The Committee's mandate is to propose and nominate members of the Board of Directors and to evaluate their management, approve codes and manuals and modifications made to these, to examine and evaluate Transelec corporate governance guidelines and to make recommendations to the Board of Directors, among others.

OPERATIONS COMMITTEE

The purpose of this Committee is to give Transelec Administration the opportunity to discuss operational issues in detail with the members of the Board of Directors, either before or after Board of Directors meetings. The Committee is also responsible for supervising health and safety programs set out in Transelec recommendations regarding health, safety and operational KPIs.

OTHER COMMITTEES

A) Coordination Commitees: these involve the different Transelec Vice-Presidencies. The Committees meet regularly to coordinate the most important issues for the Company. These are listed as follows:

- Executive Committee.
- Business Committee.
- Projects Committee.
- Operational Excellence and Results Committee.
- Regulatory Agenda Committee.

B) Integrated Management System Committee: this Committee's mission is to discuss all issues related to Occupational Health and Safety, Environment and Quality. The Committee meets on a regular basis to approve programs and plans for monitoring these issues.

MANAGEMENT TEAM

1)
Andrés Kuhlmann Jahn
General Manager
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax identification number: 6.554.568-3

2)
Rodrigo López Vergara
Vice-President Of Operations
Civil Electrical Engineer
Universidad de Chile
Tax identification number: 7.518.088-8

3)
Claudio Aravena Vallejo
Vice-President of Human Resources
Commercial Engineer
Pontificia Universidad Católica de Chile
Tax identification number: 9.580.875-1

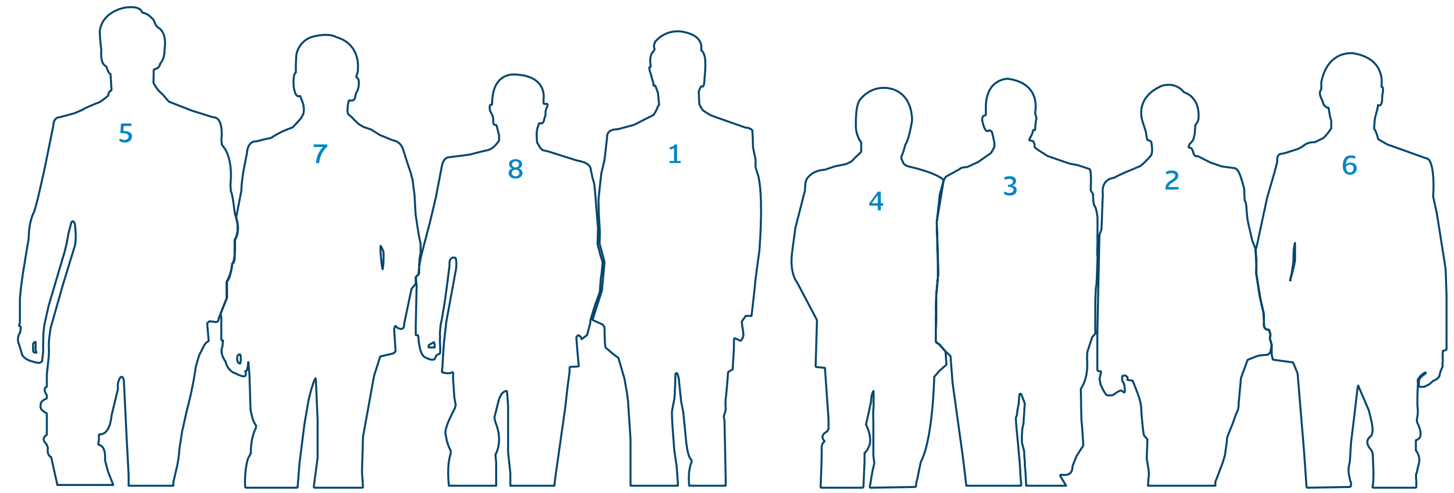
4)
Francisco Castro Crichton
Vice-President of Finance
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax identification number: 9.963.957-1

5)
Arturo Le Blanc Cerda
Vice-President of Legal Affairs and Prosecutor General
Attorney
Universidad de Chile
Tax identification number: 10.601.441-8

6)
David Noe Scheinwald
Vice-President of Corporate affairs and Sustainability
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax identification number: 10.502.232-8

7)
Eric Ahumada Gómez
Vice-President of Sales and Business Development
Civil Electrical Engineer
Universidad de Chile
Tax identification number: 9.899.120-4

8)
Alexandros Semertzakis Pandolfi
Vice-President of Engineering and Project Development
Civil Engineer
Universidad de Santiago de Chile
Tax identification number: 7.053.358-8



03
THE BUSINESS

Transelec participates in both the regulated systems (national and zonal) and the dedicated system (bilateral contracts with large customers) that comprise Chile's power transmission business. The Company owns transmission assets in the country for US $ 3,981 million as of December 31, 2018.

REGULATORY SCENARIO

The legal framework that regulates how the power transmission industry operates in Chile is based on Ministry of Economy, Development and Reconstruction Statutory Decree N°4 dated 2006. This decree determines the consolidated, coordinated and systematized text of the General Electricity Services Law, hereinafter and indistinctively the "General Electricity Services Law" or "LGSE". The LGSE and its complementary regulations determine standards applicable to any power generation, transmission or distribution facility with regard to technical, safety, coordination, quality, information and economic aspects of appropriate power sector operation.

The last important reform made to the LGSE is the recently passed Law Nº 20,936/2016, which incorporated the following important amendments:

> a new functional definition of Power Transmission Systems

> a new long-term Energy Planning and Power Transmission Planning process

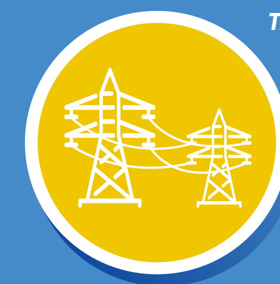
> a new remuneration and tariff setting mechanism for public service power transmission facilities

> a new universal Open Access regime

> a preliminary definition of power transmission line routes for specific new projects, by means of a Strip Study Procedure, and

> creation of a new Independent Coordinator for the National Electricity System

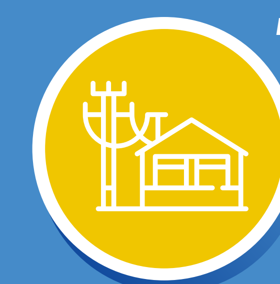
Transelec's business is power transmission. The current legal framework that regulates the power transmission business in Chile defines power transmission systems and classifies their facilities into four[1] categories:



The National Trasmission System: comprised of power transmission lines and electrical substations that enable development of this market, interconnecting all other power transmission segments and enabling power to be supplied for meeting total power system demand in different power generation facility availability scenarios, including contingency and fault situations.

Zonal Transmission Systems: comprised of power transmission lines and electrical substations essentially arranged to supply current or future regulated customers that can be identified on a territorial basis, without compromising use by free customers or power generation companies connected directly to or by means of power transmission systems used for the aforementioned power transmission systems.

Transmission Systems for Development Poles: comprised of power transmission lines and electrical substations used to transmit electrical energy generated by a single development pole into a power transmission system, thus making efficient use of national territory.



Dedicated Transmission Systems: comprised of power transmission lines and electrical substations that are interconnected to the electricity system and essentially arranged to supply electrical energy to users that are not subject to price regulation or to inject power produced by power plants into the power grid.

The first three systems are public services for which tariffs are set by the Ministry of Energy. These systems are subject to universal open access under non-discriminatory conditions. Access shall be provided to Exclusive System power transmission facilities as long as there is available technical transmission capacity that is determined by the Coordinator, without prejudice of the hired capacity or the company's own projects that have been reliably considered upon the interested third party requesting use of these facilities.

[1] *Article 73 of LGSE: "International interconnection systems, which will be subject to special standards determined for this purpose, are also part of the power transmission system".*

Several regulations related to Law N° 20,936 have been published to date, determining necessary provisions for the execution of issues related to energy planning, preliminary dispositions required for the execution of issues related to energy planning, preliminary easement strips, international interconnections and compensation for power supply outages. Regarding issues for which no regulations have yet been formulated, the Commission has published several resolutions containing temporary provisions in terms of deadlines, requirements and conditions indicated in the new law. The Ministry of Energy and the Commission have been formulating regulations this year that will soon be published based on a participatory process involving all stakeholders in the power market, which address the following issues:

i) Open access planning process and interconnection of facilities, and

ii) Power Transmission System tariff setting, compensation and payment.

These regulations should be published during the first half of 2019. Operation Coordination and Complementary Services Regulations are currently being acknowledged as constitutional by the General Comptrollership of the Republic prior to publication and application.

SYSTEM GROWTH

In addition, the CNE must conduct a power transmission planning process each year. This process must consider a timeline of at least twenty years. This planning encompasses upgrade projects required for the National Transmission System, the Zonal Transmission System, Development Poles and Exclusive Transmission Systems used by public distribution service concessionaries to supply users subject to price regulation. These expansion plans feature investments that must be classified as new projects or upgrades for existing facilities. As the result of this process, the CNE formulates a technical report and the Ministry of Energy will use this report to determine the power transmission Expansion Plan for the following 12 months. This authority plans annual international auctions to award said transmission projects according to the level of robustness and growth that it considers appropriate and necessary for the system.

REMUNERATION FOR THE NATIONAL AND ZONAL TRANSMISSION SYSTEMS, DEVELOPMENT POLES AND EXCLUSIVE FACILITIES USED BY USERS SUBJECT TO PRICE REGULATION

Revenue generated by existing facilities in the National and Zonal Transmission Systems and for Development Poles is constituted by the Annual Transmission Value by Segment (ATVS), which is calculated based on Annual Investment Value (AIV) and Operating, Maintenance and Administration Costs (OMAC) for each of the segments comprising these systems. In addition, revenue generated by the use of exclusive transmission facilities by users subject to price regulation is constituted by the proportion of their ATVS assignable to said users.

SYSTEM VALUATION STUDIES

Segments comprising these systems and their corresponding ATVS are determined by the National Energy Commission (CNE) once every four years based on a Transmission System Valuation Study or Studies conducted by a consultant chosen by means of an international public tender. The CNE will consequently formulate a technical report and based on this report the Ministry of Energy will set National and Zonal Transmission and Development Pole tariffs as well as payment for the use of exclusive transmission facilities by users subject to price regulation. During the four-year period between two consecutive tariff setting processes, both AIV and OMAC for each segment will be indexed using formulas designed to maintain the real value of AIV and OMAC during said time period. Indexing formulas and their application frequency are determined in the corresponding tariff setting process.

TRANSMISSION SYSTEM PAYMENT

Payment for National, Zonal and Exclusive Transmission Systems used by users subject to price regulation shall be made by free and regulated end users. Transmission System payment for Development Poles determines a single rate in such a way that collection for this service will compensate for the proportion of facilities to be used as development poles that are not used for existing power generation. ATVS that is not covered by this rate will be paid by power generation companies injecting their production into the corresponding pole. In the case of the National Transmission System, Law N°20,936 established a transmission period determined between 2019 and 2034, in order to gradually replace the former payment and remuneration regime with the aforementioned new regime. In the case of Zonal Transmission Systems, the new payment and remuneration regime will come into force as of 1 January 2018.

The Coordinator will be responsible for international public tenders for upgrade projects, regardless of whether these are new works or upgrades. Tenders for the construction and execution of upgrades for existing facilities will be settled depending on the IV offered and the respective company awarded the contract will be paid by the owner of these facilities, as opposed to what happens in the case of new works, for which exploitation and execution rights will be awarded to the bidder indicating the lowest ATVS for the project tendered. The upgrade project owner will receive ATVS comprised of the corresponding AIV and OMAC, in which AIV will be determined considering the awarded IV, which will remain in force for five tariff setting periods. In the case of new Works, ATVS resulting from the tender will constitute compensation and will be applied for five tariff setting periods.

DEDICATED SYSTEM REMUNERATION

Revenue generated by the use of facilities belonging to Exclusive Transmission Systems is obtained in keeping with the provisions of transmission contracts signed between users and the owners of these facilities. Prices are normally set by calculating AVI + OMAC that is determined by mutual agreement between the parties.

Even if these exclusive facilities are essentially being used to inject power produced by power plants into the system or to supply electrical energy to free customers, the authority could eventually declare these facilities to be National, Zonal or Development Poles if operating conditions are changed and if these facilities meet the corresponding requirements.

TARIFF STUDIES

NATIONAL POWER TRANSMISSION / TRUNK TRANSMISSION SYSTEM

The Ministry of Energy published Supreme Decree N° 23 T in February 2016, bringing new tariffs for Trunk Transmission and National System facilities into force for the 2016-2019 period as required.

Application of the new Law N° 20,936/2016 enabled the identification of two temporary collection, payment and remuneration periods for the National Transmission System, which are regulated as follows:

> **The 2016-2018 Period:** the collection, payment and remuneration regime established by Law N° 19,940 (Short Law I) in March 2004 will be applied.

> **The 2019-2034 Period:** the collection, payment and remuneration regime established by Temporary Article 25 of the new Law N° 20,936/2016 will be applied. This temporary standard was designed to prevent double payment for transmission due to current power supply contracts between power generation companies and free, end or regulated customers that were signed before the aforementioned law came into force.

ZONAL TRANSMISSION / SUBTRANSMISSION SYSTEM

Temporary Article Eleven of Law N°20,936/2016 indicates that Supreme Decree 14/2013[2] will remain in force between 1 January 2016 and 31 December 2017, including adjustments made by the Ministry of Energy by means of a decree issued under the "by order of the President of the Republic" formula. These adjustments to Supreme Decree 14/2013 were determined by the Ministry of Energy by means of Decree 1T dated February 2017. In turn, Temporary Article Twelve of Law N° 20,936/2016 indicates that continuity and termination will be provided for the process of setting the annual value of subtransmission systems for application during the 2018-2019 period throughout the extended term of Decree 14/2013.

Therefore, during the extended term of Supreme Decree N° 14/2013, the process for setting the annual value for subtransmission and additional transmission systems used by users subject to price regulation under way at the time the new Law Ley N°20,936/2016 was published has now been completed. Therefore, in July 2018 the CNE published Exempt Resolution N°53119 replacing the technical report determining ATVS for Zonal Transmission Systems and the proportion of exclusive transmission use by users subject to price regulation during the 2018-2019 two year period, approved by means of CNE Exempt Resolution N°414 dated 31 July 2017, in accordance with the provisions of the new Law N°20,936/2016. This technical report was used as the basis for formulating Decree 6T, published in the Official Gazette 5 October 2018, which sets the annual value by section of zonal and exclusive transmission facilities used by users subject to price regulation, as well as tariffs and indexing formulas for the 2018-2019 period.

NEW 2020-2023 TARIFF SETTING PROCESS – NATIONAL AND ZONAL TRANSMISSION SYSTEM

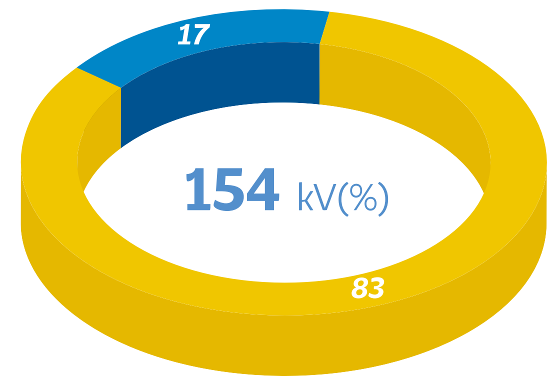
A new 2020-2023 tariff setting process for the National and Zonal Transmission Systems started in 2018 with the first power transmission facilities Qualification Process in accordance with Law N°20,936. The CNE invalidated this Qualification Process in August 2018 following the detection of inconsistencies in methodology application. The Qualification Process resumed in October 2018 with the publication of a new CNE Preliminary Facilities Qualification Technical Report. A ruling by the Panel of Experts regarding discrepancies presented by the companies regarding the CNE Facilities Qualification Technical Report is currently being awaited.

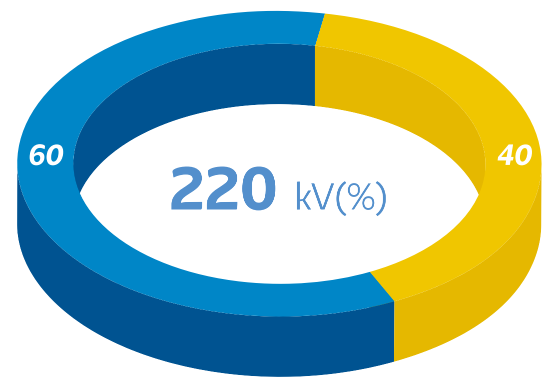
[2] *Ministry of Energy Decree N° 14, 2012, sets tariffs for Subtransmission and Additional Transmission systems and tariff indexing formulas for the 2011-2017 period A one-time extension was made to this decree up until 31 December 2015 by means of Decree N° 8T dated March 2015.*

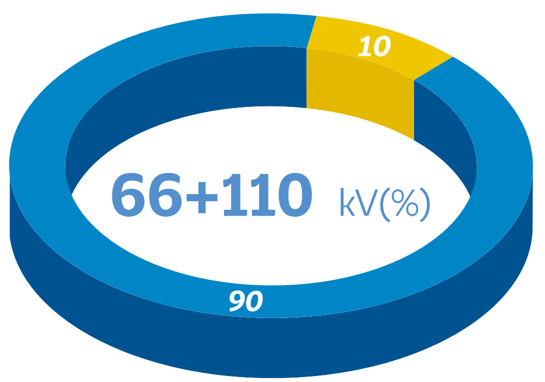
In addition, the CNE published the final Technical and Administrative Bases for the tendering of Valuation Studies in October 2018. However, these will be published after the new facilities qualification process that is currently under way has been completed. The next stages of this tariff setting process are: the tendering and formulation of Tariff Studies, formulation and publication of the Final CNE Technical Report and the setting and publication of 2020-2023 tariffs by the Ministry of Energy. This tariff setting process should be finished by the beginning of 2021.

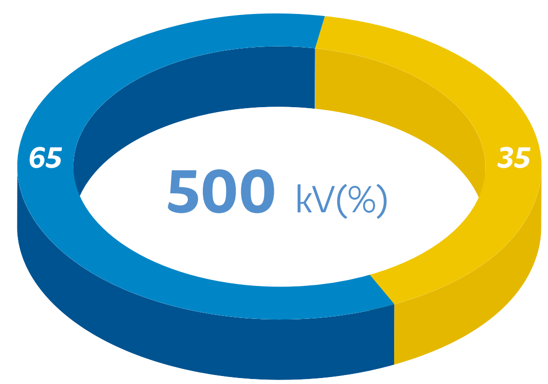
MARKET SHARE AS OF 31 DECEMBER 2018

Transelec is an important stakeholder in Chile's power transmission system, as a pioneering company and leader that has substantial know-how and expertise. In keeping with the remuneration system for the power transmission market, the Company receives revenue as profit over installed capacity and therefore market share is not a significant factor. Transelec has the following market share of operational power transmission lines:









TRANSELEC
OTHERS

NATIONAL POWER GRID PROJECTS

NEW PROJECTS

1. STUDIES

Transelec S.A. is currently developing studies in order to participate in the new projects tendering process executed by the National Electricity Coordinator. The project portfolio has a reference investment value amounting to approximately US$ 2.40 billion, highlighting the New HDVC Transmission Line Project between the Lo Aguirre Substation and the Kimal Substation.

2. CONTRACTS AWARDED

As part of the Exempt Decree N°422/2017 "National Power Transmission System Upgrade Plan" process, Transelec S.A. was awarded Projects amounting to reference investment value of US$ 19.3 million:

Project	Ref. IV (in USD th)	Estimated commissioning date
New Río Malleco 220 kV Sectioning Substation	8,134	Q3 2020
New Frutillar Norte 220 kV Sectioning Substation	11,213	Q2 2021

3. PROJECT DEVELOPMENT

No projects with commissioning scheduled after 31 December 2018 were developed during the period.

4. COMMISSIONING

Transelec S.A. energized projects amounting to a reference investment value of USD 99.2 million in 2018:

Decree	Project	Ref. IV (in USD th)	Commissioning date
0310/2013	Third Bank of 750 MVA 500/220 kV Autotransformers at the Alto Jahuel Substation	44,680	Q1 2018
0082/2012	New 2x220 kV Lo Aguirre – Cerro Navia Transmission Line	54,610	Q4 2018

UPGRADES

1.STUDIES

The Ministry of Energy published Exempt Decree N°293 that "Determines Upgrade Works for National and Zonal Systems" in the Official Gazette 08 November 2018.

The National Electricity Coordinator consequently started a national upgrade works tendering process amounting to a reference investment value of USD 16.7 million:

Project	Ref. IV (in USD th)	Term (months)
Lagunas Substation upgrade	2,440	24
2x220 kV Nueva Puerto Montt (Tineo) - Puerto Montt transmission line capacity increase and Nueva Puerto Mont Substation (Tineo) upgrade	3,940	30
2x220 kV Ciruelos - Cautín transmission line capacity increase	10,350	36

Work contracts are expected to be awarded in the second quarter of 2019.

2.CONTRACT AWARDING

Transelec S.A. awarded projects amounting to a reference investment value of USD 6.2 million in 2018 and started developing the following projects:

Decree	Project	Ref. IV (in USD th)	Estimated commissioning date
0373/2016	220 kV Punta Colorada Substation upgrade	2,531	3Q 2020
0422/2017	220 kV Ciruelos Substation upgrade	3,670	1Q 2020

3. PROJECT DEVELOPMENT

Transelec S.A. continued developing projects amounting to a reference investment value of USD 50.1 million:

Decree	Project	Ref. IV (in USD th)	Estimated commissioning date
0158/2015	2x220 kV Crucero – Lagunas transmission line extension	2,539	1Q 2019
0373/2016	Normalization of J3 and J4 at the 220 kV Chena Substation	1,212	1Q 2019
0373/2016	220 kV Nueva Valdivia Sectioning Substation	11,583	1Q 2019
0373/2016	Sectioning of the second circuit for the 2x500 kV Polpaico - Lo Aguirre transmission line at the 500 kV Lo Aguirre Substation	10,811	2Q 2019
0373/2016	Bay incorporation for the 1x220 kV Cóndores - Parinacota transmission line at the Parinacota Substation	2,313	3Q 2019
0373/2016	Bay incorporation for the 1x220 kV Tarapacá - Cóndores transmission line at the Cóndores Substation	3,608	3Q 2019
0373/2016	New 220 kV Quillagua (Frontera) Sectioning Substation	18, 044	3Q 2019

4.COMMISSIONING

Projects amounting to a reference investment value of USD 18.1 million were energized in 2018:

Decree	Project	Ref. IV (in USD th)	Estimated commissioning date
0373/2016	Busbar capacity increase at the 220 kV Encuentro Substation	2,404	1Q 2018
0373/2016	Normalization at the 220 kV Puerto Montt Substation	2,534	3Q 2018
0158/2015	Upgrade at the 220 kV Carrera Pinto Substation	5,802	4Q 2018
0373/2016	Normalization at the 220 kV Charrúa Substation	2,549	4Q 2018
0373/2016	Normalization at the 220 kV Pan de Azúcar Substation	4,777	4Q 2018

INVESTMENT IN 2018
NATIONAL POWER GRID
Values in CLP million

Project type	Actual Investment
New Works	7,317
Upgrade Works	3,741
Carry Over (*)	109
Total Projects in the National Power Grid	**11,167**

(*) Corresponding to payment made in 2018 for projects commissioned in 2017 or earlier.

NEW PROJECTS

1.STUDIES

Transelec S.A. is currently developing studies in order to participate in the tendering process executed by the National Electricity Coordinator. The project portfolio has an approximate reference investment value of USD 75.0 million distributed between the A, B, C and E systems.

2.CONTRACT AWARDING

In the framework of the Exempt Decree N°418/2017 "National Power Transmission System Upgrade Plan" process, Transelec S.A. was awarded projects amounting to an approximate investment value of USD 39.1 million:

Project	Ref. IV (in USD th)	Estimated commissioning date
New 220/110 kV Río Aconcagua Substation	2,422	Q3 2021
New 220/66 kV Lastarria Substation	1,488	Q1 2021

3. PROJECT DEVELOPMENT

No projects were developed in this segment.

4. COMMISSIONING

No projects were energized in 2018.

UPGRADE WORKS

1.STUDIES

In October 2018, the National Electricity Coordinator called a tender for upgrade works for which contracts were not awarded during the works tendering process indicated in Exempt Decree N° 418/2017. The approximate investment value of projects to be retendered is USD 9.6 million, The following table shows the referential AIV of the project according to the Decree:

Project	*Ref. AIV (in USD th)*	*Term (months)*
Circuit Replacement at the 1x154 kV Charrúa - Chillán Tap and 1x154 kV Charrúa – Monterrico	245	24
Upgrade at the 220 kV Nueva Valdivia Substation	716	36

Project contracts are expected to awarded during the second quarter of 2019.

The Ministry of Energy published Exempt Decree N°293 que "Determines upgrade works for National and Zonal Systems" in the Official Gazette 08 November 2018.

The National Electricity Coordinator consequently started a tendering process for upgrade works amounting to a reference investment value of USD 20.2 million:

Project	*Ref. AIV (in USD th)*	*Term (months)*
Dual pairing of 220/110 kV Transformer N°1 at the Cardones Substation	6,800	24
2x220 kV Punta Cortés – Tuniche transmission line upgrade: line bay incorporation	6,720	36
Laja Substation upgrade	580	24
1x66 kV Chacahuín – Linares transmission line capacity increase	240	12
Laying the second circuit of the 2x154 kV Tinguiririca - San Fernando transmission and Tinguiririca Substation upgrade	5,860	24

Project contracts are expected to awarded during the second quarter of 2019.

2. CONTRACTS AWARDED

In the framework of Exempt Decree N° 418 determining a "List of upgrade works for zonal transmission facilities subject to mandatory execution", in July 2018 the National Electricity Coordinator awarded upgrade works contracts amounting to an approximate investment value of USD 12.7 million. The following table shows the referential AIV of the project according to the Decree:

Project	*Ref. AIV (in USD th)*	*Estimated commissioning date*
1x110 kV Maitencillo – Algarrobo High Voltage Transmission Line capacity increase	433	Q3 2020
Modification of TR5 bay connection and a new bank for the 110 kV GIS switchyard at the Cerro Navia Substation	274	Q3 2021
2x154 kV Alto Jahuel - Tinguiririca High Voltage Transmission Line Sectioning at the Punta Cortés Substation	452	Q3 2020
Itahue Substation upgrade	49	Q3 2022
Panimávida Substation sectioning	61	Q1 2020

3. PROJECT DEVELOPMENT

Transelec S.A. continued zonal upgrade project development amounting to an approximate investment value of USD 26.4 million in 2018. The following table shows the referential AIV of the project according to the Decree:

Decree	*Project*	*Ref. AIV (in USD th)*	*Estimated commissioning date*
0418/2017	220/110 kV Autotransformer Bank at the Pan de Azúcar Substation	1.291,0	1Q 2019
RE569/2017	New 220/154 kV Transformer and adjustments at the Tinguiririca Substation	1.350,0	1Q 2019

4. COMMISSIONING

Projects amounting to an approximate investment value of USD 21.7 million were energized in 2018. The following table shows the referential AIV of the project according to the Decree:

Decree	*Project*	*Ref. AIV (in USD th)*	*Estimated commissioning date*
0418/2017	220/110 kV Autotransformer Bank at the Quillota Substation	867,4	1Q 2018
0418/2017	220/110 kV Autotransformer Bank at the Cerro Navia Substation	1.301,1	4Q 2018

INVESTMENT IN 2018
ZONAL SYSTEM
Values in CLP million

Project Type	*Actual Investment*
New Works	44
Upgrade Works	5,726
Total Zone System Projects	**5,770**

EXCLUSIVE SYSTEM PROJECTS

1. STUDIES
Transelec has continued its pursuit of new business opportunities in 2018, aiming to establish and strengthen relations with its customers while contributing its expertise in the provision of technical, innovative and competitive solutions.

2. PROJECTS AWARDED
No projects were awarded during the period.

3. PROJECT DEVELOPMENT
No projects were developed this year.

4. COMMISSIONING
No projects were energized this year.

INVESTMENT IN 2018
EXCLUSIVE POWER TRANSMISSION SYSTEM
Values in CLP million

Project Type	*Actual Investment*
Others	84
Carry Over (*)	363
Total Exclusive System Projects	**447**

(*) Corresponding to payment made in 2018 for projects commissioned in 2017 or earlier.

ENVIRONMENT

Transelec operations are subject to Law N°19,300/1994 on General Environmental Guidelines ("Environmental Law") and its subsequent amendments. The Environmental Law requires the principals of new projects or modifications of high voltage transmission lines and electrical substations to comply with the Environmental Impact Evaluation System (SEIA) and submit Environmental Impact Studies (EIA) or Environmental Impact Declarations (DIA) as required so that these projects can be environmentally evaluated and qualified by the respective Environmental Evaluation Commissions and then finally approved by means of an environmental qualification resolution. In addition, these regulations indicate that the project principal will be entitled to request the Environmental Evaluation Service to make an official announcement as to whether a project or its modification should be submitted to the SEIA. These documents to be submitted are known as letters of pertinence to be submitted to the SEIA.

More specifically, the main reform made to the Environmental Law came about through the passing of Law 20,417/2010 that introduced important changes to current institutionalism, creating new environmental management instruments and modifying existing instruments. Transelec consequently had to adjust to these new requirements. The institutional framework was therefore constituted by the following entities:

i. Ministry of the Environment,
ii. Council of Ministers for Sustainability,
iii. Advisory Councils,
iv. Environmental Evaluation Service,
v. Environmental Superitendence, and
vi. Environmental Courts.

These institutions are responsible for the design and application of environmental policies, plans and programs, the proposal of sustainability criteria for the formulation of planning process and policies at ministries, the formulation of regulations, SEIA administration, project inspection and sanctions, among others. Environmental Evaluation System Regulations (SD N°40/2012) came into force 24 December 2013. Among other issues, these regulations indicate requirements for environmental impact evaluation procedures for Environmental Impact Studies and Environmental Impact Declarations and community participation, as well as consultation with first nations throughout this process.

We wish to highlight that the creation and commissioning of Environmental Courts 28 December 2012 was also accompanied by entry into force of inspection and sanction capacity for the Environmental Superintendence.

Transelec is an active user of environmental institutionalism. The company submitted three projects for environmental evaluation in 2018 and two of these are still being evaluated. In addition, 56 environmental sectorial permits were lobbied for projects under construction and currently operating. These permits are currently in different stages of approval.

The Company's outstanding environmental performance has meant that no fines have been applied this year due to non-compliance with environmental commitments or to our assets during operating stages, despite the fact that we are managing 15 projects in development stages.

Moreover, in 2018 the Ministry of the Environment continued executing a process for requesting information from project principals regarding waste management. This extended producer responsibility and the encouragement of recycling is part of the application framework of Law 20,920. In addition, the first regulation indicating valuation and collection goals for tires, one of six priority products, was published this year.

Finally, with regard to climate change, in 2018 the Ministry of the Environment and the Ministry of Energy launched the first public-private working table for the national climate change plan in the energy sector. This plan was designed to share adaptation experiences implemented, prioritize adaptation actions and address an action implementation timeline, among other objectives. Measures for the implementation of actions for leveraging public and private investment required in order to ramp up the aforementioned national plan will also be discussed, together with the promotion of studies qualifying the impact of climate change on energy supply and demand.

OUR CUSTOMERS

Transelec transmits electrical energy needed by Chile's inhabitants using the company's power transmission lines that transport energy from production centers to cities and to large industrial and mining industry users. Our responsibility is to ensure that residential customers and industries have a continuous and uninterrupted power supply in order to contribute to improving the country's development and quality of life.

The Company is the leading provider of power transmission services in the National Electricity System and plays an essential role in Chile's energy development. Our customers are those users that withdraw and/or inject energy into power transmission systems, which is to say, power generation companies and power distribution companies, industrial customers and mining companies .

We understand that being leaders in the power transmission market not only means managing large-scale projects, which Transelec has been doing throughout its corporate history, but also providing better solutions for each type of customer and adapting to the new requirements of a constantly changing market.

Transelec's commitment not only focuses on its customers, but also involves the future of Chile's energy, which can be understood as a development engine. We have been a fundamental stakeholder at discussions arising regarding the new power transmission law and the formulation of regulations by means of participatory and consultative workshops where Transelec has contributed its extensive experience toward the final formulation of energy policies.

Providing a service closely focused on our customers has always been a fundamental pillar of the company's policy. We will focus on improving quality standards for our customers over the coming years, backed by innovation as a lynchpin for achieving these objectives.

OUR CUSTOMER SERVICE POLICY

Our policy is to interpret and understand our customers' needs, identifying optimum technical and economic solutions for each project and executing these projects in keeping with the highest quality, safety and environmental parameters. We seek to reach a commitment that will forge long-term relations over the years.

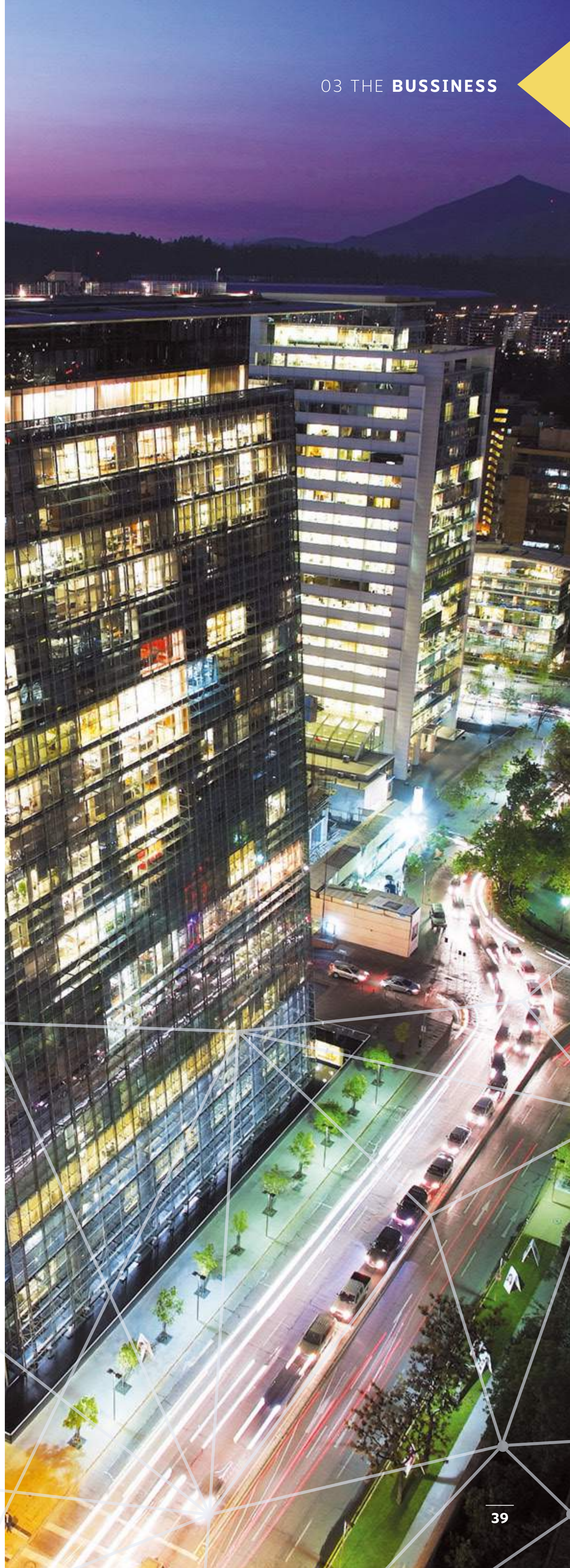
Our commitment is to provide service and consultancy using our extensive and specialized knowledge of power transmission in order to provide tailor-made service for project execution. Customer service and trust in our knowledge as system specialists are the foundation for close relations with our customers and the market.

The pursuit and provision of a specialized power supply allows us to develop the best and most innovative power transmission solutions, especially for highly complex projects with tight deadlines, incorporating cutting-edge technological solutions.

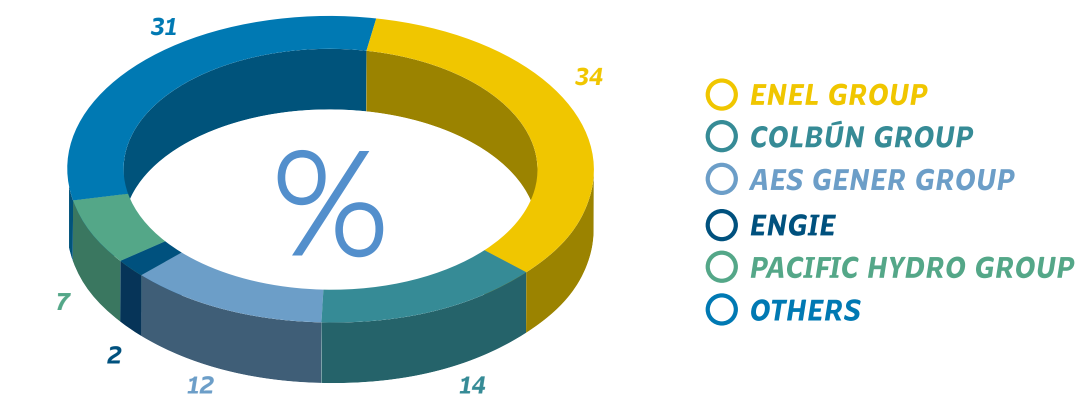
Our projects are executed in compliance with the highest standards in a framework of sustainability throughout their entire life cycle, using technology and designs that are compatible with the environment, communities, our employees and contractors.

We examine the opinions and perception of our customers by means of an annual Customer Service Survey applied to our Connection clients. Our efforts have led to a constant and sustainable increase in satisfaction levels reached. This is a very important result in a year that was very particular for all the regulatory changes that are affecting this process. The information obtained from the survey allows us to improve and refine the processes to adapt them to the new regulations and the needs of the users of the Transmission System.

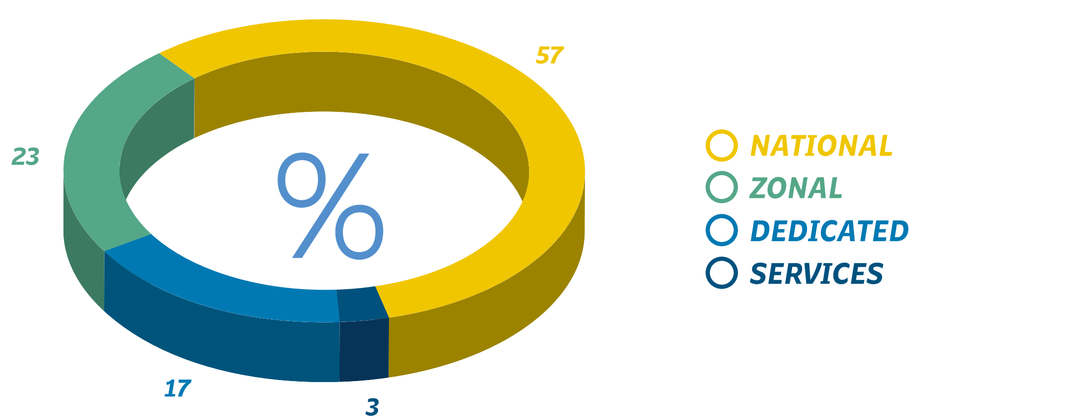
Likewise, our main customers were able to express their opinions regarding Transelec's overall reputation through a survey this year. Without a doubt, at Transelec we understand the reputation of a company as a relevant element when deciding to do businesses and that is why it is a permanent concern, our efforts are directed to establish a long-term partner relationship.



PARTICIPATION OF TRANSLEC CUSTOMERS*



DISTRIBUTION OF INCOME PER SYSTEM *



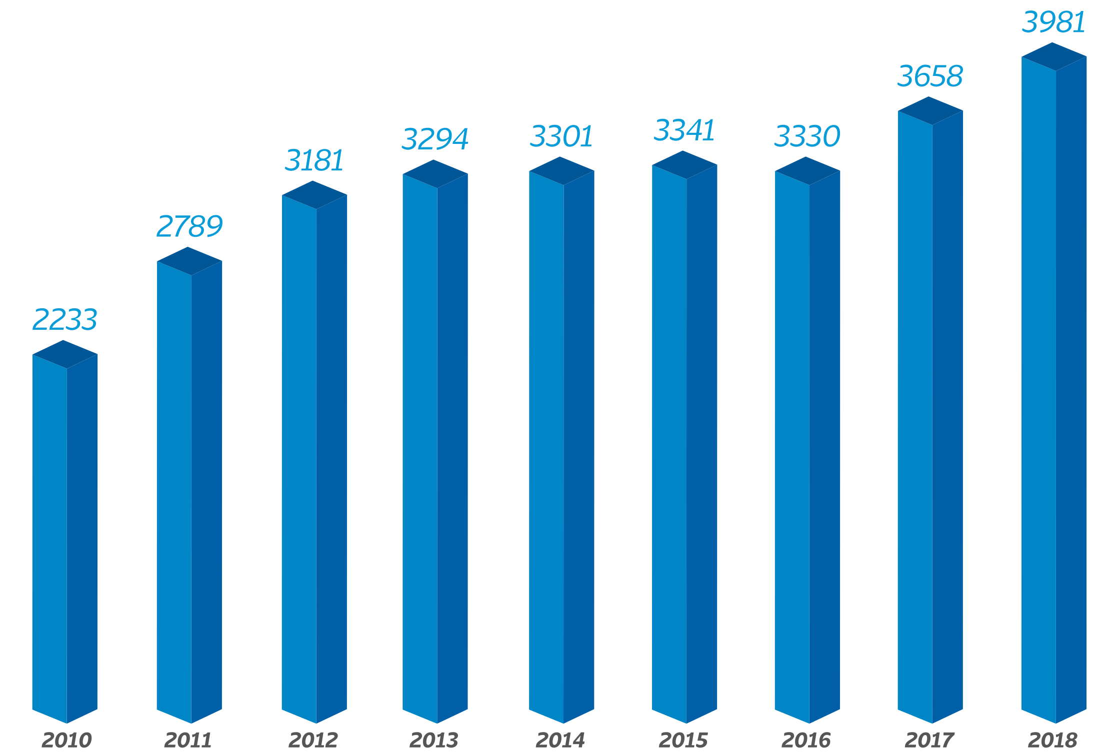
*According to the Billing.

INVESTMENT VALUE (IV)

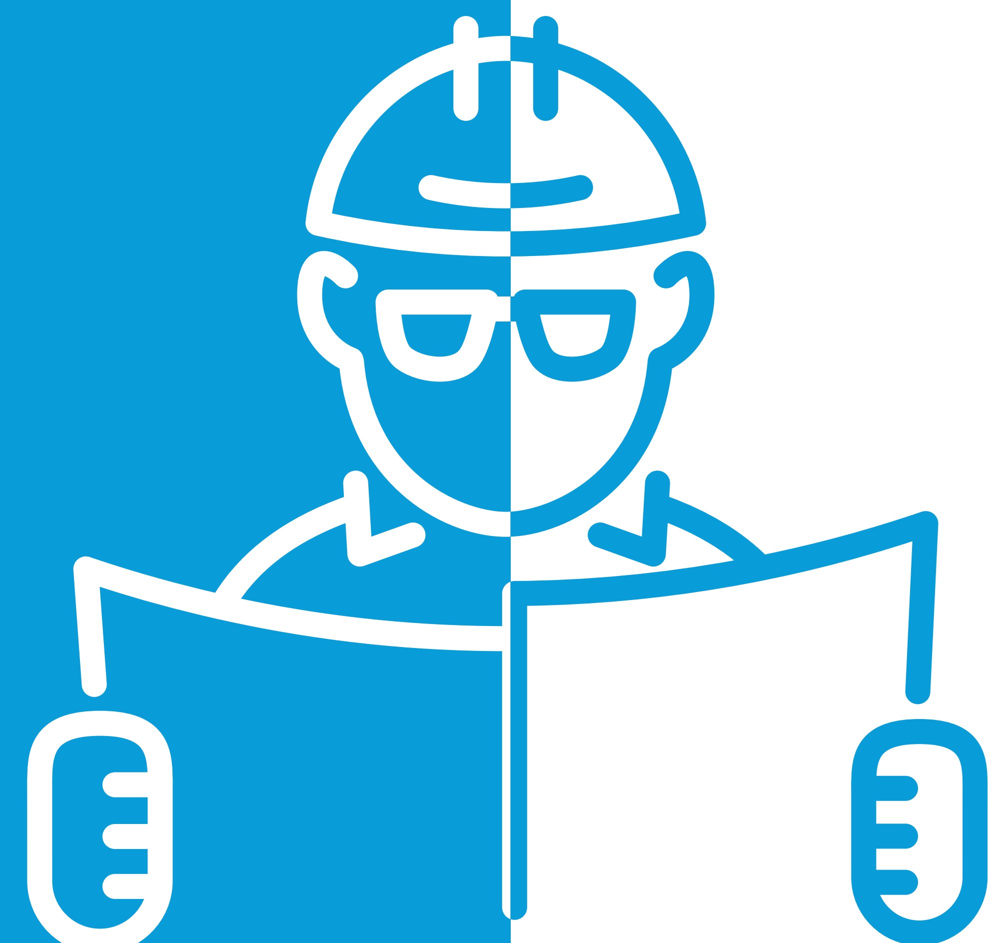
The current regulatory framework establishes mechanisms for calculating and publishing power transmission company investment valuation at market prices. This information is used to set service tariffs.

Transelec transmission facilities were appraised at US$ 3.981 million as of 31 December 2018.

INVESTMENT VALUE (IV)
US$ milions



04
THE OPERATION



The essential purpose of Transelec operations is to transmit power in compliance with highly demanding service quality and safety standards. The company uses its own personnel and highly specialized contractors to meet this objective, as well as technology-intensive processes and resources based on risk models.

In addition, Transelec considers innovation to be a strategic tool in the pursuit of continuous improvement for the operation and asset management.

ASSET MANAGEMENT

We worked on developing a new criticality model for our assets in 2018. This new methodology will enable us to rank the priority of maintenance and asset replacement activities, determining a hierarchical order for the use of resources. This model will become even more important in the coming years, in which steadily increasing investment at our existing facilities considers the execution of more than 1,500 works over the next six years.

In order to continue improving the categorized maintenance plan, we started to provide monthly monitoring of A categories, which constitute the most critical maintenance activities. This new initiative was able to identify problems faster and thus streamline management. All of this is reflected in early compliance with the "maintenance compliance" index compared to previous years.

Digital transformation is an essential pillar for the Transelec facilities maintenance strategy. The operations digitalization strategy continued in 2018 as a focus for consolidating and evolving our asset management model. Work toward this purpose was executed by Transelec and the consulting company McKinsey.

Under this premise, Transelec has been working hard on key drivers to enable digitalization. These include the revision of processes related to operating data, which are an essential element for optimum decision making regarding assets. In addition, a revision of technological tools is currently under way that will enable the implementation of an asset maintenance and replacement strategy based on actual conditions.

ASSET PERFORMANCE MANAGEMENT

Transelec asset performance in 2018 evidenced positive results for the Disconnection Rate indicator which measures service efficiency. In general terms, there was a 44.8% reduction compared to 2017 and improvement was observed in the three following technical areas:

> **The transmission line outage rate** was 29.5% lower in 2017. These results are mainly due to more intensive vegetation management during the year, based on the focal points determined in 2017. This led to 18 fewer disconnections compared to the year before.

> **Control and protection outage rates** were down 27.0% compared to 2017. These results stem from quality assurance work while renewing protection equipment, as well as performance revision in keeping with the NERC Reliability Standards.

> **Failure rate indicator** results for high voltage assets were 78.7% lower than in 2017. These results are mainly related to a dramatic reduction in forced outages affecting FACTS equipment.

OPERATION

The Transelec Operational Continuity Plan brings together guidelines for the efficient and effective prevention and mitigation of and response to emergency situations in order to recover and preserve operational continuity at our facilities. Continuous improvement of this procedure was managed in 2018 and a study was started by an international consultant in order to assess and apply the latest advances in terms of good practices for operational continuity plans.

This work also included:

Doubling the number of brigades monitoring vegetation throughout the routes of our nearly 10,000 kilometers of transmission lines

Proactive work in collaboration with Conaf and other emergency organizations.

Training sessions in order to prevent risks when operating under high voltage transmission lines.

This view to prevention and action is applied throughout the entire year in order to ensure that all types of extreme events that may compromise Transelec service quality are addressed in a timely and preventive manner.

We have made substantial progress with the initiative for consolidating our Safety Culture in 2018. The initiative is sponsored by the Industrial Safety Culture Institute (ICSI), France. We at Transelec believe that no operational emergency or goal justifies exposing a worker to uncontrolled risks. Transelec's 2018 accident index was the lowest in the last ten years, due to high compliance rates with Occupational Health and Safety (OHS) Plans and Programs featuring the direct involvement of contracting companies and the support of our shareholders (best practices and lessons learned).

The Transelec National Transmission Operation Center (CNOT) plays a fundamental role in ensuring service continuity. CNOT construction was completed in 2014, meeting the highest safety standards and making it possible for Transelec to centralize the operation of its facilities in real time. A competency management process for CNOT operators was implemented in 2016. The process included the assessment of model skills. Transelec will start to use the recently implemented Operator Training System (OTS) in 2019. This system will enable operators to improve their technical and behavioral performance in a controlled environment by simulating extreme events and conditions, replicating actual characteristics in the system and the workplace.

QUALITY OF SERVICE

Service quality is one of the Company's strategic pillars, which is the result of Transelec management work in network operation and asset maintenance and renewal. In addition, network topology evolution, changes made to quality standards and the increasing demands of society mean that we set loftier goals each year.

In order to measure service quality, Transelec considers Equivalent Interruption Time (EIT), which measures service safety by means of total energy not supplied to free and regulated customers over a relevant period compared to maximum demand in the system.

46 forced disconnections with power outages attributable to Transelec at its own facilities were reported in 2018, which meant EIT amounting to 7.905 system-minutes. This value is higher than the trend of excellent results of the last 5 years, which is mainly explained by the failure that affected the city of Arica on December 14, 2018. Given how low this indicator was in previous years, any significant failure alters EIT significantly, especially if the failure is for several hours. This type of situation tends to occur in places, such as Arica, which do not have backup transmission lines that mitigate the impact of failures. Redundancy in the system, which can be determined by the regulator, becomes a key factor to lessen the effects of failures in vulnerable areas.

05
OUR PEOPLE

Employees play a key role as part of the pillars of Transelec's strategic plan. The high quality standards we keep our work up to and the growing challenges being faced by the company lead us to recruit and retain the best professionals in the market for our different divisions.

Transelec therefore has compensation, benefits and bonus policies that keep our company competitive in terms of training, motivating and retaining talent.

In terms of professional development for our employees, the Company regularly hosts training programs that to keep our professional quality standards high. We have also developed the concept of knowledge management at the company in order to retain current knowledge at the Company and transfer this knowledge to new generations.

QUALITY OF LIFE

Transelec has several initiatives:

One of the most appreciated initiatives is a shorter workday on Fridays, which is the case throughout the entire year. A recent incorporation is bridge days when legal holidays fall on a Tuesday or Thursday.

Another outstanding benefit is the 5-minute Workout Program that started in 2011. This program has been implemented in Santiago and in Chile's regions.

Along the same lines, we also wish to highlight Club Transelec that hosts recreational, sports and cultural activities by matching employee contributions on a 1+1 basis.

As part of our plan to integrate family members and the company, "Open Day" was held once again for the eighth year in a row in Santiago and in Chile's regions. On this day Transelec opens its office doors so that our employees' children can visit the place where their parents work and see how they contribute to the company.

In addition, our Christmas party has become something of a tradition, bringing together workers and and their families.







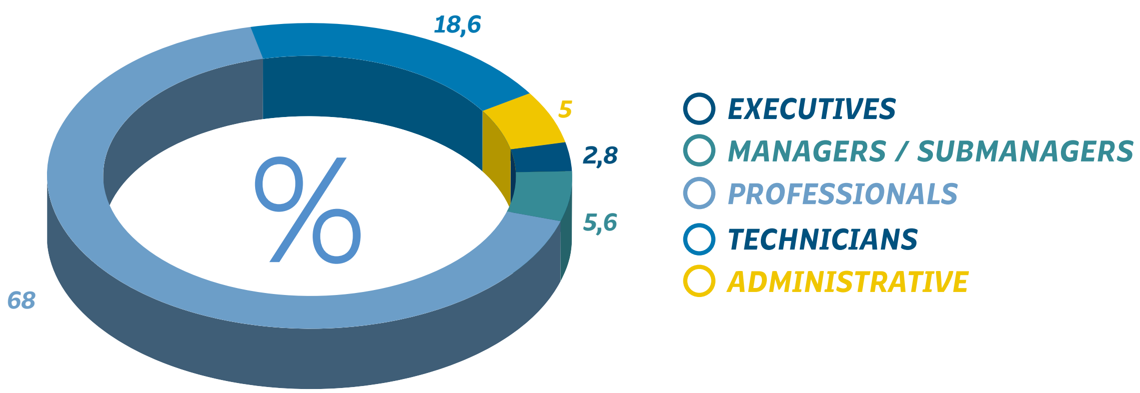




OUR STAFF

Transelec's staff came to 538 workers as of 31 December 2018. Over 96% of these workers are technically or professionally specialized, proving that the Company is highly knowledge intensive, in line with the service quality it requires. 75.7% of the Company's staff is employed in Operations, Engineering and Project Development.

Staff Distribution (%)



Note: does not include personnel for works

In terms of diversity at Transelec, we wish to highlight that one woman works at the Senior Management and reports level, while 19% of our staff are women (98). The following graphs and figures indicate employee distribution by nationality, age and seniority at the Company.

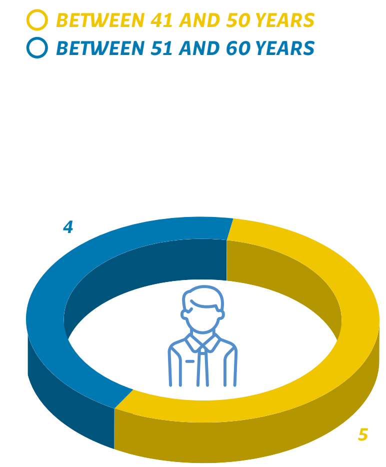
I) NATIONALITY

	Senior Management and reports			Organization		
Nationality	M	W	TOTAL	M	W	TOTAL
Chilean	9	1	10	415	91	506
Foreigners	-	-	-	15	7	22
Overall Total	**9**	**1**	**10**	**430**	**98**	**538**

II) DISTRIBUTION BY AGE

a. Senior Management and reports

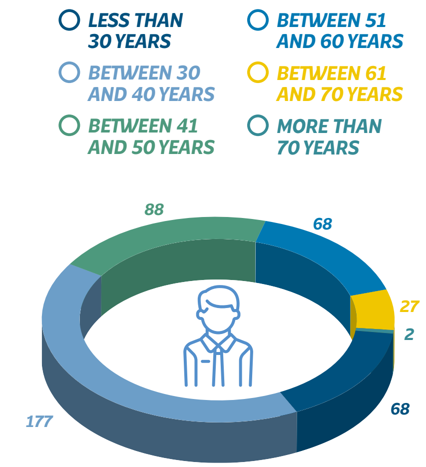
Persons by Age (Men)



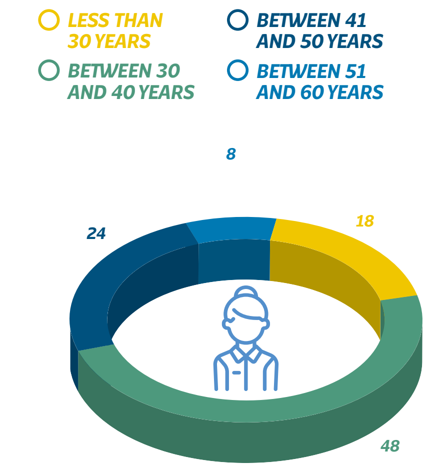
The age range for women is between 41 and 50.

b. Organization

Persons by Age (Men)



Persons by Age (Women)



III) DISTRIBUTION BY SENIORITY

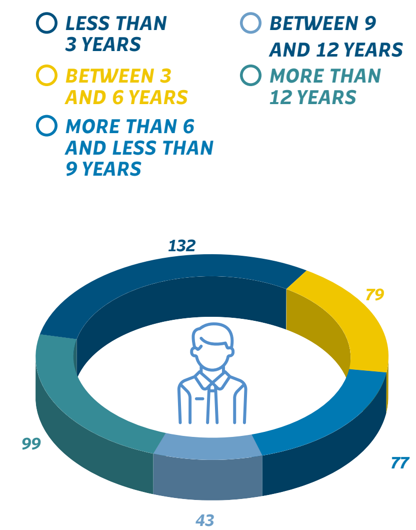
a. Senior Management and reports

Persons by Seniority (Men)

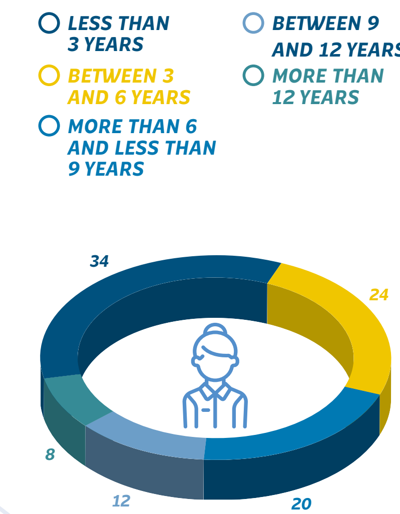
The seniority range for women is between 9 and 12 years.

b. Organization

Persons by Seniority (Men)



Persons by Seniority (Women)



IV) SALARY GAP

The following figure indicates the salary gap between men and women as percentage rates. The salary gap is determined based on average gross salary for women compared to men (AGS for Women / AGS for Men).

139%
Administrative Worker

90%
Engineer

91%
Analyst

100%
Supervisor

97%
Manager/ Assistant Manager

111%
Technician

LABOR RELATIONS AND ORGANIZATIONAL CLIMATE

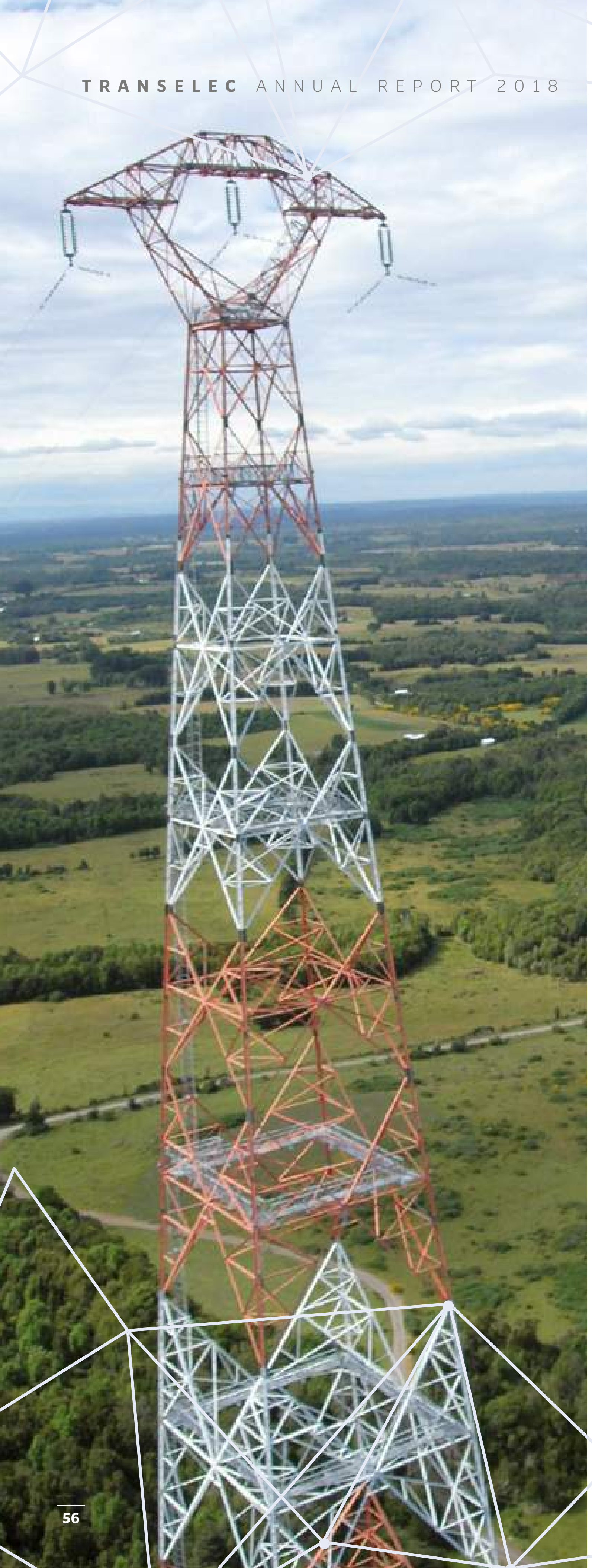
Transelec has been working to continue empowering good labor relations in 2018. The company has been given several awards in this category over recent years. The main thrust of this work is the company's open house policy with its two unions. This is evidenced by regular meetings addressing different labor issues that have helped to build a relationship of trust between the two parties.

The Company successfully reached an agreement in the month of June regarding a new Collective Contract with the Transelec S.A. Workers Union, SITRAT. This union accounts for 67.1% of all union membership at the Company. The process was executed in keeping with the terms indicated in the Labor Code and was closed with a agreement for the maximum legal term of 3 years to the satisfaction of the parties involved.

The fifth Organizational Health Index (OHI) survey was conducted in the month of October. This survey measures nine key dimensions at an organization, such as working climate and leadership. Over the years this survey has evidenced positive development for each of these factors. This year we scored 80 points on the survey, positioning our company in the upper decile for this evaluation at a global level.

This excellent news shows that the work we have been doing in recent years has been productive. We have grown substantially and the Leadership Program developed by our Company, together with the role of communications in the development of organizational culture, have been essential for this achievement.

Our "Adding Energies" Diversity and Inclusion Program was implemented in 2018. We are pleased to announce that the 1% of personnel required by Law 21,015 have already been hired. In addition, we have executed different activities such as launching Diversity and Inclusion Principles at Transelec. This document promotes a labor inclusion and non-discrimination commitment for working teams, facilitating equal treatment and dignity for all kinds of diversity. Workshops designed to raise worker awareness were also hosted and physical spaces were modified in accordance with universal accessibility standards, among other activities.



KNOWLEDGE MANAGEMENT

Training time came to 35,514 horas in 2018, amounting to a monthly average of 5.50 hours per worker. 96% of Transelec's workers participated in training programs related to operating areas, management support, safety, engineering, innovation, graduate degrees, languages and information technology, among others.

LEADERSHIP TRAINING CENTER

The Leadership Training Center was founded in 2014 and is backed by Universidad Adolfo Ibáñez. In 2018 the Center continued to develop competencies using a new format. This time the program addressed working teams with strategic initiatives for the Company, with the work focus placed on change management and the creation of agile high-performance teams.

VICE-PRESIDENT SALARIES

Overall vice-president salaries at Transelec came to CLP 5,135 million.

BONUS PLANS

Transelec personnel participate in a bonus program determined by meeting objectives aligned with the Company strategy and these are developed in accordance with the level of detail and responsibility in the Transelec hierarchy scale.

ORGANIZATIONAL CHART

06
FINANCE

MAIN FINANCE ACTIVITIES

Brookfield Asset Management (BAM) completed the sale of its interest in Transelec to China Southern Power Grid International (CSGI) on March 15, 2018. CSGI now owns the 27.79% indirect interest in Transelec S.A.. The other three indirect shareholders remain unchanged (Canada Pension Plan (CPP), BCI and Public Sector Pension Investment (PSP).

On August 3, 2018, Transelec paid off a loan from Banco BCI amounting to CLP$ 20,000,000,00. The Company obtained said loan on August 3, 2017. These funds were mainly used to finance pre-payment of a debt held by the Transmisión del Melado SpA subsidiary.

CONSOLIDATING TIES WITH OUR INVESTORS

One of Transelec's main objectives is to ensure constant access to capital markets and banks in order to secure funds for developing projects and making purchases that have been determined. The ongoing confidence of the company's investors is therefore essential in order to sign deals that will further Transelec's development.

Ongoing relations with debt investors consist of direct communication and quarterly reporting of the company's financial results.

Transelec is a company that has committed to ongoing contact with local and international investors. Likewise, it maintains close and trusting relationships with different financial institutions, risk classification agencies, among other institutions that support the financing of the Company.

RISK RATINGS

In late 2018, Humphrey's improved its risk rating for Transelec to "AA" with a stable outlook, ratifying the strengths of incoming flows, financial flexibility, the business and regulatory framework.

During 2018, the rest of the Company's risk ratings were ratified in 2018, recognizing good results in recent years and Transelec's financial stability.

INTERNATIONAL RATING

Risk Rating Agency	Current Rating
Moody's	Baa1
Fitch- Ratings International	BBB
S&P	BBB

LOCAL RATING

Risk Rating Agency	Current Rating
Humphrey's	AA
Feller-Rate	AA-
Fitch- Ratings Chile	AA-

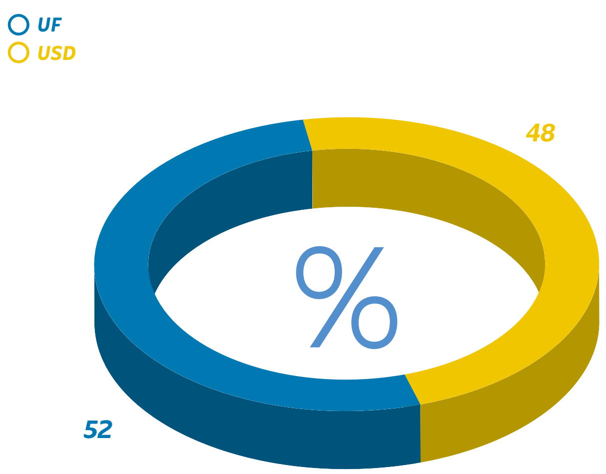
CURRENT PUBLIC DEBT

Debt	Date Issued	Interest Rate	Expiry Date	Current Amount	Currency
Bono D	14 DEC 06	4.25%	15 DEC 27	13,500,000	UF
Bono H	13 AUG 09	4.80%	01 AUG 31	3,000,000	UF
Bono K	04 DEC 09	4.60%	01 SEP 31	1,600,000	UF
Bono M	19 JAN 11	4.05%	15 JUN 32	3,400,000	UF
Bono N	19 JAN 11	3.95%	15 JUN 38	3,000,000	UF
Bono Q	03 MAY 13	3.95%	08 OCT 42	3,100,000	UF
Bono US$	26 JUL 13	4.63%	26 JUL 23	300,000,000	US$
Bono US$	09 JUL 14	4.25%	14 JAN 25	375,000,000	US$
Bono US$	12 JUL 16	3.88%	12 JAN 29	350,000,000	US$

UF: Unidad de Fomento (a price level restatement unit set by the Chilean Central Bank, Law 18,840).
All bonds are bullet bonds (principal payment upon expiry of the last coupon).

Company debt as of 31 December 2018 is broken down as follows:

DEBT PERCENTAGE BY CURRENCY



Total debt in US dollars is naturally covered by the company's assets in that currency and by principal-only swap contracts, thus covering 100% of the balance.

DEBT SERVICE RESERVE

Starting in December 2006, Transelec has had a debt service reserve required for bond issuing contracts in order to make restricted payment (according to the definition of these in debt contracts). This debt service reserve considers each of the Company's public debts and benefits all bondholders, both local (D, H, K, M, N and Q bonds) and international (144A bonds issued in 2013, 2014 and 2016). This reserve goes as high as the amount of interest and main principal amortization –with the exception of final payment– corresponding to a six-month period for the aforementioned bonds in which the Bank of New York acts as Trustee. As of December 2018, the debt service reserve account came to US$ 50,000,000, which further strengthens the company's liquidity position.

AVAILABLE REVOLVING CREDIT FACILITY

In order to ensure that funds are available in order to cover working capital requirements, fixed asset investment project financing (projects currently underway and potential projects), procure power transmission lines and possible debt refinancing, the company has the following unsecured revolving credit facility, completely undrawn at the end of 2018 according to the following conditions:

Banks	Maturity	Amount (up to)	Credit Type	Use
Bank of Tokyo-Mitsubishi, SMBC, EDC, DnB NOR	03 AUG 2020	US$ 150,000,000	Unsecured revolving credit facility	Working capital/ Capex/ Short-term refinancing
Scotiabank, Banco Estado	03 AUG 2020	UF$ 2,500,000	Unsecured revolving credit facility	Working capital/ Capex/ Short-term refinancing

PERFORMANCE INDICATORS

LIQUIDITY

Considering positive results in 2018, Transelec has a solid liquidity level, together with the following:

a) An available revolving credit facility.

b) Partial reinvestment of its own cash generation, which will enable the company to finance its future plans to invest in new power transmission assets,

c) An available debt service reserve,

d) The firm commitment of its shareholders to invest or reinvest in the Company when necessary.

OPERATING INCOME IN 2018

The Company has two main sources of income generation:

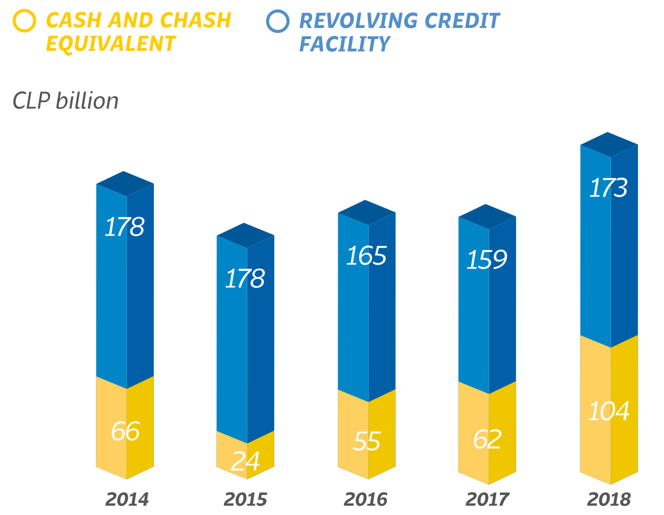
a) Regulated income from services provided by assets belonging to the national power transmission systems and the zonal systems.

b) Contractual revenue stipulated in bilateral contracts which consider exclusive transmission assets, among others.

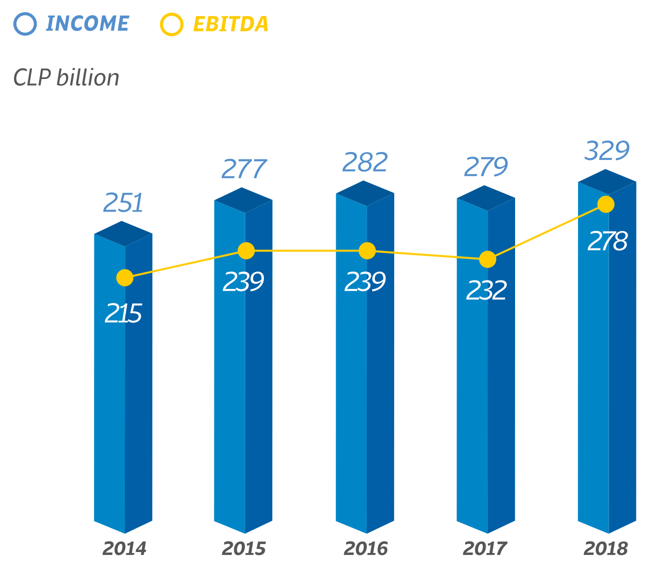
Transelec's properly secured revenue structure and take-or-pay, market conditions, legislation, current regulatory framework, customer quality and solvency have ensured stable results for the Company throughout the years.

Stable costs over the years, which mainly consist of personnel and maintenance, ensure an Ebitda margin that is constantly higher than 80%.

LIQUIDITY



EVOLUTION INCOME AND EBITDA *



**EBITDA= Earnings from Ordinary Activities + Fixed Sales Costs + Fixed Administrative Expenses + Other Income (Losses) + Financial Leasing Amortization.*

RISK FACTORS

Due to the characteristics of the Chilean electricity market and strict standards regulating the sector, Transelec S.A. is not exposed to substantial risk in the course of operating its main line of business. However, the following risk factors should be mentioned and taken into consideration:

THE REGULATORY FRAMEWORK

Power transmission tariffs are set by operators and include readjustments in order to guarantee actual annual profitability for operators. The nature of this industry means that power transmission company revenue is stable over the long term. This revenue is complemented by revenue from private contracts with large customers.

However, the fact that these tariffs are revised once every four years in the National and Zonal Power Transmission Studies could mean new tariffs that could be detrimental or less attractive for the Company in terms of investment made.

LIQUIDATION OF NATIONAL AND ZONAL REVENUE

According to the provisions of temporary Article twenty-five of the General Electricity Services Law "LGSE", the collection, payment and remuneration regime specified in the standards that the new Law N° 20.936/2016 abolished are to be applied between the period starting 20 July 2016, which corresponds to the entry into force of the new Law N° 20,936, and ending 31 December 2018. This is to say that the former regime established in Law Nº 19.940/2004 (Short Law I) will continue to be applied. By virtue of the above, Transelec is entitled to the collection procedure set out in Ministry of Energy Supreme Decree N° 23 T/2016. Transelec annually collects Annual Transmission Value by Section for its existing national facilities, for which it receives monthly tolls from each section and temporarily receives actual tariff revenue that is subsequently reliquidated compared to estimated tariff revenue.

The Company could face the risk of failing to collect revenue in a timely manner from any of the companies owning power generation assets established in the CDEC payment charts, which could temporarily affect the Company's liquidity status. In this sense and in the Company's opinion, work executed by Transelec in terms of the aforementioned collection does not consist of collection management of its own, but is rather the mere collection and transfer of absolutely external appraised surplus and deficit revenue, with the exception of estimated tariff revenue.

Up until 2017, Transelec received a proportion of the overall revenue produced by each Zonal Transmission System. This revenue was generated by the application of unitary tariffs (CLP/kWh) set by the tariff decree regarding power withdrawn from each system. Power plant payment excluded in accordance with the new legislation will not be covered nor absorbed by the rest of the Zonal Transmission System users. The proportion received by each company owning zonal facilities in the system corresponds to the proportion between asset valuation and total system assets valuation. In addition, payment is made for the power loss differential between actual power losses and those considered in tariffs, an amount that can be positive or negative depending on system operation each month.

The main risk associated to zonal revenue stems from eventual differences that may arise between actual power demand in each system and demand estimated for setting tariffs throughout the tariff period. Starting 1 January 2018, and according to the 2016 Power Transmission Law, zonal revenue will not depend on the volume transmitted but rather on available assets in the system and installed capacity, as is the case with the national system.

SINGLE CUSTOMER REVENUE CONCENTRATION

34% of Transelec's revenue comes from a single customer, Enel Generación Chile S.A., and its power generation subsidiaries. Transmission tolls to be paid by Enel and its subsidiaries will generate most of Transelec's future cash flow and any substantial change made to its business model, financial status or operating income could be detrimental for Transelec.

RENEGOTIATION OF BILATERAL CONTRACTS FOR EXCLUSIVE (ADDITIONAL) FACILITIES

Revenue generated by certain exclusive (additional) facilities stems from long-term contracts. Once these contracts have expired, a condition renegotiation process must be executed. This includes new payment and tariff terms, as well as the determination of which transmission services will continue to be provided. Therefore, we cannot guarantee that the economic terms will remain in force once the renegotiation process has concluded.

INCREASING COMPETITION IN THE POWER TRANSMISSION MARKET

Chile's power transmission industry is becoming increasingly competitive. We believe that this trend will continue over the short term and that we will face increased competition during tendering processes. This could mean the loss of new projects and transmission network upgrades, which would reduce our market share and could also hamper the growth of our estimated operating results in the future.

OPERATING RISKS

Although Transelec administration believes the company will continue to hedge its risks appropriately in keeping with industry practices, there is no guarantee that preventive actions and mitigations implemented (asset management, security strip management, insurance policies, etc.) will be enough to cover certain operating risks, including the forces of nature, damage to transmission facilities, work-related accidents and equipment failure.

LABOR CONFLICTS

Delays, suspensions or other labor conflicts affecting Transelec could have an adverse material effect on the corporation's business, financial conditions, operating income and expectations. Approximately 74.2% of the Transelec workforce belongs to one of its two unions and is covered by collective agreements, which expire in 2020 and 2021. Although Transelec's administration believes that current labor relations evidence mutual collaboration between the company and its workers, there is no guarantee that strikes, delays or suspensions will not occur prior to or at the time the current group contracts expire, which may lead to subsequent arbitration. Management cannot predict the effect of these events on Transelec operations. Finally, Transelec S.A. is included on the "Strategic Companies" list, implying that the Company's workers cannot go on strike in compliance with the conditions established in the labor code.

FINES STEMMING FROM TRANSMISSION SERVICE SUSPENSION

As of December 31, 2018, Transelec maintains four sanction proceedings pending before the Superintendency of Electricity and Fuels (SEC), as a result of charges made by said authority with respect to four forced disconnections in the electricity transmission service. In three of them, the SEC imposed fines for a total of seven thousand four hundred Monthly Tax Units, with respect to which Transelec filed claims of illegality and whose processes are not yet closed. In the remaining sanction process, the resolution by the SEC is pending.

ENVIRONMENTAL INSTITUTIONALISM AND THE APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

Transelec projects are subject to Law N° 19,300/1994 on General Environmental Guidelines ("Environmental Law") and its subsequent amendments. Transelec may run the risk of environmental permit lobbying taking longer than expected, which would delay project construction and open the possibility of fines being applied.

CONSTRUCTION DELAYS FOR NEW POWER TRANSMISSION FACILITIES

Success of the upgrades and expansion program for the power 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 could be hampered by factors commonly associated with projects, including delays for the approval of regulatory authorizations such as power concessions; lack of equipment, materials or labor, or price variation; adverse weather conditions; natural disasters or unforeseen circumstances or difficulties when it comes to taking out loans under favorable conditions and at reasonable rates. Any of the aforementioned factors could lead to delays in the partial or total completion of the capital investment program, while increasing the cost of the projects considered in this program.

EXCHANGE RATE RISK

Depending on market fundamentals, specific financial characteristics of the business and other considerations, when necessary Transelec has conducted hedging operations such as cross-currency swaps or currency forwards in order to set the underlying portion of Chilean pesos contained in its revenue that will be invoiced in keeping with Chilean peso-US dollar parity and/or be used to cover asset and liability imbalances.

However, there is no guarantee that Transelec will be totally protected by the fact that it holds exchange rate hedging contracts. In addition, cross-currency swaps and forwards bear credit risk for the counterpart, cash requirements at maturity dates or recouponing clauses (if this is the case) and other associated risks.

In the event that debt is incurred in a currency other than the Transelec functional currency, this will be balanced with assets in the same currency or a financial derivative to counteract exchange rate variation for this currency, thus eliminating exchange rate risk.

TECHNOLOGICAL CHANGES

As previously indicated, compensation for Transelec investment in power transmission facilities is obtained by means of an annual existing facility assessment (AIV) fee at market rates, which is regularly recalculated according to the process established in current regulations. If important technological advances are made for equipment at Transelec facilities, this valuation could be lower and thus hamper overall recovery of investments made.

CREDIT RISK

Credit risk corresponding to accounts receivable stemming from power transmission activities has historically been 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 customers that will produce most of Transelec's future cash flow. Any substantial change to these companies' goods, financial status and/or operating income could be detrimental for the Company.

LIQUIDITY RISK

Liquidity risk is the risk of the company not being able to meet a monetary requirement in cash or make debt payment upon maturity. Liquidity risk also includes the risk of not being able to liquidate assets at a reasonable price and in a timely manner.

The company is exposed to risks associated to its debt, including the risk of refinancing debt upon maturity. These risks are mitigated by the use of long-term debt and the structure of debt maturity over time.

In order to ensure that the company is able to react quickly to investment opportunities and to pay its obligations upon maturity, Transelec had a fully available revolving credit line amounting to US$ 250 million as of 31 December 2018, in addition to the company's cash surpluses and short-term accounts receivable. Moreover, Transelec has unused credit lines that have been approved by local banks.

INTEREST RATE RISK

Company assets are mainly long lasting fixed assets and intangibles. Therefore, financial liabilities used to finance these assets mainly consist of long-term liabilities at fixed rates.

In addition, current loans held by the Company with related companies are indicated in Chilean pesos, UF and US dollars and feature a fixed interest rate that also helps to mitigate this risk.

INFLATION RISK

Although higher inflation in Chile could affect debt costs expressed in UF and consequently affect the company's income from readjustable units, these impacts are partly mitigated by the company's revenue, which is also partially adjusted according to local inflation variation by means of contract indexing formulas.

INSURANCE

Throughout the 2018 fiscal year, the company continued its policy of holding insurance policies to protect all of its fixed asset goods at substations owned by Transelec and its fixed asset goods at facilities owned by the third parties. This coverage is provided by means of an industrial multi-risk policy that includes physical damage caused by fire, machinery breakdown, earthquakes and the forces of nature. Good international construction practices and strict compliance with Chilean standards led Transelec to consider physical damage

coverage for power transmission lines and towers unnecessary, except for some exceptions considered to be strategic and others involving contractual issues with customers.

With regard to sociopolitical risks, the company holds terrorism insurance, which covers actions classified by law as terrorist actions. In addition, the company continues to hold civil responsibility and professional civil liability insurance. The latter covers eventual damage stemming from actions taken by the company's engineers. Moreover, the company has continued to insure its vehicles and mobile equipment and an insurance policy was taken out to cover cabotage operations and the international transport of equipment and materials. With regard to engineering projects, Transelec took out insurance policies to cover all construction, assembly, civil liability and transport risks when required.

Finally, with regard to personal accidents, the company continues to hold insurance contracts for its workers to cover complementary health insurance, travel assistance and service commissions, among others.

DIVIDENDS

2018 DIVIDEND POLICY

> During second quarter, a first interim distribution for an amount equal to the distributable net income accumulated up to March 31th of the current year, not exceeding 25% of the projected year-end distributable net income according to last available forecast;

> During third quarter, a second interim distribution for an amount equal to the distributable net income accumulated up to June 30th of the current year, less the amount distributed as first interim dividend. Aggregate payment of interim dividends must not exceed 50% of the projected year-end distributable net income according to last available forecast;

> During fourth quarter, a third interim distribution for an amount equal to the distributable net income accumulated up to September 30th of the current year, less the amounts distributed as first and second interim dividend. Aggregate payment of interim dividends must not exceed 75% of the projected year-end distributable net income according to last available forecast;

> Interim payments shall be subject to the limits defined in the paragraphs above, and calculated on the basis of the consolidated financial statements at the end of each corresponding quarter;

> No later than 30 days after the Ordinary Shareholders Meeting for the approval of year-end financial statements, the remaining previous year-end distributable audited net income amount shall be distributed as definitive dividend.

> Special Distributions to be executed when prudent, in amounts to be tailored and discussed on a case-by-case basis.

DIVIDENDS DISTRIBUTED IN 2018

Transelec has distributed the following dividends to its shareholders in 2018:

> CLP 18,712,012,037 as the final dividend for the 2017 fiscal year, distributed 23 May 2018.

> CLP 19,404,000,000 as the first interim dividend for 2018, distributed 19 June 2018.

> CLP 20,483,000,000 as the second interim dividend for 2018, distributed 25 September 2018.

DIVIDENDS PAID EACH YEAR (*)
(temporary, eventual and final)

Year	Historical Value (CLP million)
2010	55,129
2011	45,866
2012	106,806
2013	59,064
2014	63,038
2015	88,166
2016	80,894
2017	79,294
2018	58,599

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

PROFIT SHARING
(Taken from each fiscal year)

Year	CLP million (*)	% of Profit from Fiscal Year
2010	55,825	100%
2011	46,839	100%
2012	61,749	100%
2013	63,292	98%
2014	66,773	100%
2015	82,989	99%
2016	80,983	100%
2017	78,249	99%
2018(**)	**39,887**	**38%**

(*): Values as of December of each year.
(**): This exclusively corresponds to temporary dividends paid during the year 2018, since final dividends corresponding to the 2018 fiscal year have not been announced as of 31 December 2018. These will be announced at a ordinary shareholders meeting to be held in 2019.

RELEVANT FACTS

1) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, the following relevant fact was reported 2 March 2018, that Mr. José Ramón Valente announced his resignation from the position of director to the Chairman of the Transelec S.A. Board of Directors 1 March 2018.

2) In compliance with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30, the following relevant fact was reported 15 March 2018, that at a special Transelec S.A. Board of Directors meeting held 15 March 2018, and in accordance with what was reported by means of a relevant fact 26 December 2017, respective authorizations have been received from the Government of the People's Republic of China. A share purchase transaction was consequently completed between BIP (Barbados) Holdings II Limited ("Brookfield") and the company Coron Investments, S.L.U. ("CSGI"), by virtue of which CSGI became the owner of the 27.79% interest in Transelec S.A. formerly owned by Brookfield.

3) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law Nº 18,045 Article 10 , and the provisions of NCG N° 30, it was reported as a relevant fact 15 March 2018 that at a special Transelec S.A. Board of Directors meeting held 15 March 2018, the Transelec S.A. Board of Directors acknowledged and accepted the resignation of Mr. Benjamin Vaughn from his position of the company's Chairman and director, as well as the resignation of alternate director Mr. Jeffrey Rosenthal as of 15 March 2018. In addition, the Transelec S.A. Board of Directors acknowledged and accepted the resignation of Mr. Etienne Middleton from his position as the company's deputy director as of 27 April 2018. Pursuant to the above, at the same special Transelec S.A. Board of Directors meeting Han Rui was appointed as alternate director and Mrs. Brenda Eaton was appointed as Chair of the Board of Directors.

4) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law Nº 18,045 Article 10, the following relevant fact was reported 22 March 2018:

At a meeting held 21 March 2018, the Transelec S.A. Board of Directors agreed to announce the notice of a shareholders meeting 27 April 2018 in order to announce the following issues to the shareholders and request their approval of these issues as a relevant fact:

1. The Annual Report, General Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2017.
2. Final dividend distribution. In this regard, the Transelec S.A. Board of Directors agreed to propose distribution of a final dividend corresponding to the 2017 fiscal year amounting to CLP 18,712,012,037 at the shareholders meeting. This dividend is to be paid in accordance with the terms and conditions agreed to at the meeting.
3. Board of Directors election.
4. Board of Directors and Audit Committee salaries.
5. Appointment of External Auditors.
6. Newspaper to be used for publishing the notice of a shareholder meeting.
7. Agreements reached by the Board of Directors regarding issues contained in Articles 146 and following of the Corporations Law.
8. Other issues of interest for the corporation and for the competence of the Board of Directors.

5) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law Nº 18,045 Article 10 and the provisions of NCG N° 30, the following was reported as a relevant fact 22 March 2018 that at a Transelec S.A. Board of Directors meeting held 21 de marzo de 2018, the Transelec S.A. Board of Directors acknowledged and accepted the resignation submitted by Mr. Bruno Philippi from his position as director at the company, which will come into effect as of 1 April 2018.

6) On 27 April 2018, in conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market the following relevant fact was reported: that the annual shareholders meeting of the corporation was held 27 April 2018 and the following matters were agreed to:

1. To approve the Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2017.
2. To approve distribution of a final dividend corresponding to 2017 amounting to CLP 18,712,012,037 to be paid 29 May 2018 to shareholders registered in the respective shareholders' registry as of 23 May 2018 (Form N° 1 on dividend distribution is attached in accordance with newsletter 660 in a relevant fact dated 27 April 2018).
3. It was agreed that the members of the Board of Directors were to be replaced and therefore the Board is now comprised as follows: Mrs. Brenda Eaton as director and Mr. Jordan Anderson as her respective deputy director, Mr. Rui Han as director and Mrs. Sihong Zhong as his respective deputy director; Mr. Paul Dufresne as director and Mr. Jean Daigneault as his respective deputy director; Mr. Alfredo Ergas Segal as director and Mr. Ricardo Szlejf as his respective deputy hirector; Mr. Mario Valcarce Durán as director and Mr. Patricio Leyton Flores as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Rodrigo Ferrada Celis as his respective deputy director; Mr. Alejandro Jadresic Marinovic as director and Mrs. Valeria Ruz Hernández as his respective deputy director; Mr. Nicolás Ubilla Pareja as director and Mrs. Stella Muñoz Schiattino as his respective deputy director; and Mrs. Josefina Court Spikin as director and Mr. Mario Valderrama Venegas as her respective deputy director.
4. Board of Directors and Audit Committee salaries were determined.
5. Approval of the appointment of the firm Deloitte as the corporation's external auditors for the 2018 fiscal year.
6. Approval of Diario Financiero as the newspaper to be used for publishing notices of shareholders meetings.
7. Agreements reached by the Board of Directors regarding matters contained in Corporations Law Article 146 and following articles were reported.

7) On 27 April 2018, in conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, it was reported as a relevant fact that a special shareholders meeting was held at the same date. Constitution of a joint and solidary guaranty for Transelec Concesiones S.A. obligations for the indemnity agreement to be signed for the New 2x220 kV 1500 MW Transmission Line project between the Los Changos Substation and the Kapatur Substation, in conformity with the provisions of Article twenty-eight of the articles of incorporation and Article 57 of Corporations law N° 18,046.

8) On 23 May, in conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, it was reported as a relevant fact that at the Transelec S.A. Board of Directors meeting N° 170 held 23 May 2018, Mrs. Brenda Eaton was elected as the Chair of the Board of Directors.

9) On 24 May, in conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, it was reported as a relevant fact that at the corporation's Board of Directors meeting held 23 de mayo de 2018, it was announced that distribution of a temporary dividend amounting to CLP 19,404,000,000 was to be taken from the 2018 fiscal year and paid 19 June 2018 to shareholders registered in the respective shareholders' registry as of 13 June 2018. This was done in conformity with the provisions of the Dividends Policy approved by the corporation's Board of Directors and announced at the shareholders meeting held in the month of April 2015.

Form N° 1 on the distribution of dividends was attached in accordance with the aforementioned Newsletter.

10) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, the following relevant fact was reported at the corporation's Board of Directors meeting held 22 August 2018: the Transelec S.A. Board of Directors acknowledged and accepted the resignation of Mr. Nicolás Ubilla Pareja from his position as director at the company, as well as the resignation of alternate director Mrs. Stella Muñoz Schiattino. In addition, the Transelec S.A. Board of Directors acknowledged and accepted the resignation of Mrs. Josefina Court Spikin from her position as director at the company, as well as the resignation of alternate director Mr. Rodrigo Valderrama Venegas.

Pursuant to the above, at the same Board of Directors meeting, Mrs. Patricia Núñez Figueroa and Mr. Juan Ramón Benabarre Benaiges were appointed as alternate directors.

11) In conformity with Newsletter N° 660 issued by the Insurance and Securities Commission, presently the Commission for the Financial Market, the following relevant fact was reported 23 August following the corporation's Board of Directors meeting held 22 August 2018: distribution of a temporary dividend to be taken from the 2018 fiscal year amounting to CLP 20,483,000,000. The dividend was to be paid 25 September 2018 to shareholders registered in the respective shareholders' registry as of 15 September 2018. This was done in conformity with the provisions of the Dividends Policy approved by the corporation's Board of Directors and was reported at the Shareholders Meeting held in the month of April 2015.

Form N° 1 on the distribution of dividends was attached in accordance with the aforementioned Newsletter.

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LEGAL INCORPORATION AND AMENDMENTS

Transelec S.A. is an open stock corporation founded for an indefinite period that was originally founded as a limited liability company with the firm name “Rentas Eléctricas III Limitada”, by public deed dated 6 June 2006 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. The extract corresponding to its incorporation is inscribed in sheet 22,031, N°15,264 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006, and was published in the Official Gazette N°38,485 dated 9 June 2006.

The assignment of rights and actions for the corporation was executed by means of a public deed dated 15 June 2006 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, with the corporations Rentas Eléctricas I Limitada and Rentas Eléctricas II Limitada established as partners. In addition, the corporation’s share capital was increased and its administration was changed. The extract corresponding to this corporate modification is inscribed in sheet 25,168, N°17,510 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006, and was published in the Official Gazette N°38.501 dated 30 June 2006. The aforementioned amendment extract inscribed in sheet 28,355, N°19,800 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006 was corrected and published in the Official Gazette N°38,518 dated 20 July 2006.

The corporation’s share capital was increased by means of a public deed dated 11 December 2006 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract of this deed was inscribed in sheet 53,096, N°37,999 of the Santiago Real Estate Registrar Commercial Registry corresponding to the year 2006, and was published in the Official Gazette N°38,650 dated 29 December 2006.

A public deed dated 26 March 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo recorded that the corporation became an open stock corporation with the firm name “Rentas Eléctricas III S.A.”. The extract corresponding to the corporation’s transformation is inscribed in page 12,696, N° 9,344, of the Santiago Real Estate Registrar Commercial Registry corresponding to 2007 and was published in the Official Gazette N°38,727 dated 30 March 2007.

It was agreed at the company’s first special shareholders meeting held 24 April 2007 that the company would be incorporated as an open stock corporation by means of the voluntary registration of the company and its shares in the Securities Registry of the Securities and Insurance Commission. The minutes of this first special shareholders meeting were reduced to a document of public record dated 25 April 2007.

In June 2007, Rentas Eléctricas III S.A. took over Transelec S.A., tax list number N°76.555.430-6, as stated in a public deed dated 30 June 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, an extract of which was inscribed in sheet 27,509, N°19,936 corresponding to the year 2007 and was published in the Official Gazette N°38,812 dated 13 July 2007.

It was agreed at the second special shareholders meeting held 30 June 2007 that the company’s corporate bylaws would be changed. The firm name was changed to “Transelec S.A.” and a new Board of Directors was elected. The minutes of this second special shareholders meeting were reduced to a document of public record dated 30 June 2007 at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract of this reform was inscribed in sheet 27,530, N°19.941 dated 2007 of the Santiago Real Estate Registrar Commercial Registry and was published in the Official Gazette N°38,812 dated 13 July 2007.

It was agreed at the company’s tenth special shareholders meeting held 24 May 2011 that price level restatement corresponding to the year 2009 would be capitalized. This came to CLP 19,732,724,601 following amendment of the corporate bylaws that increased the company’s share capital. The minutes of this tenth special shareholders meeting were reduced to a document of public record dated 6 June 2011 at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo. An extract of the reform was inscribed in sheet 33,736, N°25,194 dated 2011 of the Santiago Real Estate Registrar Commercial Registry and was published in the Official Gazette N°39,994 dated 24 June 2011.

It was agreed at the eleventh special shareholders meeting held 22 January 2014 that the corporation’s capital would be reduced by CLP 857,944,547,865, divided into 1,000,000 ordinary nominative shares with no nominal value to CLP 776,355,047,865, divided into 1,000,000 ordinary nominative shares with no nominal value. This reduction was made considering the current stakes in the Corporation owned by shareholders, in such a way that the partner Rentas Eléctricas I Limitada would continue to own 100 shares amounting to CLP 77,635,505 and 0.01% of the corporation’s share capital, and that Transelec Holdings Rentas Limitada would continue to own 999,900 shares amounting to CLP 776,277,412,360 and 99.99% of the corporation’s share capital, amending Article Five and the First Temporary Article of the corporate bylaws. The minutes for this meeting were reduced to a document of public record 30 January 2014, at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, and an extract was inscribed in sheet 17,669 N° 11,117 dated 2014 of the Santiago Real Estate Registrar Commercial Registry and was published in the Official Gazette N°40,811 dated 19 March 2014.

It was reported at the corporation’s twentieth special shareholders meeting held 23 January 2015 that takeover mergers would be executed with the corporations Transmisora Abenor Limitada, Transmisora Araucana de Electricidad Limitada and Transmisora Huepil Limitada by Inversiones Eléctricas Transam Chile Limitada. In addition, it was agreed at this special shareholders meeting to approve the merger between the subsidiary Inversiones Eléctricas Transam Chile Limitada and Transelec S.A., assigning the Corporation’s Board of Directors to announce when this merger would take place. Moreover, it was agreed at the company’s eighth shareholders meeting held 28 April 2015 that in accordance with an official letter from the Securities and Insurance Commission that the purpose of said agreement was to approve the takeover merger of the subsidiary Inversiones Eléctricas Transam Chile Limitada by Transelec S.A., and to authorize the Corporation’s Board of Directors to determine the occasion and mechanism to be used in order to proceed with this takeover merger, which finally took place 31 August 2015.

THE CORPORATION’S HISTORICAL BACKGROUND

Transelec S.A., formerly Rentas Eléctricas III S.A., is the successor of the following companies whose incorporation, firm name change, mergers or transformations are listed as follows:

TAKEOVER MERGER WITH COMPAÑÍA NACIONAL DE TRANSMISIÓN ELÉCTRICA S.A. BY HQI TRANSELEC CHILE S.A.

A public deed of dissolution dated 30 January 2001, granted at the Notary Office owned by Mr. Fernando Opazo Larraín, reduced to a document of public records the fact that Compañía Nacional de Transmisión Eléctrica S.A. was dissolved in virtue of Article 103 N°2 of Law 18,046 on Corporations because all of its shares were purchased by HQI Transelec Chile S.A., its successor. The extract was inscribed in page 4,662, N°3,720 of the Santiago Real Estate Registrar Commercial Registry dated 2001 and was published in the Official Gazette dated 30 January 2001. This dissolution was reported at the 113th Board of Directors Meeting 30 January 2001 and was reduced to a document of public record 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.

A public deed dated 23 August 2006 granted at the Notary Office owned by Mr. Iván Tamargo Barros, reduced the minutes of the 8th HQI TRANSELEC CHILE S.A. Special Shareholders Meeting held 16 August 2006 to a document of public record, indicating that the firm name HQI TRANSELEC CHILE S.A., tax list number 77.498.870-K was changed to TRANSELEC S.A., with the same tax list number. The extract was inscribed in page 34,753, N°24,453 of the Santiago Real Estate Registrar Commercial Registry dated 2006 and was published in the Official Gazette dated 23 August 2006.

TAKEOVER MERGER WITH TRANSELEC S.A. BY NEW TRANSELEC S.A.

A public deed granted at the Notary Office owned by Mr. Iván Tamargo Barros 30 November 2006 reduced the minutes of the Transelec S.A. special Board of Directors meeting 101 held 22 November 2006, declares dissolution following takeover by the aforementioned corporation since its shares were now held by New Transelec S.A., tax list number 76.555.430-6.The extract was inscribed in page 49,292, N°35,195, of the Santiago Real Estate Registrar Commercial Registry del year 2006 and published in the Official Gazette dated 6 December 2006.

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

A public deed dated 30 November 2006, granted at the Notary Office owned by Ms. María Gloria Acharán Toledo, reduced the minutes of the corporation's 3rd Special Shareholders Meeting to a document of public record, indicating that the firm name New Transelec S.A. was changed to Transelec S.A. The extract was inscribed in page 49,963, N°35,710, of the Santiago Real Estate Registrar Commercial Registry dated 2006, indicating that the firm name was changed and this was published in the Official Gazette dated 9 December 2006.

TAKEOVER MERGER WITH TRANSELEC S.A. BY RENTAS ELÉCTRICAS III S.A.

A public deed dated 30 June 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo reduced the minutes of the 16th Transelec S.A. Special Board of Directors Meeting dated 6 June 2007 to a document of public record, indicating a takeover merger with Transelec S.A., tax list number 76.555.430-6 by Rentas Eléctricas III S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. The extract was inscribed in page 27,509, N°19,936 of the Santiago Real Estate Registrar Commercial Registry dated 2007 and was published in the Official Gazette dated 13 July 2007. A public deed dated 30 June 2007 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán T. reduced the minutes of the 5th Rentas Eléctricas III S.A. Special Board of Directors meeting held on the same date to a document of public record, indicating the takeover merger with Transelec S.A., tax list number 76.555.430-6 by Rentas Eléctricas III S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. Rentas Eléctricas III S.A. declares that is the legal successor of Transelec S.A., assuming all of its rights and obligations, and declares that it is jointly and severally responsible for any taxes that it currently owes or may owe.

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

A public deed dated 30 June 2007, granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo, reduced the minutes of the Rentas Eléctricas III S.A. Second Special Shareholders Meeting dated 30 June 2007 to a document of public record, stating that the name of Rentas Eléctricas III S.A. was changed to Transelec S.A. The extract was inscribed in page 27,530, Nº 19,941 of the Santiago Real Estate Registrar Commercial Registry dated 2007 and was published in the Official Gazette dated 13 July 2007.

TRANSELEC NORTE S.A. TAKEVOER MERGER WITH TRANSELEC S.A.

A public deed dated 4 December 2014 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo reduced the minutes of the Transelec Norte S.A. 131st Special Board of Directors Meeting dated 26 November 2014 to a document of public record and constituted the takeover merger with Transelec Norte S.A., tax list number 99.521.950 by Transelec S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. The extract was inscribed in page 94.440, Nº 57.701 of the Santiago Real Estate Registrar Commercial Registry dated 2014 and was published in the Official Gazette 31 December 2014. A public deed dated 27 November 2014 granted at the Santiago Notary Office owned by Ms. María Gloria Acharán Toledo reduced the minutes of the Transelec Norte S.A. 116th Special Board of Directors Meeting dated 26 November 2014 to a document of public record, constituting the takeover merger with Transelec Norte S.A., tax list number 99.521.950 by Transelec S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. Transelec S.A. declares that is the legal successor of Transelec Norte S.A., assuming all of its rights and obligations, and declares that it is jointly and severally responsible for any taxes owed or that may be owed.

TRANSELEC S.A. TAKEOVER MERGER WITH INVERSIONES ELÉCTRICAS TRANSAM CHILE LIMITADA

A public deed dated 31 August 2015 granted at the Santiago Notary Office owned by Mr. Raúl Undurraga Laso constituted the takeover merger with Eléctricas Transam Chile Limitada, tax list number 76.384.810-8 by Transelec S.A., tax list number 76.555.400-4, which purchased all of the corporation's shares. The extract was inscribed in page 71,421, Nº 41,726 of the Santiago Real Estate Registrar Commercial Registry dated 30 September 2015.

08 FINANCIAL STATEMENTS

Deloitte.

Deloitte
Auditores y Consultores Limitada
Rosario Norte 407
Rut: 80.276.200-3
Las Condes, Santiago
Chile
Fono: (56) 227 297 000
Fax: (56) 223 749 177
deloittechile@deloitte.com
www.deloitte.cl

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Shareholders of
Transelec S.A.

We have audited the accompanying consolidated financial statements of Transelec S.A. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Information

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making, those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the entity's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such opinion. An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by the Company's Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transelec S.A. and its subsidiary as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB").

Other-matter - Consolidated Financial Information as of December 31, 2017

The consolidated financial statements of Transelec S.A. and its subsidiary as of December 31, 2017, were audited by other auditors, whose report dated March 21, 2018, expressed an unmodified opinion on those consolidated financial statements.

Other-matter – Translation into English

The accompanying consolidated financial statements have been translated into English solely for the convenience of Shareholder's readers outside of Chile.

Deloitte

Santiago, Chile
Mach 21, 2019

CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)

TRANSELEC S.A. AND SUBSIDIARY

As of December 31, 2018 and 2017

(Translation of the Financial Statements originally issued in Spanish)

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

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CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC S.A. AND SUBSIDIARY
Consolidated Statements of Financial Position
As of December 31, 2018 and December 31, 2017
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Assets	*Note*	*December 31, 2018 (Audited) ThCh$*	*December 31, 2017 (Audited) ThCh$*
Current assets			
Cash and cash equivalents	(5)	104,059,274	61,628,069
Other financial assets	(8)	1,221,307	873,333
Other non-financial assets		2,334,336	3,758,876
Trade and other receivables, net	(6)	72,332,105	45,225,066
Receivables from related parties	(7)	2,607,684	34,323,681
Inventory		34,919	30,171
Total current assets		**182,589,625**	**145.839.196**
Non-current assets			
Other financial assets	(8)	28,981,627	24,175,081
Other non-financial assets		6,566,917	5,213,740
Receivables from related parties	(7)	228,259,514	190,683,003
Intangible assets other than goodwill, net	(9)	181,259,765	180,362,355
Goodwill	(9-28)	343,059,078	343,059,078
Property, plant and equipment, net	(10)	1,479,733,753	1,456,268,115
Deferred tax assets	(11)	-	34,410
Total non-current assets		**2,267,860,654**	**2,199,795,782**
Total assets	-	**2,450,450,279**	**2,345,634,978**

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

TRANSELEC S.A. AND SUBSIDIARY
Consolidated Statements of Financial Position
As of December 31, 2018 and December 31, 2017
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Equity and liabilities	*Note*	*December 31, 2018 (Audited) ThCh$*	*December 31, 2017 (Audited) ThCh$*
Current liabilities			
Other financial liabilities	(12)	32,950,989	51,129,853
Trade and other payables	(13)	47,433,325	56,494,365
Current provisions for employee benefits	(16)	6,906,978	6,823,042
Current tax liabilities		103,886	162,101
Other non-financial liabilities		3,645,910	1,980,423
Total current liabilities		**91,041,088**	**116,589,784**
Non-current liabilities			
Other financial liabilities	(12)	1,442,434,138	1,352,903,027
Deferred tax liabilities	(11)	104,804,361	79,303,942
Non-current provisions for employee benefits	(16)	5,730,553	4,533,592
Other non-financial liabilities		5,547,152	5,944,722
Total non-current liabilities		**1,558,516,204**	**1,442,685,283**
Total liabilities		**1,649,557,292**	**1,559,275,067**
Equity			
Paid-in capital	(18)	776,355,048	776,355,048
Retained earnings		66,149,755	18,712,014
Other reserves	(18)	(41,611,816)	(8,707,151)
Total equity attributable to owners of the parent		800,892,987	786,359,911
Non-controlling interest		-	-
Total equity		**800,892,987**	**786,359,911**
Total Equity and Liabilities	-	**2,450,450,279**	**2,345,634,978**

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

TRANSELEC S.A. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income by Function As of December 31, 2018 and December 31, 2017
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Statement of comprehensive income By function	***Note***	***01/01/2018 31/12/2018 (Audited)*** *ThCh$*	***01/01/2017 31/12/2017 (Audited)*** *ThCh$*
Operating revenues	(19)	329,217,206	278,599,084
Cost of sales	(20.1)	(82,876,930)	(83,318,709)
Gross margin		246,340,276	195,280,375
Administrative expenses	(20.1)	(25,790,585)	(22,952,899)
Other gains (losses), net	(19)	3,104,065	3,555,416
Financial income	(19)	10,097,097	9,138,490
Financial expenses	(20.4)	(68,691,583)	(69,326,217)
Foreign exchange differences, net	(20.4)	(1,461,203)	(138,355)
Income by indexed units	(20.4)	(20,544,496)	(12,278,843)
Profit before income taxes		143,053,571	103,277,967
Income tax expense	(21)	(37,585,869)	(25,028,954)
Profit from continuing operations		105,467,702	78,249,013
Profit (loss) from discontinued operations		-	-
Profit (loss)		105,467,702	78,249,013
Profit (loss) attributable to:			
Profit attributable to the owners of the parent company		105,467,702	78,249,013
Profit (loss) attributable to non – controlling interest		-	-
Profit		105,467,702	78,249,013
Earnings per share			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing Operations	(22)	105,468	78,249
Basic earnings (loss) per share/diluted from Discontinued operations		-	-
Basic earnings per share/diluted	**22**	**105,468**	**78,249**

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

TRANSELEC S.A. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income by Function As of December 31, 2018 and December 31, 2017
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	***01/01/2018 31/12/2018 (Audited)*** *ThCh$*	***01/01/2017 31/12/2017 (Audited)*** *ThCh$*
Profit (loss)		105,467, 702	78,249,013
Components of other comprehensive income, Before taxes			
Foreign currency translation			
Gains (losses) on foreign currency translation differences, before taxes		(1,969,805)	(1,969,805)
Employees benefits plan	(17.2)	1,157,577	-
Cash flow hedges			
Gains (losses) on cash flow hedges, before taxes		(43,483,133)	22,414,373
Income taxes related to components of other comprehensive income			
Income taxes related to components of foreign currency translation		531,847	531,847
Income taxes related to components of cash flow hedge		11,740,446	(6,051,881)
Income taxes related to actuarial calculation		(312,546)	-
Other comprehensive income		(32,335,614)	14,924,534
Total comprehensive income		73,132,088	93,173,547
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		73,132,088	93,173,547
Comprehensive income attributable to non-controlling interest		-	-
Total comprehensive income		**73,132,088**	**93,173,547**

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Changes in Equity For the twelve-month periods ended December 31, 2018 and 2017

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

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

	Note	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total Other reserves	Retained Earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2018		776,355,048	1,858,266	(10,250,663)	(314,754)	(8,707,151)	18,712,014	786,359,911	-	786,359,911
Changes in equity:										
Comprehensive income:										
Profit		-	-	-	-	-	105,467,702	105,467,702	-	105,467,702
Other comprehensive income		-	(1,437,958)	(31,742,687)	845,031	(32,335,614)	-	(32,335,614)	-	(32,335,614)
Total comprehensive income		-	(1,437,958)	(31,742,687)	845,031	(32,335,614)	105,467,702	73,132,088	-	73,132,088
Dividends	(18)	-	-	-	-	-	(58,599,012)	(58,599,012)	-	(58,599,012)
Other increases (decreases)		-	-	(569,051)	-	(569,051)	569,051	-	-	-
Total changes in equity		-	(1,437,958)	(32,311,738)	845,031	(32,904,665)	47,437,741	14,533,076	-	14,533,076
Closing balance as of December 31, 2018 (Note 18)		**776,355,048**	**420,308**	**(42,562,401)**	**530,277**	**(41,611,816)**	**66,149,755**	**800,892,987**	**-**	**800,892,987**

	Note	Paid-in capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total Other reserves	Retained Earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2017		776,355,048	3,296,224	(26,613,155)	(314,754)	(23,631,685)	19,757,325	772,480,688	-	772,480,688
Changes in equity:										
Comprehensive income:										
Profit		-	-	-	-	-	78,249,013	78,249,013	-	78,249,013
Other comprehensive income		-	(1,437,958)	16,362,492	-	14,924,534	-	14,924,534	-	14,924,534
Total comprehensive income		-	(1,437,958)	16,362,492	-	14,924,534	78,249,013	93,173,547	-	93,173,547
Dividends	(18)	-			-	-	(79,294,324)	(79,294,324)	-	(79,294,324)
Total changes in equity		-	(1,437,958)	16,362,492	-	14,924,534	(1,045,311)	13,879,223	-	13,879,223
Closing balance as of December 31, 2017 (Note 19)		**776,355,048**	**1,858,266**	**(10,250,663)**	**(314,754)**	**(8,707,151)**	**18,712,014**	**786,359,911**	**-**	**786,359,911**

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the twelve-month periods ended December 31, 2018 and 2017

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

Direct Statement of Cash Flows	***(Audited) 01/01/2018 31/12/2018*** *ThCh$*	***(Audited) 01/01/2017 31/12/2017*** *ThCh$*
Cash flows provided by (used in) operating activities		
Classes of receipts from operating activities		
Cash receipts from sales of goods and services	425,454,456	426,883,238
Other proceeds from operating activities	545,550	518,359
Proceeds from interest received	9,073,497	8,032,456
Classes of payments		
Payments to suppliers for goods and services	(149,603,196)	(163,598,438)
Other payments for operating activities	(84,446)	(829,172)
Payments to employees	(16,352,329)	(13,636,120)
Interest paid	(65,844,302)	(66,928,653)
Net cash flows provided by operating activities	203,189,230	190,441,670
Cash Flows Provided by (Used in) Investing Activities		
Cash flows used to obtain control of subsidiaries or other businesses	-	(6,417,949)
Additions of property, plant and equipment	(97,828,973)	(131,163,063)
Amounts from the sale of property, plant and equipment	2,596,624	52,848,254
Prepayment of cash and loans granted to third parties	-	(815,377)
Loans to related parties	(99,788,665)	(124,236,481)
Receivables from related parties	113,423,614	95,822,052
Net cash flows used in investing activities	(81,597,400)	(113,962,564)
Cash Flows Provided by (Used in) Financing Activities		
Amount proceeding from loans	-	20,000,000
Payment of loans	(20,561,613)	(10,203,251)
Dividends paid	(58,599,012)	(79,294,324)
Other Inflows (Disbursements) net cash flows used in financing activities	(79,160,625)	(69,497,575)
Net Increase (Decrease) in Cash and Cash Equivalents	42,431,205	6,981,531
Cash and Cash Equivalents, at the beginning of the year (Note 5)	61,628,069	54,646,538
Cash and Cash Equivalents, at the ending of the year (Note 5)	**104,059,274**	**61,628,069**

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

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2018 and December 31, 2017
(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 Commission for the Financial Market (ex Superintendence of Securities and Insurance (SVS)) and is subject to the supervision of the Commission. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

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

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

On March 31, 2017, Transelec S.A acquired 100% shares of the company Transmisión Del Melado SpA.; thus, taking control of this entity during April 2017. For this reason, Transelec S.A. changes from preparing the stand-alone financial statements as of December 31, 2016, to preparing consolidated financial statements as of June 30, 2017.

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

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

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

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
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NOTE 1 - GENERAL INFORMATION (CONTINUED)

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

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

The Consolidated Financial Statements of the Company for the year ended December 31, 2018, were approved by the board at its meeting held on March 21, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of December 31, 2018 and applied uniformly for the periods presented.

2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking into account the presentation regulations of the SVS, which are not in conflict with IFRS.

These Consolidated Financial Statements have been prepared from the accounting records maintained by the Company. The figures in these Consolidated Financial Statements and their notes are expressed in thousands of Chilean pesos.

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

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

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

The accounting policies adopted in the preparation of the Consolidated Financial Statements are consistent with those applied in the preparation of the annual Consolidated Financial Statements of the Company for the year ended December 31, 2018, except for the adoption of new standards and interpretations in effect as of January 1, 2018, which did not materially affect the consolidated financial statements.

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

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
As of December 31, 2018 and December 31, 2017
(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2 BASIS OF CONSOLIDATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Rut	Subsidiary	Participation Share 31-12-2018	Participation Share 31-12-2017	Country of origin	Functional currency
76,538,831-7	Transmisión del Melado SpA	100%	100%	Chile	Ch$

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

TRANSELEC S.A. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
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(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 NEW STANDARDS AND INTERPRETATIONS ACCOUNTING

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

New standards, amendments and interpretations		Date of obligatory application
IFRS 1 – IAS 28	Annual improvements 2014-2016	January 1, 2018
IFRS 2	Share Based Payment – measurement and classification	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 9 – IFRS 4	Application of IFRS 9 "Financial Instrument" along with IFRS 4 "Insurance Contracts"	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IAS 40	Transfers of Investment Property	January 1, 2018
IFRIC 22	Foreign currency transactions and advance considerations	January 1, 2018

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

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

New Standards		Date of obligatory application
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

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

TRANSELEC S.A. AND SUBSIDIARY
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

New Standards

IFRS 16 "Leases"

IFRS 16 was issued on January 2016 and supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 operating leases – incentives y SIC 27 evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 stablishes the principles for the recognition, measurement, presentation and disclosures for lease agreements and require that the lessee recognize all lease agreements under a similar manner as a finance lease according to IAS 17. The Standard includes two exemptions for the lessee: leases of low-value assets (i.e. PC) and short-term leases (i.e. leases with a lifetime of 12 month or less). At the inception date of the lease agreement, the lessee shall recognize a liability for the lease and an asset for the lease which represents the right of use of the underlying asset during the lifetime of the lease agreement. Lessees shall recognize as separate effects the interest related to the liability for the lease and the amortization expense related to the asset for the right of use.

2.3 NEW STANDARDS AND INTERPRETATIONS ACCOUNTING

Lessees shall re-measure the liability for lease when certain events occur (i.e. change on the clauses of the lease agreement, change in the future payments as a result of a change on an index or changes in the rate used to determine those payments). The lessee shall recognize the effect of the re-measurement of the liability for lease as an adjustment to the asset for the right of use.

The accounting for the lessor under IFRS 16 do not substantially change from the accounting under IAS 17. Lessors will continue classifying all lease agreements according to the classification principle stated in the IAS 17 and they should distingue between two types of leases: operating leases and finance leases.

Also, IFRS 16 requires to lessors and lessees to make more disclosures than those previously required by IAS 17.

IFRS 16 starts in appliance for periods starting on January 1st of 2019. A lessee may choose to apply the Standard using the full retrospective approach or a modified retrospective approach. The transition guidance in the Standard allows some simplifications.

On 2018, the Company evaluated the adoption of IFRS 16 from the date when the Standard start applying, according to the evaluation of lease agreements the Company determines assets that, according to its nature and tenor, must be recorded at the initial application date as assets for the right of use, those assets are going to be amortized according to the lifetime of the contract or the useful life of the asset, whichever be lower. According to the mentioned evaluation, the Company identified an

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

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Notes to the Consolidated Financial Statements
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(Translation of financial statements originally issued in Spanish-See Note 2.1)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 NEW STANDARDS AND INTERPRETATIONS ACCOUNTING (CONTINUED)

asset for the right of use and its corresponding liability for lease (net) of $6.032.967.834 to be recorded onto its Consolidated Financial Statements.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

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

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

IFRS 17 INSURANCE POLICIES

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

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

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 NEW STANDARD AND INTERPRETATIONS ACCOUNTING (CONTINUED)

Enhancements and Modifications

The enhancements and modifications, which have been issued but are not yet effective at the date of these consolidated financial statements, are detailed below. The Company has not adopted these standards in advance:

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

IFRS 3 "BUSINESS COMBINATIONS"

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 9 "FINANCIAL INSTRUMENTS – PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION"

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

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

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

IFRS 11 "JOINT ARRANGEMENTS"

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

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

IAS 12 "INCOME TAXES"

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

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

IAS 19 "BENEFITS TO EMPLOYEES- MODIFICATION, REDUCTION OR LIQUIDATION OF THE PLAN"

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

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

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

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

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

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

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

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

IAS 23 "BORROWING COSTS"

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.3 INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.3.3 ENHANCEMENTS AND MODIFICATIONS (CONTINUED)

be applied as of January 1, 2019.

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

IAS 28 "INVESTMENTS IN ASSOCIATES"

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

IAS 28 - "INVESTMENTS IN ASSOCIATES AND JOINT VENTURES", IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS"

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

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

UPDATES OF REFERENCES TO THE CONCEPTUAL FRAMEWORK

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.4 FOREIGN CURRENCY TRANSLATION

2.4.1 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4.2 TRANSACTIONS AND BALANCES

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

2.4.3 EXCHANGE RATES

As of each year end, assets and liabilities in foreign currency and UF have been converted to Chilean pesos using the following exchange rates:

Currency	Pesos per unit	
	December 31, 2018	December 31, 2017
Unidad de Fomento	27,565.79	26,798.14
US$	694.77	614.75
Euro	794.75	739.15

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.5 FINANCIAL REPORTING BY OPERATING SEGMENTS

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

The source of the revenues that generates the company and its assets are located in Chile.

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 existences of such obligations as well as estimate of future disbursements are reviewed, increasing or decreasing the value of the asset based on the results of this estimate.

Assets under construction are transferred to operating assets once the testing period has been completed when they are available for use, at which time depreciation begins.

Expansion, modernization and improvement costs that represent an increase in productivity, capacity or efficiency or an extension of useful life are capitalized as a greater cost of the corresponding assets. Replacement or overhauls of whole components that increase the asset's useful life, or its economic capacity, are recorded as an increase in value for the respective assets, derecognizing the replaced or overhauled components. Periodic maintenance, conservation and repair expenses are recorded directly in income as an expense for the period in which they are incurred.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Property, plant and equipment, net of its residual value, is depreciated by distributing the cost of its different components on a straight-line basis over its estimated useful life, which is the period during which the companies expect to use them. The useful lives and residual values of fixed assets are reviewed on a yearly basis. The land has an indefinite useful life and is not depreciated. The following table details the ranges of useful lives periods applied to principal classes of assets and used to determine depreciation expense:

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

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

2.7 INTANGIBLE ASSETS

2.7.1 GOODWILL

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

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

2.7.2 RIGHTS OF WAY

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

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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 and administrative expenses.

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

Variable	December 2018	December 2017	Description
Discount rate	7,16%	9,79%	The discount rate used is the weighted average cost of capital (WACC) of the Company, measured before taxes, The growth rate is applied to the perpetuity and is based on the estimation of the long-term inflation expectation established by the Central Bank of Chile, The estimation period is 5 years, based on the Company's internal business plan plus perpetuity.
Growth rate	3,00%	3,00%	
Period of estimation of flows	6 años	5 años	

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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.

2.9 FINANCIAL INSTRUMENTS

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

1) Non-derivatives Financial Assets

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

a) Amortized Cost:

In this category are classified the financial assets within the Business Model of the Company whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Non-derivatives financial assets that that accomplish with the conditions stated in IFRS 9 to be classified at amortized cost are: account receivables, loans granted and cash equivalents. These assets are recorded at amortized cost which is its initial fair value, minus the payments of principal, plus the non-collected accrued interests calculated according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

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

In this category are classified the financial assets within the Business Model of the Company whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.9 FINANCIAL INSTRUMENTS (CONTINUED)

1) Non-derivatives Financial Assets (continued)

specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

c) Fair value through profit or loss

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

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

2) Cash and Cash Equivalent

Cash and cash equivalents includes cash, bank balances, time deposits and other highly-liquid, short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of this account does not differ from that presented in the statement of cash flows. There is no restricted cash.

3) Impairment of Financial Assets

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

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4) Non-derivatives financial liabilities

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

5) Derivatives and Hedge activities

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

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

5.1) Fair value Hedge: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk. The Company has not used fair value hedges during the years presented.

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

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

5.3) Net Investment Hedge: Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction

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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)".

As of December 2018 and December 2017, the Company does not have any Net Investment Hedge transaction on its records.

At the inception of the transaction, the Company documents the relationship existing between the hedge instruments and the hedged items, as well as its risk management objectives and its strategy for handling various hedge transactions. The Company also documents its assessment, both at inception and subsequently on an ongoing basis, of the effectiveness of the hedge instruments in offsetting movements in the fair values or cash flows of the hedged items. A derivative is presented as a non-current asset or liability if its maturity is greater than 12 months and it is not expected to be realized within 12 months. Other derivatives are presented as current assets or liabilities.

6) Embedded derivatives

Derivatives embedded in other financial instruments contracts 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 Consolidated Financial Statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when, and only when:

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

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

8) Compensation of financial assets and liabilities

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

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

b) Exist the intention of settle the transaction on a net basis, or to collect the asset and pay the liability simultaneously.
These rights can only be legally enforceable during the normal course of the business, or in case insolvency, payment problems or bankruptcy, of any one or all of the parties involved in the transaction.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.10 INVENTORY

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

2.11 PAID-IN CAPITAL

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

2.12 INCOME TAX AND DEFERRED TAXES

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

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

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

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

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

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.13 EMPLOYEE BENEFITS

2.13.1 STAFF SEVERANCE INDEMNITY

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

This benefit is recorded at nominal value.

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

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

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

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

2.13.2 PROFIT SHARING

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.14 PROVISIONS

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

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

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

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

2.15 CLASSIFICATION OF CURRENT AND NON-CURRENT BALANCES

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

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

2.16 REVENUE RECOGNITION

The regulatory framework that governs electrical transmission activity in Chile comes from the by - Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19.940 (called also the "Short Law") enacted on March 13, 2004, Law 20,018 ("Short Law II"), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto. On July 11, 2016, the new Transmission Law was enacted, which creates an Independent Coordinating entity of the National Electrical System (NES), called National Electrical Coordinator (CEN, according to the Spanish acronym), which groups the previous DEC

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SIC and CDEC SING; in addition, it establishes a new Electrical Transmission System in which the trunk transmission system, the sub transmission system and additional systems now form part of National, Zone and Committed.

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

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

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

2.16 REVENUE RECOGNITION (CONTINUED)

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

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

2.17 LEASES

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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

2.17.1 THE COMPANY AS LESSOR

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

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

2.17.2 THE COMPANY AS LESSEE

Finance leases in which acts as lessee are recognized when the agreement begins, recording an asset based on the nature of the lease and a liability for the same amount, equal to the lesser of the fair value of the leased asset or the present value of the minimum lease payments.

Subsequently, the minimum lease payments are divided between finance expense and reducing the debt. The finance expense is recorded in the income statement and distributed over the period of the lease term so as to obtain a constant interest rate for each period over the balance of the debt pending amortization. The asset is amortized in the same terms as other similar depreciable assets, as long as there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If no such certainty exists, the asset will be amortized over the lesser term between the useful life of the asset and the term of the lease.

As of June 30, 2017, the company does not have leases where it acts as a lessee.

Operating lease payments are expensed on a straight-line basis over the term of the lease unless another type of systematic basis of distribution is deemed more representative.

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2.18 DISTRIBUTION OF DIVIDENDS

Dividends payable to the Company's shareholders are recognized as a liability in the Consolidated Financial Statements in the period in which they are approved by the Company's shareholders.

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

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

NOTE 3 - RISK MANAGEMENT POLICY

3.1 FINANCIAL RISK

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

3.1.1 MARKET RISK

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

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.

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

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

The table below compares the debts of the Company and shows that majority of the debt as of December 31, 2018 and December 31, 2017 were at fixed rate.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand) December 31, 2018	December 31, 2017
Bono Serie D	UF	4.25%	Fixed	13,500	13,500
Bono Serie H	UF	4.80%	Fixed	3,000	3,000
Bono Serie K	UF	4.60%	Fixed	1,600	1,600
Bono Serie M	UF	4.05%	Fixed	3,400	3,400
Bono Serie N	UF	3.95%	Fixed	3,000	3,000
Bono Serie Q	UF	3.95%	Fixed	3,100	3,100
Senior Notes	USD	4.625%	Fixed	300,000	300,000
Senior Notes	USD	4.250%	Fixed	375,000	375,000
Senior Notes	USD	3.875%	Fixed	350,000	350,000
Revolvig Credit Facility	USD	4.06%	Floating (*)		
Revolvig Credit Facility	UF	2.44%	Floating (**)	-	-

(*) The floating rate 4.06% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At December 30, 2018, the Company did not utilize this line therefore does not pay interest and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

(**) The floating rate 0.46% of the Revolving credit facility breaks down in TAB UF 180 plus a margin of 0.25%. At December 30, 2018, the Company did not utilize this line therefore does not pay interest and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

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

Even if an increase in inflation rates could impact the costs of debt denominated in UF, and therefore the Company's finance expenses, these impacts are partly mitigated by accounts receivable denominated in UF. The following shows the effects of UF-indexed debt on the company's financial result.

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Series	Position in UF Long/ (Short)	Effect annual on income (ThCh$) Inflation (3%)	Inflation (4%)	Inflation (2%)
Bono D	(13,386,555)	(16,518)	(20,208)	(12,828)
Bono H	(3,000,916)	(3,703)	(4,530)	(2,876)
Bono K	(1,598,747)	(1,973)	(2,414)	(1,532)
Bono M	(1,468,606)	(1,812)	(2,217)	(1,407)
Bono M1	(1,856,483)	(2,291)	(2,802)	(1,779)
Bono N	(2,867,277)	(3,538)	(4,328)	(2,747)
Bono Q	(3,072,433)	(3,791)	(4,638)	(2,944)
Total	**(27,251,017)**	**(33,626)**	**(41,137)**	**(26,113)**

3.1.1.2 EXCHANGE RATE RISK

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

> Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).
> Maintains accounts receivables in US dollars.
> Transelec maintains Cross Currency Swap contracts, which offset exchange rate risks of international emissions made in 2014 and 2016, for notional amounts equivalent to US$ 375 million and US$ 350 million, respectively (Long-term position).
> Maintains lease contracts that generate income indexed to US dollars.

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

a) Fully hedging net balance sheet exposure using diverse instruments such as foreign exchange forward contracts and cross currency swaps.

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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, 2018 ThCh$	December 31, 2017 ThCh$	December 31, 2018 ThCh$	December 31, 2017 ThCh$
U,S, dollar (amounts associated with balance sheet items)	760,791	632,905	759,919	637,899
Chilean peso	1,610,090	1,709,713	1,610,961	1,704,719

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

3.1.1.2.1 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.

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.

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	Position ThCh$	Net income (gain)/loss ThCh$		Position ThCh$	OCI (gain)/loss ThCh$	
Item (Currency)	Long / (Short)	Change (-10%)	Change (+10%)	Long / (Short)	Change (-10%)	Change (+10%)
Cash (US$)	54,435	(87)	87	-	-	-
Leasing (US$)	29,954	(48)	48	-	-	-
Forwards (activos) (US$)	(44,901)	72	(72)	170	-	-
Senior Notes (US$)	(715,890)	1,145	(1,145)	-	-	-
Swaps	495,565	(793)	793	42	-	-
Intercompany loan (US$)	179,964	(288)	288	-	-	-
Total	**(873)**	**1**	**(1)**	**212**	**-**	**-**

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 Twelve-month periods ended December 31, 2018 ThCh$	For the Twelve-month periods ended December 31, 2017 ThCh$
Enel Group	113,261,927	112,480,878
Colbún Group	45,570,526	49,706,030
AES Gener Group	39,962,071	43,930,396
Engie (E-CL) Group	4,917,620	13,762,716
Pacific Hydro-LH-LC Group	22,548,721	6,418,045
Others	102,956,341	52,301,019
Total	**329,217,206**	**278,599,084**
% of concentration of 5 top customers	**68.73%**	**81.23%**

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Tolls and tariff revenues that these companies must pay to use the transmission system will generate significant future cash flows of Transelec and a substantial change in their assets, financial conditions and / or results of operations could adversely affect the Company.

Regarding the credit risks associated with financial assets of the Company other than accounts receivable (time deposits, mutual funds, bonds, covenants, active position derivative), the policy of the Treasury establishes limits on exposure to a particular institution, and this limit depends on the risk classification and capital of each institution. Additionally, in the case of investments in mutual funds, only the ones having risk classification qualify.

3.1.3 LIQUIDITY RISK

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

a) Risk associated to Company's management

To guarantee that it is able to respond financially both the investment opportunities and to the timely payment of its obligations.Transelec separately records its available cash and short-term accounts receivable with a dedicated Revolving Credit (RC) for working capital divided in two tranches; for US$ 150 million and UF 2,5 million, both amount equivalents to Ch$165,090 billion. As of September 30, 2018, this committed line doesn't register amounts used. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR.

Additionally, this line was renegotiated and extended on October 15, 2014 until October 15, 2017.Posteriorly, was done a new amendment to extend the expiration of the credit line for three more years.

In this opportunity the bank syndicate was formed by Scotiabank and Banco Estado for the UF tranche and by The bank of Nova Scotia, Bank of Tokyo-Mitsubishi, DnB Bank y Export Development Canadá for USD tranche, In this last negotiation was keeping the conditions previously negotiated.

(a) Commissions payable on committed unused amounts (Commitment Fee) from 0,6% to 0,4375%.
(b) The margin or spread over used amounts from 2,35% to 1,25%.
(c) Other restrictions clauses more favorable to Transelec.

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

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a) Risk associated to Company's management (continued)

The following table presents the capital amortizations and estimated interest payments corresponding to the Company's financial liabilities (debt), according to their maturity date, as of December 30, 2018 and December 31, 2017.

Debt maturity	*Less than 1 Years M$*	*1 to 3 Years M$*	*3 to 5 Years M$*	*5 to 10 Years M$*	*More than 10 years M$*	*Total M$*
December 31, 2018	62,051,823	124,103,646	332,534,646	840,329,917	746,647,575	***2,105,667,607***
December 31, 2017	77,922,990	115,384,313	115,384,313	1,006,579,351	728,357,797	***2,043,628,764***

The maturity of derivatives is presented Note 14.2,

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

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

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

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

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

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

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

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> The estimates of recoverable values of assets and goodwill to determine potential existence of impairment losses;
> Useful lives of property, plant and equipment and intangible assets;
> The assumptions used to calculate the fair value of financial instruments;
> The actuarial assumptions used to calculate obligations with employees;
> Future tax results for the purposes of determining the recoverability of deferred tax assets.
> Determination of existence and classification of financial or operating leases based on the transfer of risks and rewards of the leased assets.
> Deferred tax assets
> Contingent assets and liabilities.

Although the estimates mentioned above were made according to the best information available at the date of issuance of these Consolidated Financial Statements, it is possible that future events oblige to modify them (upside or downside) in further periods, those modifications to each estimate will be recorded prospectively and recognized on those respective Consolidated Financial Statements.

NOTE 5 - CASH AND CASH EQUIVALENTS

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

Cash and Cash Equivalents	Balance as of December 31, 2018 ThCh$	Balance as of December 31, 2017 ThCh$
Bank and cash balances	60,079,795	1,038,279
Short-term deposits	-	15,550,130
Reverse repurchase agreements and mutual funds	45,979,479	45,039,660
Total	**104,059,274**	**61,628,069**

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

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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, 2018 ThCh$	Balance as of December 31, 2017 ThCh$
Amount of cash and cash equivalents	U,S, dollars	58,070,904	15,888,701
Amount of cash and cash equivalents	Euros	289,637	28,717
Amount of cash and cash equivalents	Chilean pesos	45,698,733	45,710,651
Total		**104,059,274**	**61,628,069**

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

NOTE 6 - TRADE AND OTHER RECEIVABLES

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

Item	Balance as of December 31, 2018 ThCh$	Balance as of December 31, 2017 ThCh$
Trade receivables	72,098,730	46,370,798
Miscellaneous receivables	233,375	246,651
Total trade and other receivables	72,332,105	46,617,449
Provision for uncollectible amount (*)	-	(1,392,383)
Total trade and other receivables (net)	**72,332,105**	**45,225,066**

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

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

	Balance as of	
	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Maturing in less than 30 days	63,975,047	27,490,966
Maturing in more than 30 days up to 1 year	8,357,058	17,734,100
Total	***72,332,105***	***45,225,066***

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

(*)On December 13, 2011 the company Campanario Generación S.A. was declared bankrupt and stopped paying Transelec for tolls and tariff revenue for ThCh$6,345,762 (December 31, 2011), Based on the legal and regulatory history, the Company estimated that there are no indications to attest that the accounts receivable outstanding from tariff revenues, are impaired. Therefore, Transelec S,A, recorded a provision for uncollectible amount as of December 31, 2015 for ThCh$ 1,392,383 relating to accounts receivable for items other than tariff revenues for which - at the date of the presentation of these consolidated financial statements - there is no certainty that the Company will recover.

The movement of the provision for uncollectible amount is presented the period ended December 31, 2018 and December 31, 2017:

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

(*) The company has exhausted all means of collection and therefore at December 31, 2018 had proceed to write-off the provision of Campanario Generación S.A.

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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:

							Balance as of			
							Current		Non-current	
Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	December 31, 2018 ThCh$	December 31, 2017 ThCh$	December 31, 2018 ThCh$	December 31, 2017 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda,	Chile	Loan	Not defined	Direct parent	CH$	658,327	30.947.951	-	-
76.560.200-9	Transelec Holdings Rentas Ltda,	Chile	Loan	3 years	Direct parent	CH$	772,240	116.309	27.212.850	10.950.790
76.560.200-9	Transelec Holdings Rentas Ltda,	Chile	Loan	10 years	Direct parent	UF	-	-	21.082.389	20.495.288
76.560.200-9	Transelec Holdings Rentas Ltda,	Chile	Loan	10 years	Direct parent	US$	-	-	179.964.275	159.236.925
76.248.725-K	CYT Operaciones SPA	Chile	Accounts receivable	Not defined	Indirect	CH$	256,883	638.365	-	-
20601047005	Conelsur LT SAC	Perú	Accounts receivable	Not defined	Indirect	US$	173,177	25.162	-	-
76.524.463-3	Transelec Concesiones S,A	Chile	Mercantile current account	Not defined	Indirect	CH$	360,769	2.595.894	-	-
76.920.929-8	Transmisora del Pacifico S.A	Chile	Mercantile current account	Not defined	Indirect	CH$	386,288	-	-	-
Total							***2,607,684***	***34,323,681***	***228,259,514***	***190,683,003***

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

7.1 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

a) Most significant transactions and their effect on income

Transactions with unconsolidated related parties had the following effects on the income statement:

					December 31, 2018		December 31, 2017	
Tax ID Number	Company	Country	Relation	Description of the transaction	Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans granted	99,395,737	-	136,345,582	-
76.560.200-9	Transelec Concesiones S.A.	Chile	Indirect	Loans paid	113,423,614	-	240,305	-
76.920.929-8	Transmisora del Pacífico S.A.	Chile	Indirect	Loans granted	386,288	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Interest received from intercompany loans	8,091,215	8,091,215	8,289,305	8,239,305
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Exchange rate from intercompany loans	20,592,263	20,595,263	14,833,729	14,833,729
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	UF Readjustment from intercompany loans	590,496	590,496	144,148	144,148
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Direct parent	Loans paid	-	-	94.897.259	-
76.560.200-9	Transelec Concesiones S.A.	Chile	Indirect	Loans granted	-	-	2.596.524	-

7.2 BOARD OF DIRECTORS AND MANAGEMENT

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

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

7.2.1 BOARD OF DIRECTORS' COMPENSATION

According to Article No, 33 of Law No, 18,046 on Corporations, at the Tenth Ordinary Shareholders' Board Meeting of Transelec S.A., held on April 27, 2018, it was agreed to maintain annual directors' allowance of US$ 90,000, gross value, regardless of the number of meetings actually attended or held, The allowance is paid quarterly.

The directors Alfredo Ergas, Paul Dufresne and Han Rui waived their allowance corresponding to the years 2018. At the Ordinary

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Shareholders' Meeting for 2018, it was decided that the alternate directors would not receive an allowance.

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Brenda Eaton (Presidente)	73,912	-
Alejandro Jadresic Marinovic	58,720	53,372
Blas Tomic Errázuriz	58,720	53,372
Mario Alejandro Valcarce Durán	58,720	53,372
Bruno Pedro Philippi Irarrázabal	13,576	53,372
José Ramón Valente Vias	9,050	53,372
Patricia Angelina Nuñez Figueroa	20,585	-
Juan Ramon Benabarre Benaiges	20,585	-
María Josefina Court Spikin	10,305	-
Marco Nicolas Ubilla Pareja	10,305	-

7.3 BOARD EXPENSES

During the period between January 01, 2018 and December 31, 2018 there have been UF 216.73 UF expenses related to consulting for the Board.

7.4 AUDIT COMMITTEE

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other Consolidated Financial Statements and internal systems. Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company, Committee members are appointed by the Board of Directors. The Audit Committee has held two meetings in both 2018 and 2017.

As of April 8, 2018, in an Ordinary Meeting of Directors, the Audit Committee members were composed by its President Mr, Mario Valcarce Durán, Directors Mr, Alfredo Ergas, Mrs, Brenda Eaton and Mr, José Ramón Valente, besides the Secretary, Mr, Arthur Le Blanc Cerda.

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

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On the Ordinary Shareholders' Meeting of Transelec S.A. held on April 27, 2018, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

The following compensation was received by members of the Audit Committee during 2018 and 2017:

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
José Ramón Valente	6,148	6,025
Mario Alejandro Valcarce Duran	6,148	6,025

7.5 COMPENSATION OF KEY MANAGEMENT THAT ARE NOT DIRECTORS

Members of Key Management

Andrés Kuhlmann Jahn	*Chief Executive Officer*
Eric Ahumada Gómez	*Vice-President of Business Development*
Francisco Castro Crichton	*Vice-President of Finance*
Alexandros Semertzakis Pandolfi	*Vice-President of Engineering and Construction*
Claudio Aravena Vallejo	*Vice-President of Human Resources*
Arturo Le Blanc Cerda	*Vice-President of Legal Matters*
Rodrigo 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 2018 and 2017 is detailed as follows:

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Salaries	1,838,049	1,716,546
Short-term employee benefits	1,300,543	693,886
Long-term employee benefits	1,996,891	619,587
Total compensation received by key management personnel	***5,135,483***	***3,030,019***

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NOTE 8 - OTHER FINANCIAL ASSETS, LEASES

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

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Finance lease receivables current	1,030,014	834,163
Swap Contracts	20,902	39,170
Forward Contracts	170,391	-
Sub-total Other financial assets current	1,221,307	873,333
Finance lease receivables non-current	28,924,095	24,159,796
Other financial assets	15,286	15,285
Swap Contracts	42,246	-
Sub-total Other financial assets non-current	28,981,627	24,175,081
Total	***30,202,934***	***25,048,414***

8.1 FINANCE LEASE RECEIVABLES

Within current and non-current other assets receivable, the Company includes assets that have been constructed at the express request of the lessee. Therefore, substantially all risks and benefits have been transferred when the assets are commissioned. Nominal value (gross investment in the lease) and present value of the minimum lease payments to be received are presented in the following tables:

	December 31, 2018		
Period in Years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	1,030,014	1,214,092	2,244,106
1-5	5,750,550	15,218,631	20,969,181
Over 5	23,173,545	50,456,813	73,630,358
Total	***29,954,109***	***66,889,536***	***96,843,645***

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NOTE 8 - OTHER FINANCIAL ASSETS, LEASES (CONTINUED)

8.1 FINANCE LEASE RECEIVABLES (CONTINUED)

December 31, 2017			
Period in years	Present Value (net investment) ThCh$	Interest receivable ThCh$	Nominal value (gross investment) ThCh$
Less than 1	834,163	2,614,170	3,448,333
1-5	4,803,073	12,535,691	17,338,764
Over 5	19,356,723	43,964,107	63,320,830
Total	**24,993,959**	**59,113,968**	**84,107,927**

Movements in finance leases:

	Balance as of	
	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Opening balance	**24,993,959**	**12,529,212**
Additions	2,330,201	14,380,951
Amortization	(907,043)	(1,120,335)
Translation difference	3,536,992	(795,869)
Ending balance	**29,954,109**	**24,993,959**

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

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8.2 OPERATING LEASES PAYABLE

The Company has operating leases contract in which it acts as lessee, Payments under those contracts are recognized in administrative expenses as follows:

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Real estate lease	1,142,162	1,003,163
Other leases	258,457	899,565
Total operating leases	**1,400,619**	**1,902,728**

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	1,522,883	6,091,532	-
Other leases	344,609	1,378,436	-
Total operating leases	**1,867,492**	**7,469,968**	**-**

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NOTE 9 - INTANGIBLE ASSETS

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

Intangible assets, net	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
Rights of way (*)	176,039,780	173.991.593
Software	5,219,985	6.370.762
Total intangible assets	***181,259,765***	***180.362.355***
Goodwill	343,059,078	343.059.078
Total intangible assets, net	***524,318,843***	***523.421.433***

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

Intangible assets, gross	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
Rights of way	176,039,780	173,991,593
Software	15,944,534	14,631,672
Goodwil	343,059,078	343,059,078
Total intangible assets, net	***535,043,392***	***531,682,343***

Accumulated amortization and impairment	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
Software	(10,724,549)	(8,260,910)
Total accumulated amortization	***(10,724,549)***	***(8,260,910)***

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

Movements in intangible assets	***Rights of way ThCh$***	***Software ThCh$***	***Goodwill ThCh$***	***Net intangible assets ThCh$***
Opening balance as of January 1, 2018	***173,991,593***	***6,370,762***	***343,059,078***	***523,421,433***
Movements in intangible assets				
Additions	2,048,187	1,312,862	-	3,361,049
Amortization	-	(2,463,639)	-	(2,463,639)
Ending balance of intangible assets as of December 31 , 2018	***176,039,780***	***5,219,985***	***343,059,078***	***524,318,843***

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

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of December 31, 2018 and December 31, 2017 to be recovered.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

10.1 DETAIL OF ACCOUNTS

This account is detailed as follows:

Property, plant and equipment, net	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
Land	20,696,130	20,696,130
Buildings and infrastructure	912,272,233	897,872,721
Work in progress	73,919,836	92,667,010
Machinery and equipment	466,735,333	439,189,740
Other property, plant and equipment	6,110,221	5,842,514
Property, plant and equipment, net	***1,479,733,753***	***1,456,268,115***

Property, plant and equipment, gross	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
Land	20,696,130	20,696,130
Buildings and infrastructure	1,198,912,973	1,160,962,544
Work in progress	73,919,836	92,667,010
Machinery and equipment	693,226,181	643,508,830
Other property, plant and equipment	6,110,221	5,842,514
Total property, plant and equipment, gross	***1,992,865,341***	***1,923,677,028***

Total accumulated depreciation of property, plant and equipment, net	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
Buildings and infrastructure	(286,640,740)	(263,089,823)
Machinery and equipment	(226,490,848)	(204,319,090)
Total accumulated depreciation of property, plant and equipment	***(513,131,588)***	***(467,408,913)***

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10.2 RECONCILIATION OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

The following table details the reconciliation of changes in property, plant and equipment by class during the periods ended December 31, 2018 and December 31, 2017:

		Land ThCh$	***Buildings and infrastructure ThCh$***	***Machinery and equipment ThCh$***	***Work in progress ThCh$***	***Other property, plant and equipment ThCh$***	***Property, plant and equipment, net ThCh$***
	Opening balance January 1, 2018	***20,696,130***	***897,872,721***	***439,189,740***	***92,667,010***	***5,842,514***	***1,456,268,115***
Movement	Additions	-	-	-	77,878,304	267,707	78,146,011
	Retirements	-	(2,114,742)	(2,438,050)	(1,427,799)	-	(5,980,591)
	Transfer to operating assets	-	41,337,129	53,860,550	(95,197,679)	-	-
	Depreciation	-	(24,822,875)	(23,876,907)	-	-	(48,699,782)
	Balance as of December 31, 2018	***20,696,130***	***912,272,233***	***466,735,333***	***73,919,836***	***6,110,221***	***1,479,733,753***

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

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

10.3 ADDITIONAL INFORMATION ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

	December 31, 2018	December 31, 2017
Capitalization rate (Annual basis)	5,10%	5,14%
Capitalized interest costs (ThCh$)	3,146,911	4,085,618

Work in progress balances amounts to ThCh$73,919,836 and ThCh$92,667,010 as of December 31, 2018 and December 31, 2017 respectively.

NOTE 11 - DEFERRED TAXES

11.1 DETAIL OF DEFERRED TAX ASSETS

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

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

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11.2 DETAIL OF DEFERRED TAX LIABILITIES

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

Temporary Difference	Net deferred taxes	
	December 31, 2018 ThCh$	December 31, 2018 ThCh$
Depreciable fixed assets	(146,156,576)	(127,866,573)
Financial expenses	(385,544)	(579,073)
Leased assets	(3,704,520)	(1,337,098)
Materials and spare parts	102,495	57,291
Tax losses	47,864,178	53,505,999
Staff severance indemnities provision	(100,932)	123,086
Deferred income	1,551,179	1,658,524
Investment value provision	12,955	12,955
Obsolescence provision	926,866	926,893
Work in progress	855,845	847,814
Vacation provisions	491,460	456,889
Intangible assets	(5,842,609)	(7,155,939)
Adjustment of effective interest rate of bonds	(2,978,885)	(2,800,614)
Land	1,597,531	1,399,435
Allowance for doubtful receivables	-	375,944
Goodwill	962,196	1,070,525
Net deferred tax assets/(liabilities)	**(104,804,361)**	**(79,303,942)**
Reflected in the statement financial position as follows:		
Deferred tax assets	-	34,410
Deferred tax liabilities	(104,804,361)	(79,303,942)
Net deferred tax assets/(liabilities)	**(104,804,361)**	**(79,269,532)**

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

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NOTE 11 - DEFERRED TAXES (CONTINUED)

11.3 DEFERRED TAX MOVEMENTS IN STATEMENT OF FINANCIAL POSITION

The movements of balances of deferred taxes in the statement of financial position for the periods December 31, 2018 and December 31, 2017 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2017	-	**47,566,763**
Increase (decrease)	34,410	31,737,179
Balance as of December 31, 2017	**34,410**	**79,303,942**
Increase (decrease)	(34,410)	25,500,419
Balance as of December 31, 2018	-	**104,804,361**

Recovery of deferred tax assets will depend on whether sufficient tax profits are obtained in the future. Based on its projections the Company believes that its future profits will allow these assets to be recovered.

NOTE 12 - FINANCIAL LIABILITIES

12.1 OTHER FINANCIAL LIABILITIES

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

Interest bearing loans	December 31, 2018		December 31, 2017	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	28,880,501	1,442,434,138	26,828,532	1,339,291,031
Total bonds payable	28,880,501	1,442,434,138	26,828,532	1,339,291,031
Bank loans	-	-	20,230,833	-
Swap contract (Note 15)	4,070,488	-	4,070,488	13,611,996
Total obligations with banks	4,070,488	-	24,301,321	13,611,996
Total	**32,950,989**	**1,442,434,138**	**51,129,853**	**1,352,903,027**

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12.2 DETAIL OF OTHER FINANCIAL LIABILITIES

1. Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of December 31, 2018 and December 31, 2017 are shown below:

Taxpayer ID number	Debtor name	Country	Placement in Chile or abroad	Instrument registration number	Series	Indexation unit	Nominal interest rate	Effective interest rate	Interest payments	Periodicity principal payments	Final maturity	December 31, 2018 ThCh$	December 31, 2017 ThCh$
76,555,400-4	Transelec S,A	Chile	Chile	480	D	UF	4,37%	4,25%	At maturity	Semiannually	12-15-2027	369,698,027	359,042,847
76,555,400-4	Transelec S,A	Chile	Chile	599	H	UF	4,79%	4,80%	At maturity	Semiannually	08-01-2031	84,379,227	82,011,051
76,555,400-4	Transelec S,A	Chile	Chile	599	K	UF	4,61%	4,60%	At maturity	Semiannually	09-01-2031	44,750,389	43,492,151
76,555,400-4	Transelec S,A	Chile	Chile	599	M	UF	4,26%	4,05%	At maturity	Semiannually	06-15-2032	40,557,478	39,383,678
76,555,400-4	Transelec S,A	Chile	Chile	599	M-1	UF	4,23%	4,05%	At maturity	Semiannually	06-15-2032	51,271,136	49,321,317
76,555,400-4	Transelec S,A	Chile	Chile	599	N	UF	4,29%	3,95%	At maturity	Semiannually	12-15-2038	79,146,501	77,292,792
76,555,400-4	Transelec S,A	Chile	Chile	744	Q	UF	4,02%	3,95%	At maturity	Semiannually	10-15-2042	85,417,989	83,021,322
76,555,400-4	Transelec S,A	Chile	Foreign	1st issuance	Sr N	US$	5,10%	4,63%	At maturity	Semiannually	07-26-2023	210,977,924	186,381,107
76,555,400-4	Transelec S,A	Chile	Foreign	2nd issuance	Sr N	US$	4,66%	4,25%	At maturity	Semiannually	01-14-2025	262,645,250	231,994,945
76,555,400-4	Transelec S,A	Chile	Foreign	3rd issuance	Sr N	US$	4,31%	3,88%	At maturity	Semiannually	01-12-2029	242,470,718	214,178,353
Total												**1,471,314,639**	**1,366,119,563**

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

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NOTE 12 - FINANCIAL LIABILITIES (CONTINUED)

12.2 DETAIL OF OTHER FINANCIAL LIABILITIES (CONTINUED)

1. Bonds payable (continued)

			Current			Non-current			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	December 31, 2018 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	December 31, 2018 Non-current ThCh$
76,555,400-4	Transelec S,A	480	-	8,010,905	8,010,905	-	-	361,687,122	361,687,122
76,555,400-4	Transelec S,A	599	1,630,172	-	1,630,172	-	-	82,749,055	82,749,055
76,555,400-4	Transelec S,A	599	666,659	-	666,659	-	-	44,083,730	44,083,730
76,555,400-4	Transelec S,A	599	-	859,019	859,019	-	-	39,698,459	39,698,459
76,555,400-4	Transelec S,A	599	-	1,090,851	1,090,851	-	-	50,180,285	50,180,285
76,555,400-4	Transelec S,A	599	-	1,688,450	1,688,450	-	-	77,458,051	77,458,051
76,555,400-4	Transelec S,A	744	-	707,128	707,128	-	-	84,710,861	84,710,861
76,555,400-4	Transelec S,A	1st issuance	4,311,338	-	4,311,338	-	206,666,586	-	206,666,586
76,555,400-4	Transelec S,A	2nd issuance	5,328,330	-	5,328,330	-	-	257,316,920	257,316,920
76,555,400-4	Transelec S,A	3rd issuance	4,587,649	-	4,587,649	-	-	237,883,069	237,883,069
Total			**16,524,148**	**12,356,353**	**28,880,501**	**-**	**206,666,586**	**1,235,767,552**	**1,442,434,138**

			Current			Non-current			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	December 31, 2018 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	December 31, 2017 Non-current ThCh$
76,555,400-4	Transelec S,A	480	7,786,368	-	7,786,368	-	-	351,256,479	351,256,479
76,555,400-4	Transelec S,A	599	1,585,286	-	1,585,286	-	-	80,425,765	80,425,765
76,555,400-4	Transelec S,A	599	648,266	-	648,266	-	-	42,843,885	42,843,885
76,555,400-4	Transelec S,A	599	834,173	-	834,173	-	-	38,549,505	38,549,505
76,555,400-4	Transelec S,A	599	1,059,190	-	1,059,190	-	-	48,262,127	48,262,127
76,555,400-4	Transelec S,A	599	1,639,123	-	1,639,123	-	-	75,653,669	75,653,669
76,555,400-4	Transelec S,A	744	687,436	-	687,436	-	-	82,333,886	82,333,886
76,555,400-4	Transelec S,A	1st issuance	3,814,781	-	3,814,781	-	-	182,566,326	182,566,326
76,555,400-4	Transelec S,A	2nd issuance	4,714,641	-	4,714,641	-	-	227,280,304	227,280,304
76,555,400-4	Transelec S,A	3rd issuance	4,059,268	-	4,059,268	-	-	210,119,085	210,119,085
Total			**26,828,532**	**-**	**26,828,532**	**-**	**-**	**1,339,291,031**	**1,339,291,031**

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2. Bank loans

Bank loans by financial institution, currency, established rate and maturity as of December 31, 2018 and December 31, 2017, are detailed as follows:

Debtor Company RUT	Debtor Company Name	Country	Creditor Company RUT	Creditor Company Name	Country	Currency	Amortization Type	Effective Annual Rate	Nominal Annual Rate	Maturity Year	December 31, 2018 ThCh$	December 31, 2017 ThCh$
76,555,400-4	Transelec S,A	Chile	97,006,000-6	Banco Crédito e Inversiones	Chile	CH$	Semestral	2,77%	2,77%	2018	-	20,230,833
Total											**-**	**20,230,833**

				Current			Non-current	
Debtor Company RUT	Debtor Company Name	Creditor Company Name	Maturity in less than 90 days ThCh$	Maturity in over 90 days ThCh$	December 31, 2018 Current ThCh$	Maturity 1 to 3 years ThCh$	Maturity over 5 years ThCh$	December 31, 2018 Non-current ThCh$
76.555.400-4	Transelec S.A	Banco Crédito e Inversiones	-	-	-	-	-	-
Total				**-**	**-**	**-**	**-**	**-**

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

12.3 OTHER ASPECTS

As of December 31, 2018 and December 31, 2017, Transelec had available a credit line of US$250 million, which has not been used as of said dates.

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

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NOTE 13 - TRADE AND OTHER PAYABLES

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

Trade and other payables	Current		Non- current	
	December 31, 2018 ThCh$	December 31, 2017 ThCh$	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Trade and other payables	45,621,741	54,877,542	-	-
Other accounts payable	1,811,584	1,616,823	-	-
Total	**47,433,325**	**56,494,365**	**-**	**-**

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

NOTE 14 - DERIVATIVE INSTRUMENTS

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

> Cash flow hedging instruments: Those that hedge the cash flows of the hedged underlying item.

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

14.1 DERIVATIVES ASSETS AND LIABILITIES

	December 31, 2018				December 31, 2017			
	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	-	42,246	(4,070,488)	-	-	-	(4,070,488)	(13,611,996)
Currency and rate non hedge swap	20,902	-	-	-	39,170	-	-	-
Non hedge Swap Contracts	170,391	-	-	-	-	-	-	-
Total	**191,293**	**42,246**	**(4,070,488)**	**-**	**39,170**	**-**	**(4,070,488)**	**(13,611,996)**

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14.2 OTHER INFORMATION

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

Financial derivatives		Maturity						
	Fair value ThCh$	Before 1 year ThCh$	2019 ThCh$	2020 ThCh$	2021 ThCh$	2022 ThCh$	Subsequent years ThCh$	December 31, 2018 Total ThCh$
Currency hedge Swap	(4,028,242)	(4,070,488)	-	-	-	-	42,246	(4,028,242)
Interest rate Swap (non-hedging)	20,902	20,902	-	-	-	-	-	20,902
Forward contracts	170,391	170,391	-	-	-	-	-	170,391

Financial derivatives		Maturity						
	Fair value ThCh$	Before 1 year ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	2021 ThCh$	Subsequent years ThCh$	December 31, 2017 Total ThCh$
Currency hedge Swap	(17,682,484)	(4,070,488)	-	-	-	-	(13,611,996)	(17,682,484)
Interest rate Swap (non-hedging)	39,170	39,170	-	-	-	-	-	39,170

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated, In the periods presented December 31, 2018 and December 31, 2017, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

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

14.3 FAIR VALUE HIERARCHIES

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

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The following table details financial assets and liabilities measured at fair value as of December 31, 2018.

Financial instrumental measured at fair value	December 31, 2018	Fair value measured at the end of the reporting period using		
		Level 1 ThCh	Level 2 ThCh	Level 3 ThCh
Financial asset (liability)				
Currency hedge Swap	(4,028,242)	-	(4,028,242)	-
Cash flows derivatives (non-hedging)	191,293	-	191,293	-
Total, net	**(3,836,949)**	**-**	**(3,836,949)**	**-**

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

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

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NOTE 15 - FINANCIAL INSTRUMENTS

The classification of financial assets in the categories described in Note 2.9 is shown below:

December 31, 2018	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	104,059,274	-	-	-	-	104,059,274
Other financial assets, current	-	1,030,014	191,293	-	-	1,221,307
Trade and other receivables	-	72,332,105	-	-	-	72,332,105
Other financial assets, non-current	-	28,924,095	-	42,246	15,286	28,981,627
Receivables from related parties, current	-	2,607,684	-	-	-	2,607,684
Receivables from related parties, non-current	-	228,259,514	-	-	-	228,259,514
Total	**104,059,274**	**333,153,412**	**191,293**	**42,246**	**15,286**	**437,461,511**

December 31, 2018	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
	ThCh$	For profit or loss ThCh$	For other comprehensive income ThCh$	Hedge ThCh$	No Hedge ThCh$	ThCh$
Cash and cash equivalents	1,030,014	104,059,274	-	-	-	104,059,274
Other financial assets, current	72,332,105	-	-	-	191,293	1,221,307
Trade and other receivables	28,924,095	-	-	-	-	72,332,105
Other financial assets, non-current	2,607,684	15,286	-	42,246	-	28,981,627
Receivables from related parties, current	228,259,514	-	-	-	-	2,607,684
Receivables from related parties, non-current	-	-	-	-	-	228,259,514
Total	**333,153,412**	**104,074,560**	**-**	**42,246**	**191,293**	**437,461,511**

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NOTE 15 - FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2017	Cash and cash equivalents ThCh$	Loans and receivables ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Available for sale investments ThCh$	Total ThCh$
Cash and cash equivalents	61,628,069	-	-	-	-	61,628,069
Other financial assets, current	-	834,163	39,170	-	-	873,333
Trade and other receivables	-	45,225,066	-	-	-	45,225,066
Other financial assets, non-current	-	24,159,796	-	-	15,285	24,175,081
Receivables from related parties, current	-	34,323,681	-	-	-	34,323,681
Receivables from related parties, non-current	-	190,683,003	-	-	-	190,683,003
Total	**61,628,069**	**295,225,709**	**39,170**	**-**	**15,285**	**356,908,233**

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

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The classification of financial liabilities in the categories described in Note 2.9 is shown below:

December 31, 2018	Other financial liabilities ThCh$	Derivatives at fair value through profit or loss ThCh$	Derivatives at fair value through equity ThCh$	Total ThCh$
Other financial liabilities, current	28,880,501	4,070,488	-	32,950,989
Trade and other payables	47,433,325	-	-	47,433,325
Other financial liabilities, non-current	1,442,434,138	-	-	1,442,434,138
Total	**1,518,747,964**	**4,070,488**	**-**	**1,522,818,452**

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
December 31, 2018	ThCh$	For Profit or Loss ThCh$	For other comprehensive income ThCh$	ThCh$	For Profit or Loss ThCh$	ThCh$
Other financial liabilities, current	28,880,501	-	-	4,070,488	-	32,950,989
Trade and other payables	47,433,325	-	-	-	-	47,433,325
Other financial liabilities, non-current	1,442,434,138	-	-	-	-	1,442,434,138
Total	**1,518,747,964**	**-**	**-**	**4,070,488**	**-**	**1,522,818,452**

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NOTE 15 - FINANCIAL INSTRUMENTS (CONTINUED)

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

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

NOTE 16 - PROVISIONS

16.1 DETAIL OF PROVISIONS

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

Detail	Current		Non-current	
	December 31, 2018 ThCh$	December 31, 2017 ThCh$	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Staff severance indemnities	384,004	189,823	5,730,553	4,533,592
Accrued vacations	1,820,222	1,692,184	-	-
Profit sharing benefits	4,497,305	4,735,588	-	-
Other provisions	205,447	205,447	-	-
Total	**6,906,978**	**6,823,042**	**5,730,553**	**4,533,592**

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16.2 PROVISION MOVEMENTS

In 2018 and 2017, provision movements were the following:

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Beginning balance as of January 1, 2018	4,723,415	4,735,588	1,692,184	205,447	11,356,634
Movements in provisions:	-	-	-	-	-
Provisions during the year	3,403,764	5,440,184	1,263,835	-	10,107,783
Payments	(2,012,622)	(5,678,467)	(1,135,797)	-	(8,826,886)
Ending balance as of December 31, 2018	**6,114,557**	**4,497,305**	**1,820,222**	**205,447**	**12.637.531**

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Beginning balance as of January 1, 2017	4,538,823	4,314,711	1,655,522	205,447	10,714,503
Movements in provisions:					
Provisions during the year	519,696	5,456,356	1,146,823	-	7,122,875
Payments	(335,104)	(5,035,479)	(1,110,161)	-	(6,480,744)
Ending balance as of December 31, 2017	**4,723,415**	**4,735,588**	**1,692,184**	**205,447**	**11,356,634**

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NOTE 16 - PROVISIONS (CONTINUED)

16.2 PROVISION MOVEMENTS (CONTINUED)

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

As of December 31, 2018

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities	384,004	509,338	340,522	4,880,693
Accrued vacations	1,820,222	-	-	-
Profit sharing benefits	4,497,305	-	-	-
Other provisions	205,447	-	-	-
Total	**6,906,978**	**509,338**	**340,522**	**4,880,693**

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

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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.

16.3 LAWSUITS AND ARBITRATION PROCEEDINGS TRANSELEC S.A.

1) With regard to delays in two of the important milestones of Nogales-Polpaico project, the Ministry of Energy proceeded in June 2016 to collect two guarantees for a total of US $ 2,960,000. In December 2016, the CDEC-SIC (currently CEN) settled the fine for delays to start the operations of the Project and reported that Transelec was obliged to pay the maximum fine, that is, US$1,800,000. Transelec filed an appeal for protection against the CDEC-SIC (currently CEN) and the Ministry of Energy, since there are requests for extension of time they have not been resolved by the Ministry, so it is entirely inappropriate to act CDEC-SIC (currently CEN) and the failure of the Ministry of Energy. The Court of Appeals declared admissible and ordered injunction, By judgment dated December 13, 2016, the Court of Appeals rejected the protection. The Supreme Court rejected the appeal presented, TGR's report of the fine is pending, to then proceed with its payment.

As of December 31, 2018 the Company has established a provision for these and other contingents liabilities totaling to ThCh$1,548,219 considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC.

2) As of December 31, 2018, the company Campanario Generación S,A, has not fulfilled its obligation to pay invoices

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issued by Transelec for the injection and withdrawal balances issued by the CDEC-SIC (currently CEN) in December 2010, July, August and December 2011, plus provisional payments for the use of Zonal Systems (former Subtransmission), common facilities and lease of physical spaces, On August 3, 2011, Transelec notified the SEC of this company's failure to comply with its obligation so it could adopt legally appropriate measures.

In order to collect the funds owed by Campanario Generación S,A,, on August 12, 2011, Transelec S,A, filed a preparatory invoice notification measure against that company before the 5th Civil Court of Santiago for unpaid invoices totaling ThCh$ 6,285,171. This judicial management was presented to the 5th Civil Court of Santiago.

On December 13, 2011, Campanario Generación S,A, was declared bankrupt by the 6th Civil Court of Santiago, In this bankruptcy proceeding, Transelec claimed ThCh$ 14,688,235, which includes VAT of ThCh$ 2,345,064, plus principal, interest, indexation adjustments and costs.

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

On 31 of December the company proceeded to right-off the provision from Campanario Generación S.A.

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

17.1 DETAIL OF ACCOUNT

Employee benefit obligations	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Staff severance indemnity provision – current	384,004	189,823
Staff severance indemnity provision non – current	5,730,553	4,533,592
Total Employee benefit obligations Current and Non-current	**6,114,557**	**4,723,415**

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17.2 DETAIL OF OBLIGATIONS TO EMPLOYEES

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

	Staff severance indemnity	
	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Present value of defined benefit plan obligations opening balance	4,723,415	4,538,823
Current service cost of defined benefit plan obligations	1,592,351	519,696
Liquidations obligation defined benefit plan	(201,209)	(335,104)
Present value of defined benefit obligations ending balance	**6,114,557**	**4,723,415**

(*) The figure as of December 31, 2018 includes ThCh$1.151.577 related to the update of the actuarial assumptions recorded into Other Comprehensive Income.

17.3 BALANCE OF OBLIGATIONS TO EMPLOYEES

	Staff severance indemnity	
	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Present value of defined benefit obligations, ending balance	**6,114,557**	**4,723,415**
Present obligation with defined benefit plan funds	6,114,557	4,723,415
Balance of defined benefit obligations, ending balance	**6,114,557**	**4,723,415**

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17.4 EXPENSES RECOGNIZED IN INCOME STATEMENT

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2018 to December 31, 2018 ThCh$	January 1, 2017 to December 31, 2017 ThCh$	
Current service cost of defined benefit plan	965,221	716,653	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	311,271	229,941	Cost of sales and Administrative expenses
Total expense recognized in income statement	**1,276,492**	**946,594**	

17.5 ACTUARIAL HYPOTHESIS

Detail	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Discount rate used	1,65%	1,95%
Inflation rate	3%	1,3%
Future salary increase	1,10%	2,0%
Mortality table	RV-2014	B-2006
Disability table	30% RV-2014	PDT1985-Categoría II
Rotation table	2,77%/0,92%	ESA-77

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

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17.6 SENSITIVITY ANALYSIS

The following chart shows the sensitivity analysis of the significant hypotheses as of December 31, 2018:

	Discount rate used		Inflation rate		Future salary increase	
Level of Sensitivity	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)
Impact on current and non-current of employment benefit obligation	(206,779)	227,942	222,537	(206,103)	226,887	(209,828)

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, 2018.

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

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
During the upcoming 12 month	384,004	189,823
Between 2 to 5 years	1,204,336	852,772
Between 5 to 10 years	1,835,101	1,692,823
More than 10 years	2,691,116	1,987,997
Total Payments Expected	**6,114,557**	**4,723,415**

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NOTE 18 - EQUITY

18.1 SUBSCRIBED AND PAID CAPITAL

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

18.2 NUMBER OF SUBSCRIBED AND PAID SHARES

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

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

18.3 DIVIDENDS

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

At Board of Directors' Meeting held on May 17, 2017, it was agreed to distribute a provisional dividend with debit to the 2017 income, in the amount of ThCh$19,222,000, which will be paid as of June 15, 2017, to the shareholders listed in the respective registry as of June 9, 2017, As of December 31, 2017, this dividend has been fully paid.

On August 23, 2017, the Ordinary Shareholders meeting of the Company was celebrated, where they agreed to distribute a provisional dividend with debit to 2017 income, in the amount of ThCh$17,816,000 which will be paid as of December 26, 2017, to the shareholders listed in the respective registry as of December 20, 2017, As of December 31, 2017, this dividend has been paid in full.

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

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

At Board of Directors' Meeting held on May 23, 2018, it was agreed to distribute a provisional dividend with debit to the 2018

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income, in the amount of ThCh$19,404,000, which will be paid as of June 19, 2018, to the shareholders listed in the respective registry as of June 13, 2018, As of June 30, 2018, this dividend has been fully paid.

At Board of Directors' Meeting held on August 22, 2018, it was agreed to distribute a provisional dividend with debit to the 2018 income, in the amount of ThCh$20,483,000, which will be paid as of December 25, 2018, to the shareholders listed in the respective registry as of December 15, 2018, As of December 31, 2018, this dividend has been fully paid.

There was a no distribution agreement for the las quarter of 2018.

18.4 OTHER RESERVES

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

Description	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Net investment hedge	575,763	2,545,569
Cash flow hedge (Exchange rate)	(58,304,659)	(14,042,004)
Actuarial calculation exchange differences	726,408	(431,169)
Deferred taxes	15,390,672	3,220,453
Total	**(41,611,816)**	**(8,707,151)**

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

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2018	**1,858,266**	**(10,250,663)**	**(314,754)**	**(8,707,151)**
Translation adjustment	(1,969,806)	(43,483,133)	1,157,577	(44,295,362)
Deferred tax	531,848	11,740,446	(312,546)	11,959,748
Others	-	(569,051)	-	(569,051)
Closing balance as of December 31, 2018	**420,308**	**(42,562,401)**	**530,277**	**(41,611,816)**

18.5 CAPITAL MANAGEMENT

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

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

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

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

1) Maintain individual and indebtedness levels (Total debt / Total capitalization ratio) no greater than 0,7 based on the definitions of these terms in the respective prospectuses of local bond series C, D, H, K, M, N and Q.

2) a) Maintain minimum individual and equity of fifteen million UF equivalent to ThCh$ 407,381,550 as of December 31, 2018, As that term is defined in the respective prospectuses of local bond series C, D, H, K, M and N.

b) Maintain at all times during the validity period of the bond issuance a minimum Equity of ThCh$ 350,000,000; as this term is defined in the respective prospectus of local bond Series Q.

The test of distribution of restricted payments (net cash flow of the operations / financial costs) must be greater than 1,5 times, as those terms are defined in the respective prospectuses C,D,H,K,M and N.

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The following tables present – as of December 31, 2018 and December 31, 2017 - the calculation of the two covenants mentioned above and also a calculation of a third ratio that the Company has to comply, which does not depend on capital (equity) amount.

Covenant 1	***Total debt / Total capitalization ratio Lower or equal to 0,70***	***December 31, 2018 ThCh$***	***December 31, 2017 ThCh$***
A	Other financial liabilities, current	32,951	51,130
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,442,434	1,352,903
D	Payables to related parties, non-current	-	-
E=A+B+C+D	***Covenants debt***	***1,475,385***	***1,404,033***
G	Debt with guarantees (1)	-	-
DT=E+G	***Total debt***	***1,475,385***	***1,404,033***
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	800,893	786,360
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	***Total capitalization***	***2,301,248***	***2,215,363***
DT/CT	***Total debt / Total capitalization ratio***	***0,64***	***0,63***

Covenant 2	***Minimum equity, Greater than or equal to UF 15 million/ Greater or equal to ThCh$ 350,000***	***31.12.2018 MM$***	***31.12.2017 MM$***
P	Equity attributable to owners of the parent	800,893	786,360
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	***Equity (in ThCh$)***	***825,863***	***811,330***
UF	UF value	27,565,79	26,798,14
(I+P)/UF	***Equity (in UF millions)***	***29,96***	***30,28***

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NOTE 18 – EQUITY (CONTINUED)

18.5 CAPITAL MANAGEMENT (CONTINUED)

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1,5	December 31, 2018 ThCh$	December 31, 2017 ThCh$
FO	Cash flow from operations	203,189	187,507
CF	Financial costs	68,692	69,326
IG	Income tax expense	37,586	25,029
FNO=FO+CF+IG	**Funds from operations**	**309,467**	**281,862**
FNO/CF	**Funds from operations / Financial costs**	**4,51**	**4,07**

Covenant N° 4	Total debt / Adjusted EBITDA Lower or equal to 0,70	December 31, 2018 ThCh$	December 31, 2017 ThCh$
A	Other financial liabilities, current	32,951	51,130
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,442,434	1,352,903
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,475,385**	**1,404,033**
F	Debt with guarantees	-	-
G=E+F	**Total debt**	**1,475,385**	**1,404,033**
H	Cash and cash equivalents	(104,059)	(61,628)
DN=G-H	**Net debt**	**1,371,326**	**1,342,405**
I	Operating revenues	329,217	278,599
J	Cost of sales	(82,877)	(83,319)
K	Administrative expenses	(25,791)	(22,953)
L	Depreciation and amortization	53,592	55,379
N	Other gains	3,104	3,555
O	Finance lease amortization	907	1,120
EA=I+J+K+L+N+O	**Adjusted EBITDA**	**278,152**	**232,381**
(G-H)/EA	**Net debt /Adjusted EBITDA**	**4,93**	**5,78**

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

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NOTE 19 - REVENUE

19.1 REVENUE

The following table details revenue for the Twelve-month periods ended December 31, 2018 and 2017:

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Revenues from regulated transmission services	229,197,558	192,984,656
Revenues from contractual transmission services	96,375,854	81,724,870
Leases revenue	3,643,794	3,889,558
Total revenues	**329,217,206**	**278,599,084**
Customers from regulated transmission services	247,018,431	193,358,976
Customers from contractual transmission services	78,554,981	81,350,550
Other	3,643,794	3,889,558
Total	**329,217,206**	**278,599,084**
National Revenue	188,712,149	173,133,593
Local Revenue	76,138,536	43,581,969
Dedicated Revenue	54,508,818	51,165,872
Revenue from services	6,213,909	6,828,092
Other	3,643,794	3,889,558
Total	**329,217,206**	**278,599,084**
Transferred assets in a specific moment	-	-
Transferred services by a long time	329,217,206	278,599,084
Total revenue	**329,217,206**	**278,599,084**

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NOTE 19 – REVENUE (CONTINUED)

19.2 OTHER OPERATING INCOME

The following table details operating income for the nine -month periods ended December 31, 2018 and 2017:

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Financial income (Note 21,4)	10,097,097	9,138,490
Other gains (losses), net	3,104,065	3,555,416
Total other operating income	**13,201,162**	**12,693,906**

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS

20.1 EXPENSES BY NATURE

The composition of cost of sales and administrative expenses by nature in the Twelve-month periods ended December 31, 2018 and 2017:

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Personnel expenses	25,688,290	20,654,850
Operating expenses	18,072,161	18,884,715
Maintenance expenses	8,996,564	7,002,323
Depreciation and write-offs	53,592,248	55,379,282
Other	2,318,252	4,350,438
Total	**108,667,515**	**106,271,608**

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20.2 PERSONNEL EXPENSES

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

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Salaries and wages	19,053,731	18,275,297
Short-term employee benefits	2,653,983	991,784
Staff severance indemnity	1,276,492	946,594
Other long-term benefits	1,256,738	1,191,934
Other personnel expenses	10,030,175	7,726,281
Expenses capitalized on construction in progress	(8,582,829)	(8,477,040)
Total	**25,688,290**	**20,654,850**

20.3 DEPRECIATION AND AMORTIZATION

The following table details depreciation and amortization for the nine-month periods ended December 31, 2018 and 2017:

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Depreciation	48,699,782	47,434,329
Amortization	2,463,639	1,871,187
Losses from damages (1)	2,428,827	6,073,766
Total	**53,592,248**	**55,379,282**

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

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NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS (CONTINUED)

20.4 FINANCIAL RESULTS

The Company's financial result for the nine-month periods ended December 31, 2018 and 2017 is detailed as follows:

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Financial income:	***10.097.097***	***9.138.490***
Commercial interest earned	609.028	8.730
Bank interest earned	1.396.855	1.091.510
Interest earned from related parties	8.091.214	8.038.250
Financial expenses:	***(68.691.583)***	***(69.326.217)***
Interest on bonds	(59.235.015)	(57.566.360)
Commercial interest incurred	-	(130.891)
Interest rate Swap	(8.706.468)	(9.428.636)
Interest paid to related parties	-	(250.295)
Other expenses	(750.100)	(1.950.035)
Gain (loss) from indexation of UF	***(20.544.496)***	***(12.278.843)***
Foreign exchange gains (losses), net	***(1.461.203)***	***(138.355)***
Obligations with public	(81.604.098)	55.751.655
Intercompany Loan	20.952.263	(14.833.729)
Financial Instruments	57.059.914	(39.015.604)
Other	2.130.718	(2.040.677)
Total financial result, net	***(80.600.185)***	***(72.604.925)***

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NOTE 21 - INCOME TAX RESULT

Income tax expense	***01/01/2018 12/31/2018 ThCh$***	***01/01/2017 12/31/2017 ThCh$***
Current tax expense	91,292	162.101
Current tax expense, net, total	***91,292***	***162.101***
Deferred tax expense relating to origination and reversal of temporary differences	37,494,577	24.866.853
Deferred tax expense, net, total	***37,494,577***	***24.866.853***
Effect of change in tax situation of the entity or its shareholders Income tax expense	***37,585,869***	***25.028.954***

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 December 31, 2018 and 2017:

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense	***01/01/2018 12/31/2018 ThCh$***	***01/01/2017 12/31/2017 ThCh$***
Tax expense at statutory rate	(38,624,464)	(26,335,881)
Correction of opening balance tax loss	78,152	275,915
Change in income tax rate, Tax Reform Law 20,780	1,497,788	1,134,182
Other differences increase (decrease)	(537,345)	(103,170)
Total adjustments to tax expense using statutory rate	1,038,595	1,306,927
Tax Expense at effective Rate	***(37,585,869)***	***(25,028,954)***

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NOTE 21 - INCOME TAX RESULT (CONTINUED)

	01/01/2018 12/31/2018 ThCh$	01/01/2017 12/31/2017 ThCh$
Statutory Tax Rate	27,00%	25,50%
Correction of opening balance tax loss	(0,05%)	(0,27%)
Change in income tax rate, Tax Reform Law 20,780	(1,05%)	(1,10%)
Other differences increase (decrease)	0.37%	0,10%
Adjustments to Statutory Tax Rate, Total	(0,73%)	(1,27%)
Effective Tax Rate	***26,27%***	***24,23%***

The tax rate used for the periods 2018 and 2017 reconciliations corresponds to 27% and 25,5%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations.

TAX REFORM CHILE

On December 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.

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NOTE 22 - EARNINGS PER SHARE

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

Basic Earnings per Share	***December 31, 2018***	***December 31, 2017***
Profit attributable to equity holders of parent (ThCh$)	105,467,702	78,249,013
Earnings available to common shareholders, basic (ThCh$)	105,467,702	78,249,013
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	105,468	78,249

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

NOTE 23 - SEGMENT REPORTING

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

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

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

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

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

The law distinguishes between the different systems in order to ensure that tariffs are appropriate for each case, Nevertheless, facilities of a given voltage (220 KV, for example) are identical, whether national (former trunk), Zonal (former subtransmission) or committed (former additional, Thus, a 220 KV facility requires a given type of maintenance, fundamentally because of its geographic location, its proximity to the ocean, the climate, etc,, but in no case does this maintenance depend on whether that 220 KV facility is national (former trunk), zonal (former subtransmission) or additional, Thus, for Transelec this classification into national (former trunk), zonal (former subtransmission) or additional systems is merely for tariff purposes and has no other consequences.

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

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

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

Information about products and services

	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Revenues from regulated transmission services	229,197,558	192,984,656
Revenues from contractual transmission services and others	100,019,648	85,614,428
Total revenues	***329,217,206***	***278,599,084***

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Information about sales and principal customers

The Company has three clients that each represent more than 10% of the total revenue as of December 31, 2018, The amount of revenue recognized for those clients in 2018 is ThCh$76,995,844, ThCh$32,766,858 and ThCh$30,847,560, respectively, As of December 31, 2017, the Company had three clients that each represented more than 10% of the total revenue as of said date, The amount of revenue recognized for those clients in 2017 was ThCh$87,717,127, ThCh$37,826,998 and ThCh$35,802,814, respectively.

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

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

NOTE 25 - DISTRIBUTION OF PERSONNEL (NON AUDITED)

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

December 31, 2018

	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	***15***	***396***	***127***	***538***	***531,6***

December 31, 2017

	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	***15***	***382***	***132***	***529***	***522,8***

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NOTE 26 - ENVIRONMENT

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

During for the twelve-month ended December 31, 2018 and 2017, the Company has made the following environmental disbursements:

Company making disbursement	Project	December 31, 2018 ThCh$	December 31, 2017 ThCh$
Transelec S,A,	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors	554,367	2,403,013
Total		**554,367**	**2,403,013**

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NOTE 27 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

			December 31, 2018		December 31, 2017	
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$	58,070,904	-	15,888,701	-
	Other Currency	CH$	289,637	-	28,717	-

			December 31, 2018		December 31, 2017	
Current Liabilities	**Foreign Currency**	**Functional Currency**	**Maturity less than 90 days ThCh$**	**Maturity more than 91 to 1 year ThCh$**	**Maturity less than 90 days ThCh$**	**Maturity more than 91 to 1 year ThCh$**
Other financial liabilities, current	Dólar estadounidense	CLP	18,297,804	-	4,031,317	13,611,996

			31 de diciembre de 2018			31 de diciembre de 2017		
Non-Current Liabilities	**Foreign Currency**	**Functional Currency**	**1 to 3 year ThCh$**	**3 to 5 year ThCh$**	**More than 5 year ThCh$**	**1 to 3 year ThCh$**	**3 to 5 year ThCh$**	**More than 5 year ThCh$**
Other financial liabilities, non-current	Dollars	CH$	-	-	701.866.575	-	-	619,965,715
	Other Currency	CH$	-	-	-	-	-	-

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NOTE 28 – BUSINESS COMBINATION

Purchase of Transmisión Del Melado SpA.

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

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

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

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

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NOTE 29 - SUBSEQUENT EVENTS

On January 15, 2019, there was a no distribution agreement regarding the provisory distribution for the year 2018.

Between December 31, 2018, closing date of these consolidated financial statements and the date of issuance, there has been no other significant financial and accounting events that may affect the equity of the Company or the interpretation of these consolidated financial statements.

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

TRANSELEC S.A. AND SUBSIDIARY
Management Discussion and Analysis (MD&A)
of the Financial Statements
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SUMMARY

As of December 31, 2018, Revenues reached MCh$329,217 showing an increase of 18.2% compared to the same period of 2017 (MCh$278,599). The increase is mostly explained by the entry into force of 6T Decree which mainly establishes the new Zonal tariffs. Commissioning of new projects during the year and macroeconomics effects, explained mostly due to the local and international consumer price index also explain the Revenues increase.

As of December 31s, 2018, Transelec obtained an EBITDA[1] of MCh$279,153, a 19.7% higher than the obtained in the same period of 2017 (MCh$232,382), with an EBITDA Margin[2] of 84.5%. The EBITDA increase is almost totally due to the higher Revenues explained before.

The loss in Non-Operating Income as of December, 2018 was MCh$77,496, representing an increase of 12.2% compared to the same period of 2017 (MCh$69,050). The main item that explain this increase is higher losses for indexed assets and liabilities of MCh$8,265, which mostly measures the inflation impact on the UF denominated debt of the Company.

Net Income recorded by the Company as of December 31, 2018 was MCh$105,468, which is 34.8% higher compared to the same period of 2017, in which was registered a net income of MCh$78,249.

During 2018, the Company incorporated US$163.3 million of new facilities, which correspond to two new National projects commissioning, four expansions in the National and one in the Zonal segment. Among the commissioned projects, stands out the "Línea 2x220 kV Lo Aguirre - Cerro Navia" project which considers an underground section of approximately 1.5 km.

[1] *EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization*
[2] *EBITDA Margin= EBITDA/Revenues*

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RELEVANT EVENTS OF THE PERIOD:

> On March 15, 2018, the purchase and sale of shares between Brookfield Asset Management (BAM) and China Southern Power Grid International (CSGI) took place, therefore, CSGI became shareholder of the 27.79% that BAM indirectly owned in Transelec SA. The other 3 indirect shareholders remain unchanged (Canada Pension Plan (CPP), BCI (former bcIMC) and Public Sector Pension Investment (PSP)).

> On April 27, 2018, the Ordinary Shareholders Meeting was held, it was approved, among other things:

- Approve the Financial Statements as of December 31, 2018.
- Approve Deloitte as the External Auditors for 2018 exercise.

> In November 2018, the local risk rating agency Humphreys upgraded the Company's rating from AA- to AA with stable outlook. Additionally, during 2018, the local risk rating agencies Feller and Fitch Ratings ratified the AA- classifications. The international risk rating agencies Moody's, Fitch Ratings and Standard & Poors, also ratified Transelec's ratings at Baa1, BBB and BBB, respectively.

> In August 3, 2018, Transelec paid the Promissory Note of MCh$20.000 held with Banco BCI at its maturity.

> In October 2018, Decree 6T was published in the Official Gazette, which establishes the new rates for the Zonal segment, which will be valid from January 1, 2018 to December 31, 2019. The income difference between the previous Decree and the current one, which occurred during the first 3 quarters of 2018, was recognized retroactively as income in the fourth quarter of 2018.

> In November took place the first meeting between the Board of Directors and Employees where the functioning and responsibilities of the Board and the different Committees were made known. Likewise, some employees were able to present some topics that are being carried out in the Company.

> During 2018, Transelec have distributed the following amounts to the shareholders:

- MCh$18,712 as the definitive dividend of 2017 exercise, distributed on May 23, 2018.
- MCh$19,404 as the first provisory dividend of 2018, distributed on June 19, 2018.
- MCh$20,483 as the second provisory dividend of 2018, distributed on September 25, 2018.
- The Board of Directors agreed to suspend the third provisory dividend.

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1- INCOME STATEMENT ANALYSIS

Items	December 2018 MCh$	December 2017 MCh$	Variation 2018/2017 MCh$	Variation 2018/2017 %
Revenues	**329,217**	**278,599**	**50,618**	**18,2%**
Toll sales	323,003	271,771	51,232	18,9%
Services	6,214	6,828	-614	-9,0%
Operation Costs and Expenses	**-108,668**	**-106,272**	**-2,396**	**-2,3%**
Sales Costs	-31,783	-31,513	-270	-0,9%
Administrative Expenses	-23,293	-19,380	-3,913	-20,2%
Depreciation and Amortization	-53,592	-55,379	1,787	3,2%
Operating Income	**220,549**	**172,327**	**48,222**	**28,0%**
Financial Income	10,097	9,138	959	10,5%
Financial Costs	-68,692	-69,326	634	0,9%
Foreign exchange differences	-1,461	-138	-1,323	-956,1%
Gain (loss) for indexed assets and liabilities	-20,544	-12,279	-8,265	-67,3%
Other income (Losses)	3,104	3,555	-451	-12,7%
Non-Operating Income	**-77,496**	**-69,050**	**-8,446**	**-12,2%**
Income before Taxes	**143,053**	**103,278**	**39,775**	**38,5%**
Income Tax	-37,586	-25,029	-12,557	-50,2%
Net Income	**105,467**	**78,249**	**27,218**	**34,8%**
EBITDA[1]	**278,153**	**232,382**	**45,771**	**19,7%**
EBITDA Margin[2]	**84,5%**	**83,4%**	**-**	**-**

[1] *EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization*
[2] *EBITDA Margin= EBITDA/Revenues*

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A) OPERATING INCOME

At the end of 2018, the Revenues reached MCh$329,217 increasing an 18.2% compared to the same period of 2017 (MCh$278,599). The increase is explained by higher revenues from Toll Sales which at the end of December totaled MCh$323,003, an 18.9% higher than the obtained in the same period of 2017 (MCh$271,771). The Services revenues as of December 31, 2018 reached MCh$6,214, a 9.8% lower than the same period of 2017 (MCh$6,828).

The increase in Toll Sales Revenues is explained by an increase of MCh$15,579 in the National segment, MCh$32,557 in the Zonal segment and MCh$3,097 in the Dedicated segment.

As a whole, the increase in Revenues is mainly explained by: (i) the entry into force of 6T Decree, which establishes the tariffs for the Zonal Segment for 2018-2019 period for MCh$29,156, (ii) new projects in 2018 that became operative in the last twelve months of MCh$11,413 and (iii) macroeconomic effects by MCh$6,260.

Total Transelec Operational Costs and Expenses as of December 31, 2018 were MCh$108,668, a 2.3% higher than the comparison period in 2017 that reached MCh$106,272. Total costs are composed by the following main items.

Cost of sales during the analysis period totaled MCh$31,783, a 0.9% higher than the same period of 2017 (MCh$31,513). The increase is mainly explained by higher maintenance costs associated to the increase of preventive activities, in which main focus has been vegetation control and line-insulator wash and a payment associated to the end of a negotiation with one of the unions. This is almost totally offset by lower payments associated to the coordinator functioning because the new Transmission Law doesn't consider this costs.

Administrative Expenses amounted MCh$23,293 in December 2018, 20.2% higher than those obtained in the same period in 2017 (MCh$19,380). The increase is mainly explained by higher personnel costs due to a payment associated to the end of a negotiation with one of the unions and higher consultancy costs associated to a Strategy, Digital Transformation a Productivity initiatives.

Total Depreciation and Amortization as of December 31, 2018 reached MCh$53,592, a 3.2% lower than the same period in 2017 (MCh$55,379). The decrease is mainly explained by higher right-off in 2017, partially compensated by new commissioning and higher amortizations due to software investments between both periods.

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B) NON-OPERATING INCOME

The Non-Operating Income of 2018 was a loss of MCh$77,496, a 12.2% higher than the same period of 2017 (MCh$69,050), mainly explained by higher Losses for Indexed Assets and Liabilities.

The loss for Indexed Assets and Liabilities was MCh$20,544 as of December 31, 2018, a 67.3% higher than the loss recorded in the same period of 2017 (MCh$12,279). This is mainly due to the readjustment of local bonds in UF because of the variation in the value of the UF that for the first half of 2018 corresponds to 2.86% compared to a 1.71% for the same period of 2017, due to lower inflation in that period. It should be reminded that this accrual is a non-cash effect.

The Financial Costs recorded as of December, 2018 amounted to MCh$68,692, practically in line to the same period of the previous year (MCh$69,326).

Other Income as of December 31, 2018, reached MCh$3,104 a 12.7% lower than the same period of 2017 (MCh$3,555). This is mainly explained by 2017 supplier regularizations and higher Income in 2017 due to an insurance.

Foreign Exchange Differences as of December, 2018 amounted a loss of MCh$1,461. The Company has a hedge policy that helps to reduce this losses. During 2018, important variations of foreign exchange impact on temporary balance items remain low, associated with the foreign currency hedging policy of the balance sheet, resulting in the mentioned loss.

Financial Income registered as of December, 2018 reached MCh$10,097, a 10.5% higher than the obtained on the same period of 2017 (MCh$9,138). The increase is explained by higher cash balance.

C) INCOME TAX

Income Tax as of December 31, 2018 was MCh$137,586, increasing by 50.2% in relation to the same period of 2017 (MCh$25,029). The increase is mainly due to higher Income before Taxes.

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2. BALANCE SHEET ANALYSIS

Items	*December 2018 MCh$*	*December 2017 MCh$*	*Variation 2018/2017 MCh$*	*Variation 2018/2017 %*
Current assets	182,398	145,839	36,559	25,1%
Non-current assets	2,268,052	2,199,796	68,256	3,1%
Total Assets	**2,450,450**	**2,345,635**	**104,815**	**4,5%**
Current liabilities	91,041	116,590	-25,549	-21,9%
Non current liabilities	1,558,516	1,442,685	115,831	8,0%
Equity	800,893	786,360	14,533	1,8%
Total Liabilities & Equity	**2,450,450**	**2,345,635**	**104,815**	**4,5%**

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

The increase in total Liabilities and Equity is due to an increase in Non-Current Liabilities and Equity, partially offset by decreases in Current Liabilities. The rise in Non-Current Liabilities is due to an increase in financial liabilities associated with the revaluation of the debt. The increase in Equity is explained by higher accumulated earnings associated to the no distribution in the last quarter of 2018 partially offset due to a lower accumulated balance in Other Reserves. The lower current liabilities are mainly due to lower financial liabilities due the payment of the Promissory Note with Banco BCI of MCh$20,000 and lower accounts payable to suppliers.

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VALUE OF THE MAIN PP&E IN OPERATION

Assets	December 2018 MCh$	December 2017 MCh$	Variation 2018/2017 MCh$	Variation 2018/2017 %
Land	20,696	20,696	0	0,0%
Building, Infraestucture, works in progress	1,198,913	1,160,963	37,950	3,3%
Work in progress	73,920	92,667	-18,747	-20,2%
Machinery and equipment	693,226	643,509	49,717	7,7%
Other fixed assets	6,110	5,843	267	4,6%
Depreciation (less)	-513,132	-467,409	-45,723	-9,8%
Total	**1,479,734**	**1,456,268**	**23,466**	**1,6%**

CURRENT DEBT

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital) December 2018	December 2017
Series D bond	UF	4,25%	Fixed	15-Dec-27	13,50	13,50
Series H bond	UF	4,80%	Fixed	01-Aug-31	3,00	3,00
Series K bond	UF	4,60%	Fixed	01-Sep-31	1,60	1,60
Series M bond	UF	4,05%	Fixed	15-Jun-32	3,40	3,40
Series N bond	UF	3,95%	Fixed	15-Dec-38	3,00	3,00
Series Q bond	UF	3,95%	Fixed	15-Oct-42	3,10	3,10
Series Senior Notes bond @2023	USD	4,625%	Fixed	26-Jul-23	300,00	300,00
Series Senior Notes bond @2025	USD	4,25%	Fixed	14-Jan-25	375,00	375,00
Series Senior Notes bond @2029	USD	3,875%	Fixed	12-Jan-29	350,00	350,00
Revolving Credit Facility[1]	USD	4,06%	Floating	03-Aug-20	-	-
Revolving Credit Facility[2]	UF	2,44%	Fixed	03-Aug-20	-	-
Local Promissory Note	CLP	2,77%	Fixed	03-Aug-18	-	20.000,00

[1] Revolving Credit Facility: USD Tranche MM US$150: The floating rate of 4.06% breaks down in 3 months Libor rate plus a margin of 1.25%. At December 31, 2018, the Company did not utilize this line therefore does not pay interest of 4.06% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.
[2] Revolving Credit Facility: UF Tranche MM UF$2.5: The floating rate of 2.44% breaks down in TAB UF 180 rate plus a margin of 0.25%. At December 31, 2018, the Company did not utilize this line therefore does not pay interest of 2.44% and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

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

Although increases in inflation may have an impact on the costs of debt denominated in UF and therefore on the Company's finance expenses, these impacts are slightly lessened by accounts receivable denominated in UF.

3. CASH FLOWS ANALYSIS

Items	December 2018 MCh$	December 2017 MCh$	Variation 2018/2017 MCh$	Variation 2018/2017 %
Cash flows provided by (used in) operating activities	203,189	190,442	12,747	6,7%
Cash flows provided by (used in) investing activities	-81,597	-113,963	32,366	28,4%
Cash flows provided by (used in) financing activities	-79,161	-69,498	-9,663	-13,9%
Net increase (decrease) of cash and cash equivalent	**42,431**	**6,982**	**35,449**	**507,8%**
Cash and cash equivalent at the begining of the period	61,628	54,647	6,981	12,8%
Cash and cash equivalent at the end of the period	**104,059**	**61,628**	**42,431**	**68,9%**

As of December 31, 2018, the flow from activities of the operation reached MCh$203,189, which increased by 6.7% compared to the same period of 2017 (MCh$190,442). The difference is mainly explained by lower payments to suppliers of MM$13,995.

During the same period, the cash flow used in investment activities was MCh$81,597, a 28.4% less than the amount allocated as of December 31, 2017 (MCh$113,963). The decrease is mainly explained by lower purchases of property, plant and equipment of MCh$33,334 and to a lesser extent, by a lower loan to related entities of MCh$42,049. This was partially compensated because there was a flow associated with the transfer of assets of Transelec Concesiones in 2017.

As of December 2018, the cash flow used in financing activities reached MCh$79,161, increasing by 13.9% in relation to the same period of 2017 (MCh$69,498). In 2017, the new debt from Banco BCI reduced the cash flow used that period. The payment of that debt increases de cash flow used this period.

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It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of December 31, 2018 the company has the following committed credit line (Revolving Credit Facility), which was renegotiated in 2017 and is fully available:

Bank	Amount (up to)	Maturity	Type of Credit
Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR and Export Development Canada	US$150,000,000	03-Aug-2020	Working Capital
Scotiabank and Banco Estado	UF$2,500,000	03-Aug-2020	Working Capital

4. INDICATORS

Financial restrictions contained in local debt agreements are presented in the next table:

Covenants	Debt Contract	Limit	December 2018	December 2017
Capitalization Ratio[1]	Todos los Bonos Locales	< 0,70	0,64	0,63
Shareholder's Equity1 MMUF	Bonos Locales D, H, K, M y N	> 15,00	29,96	30,28
Shareholder's Equity1 MCh$	Bono Local Q y Línea de Crédito Comprometida	> 350.000	825.863	811.330
Net Debt/Ebitda	Línea de Crédito Comprometida	<7,0x	4,93	5,78

Test	Contrato	Límite	Diciembre 2018	Diciembre 2017
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1,50	4,51	4,11

[1] Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and December 31, 2018 amounted to MCh$24.970.
[2] Test to distribute restricted payments such as dividends.
[3] FNO= Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.

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

Ratios		December 2018	December 2017	Variation 2018/2017
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	13,2%	10,0%	320 pbs
Assets profitability[3]	(%)	4,3%	3,3%	100 pbs
Operating assets profitability[4]	(%)	7,1%	5,4%	170 pbs
Earnings per share[5]	($)	105.467	78.249	34,8%
Liquidity & Indebtedness				
Current Ratio	(times)	2,00	1,25	60,0%
Acid-Test Ratio	(times)	2,00	1,25	60,0%
Debt to Equity	(times)	2,06	1,98	4,0%
Short term debt/Total debt	(%)	5,5%	7,5%	-200 pbs
Log term debt/Total debt	(%)	94,5%	92,5%	200 pbs
Financial expenses coverage	(times)	4,05	3,35	20,9%

[1] Profitability ratios are presented under last twelve months criteria.
[2] Shareholders' Equity profitability is calculated as Net Income over Equity.
[3] Assets profitability is calculated as Net Income over Total Assets.
[4] Operating assets profitability is calculated as Net Income over total value of the Main Pp&E.
[5] Earnings per share is calculated as Net Income over total shares.

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5. THE TRANSMISION MARKET

5.1. THE TRANSMISSION ACTIVITY AND ITS REGULATION

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

The transmission system of Transelec which stretches between 'Arica y Parinacota' Regions to 'Los Lagos' Region, encompasses the majority of the transmission lines and substations in the National Electrical System. This transmission system transports the electricity that supplies approximately 98.5% of Chile's population. The Company owns the 35% of all of the 500 kV electricity transport lines, 40% of the 220 kV lines, 83% of the 154 kV lines and 10% of the 110kV and 66kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) and its subsequent modifications, including Law 19,940 ('Ley Corta I') published on March 13, 2004, and the Law 20.936 issued on July 20, 2016, which stablishes a new electric transmission system and creates an independent coordinator of the National Electric System. Additionally, those who explodes and operates transmission facilities must follow at every time the Technical Standard on Reliability and Service Quality (Exempt Resolution No. 299 of April 26, 2018).

The Law 20,936/2016 redefines transmission systems classifying them into five segments: National Transmission System (previously trunk), the Transmission Systems Zonal (previously subtransmission) Systems Dedicated (previously additional transmission), Systems for Development Poles and International Systems Interconnection. Additionally the bill of law addresses the transmission planning a long-term horizon and regulates the pricing of national, zonal and for development poles systems and payment for use of transmission facilities dedicated by users liable to price regulation.

Transelec's business is focused on the economic retribution that can obtain for tolls by use of the transport and transformation capacity of its facilities, aligned to the security and quality service standards. Transelec has the right to annually receive the annual transmission value (VATT) for its facilities belonging to the national and zonal transmission systems, defined in the tariff processes or in the Decree for the award of expansion works, as the case may be. In the case of the installations of the Dedicated Transmission System, Transelec agrees private transport contracts with the respective users, to define the payment for the use of this type of facilities.

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5.2. Valuation and pricing of facilities

Prices associated to transmission activity are determined by the Commission every four years by conducting an internationally tendered study, and processes that include the participation of companies, users and interested institutions and the Panel of Experts in the event of any discrepancies.

Pricing of the existing facilities recognizes the efficient acquisition and installation costs according to market prices, which are annualized considering the assets life determined every three tariff periods and whit a variable discount rate, which will not be less than 7% or higher than 10%. The owners of regulated transmission facilities must receive the Annual Transmission Value from the sum of the real tariff revenues and a single charge associated to each segment and applied directly to end users.

During 2014 and 2015 were developed the third trunk facilities tariff process in order to determinate the tariffs and indexation formulas corresponding to the period 2016 - 2019, that were fixed by Decree N° 23T by the Minister of Energy on February 3, 2016 and its application is retroactive from January 1, 2016. These regulations established the trunk transmission facilities and the new Investment Values (VI), the Annuity of the Investment Value (AVI) and the Operating, Maintenance and Administration Costs (COMA), plus the VATT of the trunk facilities, and the Indexation formulas applicable during that period.

The Law 20,936 establishes a new payment regime for using national facilities that would become effective as of January 1, 2019 starting on that date and a transitory period that will extend until December 31, 2034, period during which the payments of the generating companies for the associated use to the supply agreements for free and regulated customers, concluded prior to the publication of enactment of this new law, will apply the same general rules for calculating the payment of the trunk transmission with some adjustments. These resulting injections tolls will be reduced year by year and the payment of the corresponding amounts will be transferred to the demand.

In relation to the Zonal transmission system facilities (previously subtransmission), on April 9, 2013, the Supreme Decree No. 14 was published by the Ministry of Energy, setting subtransmission tariffs from January 2011 to December 2014. The difference between invoiced amounts using these provisional tariffs since January 2011 until the publishing date of this decree were reassessed by the CDEC based on the difference between the provisional tariff and the definitive values established by Decree No. 14. According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 7T of April 22, 2015, the validity of the Decree No. 121/2010, which fixes the tariffs of subtransmission facilities, and of the Exempt Decree No. 14/2013, which fixes the qualification of subtransmission facilities, is extended until December 31, 2015.

In accordance with the provisions of the eleventh transitory article of Law 20,936, during the period between the January 1, 2016 and December 31, 2017, remain in force Decree No. 14 and subtransmission tariffs, excluding payment corresponding to the generating companies. The Ministry of Energy issued on May 27, 2017 the 1T Decree where the Decree No. 14 adjustments were defined to implement the exemption from power plants and for harmonious and consistent implementation with the application decree 23T. Because of this the subtransmission revenues that have been collected since is 1 January 2016 were reassessed under the provisions containing the decree.

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On the other hand, in accordance with the provisions of the twelfth article of the Transmission Law, during the period of the extended term of Decree 14 or Decree 1T, continuity and termination of the process of setting the new subtransmission rates were given which will have valid from January 1, 2018 to December 31, 2019. Thus, on July 19, 2018, the CNE published Exempt Resolution No. 531 which replaces the technical report that defines the VATT of the Zonal Transmission Systems and the proportion of use of the dedicated transmission of users subject to price regulation in the 2018-2019 biennium, approved through CNE Exempt Resolution No. 414 of July 31, 2017, in accordance with the provisions of the new Transmission Law. This technical report served as the basis for the enactment of Decree 6T, published in the official gazette on October 5, 2018, which establishes annual value per tranche of the zonal and dedicated transmission facilities used by users subject to price regulation, their rates and indexation formulas for the 2018-2019 biennium.

6.MARKET RISK FACTORS

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

6.1. REGULATORY FRAMEWORK

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

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

In addition, it should also be considered that the Law of Transmission established that the Commission, every four years, must carry out the process of qualification of the lines and electrical substations of the system to determine to which segment of the transmission they belong, that is if they belong to the system of national transmission, for development poles, of zonal transmission, denominated regulated transmission segments, or belong to the dedicated systems. Therefore, every four years there is the possibility that facilities belonging to regulated transmission segments are qualified as part of the dedicated segment and vice versa. This change in rating will imply a change also in the form of economic compensation of the facilities, based on regulated tariffs or according to private contracts. In the latter case, Transelec must first identify the users of these facilities and then negotiate the respective transport contracts with them.

The law 20,936 considers the promulgation of several regulations, has some already published (Reglamento del Coordinador Eléctrico, del Panel de Expertos, de Determinación de Franjas Preliminares, para Dictación de Normas Técnicas y para la Determinación y Pago de Compensaciones) and others are in development such as Planificación y de Valorización and publication is expected in the second half of 2018. Notwithstanding that for the elaboration of the great majority of these regulations, the authority has contemplated the participation of the private agents of the sector through workshops and of the citizenship in general through the procedures of public consultation, the authority is not obliged to incorporate the comments and observations made to the preliminary versions of the regulations, and finally may include what it deems pertinent or necessary, always in accordance with the law.

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Additionally, in virtue of the regime of unrestricted open access that the new law stablishes about the National, Zonal, International Interconnection, Development Poles Transmissions Systems and Dedicated Systems when technical capacity is available, it is possible to detect a risk directly associated to scope and application of this reform, since the authority will be the one stablishing the particular conditions of implementation of this regime in the respective bylaw. Notwithstanding this, the National Energy Commission issued on March 30 a resolution that regulates in detail this matter, in a transitional way until the issuance of the definitive regulation.

6.2. OPERATING RISKS

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

6.3. APPLICATION OF REGULATIONS AND/OR ENVIRONMENTAL LAW

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

This specialization in the institutional framework generates a scenario of greater control and oversight in the actions of the company. Notwithstanding the foregoing, on July 31, 2018, the government entered into the National Congress a bill that modernizes the Environmental Impact Assessment System (SEIA) as an environmental management instrument. With the modifications, the Executive intends to reduce the political component in the environmental qualification procedure through the creation of macrozones and the elimination of the Council of Ministers; expand and improve spaces for citizen participation and resolve historical legal controversies. To date, the legislature has not ruled on the amendments.

The enactment of the Supreme Decree No. 66/2013 of the Minister of Social Development, which regulates the indigenous consultation procedure and its application considered in the Supreme Decree No. 40/2012 for the projects in the SEIA, has had results of relative effectiveness, implying delays in the management of some projects and even the prosecution of some environmental authorizations. However, during the past few months there has been a relative decline in the prosecution of the environmental licenses.

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

6.4. DELAYS IN THE CONSTRUCTION OF NEW TRANSMISSION FACILITIES

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

6.5. TECHNOLOGICAL CHANGES

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

6.6. FOREIGN EXCHANGE RISK

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

- Transelec carries out several types of transactions in U.S. dollars (construction contracts, import purchases, etc.).
- Maintains lease contracts that generate income indexed to US dollars.
- Maintains accounts payables in US dollars associated to debt issued in U.S. America.
- Maintains accounts receivables in US dollars associated to intercompany loans.
- Maintains Cross Currency Swap contracts that compensates the risks of exchange rates on the international issuances.

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

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

	December 2018		December 2017	
In million pesos	*Assets*	*Liabilities*	*Assets*	*Liabilities*
Dollar (amounts associated with balance sheet items)	759,919	760,791	637,899	632,905
Chilean peso	1,610,961	1,610,090	1,704,719	1,709,713

Below are the exchange rates (Observed Dollar) in Chilean pesos to the United States dollar; in the periods indicated.

Month	Average 2018 ($)	Last Day 2018 ($)	Average 2017 ($)	Last Day 2017 ($)
January	605,53	603,25	661,19	646,19
February	596,84	593,61	643,21	648,88
March	603,45	603,39	661,20	663,97
April	600,55	610,98	655,74	665,41
May	626,12	631,29	671,54	672,35
June	636,15	651,21	665,15	664,29
July	652,41	639,20	658,17	652,23
August	656,25	680,48	644,24	628,89
September	680,91	660,42	625,54	637,93
October	676,84	698,56	629,55	636,80
November	677,61	671,09	633,77	645,32
December	681,99	694,77	636,92	614,75
Average of the period	**641,22**	**644,85**	**648,85**	**648,08**

The income that Transelec is entitled to receive for its facilities belonging to the national and zonal transmission systems (VATT) and for the installations of the dedicated systems (toll contracts), are indexed in order to maintain their real values during the period of validity of these rates or tolls. These revenues are expressed in accordance with their base value, in dollars, and are updated according to components whose cost variation over time correlates with national or international economic indicators, considering the availability and stability of the source that issues it.

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 31st, 2018, the Company has five clients which represent individually between 1.5% and 34.4% of total revenues. These are Enel Group (MCh$113,262), Colbún Group (MCh$45,571), AES Gener Group (MCh$39,962), Pacific Hydro-LH-LC Group (MCh$22,549) and Engie (MCh$4,918). The total sum of these main customers corresponds to a 68.7% of the total income of the Company. In the same period of 2017, the Company had a similar structure of clients, whose revenues reached to MCh$112,481, MCh$49,706, MCh$43,930, MCh$6,418 and MCh$13,763 respectively, with a percentage of total incomes of 81.2%.

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 approximately US$250 million, equivalent to MCh$173.129.975. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, being renegotiated in 2014 and 2017. The last renovation was on August 03, 2017 maintains the total amount but it includes a local tranche and a USD

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tranche with others improvements. Is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi, EDC DnB NOR and Banco Estado. This line does not include any material clause of adverse change.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of December 31, 2018 and December 31, 2017.

Debt Maturity (capital and interests) MCh$	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	more than 10 years	Total
December 31, 2018	62,052	124,104	332,535	840,330	746,648	2,105,668
December 31, 2017	77,923	115,384	115,384	1,006,579	728,358	2,043,629

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

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

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CEN (National Electrical Coordinator) through the collection or payment to the different companies, owners of generation facilities.

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

6.9. INTEREST RATE RISKS

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

The Company's assets are primarily fixed and long-lived intangible assets. Consequently, financial liabilities that are used to

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finance such assets consist primarily of long-term liabilities at fixed rates. This debt is recorded in the balance sheet at amortized cost.

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

All the debt as of December 31, 2018, and as of December 31, 2017, was at a fixed rate. However, in the case of UF indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

UF VALUES

Mes	*Average 2018 ($)*	*Last Day 2018 ($)*	*Average 2017 ($)*	*Last Day 2017 ($)*
January	26.811,97	26.824,94	26.340,76	26.318,21
February	26.864,09	26.923,70	26.336,93	26.392,09
March	26.961,32	26.966,89	26.442,88	26.471,94
April	26.980,73	27.004,63	26.512,42	26.561,42
May	27.040,06	27.078,32	26.603,14	26.630,98
June	27.119,59	27.158,77	26.651,22	26.665,09
July	27.187,19	27.202,48	26.643,94	26.597,33
August	27.237,98	27.287,57	26.584,37	26.604,10
September	27.329,01	27.357,45	26.631,13	26.656,79
October	27.393,34	27.432,10	26.656,66	26.634,90
November	27.480,95	27.532,80	26.662,41	26.731,12
December	27.561,53	27.565,79	26.779,99	26.798,14
Average of the period	**27.163,98**	**27.194,62**	**26.570,49**	**26.588,51**

SUBSEQUENT EVENTS:

> Mr. Paul Dufresne, Director of Transelec S.A. submitted his resignation on January 15, 2019.

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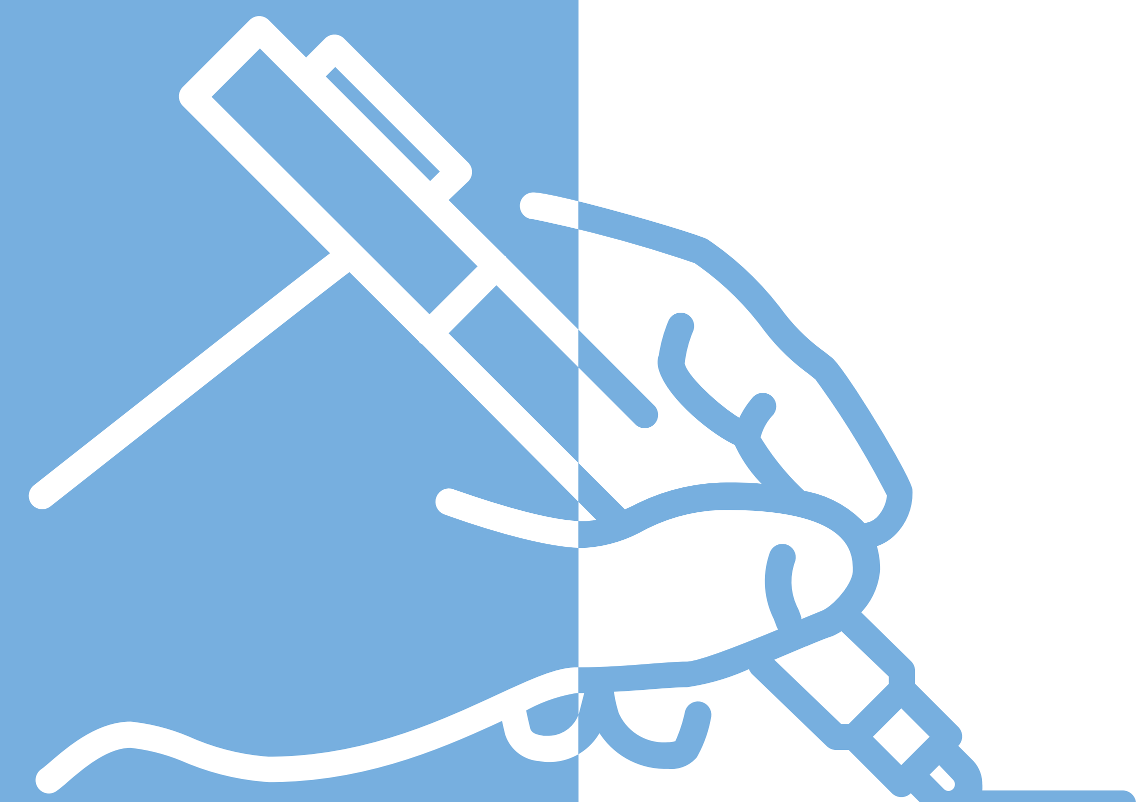
STATEMENT OF **RESPONSIBILITY**



STATEMENT OF RESPONSIBILITY

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 2018 Annual Report, pursuant to General Norm No. 30, issued by the Superintendency of Securities and Insurance, today the Commission for the Financial Market.

Brenda Eaton
Chair
Foreigner

Alejandro Jadresic Marinovic
Director
I.D.: 7.746.199-K

Rui Han
Director
Foreigner

Alfredo Ergas Segal
Director
I.D.: 9.574.296-3

Blas Tomic Errázuriz
Director
I.D.: 5.390.891-8

Mario Valcarce Durán
Director
I.D.: 5.850.972-8

Jean Daigneault
Deputy Director
Foreigner

Patricia Núñez Figueroa
Alternate Director
I.D.: 9.761.676-0

Juan Benabarre Benaiges
Alternate Director
I.D.: 5.899.848-6

Andrés Kuhlmann Jahn
CEO
I.D.: 6.554.568-3

@transelec Transelec S.A
www.transelec.cl