Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
June 30, 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

We have reviewed the accompanying interim consolidated financial statement of Transelec S.A. and its subsidiary (the "Company") which comprise the interim consolidated statement of financial position as of June 30, 2019, and the related interim consolidated statements of comprehensive income for the six-month and three-month periods ended June 30, 2019 and 2018, and its interim consolidated statement of changes in net equity and interim consolidated statement of cash flows for the periods then ended and the related notes to the interim consolidated financial statement.

Management's Responsibility for the Interim Consolidated Financial Information

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with with IAS 34, "*Interim Financial Reporting*" as incorporated in the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB). This responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with IAS 34.

Auditor's Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in Chile applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Chile, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to interim consolidated financial statement referred to the first paragraph, for it to be in accordance with IAS 34, "*Interim Financial Reporting*" as incorporated in the International Financial Reporting Standards ("IFRS").

Other matters in relation to the consolidated statement of financial position as of December 31, 2018

On March 21, 2019, we expressed an unmodified opinion on the consolidated financial statements as of December 31, 2018 of the Company which includes the consolidated financial statement as of December 31, 2018, which is presented in the Interim consolidated financial statements attached, in addition to their corresponding notes.

Other-matter – Translation into English

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

Deloitte

August 22st, 2019
Santiago, Chile

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

As of June 30, 2019

(Translation of the Financial Statements originally issued in Spanish)

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

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Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

June 30, 2019

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of June 30, 2019 and December 31, 2018
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) June 30, 2019 ThCh$	(Audited) December 31, 2018 ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	129,024,237	104,059,274
Other financial assets	(8)	1,034,652	1,221,307
Other non-financial assets		3,573,663	2,334,336
Trade and other receivables, net	(6)	99,219,958	72,332,105
Receivables from related parties	(7)	51,074,223	2,607,684
Inventory		267,206	34,919
Sub - Total current assets		**284,193,939**	**182,589,625**
Non-Current Assets held for Sale	(12)	500,074	-
Total current assets		**284,694,013**	**182,589,625**
NON-CURRENT ASSETS			
Other financial assets	(8)	27,948,835	28,981,627
Other non-financial assets		6,874,221	6,566,917
Receivables from related parties	(7)	224,471,639	228,259,514
Intangible assets other than goodwill	(9)	182,698,089	181,259,765
Goodwill	(10)	343,059,078	343,059,078
Property, plant and equipment, net	(11)(13)	1,484,638,612	1,479,773,753
Total non-current assets		**2,269,690,474**	**2,267,860,654**
Total Assets		**2,554,384,487**	**2450,450,279**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of June 30, 2019 and December 31, 2018
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) June 30, 2019 ThCh$	(Audited) December 31, 2018 ThCh$
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Other financial liabilities	(15)	23,344,288	22,293,883
Trade and other payables	(16)	51,334,970	47,433,325
Payable to related parties	(7)	32.875,000	-
Current provisions for employee benefits	(19)	3,185,909	6,906,978
Current tax liabilities		148,380	103,886
Other non-financial liabilities		10,980,935	3,645,911
Total current liabilities		**121,869,482**	**80,383,983**
NON-CURRENT LIABILITIES			
Other financial liabilities	(15)	1,461,574,403	1,453,091,243
Deferred tax liabilities	(14)	127,816,989	104,804,361
Non-current provisions for employee benefits	(19)	5,730,553	5,730,553
Other non-financial liabilities		5,348,365	5,547,152
Total non-current liabilities		**1,600,470,310**	**1,569,173,309**
Total liabilities		**1,722,339,792**	**1,649,557,292**
EQUITY			
Paid-in capital	(21)	776,355,048	776,355,048
Retained earnings		96,912,305	66,149,755
Other reserves	(21)	(41,222,658)	(41,611,816)
Total equity attributable to owners of the parent		**832,044,695**	**800,892,987**
Non-controlling interest		-	-
Total equity		**832,044,695**	**800,892,987**
Total Equity and Liabilities		**2,554,384,487**	**2,450,450,279**

The accompanying notes number 1 to 31 form an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the six and three month periods ended June 30, 2019 and 2018
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) 01/01/2019 06/30/2019 ThCh$	(Unaudited) 01/01/2018 06/30/2018 ThCh$	(Unaudited) 04/01/2019 06/30/2019 ThCh$	(Unaudited) 04/01/2018 06/30/2018 ThCh$
Statement of comprehensive income by function					
Operating revenues	(22)	173,886,992	142,873,256	88,718,118	74,417,028
Cost of sales	(23)	(40,820,077)	(41,057,966)	(21,121,384)	(21,948,995)
GROSS MARGIN		**133,066,915**	**101,815,290**	**67,596,734**	**52,468,033**
Administrative expenses	(23)	(11,282,810)	(10,182,311)	(5,806,151)	(5,262,494)
Other gains (losses), net	(23)	1,502,999	1,188,223	1,113,953	515,789
Financial income	(23)	7,455,243	4,663,202	4,426,080	2,537,550
Financial expenses	(23)	(35,921,688)	(33,577,782)	(18,063,948)	(17,079,496)
Foreign exchange differences, net	(23)	772,533	(716,524)	588,687	(754,071)
Income by indexed units	(23)	(9,042,455)	(9,608,090)	(9,041,252)	(5,102,701)
Profit Before Income Taxes		**86,550,737**	**53,582,008**	**40,814,103**	**27,322,610**
Income tax expense	(23)	(22,913,187)	(13,695,008)	(10,124,407)	(6,839,367)
Profit from continuing operations		63,637,550	39,887,000	30,689,696	20,483,243
Profit (loss) from discontinued operations		-	-	-	-
Profit (loss)		**63,637,550**	**39,887,000**	**30,689,696**	**20,483,243**
PROFIT (LOSS) ATTRIBUTABLE TO:					
Profit attributable to the owners of the parent company		63,637,550	39,887,000	30,689,696	20,483,243
Profit (loss) attributable to non – controlling interest		-	-	-	-
PROFIT		**63,637,550**	**39,887,000**	**30,689,696**	**20,483,243**
EARNINGS PER SHARE					
Basic earnings per share/diluted					
Basic earnings per share/diluted from continuing operations	(24)	63,638	39,887	30,690	20,483
Basic earnings (loss) per share/diluted from discontinued operations		-	-	-	-
Basic earnings per share/diluted	(24)	63,638	39,887	30,690	20,483

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the six and three month periods ended June 30, 2019 and 2018
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	(Unaudited) 01/01/2019 06/30/2019 ThCh$	(Unaudited) 01/01/2018 06/30/2018 (ThCh$	(Unaudited) 04/01/2018 06/30/2018 ThCh$	(Unaudited) 04/01/2018 06/30/2018 ThCh$
PROFIT (LOSS)	**63,637,550**	**39.887.000**	**30,690,696**	**20.483.243**
Components of other comprehensive income, before taxes				
Foreign Currency Translation				
Gains (losses) on foreign currency translation differences, before taxes	(148,377)	(984.903)	(74,188)	(492.451)
Cash flow hedges				
Gains (losses) on cash flow hedges, before taxes	681,470	(27.392.495)	(7,932,662)	(15.460.170)
Income taxes related to components of other comprehensive income				
Income taxes related to components of foreign currency translation	40,062	265.924	20,031	132.962
Income taxes related to components of cash flow hedge	(183,997)	7.395.974	2,141,819	4.174.246
Other comprehensive income	389,158	(20.715.500)	(5,845,000)	(11.645.413)
Total comprehensive income	**64,026,708**	**19.171.500**	**24,844,696**	**8.837.830**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	64,026,708	19.171.500	24,844,696	8.837.830
Comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive income	**64,026,708**	**19.171.500**	**24,844,696**	**8.837.830**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Changes in Equity
For the six-month periods ended June 30, 2019 and 2018 (unaudited)
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2019		776,355,048	420,308	(42,562,401)	530,277	(41,611,816)	66,149,755	800,892,987	-	800,892,987
Changes in equity:										
Comprehensive income:										
Profit		-	-	-	-	-	63,637,550	63,637,550	-	63,637,550
Other comprehensive income		-	(108,315)	497,473	-	389,158	-	389,158	-	389,158
Total comprehensive income		-	(108,315)	497,473	-	389,158	63,637,550	64,026,708	-	64,026,708
Dividends	(21.3)	-	-	-	-	-	(32,875,000)	(32,875,000)	-	(32,875,000)
Total changes in equity		**-**	**(108,315)**	**497,473**	**-**	**389,158**	**30,762,550**	**31,151,708**	**-**	**31,151,708**
Closing balance as of June 30, 2019 (Note 21)		**776,355,048**	**311,993**	**(42,064,928)**	**530,277**	**(41,222,658)**	**96,912,305**	**832,044,695**	**-**	**832,044,695**

	Note	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2018		776,355,048	1,858,266	(10,250,663)	(314,754)	(8,707,151)	18,712,014	786,359,911	-	786,359,911
Changes in equity:										
Comprehensive income:										
Profit		-	-	-	-	-	39,887,000	39,887,000	-	39,887,000
Other comprehensive income		-	(718,979)	(19,996,521)	-	(20,715,500)	-	(20,715,500)	-	(20,715,000)
Total comprehensive income		-	(718,979)	(19,996,521)	-	(20,715,500)	39,887,000	19,171,500	-	19,171,500
Dividends	(21.3)	-	-	-	-	-	(38,116,012)	(38,116,012)	-	(38,116,012)
Total changes in equity		-	(718,979)	(19,996,521)	-	(20,715,500)	1,770,988	(18,944,512)	-	(18,944,512)
Closing balance as of June 30, 2018 (Note 21)		**776,355,048**	**1,139,287**	**(30,247,184)**	**(314,754)**	**(29,422,651)**	**20,483,002**	**767,415,399**	**-**	**767,415,399**

TRANSELEC S.A. AND SUBSIDIARY
Interim Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2019 and 2018
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	**Note**	**(Unaudited) June 30, 2019 ThCh$**	**(Unaudited) June 30, 2018 ThCh$**
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		216,435,503	198,355,533
Other proceeds from operating activities		49,692	395,249
Proceeds from interest received		5,470,720	4,514,578
Classes of payments			
Payments to suppliers for goods and services		(74,422,721)	(69,529,112)
Other payments for operating activities		(158,639)	(39,280)
Payments to employees		(10,655,355)	(10,753,626)
Interest paid		(34,714,969)	(31,532,993)
Net cash flows provided by operating activities		**102,004,231**	**91,410,349**
Cash Flows Provided by (Used in) Investing Activities			
Additions of property, plant and equipment		(29,972,699)	(46,550,229)
Amounts from the sale of property, plant and equipment		26,300	2,596,524
Loans to related parties		(47,092,869)	(38,044,427)
Receivables from related parties		-	40,406,691
Net cash flows used in investing activities		**(77,039,268)**	**(41,591,441)**
Cash Flows Provided by (Used in) Financing Activities			
Dividends paid	(21.3)	-	(38,116,012)
Net cash flows used in financing activities		**-**	**(38,116,012)**
Net Increase (Decrease) in Cash and Cash Equivalents		24,964,963	11,702,896
Cash and Cash Equivalents, at the beginning of the year (Note 5)		104,059,274	61,628,069
Cash and Cash Equivalents, at the ending of the year (Note 5)		129,024,237	**73,330,965**

1 - GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

NOTE 1 - GENERAL INFORMATION (continued)

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

The issue of these Interim Consolidated Financial Statements corresponding to June 30, 2019, was approved by the Board of Directors at Ordinary Meeting No. 189 of August 22, 2019.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the interim consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of June 30, 2019 and applied uniformly for the periods presented.

2.1 Basis of preparation of the interim consolidated financial statements

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

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

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

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

The accounting policies adopted in the preparation of the Interim Consolidated Financial Statements are consistent with those applied in the preparation of the annual individual financial statements of the Company for the year ended December 31, 2018, except for the adoption of new standards and interpretations in effect as of January 1, 2019, which did not materially affect the interim consolidated financial statements.

The Company made reclassifications to its financial statements regarding balances as of December 31, 2018. However, these reclassifications do not have a significant effect due to they were made only for comparative purposes.

2.2 Basis of Consolidation of the Financial Statements

The interim consolidated financial statements comprise the Interim 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 Basis of Consolidation of the Financial Statements (continued)

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

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

Rut	Subsidiary	Participation Share		Country of origin	Functional currency
		06-30-2019	12-31-2018		
76.538.831-7	Transmisión del Melado SpA	100%	100%	Chile	Ch$

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting

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

	New standards, amendments and interpretations	Date of obligatory application
IFRS 16	Leases	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 3	Business combinations	January 01, 2019
IFRS 9	Financial Instruments	January 01, 2019
IFRS 11	Joint arrangements	January 01, 2019
IAS 12	Income tax	January 01, 2019
IAS 19	Employee benefits - Modification, reduction or liquidation of the plan	January 01, 2019
IAS 23	Borrowing costs	January 01, 2019
IAS 28	Investments in associates	January 01, 2019

The effects of the application of IFRS 16 - Leases are described in more detail in note 2.17.

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

	New Standards	Date of obligatory application
IFRS 17	Insurance Contracts	January 1, 2021

New Standards

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.3 Enhancements and Modifications

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

	Enhancements and Modifications	Date of obligatory application
IFRS 10 and IAS 28	Consolidated financial statements	TBD
IAS 1 – IAS 8	Definition of Material	January 1, 2020
IFRS 3	Business Combinations	January 1, 2020
Conceptual Framework	Updating references to the conceptual framework	January 1, 2020

IAS 28 - “Investments and Joint Ventures”, IFRS 10 “Consolidated Financial Statements”

The amendments to IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address an inconsistency recognized between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture.

Amendments issued in September 2014 establish that when the transaction involves a business (found in a subsidiary or not), a complete profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are found in a subsidiary. The date of obligation application of these modifications is yet to be determined as the IASB is planning an in-depth investigation that may result in a simplification of the accounting of associates and joint ventures. Early adoption is permitted.

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

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB issued “Definition of Material (Amendments to IAS 1 and IAS 8)” to clarify the definition of “material” and to align the definition used in the Conceptual Framework and the standards themselves.

The changes all relate to a revised definition of “material” which is quoted below from the final amendments: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”.

Three new aspects of the new definition should especially be noted:

Obscuring: The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.3 Enhancements and Modifications (continued)

Definition of Material (Amendments to IAS 1 and IAS 8) (continued)

Could reasonably be expected to influence: The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything ‘could’ influence the decisions of some users even if the possibility is remote.

Primary users: The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The new definition of material and the accompanying explanatory paragraphs are contained in IAS 1 Presentation of Financial Statements. The definition of material in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been replaced with a reference to IAS 1.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

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

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB published “Definition of a Business (Amendments to IFRS 3)” aimed at resolving the difficulties that arise when an entity determines whether it has acquired a Business or a group of assets.

The amendments are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.3 Enhancements and Modifications (continued)

Definition of a Business (Amendments to IFRS 3) (continued)

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

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

Revised Conceptual Framework for Financial Reporting

On March 19, 2018, the IASB published its revised "Conceptual Framework for Financial Reporting" (the "Framework"). The Conceptual Framework is not a Standard and none of the concepts override those in any standard or any requirements in a standard. The main purpose of the Framework is to guide the IASB when it develops International Financial Reporting Standards. The Framework can also be helpful for preparers of financial statements when there are no specific or similar standards that address a particular issue. The new Framework has an introduction, eight chapters and a glossary. Five of the chapters are new, or have been revised substantially.

The new Framework:

- Introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument.
- Removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement.
- Discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability.
- States that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability.
- Discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

The new Framework came into effect on its publication on March 29, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.3 Enhancements and Modifications (continued)

Revised Conceptual Framework for Financial Reporting (continued)

In addition, the IASB published a separate document "Updating References to the Conceptual Framework" which contains consequential amendments to affected Standards so that they refer to the new Framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

2.4.3 Exchange rates

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

Currency	Chilean pesos per unit	
	June 30, 2019	December 31, 2018
Unidad de Fomento	27,903.30	26,565.79
US$	679.15	694.77
Euro	772.11	794.75

2.5 Financial reporting by operating segments

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost, net of its corresponding 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 items:

a) All costs directly related placing the asset in the location and condition that enables it to be used in the manner intended by management.

b) Borrowing costs incurred during the construction period that are directly attributable to the acquisition, construction or production of qualified assets, which require a substantial period of time before being ready for use are capitalized. The interest rate used is that of the specific financing or, if none exists, the average financing rate of the company carrying out the investment.

c) Future disbursements that Transelec S.A. and its subsidiary must make to close their facilities are incorporated into the value of the asset at present value, recording the corresponding provision. On an annual basis both existences of such obligations as well as estimate of future disbursements are reviewed, increasing or decreasing the value of the asset based on the results of this estimate.

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.7 Intangible assets

2.7.1 Goodwill

Goodwill represents the excess of acquisition cost on the fair value of net assets acquired in a business combination. Goodwill is not amortized, it is annually tested for impairment, regardless if there is any indication of impairment.

For impairment testing, goodwill acquired in a Business combination is assigned as of the acquisition date to the cash generation units that are expected to benefit from said combination.

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

2.7.2 Rights of way

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

2.7.3 Computer software

Purchased software licenses are capitalized based on the costs incurred to purchase them and prepare them for use. These costs are amortized on a straight-line basis over their estimated useful lives that range from three to five years.

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

2.7.4 Non-current assets or groups of assets for disposal classified as held for sale

Non-current assets or groups of assets for disposal classified as held for sale are recognized at the lower of their book value and the fair value less the cost of sale.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Impairment of non-financial assets (continued)

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

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

Variable	June 2019	December 2018	Description
Discount rate	7.16%	7.16%	The discount rate used is the weighted average cost of capital (WACC) of the Company, measured before taxes.
Growth rate	3.00%	3.00%	The growth rate is applied to the perpetuity and is based on the estimation of the long-term inflation expectation established by the Central Bank of Chile.
Period of estimation of flows	6 years	6 years	The estimation period is 6 years, based on the Company's internal business plan plus perpetuity.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments

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

1) Non-derivatives Financial Assets

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

a) Amortized Cost:

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

c) Fair value through profit or loss

For financial assets that were defined as such at the moment of their initial recognition and those that are not measured at 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.

4) Non-derivatives financial liabilities

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

5) Derivatives and Hedge activities

The Company selectively uses derivative and non-derivative instruments, to manage its exposure to exchange rate risk (See Note 17).

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

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

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

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

5.3) Net Investment Hedge: Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under “Other reserves” heading) until the investment's disposal.

Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

5) Derivatives and Hedge activities (continued)

As of June 2019 and December 2018, 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 or other contracts are treated as derivatives when their risks and characteristics are not closely related to the principal contracts and the principal contracts are not measured at fair value through profit and loss. In the case that they are not closely related, they are recorded separately, and any changes in value are recognized in the income statement. In the periods presented in these Interim Consolidated Financial Statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

8) Compensation of financial assets and liabilities

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

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

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

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

2.10 Inventory

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

2.11 Paid-in capital

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

2.12 Income tax and deferred taxes

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.12 Income tax and deferred taxes (continued)

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.

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.

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 Interim 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 SIC and CDEC SING; in addition, it establishes a new Electrical Transmission System in which the trunk transmission system, the subtransmission 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Revenue recognition (continued)

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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

2.17.2 The Company as lessee

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

Finance leases 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.

2.18 Rights from Use of Lease

The company has lease agreements on several Property, Plant and Equipment items. Under IAS 17, the Company classified each of its assets on the date of origin as a finance lease or an operating lease. Leases were classified as finance leases if they substantially transferred to the company all the risks and rewards incidental to ownership of the leased asset; otherwise, they were classified as operating leases.

In adopting IFRS 16, the Company applied a single recognition and measurement approach to all leases (in which the Company acts as lessee), except for short-term leases and low-value assets.

In addition, the standard provides specific transition requirements and practical solutions, which the Company has applied.

2.18.1 Leases previously classified as operating leases

The Company recognized assets for right of use and lease liabilities in regards to leases previously classified as operating leases (in which the Company acts as lessee), except in the case of short-term leases and leases of low-value assets.

The right-of-use assets in the case of most leases were recognized based on book value as if the Standard had always been applied, except for the use of the passive rate on the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liability, adjusted for the amount of any advance or accumulated (accrued) lease payment that has been previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted through the use of the increasing passive rate at the date of initial application.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.18. Rights from Use of Lease (continued)

2.18.1 Leases previously classified as operating leases (continued)

The practical solutions used by the Company in the application of IFRS 16 were:

a) Single discount rate for a lease portfolio with reasonably similar characteristics.

b) Evaluation of onerous leases before the date of initial application.

c) Application of the exceptions for short-term leases (maturity less than 12 months) on the date of the initial application.

d) Exclusion of the initial direct costs of measuring the right of use asset on the date of initial application.

e) Retrospective evaluation to determine the term of the lease in those cases in which the contracts contain renewal options or termination of the lease.

2.18.2 Right of Use Assets

The Company recognizes right of use assets at the inception date of the lease (i.e., the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and are adjusted for any new measurement of lease liabilities.

The cost of the right of use assets includes the amount of the recognized lease liabilities, the initially incurred direct costs and the lease payments on or before the inception date minus any received lease incentives.

Recognized right-of-use assets are depreciated on a straight-line basis for the shortest of their estimated useful life and the term of the lease and are subject to impairment review.

2.18.3 Lease Liabilities

On the inception date of the lease, the Company recognizes the lease liabilities at the present value of the lease payments that must be made during the term of the lease. In calculating the present value of the lease payments, the Company uses the incremental indebtedness rate at the inception date of the lease if the interest rate implicit in the lease can not be determined. After the inception date, the amount of lease liabilities is increased to reflect the accrued interest and is reduced as per the lease payments made. In addition, the book value of the lease liabilities is remeasured if there is a revision, a change in the term of the lease, a substantial change in the fixed lease payments or a change in the evaluation of the purchase of the underlying asset.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.18 Rights of Use Assets (continued)

2.18.4 Short-term leases and lease of low-value assets

The Company applies the exception for recognition of short-term leases to its leases that have a term of 12 months or less from the inception date and that do not contain a renewal option. The lease recognition exception also applies for contracts that involve low value assets (less than USD 5,000). Short-term lease payments and leases of low-value assets are recognized as expenses on a straight-line basis over the term of the lease.

Significant judgment in determining the lease term for contracts with renewal options. The Company determines the lease term as the non-cancelable term of the lease, along with any period covered by an option to extend the lease if there is reasonable assurance that it will be exercised, or any period covered by an option to terminate the lease, if there is reasonable assurance that it will not be exercised.

The Company includes the renewal period as part of the term of the lease in the case of leases of assets of significant importance for its operations. These leases have a short non-cancelable period (i.e., three to five years) and there would be a significant negative effect on production if a replacement is not available.

At the time of initial recognition as of January 1, 2019, right of use assets and lease liabilities (net of deferred interest) were recognized for an amount of ThCh$ 6,032,968.

2.19 Distribution of dividends

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

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

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

As of June 30, 2019, the company has agreed to dividend distribution for ThCh$ 32,875,000, which will be paid as of July 2019.

3 - RISK MANAGEMENT POLICY

3.1 Financial risk

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

3.1.1 Market risk

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

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

a) Investing cash surpluses in instruments maturing within no more than 90 days.
b) Entering into swap contracts and other instruments to maintain a balanced foreign exchange position.
c) Entering into long-term fixed rate indebtedness thus limiting risk from variable interest rates.

3.1.1.1 Interest rate risk

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

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

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

3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

The table below compares the debts of the Company and shows that all of the debt of the Company as of June 30, 2019 and as of December 31, 2018 was at fixed rate (taken at a fixed rate or at a variable rate and fixed by means of derivatives). In addition, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand)	
				June 30, 2019	December 31, 2018
Series D Bond	UF	4.25%	Fixed	13,500	13,500
Series H Bond	UF	4.80%	Fixed	3,000	3,000
Series K Bond	UF	4.60%	Fixed	1,600	1,600
Series M Bond	UF	4.05%	Fixed	3,400	3,400
Series N Bond	UF	3.95%	Fixed	3,000	3,000
Series Q Bond	UF	3.95%	Fixed	3,100	3,100
Senior Notes	USD	4.625%	Fixed	300,000	300,000
Senior Notes	USD	4.250%	Fixed	375,000	375,000
Senior Notes	USD	3.875%	Fixed	350,000	350,000
Revolving Credit Facility	USD	3.57%	Floating (*)	-	-
Revolving Credit Facility	UF	0.81%	Floating (**)	-	-

(*) The floating rate 3.57% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.25%. At June 30, 2019, the Company did not utilize this line therefore does not pay such interest, and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

(**) The floating rate 0.81% of the Revolving credit facility breaks down in TAB UF 180 plus a margin of 0.25%. At June 30, 2019, the Company did not utilize this line therefore does not pay such interest, and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

Although, inflation increases may have an impact on the costs of the debt denominated in UF and, therefore, on the Company's financial expenses, these impacts are slightly reduced by accounts receivable denominated in UF.

The following table shows the effects of the debt indexed to the UF (the debt of Transmisión del Melado SpA is excluded since it was prepaid) on the company's financial result.

	Position in UF	Annual Effect on income (ThCh$)		
Serie	**Long / (Short)**	**Inflation (3%)**	**Inflation (4%)**	**Inflation (2%)**
Series D Bond	(13,392,182)	(11,210)	(14,946)	(7,473)
Series H Bond	(3,000,883)	(2,512)	(3,349)	(1,675)
Series K Bond	(1,598,784)	(1,338)	(1,784)	(892)
Series M Bond	(1,469,485)	(1,230)	(1,640)	(820)
Series M1 Bond	(1,857,699)	(1,555)	(2,073)	(1,037)
Series N Bond	(2,869,502)	(2,402)	(3,202)	(1,601)
Series Q Bond	(3,072,796)	(2,572)	(3,431)	(1,715)
Total	(27,261,331)	(22,819)	(30,424)	(15,213)

3.1.1.2 Exchange rate risk

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

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

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

The exposure to exchange rate risk is managed through a policy approved by senior management, which includes fully hedging the net exposure (monetary items) of the balance sheet, which is carried out through various instruments such as positions in US dollars, forward contracts and cross currency swaps.

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

	Liabilities		Assets	
	June 30, 2019 ThCh$	December 31, 2018 ThCh$	June 30, 2019 ThCh$	December 31, 2018 ThCh$
U.S. dollar (amounts associated with balance sheet items)	700,889	760,791	701,253	759,919
Chilean peso	1,699,991	1,610,090	1,669,627	1,610,961

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

3.1.1.2.1 Sensivity analysis

The following chart shows the sensitivity analysis of various items to a 10% increase or decrease in exchange rates (US Dollar) and their effect on income or equity. This exchange rate sensitivity (10%) is used to internally report the Company's foreign exchange risk to key management personnel and represents management's valuation of the possible change in US Dollar exchange rate. The sensitivity analysis includes asset and liability balances in currencies other than the Company's functional currency. A positive number indicates an increase in income or other comprehensive income when the Chilean peso is strengthened with respect to the foreign currency. A negative percentage implies a weakening of the Chilean peso with respect to the foreign currency, which negatively impacts the income statement or in other comprehensive income.

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

3.1.1.2.1 Sensitivity analysis (continued)

Item (Currency)	Position ThCh$ Long /(Short)	Net income (gain)/loss ThCh$ Change (-10%)	Net income (gain)/loss ThCh$ Change (+10%)	Position ThCh$ Long /(Short)	OCI (gain)/loss ThCh$ Change (-10%)	OCI (gain)/loss ThCh$ Change (+10%)
Cash (US$)	8,492	(14)	14	-	-	-
Leasing (US$)	28,942	(47)	47	-	-	-
Forwards (US$)	2,717	(4)	4	(11)	-	-
Senior Notes (US$)	(700,889)	1,146	(1,146)	-	-	-
Financial instrument swap	484,845	(793)	793	(10,337)	17	(17)
Intercompany loan (US$)	175,918	(288)	288	-	-	-
Total	**25**	**-**	**-**	**(10,348)**	**17**	**(17)**

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 six-month periods ended June 30, 2019 ThCh$	For the six-month periods ended June 30, 2018 ThCh$
Enel Group	66,552,441	49,144,391
AES Gener Group	29,681,964	20,127,001
Colbún Group	29,949,305	22,997,332
Engie (E-CL) Group	10,448,793	9,657,636
Grupo CGE	32,403,089	8,497,894
Others	4,851,400	32,449,002
Total	**173,886,992**	**142,873,256**
% of concentration of 5 top customers	**97.21%**	**77.29%**

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.2 Credit risk (continued)

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

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

3.1.3 Liquidity risk

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

a) Risk associated to Company's management

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

Additionally, this line was renegotiated and extended on October 15, 2014 until October 15, 2018.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.

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.3 Liquidity risk (continued)

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

The following table presents the capital amortizations and estimated interest payments corresponding to the Company's financial liabilities (debt), according to their maturity date, as of June 30, 2019 and December 31, 2018.

Debt maturity	Less than 1 Years	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
June 30, 2019	62.051.823	124.103.646	327.714.679	1.070.137.316	490.634.231	2.074.641.695
December 31, 2018	62.051.823	124.103.646	332.534.646	840.329.917	746.647.575	2.105.667.606

The maturity of derivatives is presented Note 15.2.

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.

4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT

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

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

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

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

5 - CASH AND CASH EQUIVALENTS

a) As of June 30, 2019 and December 31, 2018, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of June 30, 2019 ThCh$	Balance as of December 31, 2018 ThCh$
Bank and cash balances	9,210,615	60,079,795
Reverse repurchase agreements and mutual funds	119,813,622	43,979,479
Total	**129,024,237**	**104,059,274**

Cash and cash equivalents included in the statement of financial position as of June 30, 2019 and December 31, 2018 does not differ from those presented in the statement of cash flows.

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

Detail of Cash and Cash Equivalents	Currency	Balance as of June 30, 2019 ThCh$	Balance as of December 31, 2018 ThCh$
Amount of cash and cash equivalents	U.S. dollars	8,239,024	58,070,904
Amount of cash and cash equivalents	Euros	253,082	289,637
Amount of cash and cash equivalents	Chilean pesos	120,532,131	45,698,733
Total		**129,024,237**	**104,059,274**

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

6 - TRADE AND OTHER RECEIVABLES

The detail as of June 30, 2019 and December 31, 2018 is as follows:

Item	Balance as of June 30, 2019 ThCh$	Balance as of December 31, 2018 ThCh$
Trade receivables	98,906,756	72,098,730
Miscellaneous receivables	313,202	233,375
Total trade and other receivables	**99,219,958**	**72,332,105**

6 - TRADE AND OTHER RECEIVABLES (continued)

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

As of June 30, 2019 and December 31, 2018, the aging of trade and other receivables is as follows:

	Balance as of	
	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Maturing in less than 30 days	48,344,871	63,975,047
Maturing in more than 30 days up to 1 year	50,875,087	8,357,058
Total	**99,219,958**	**72,332,105**

Fair values do not differ significantly from book values due to the short term maturity of these instruments.

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

The balances of accounts receivables and payables between the company and its unconsolidated related companies are as follows:

Account receivables from related companies

Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	Balance as of			
							Current		Non-current	
							June 30, 2019 ThCh$	December 31, 2018 ThCh$	June 30, 2019 ThCh$	December 31, 2018 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	Not defined	Parent Company	CH$	47,951,943	658,327	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Parent Company	CH$	1,269,211	772,240	27,212,850	27,212,850
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Parent Company	UF	-	-	21,340,518	21,082,389
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Parent Company	US$	-	-	175,918,271	179,964,275
76.248.725-K	CYT Operaciones SPA	Chile	Accounts receivable	Not defined	Indirect	CH$	413,203	256,883	-	-
20601047005	Conelsur LT SAC	Peru	Accounts receivable	Not defined	Indirect	CH$	82,181	173,177	-	-
76.524.463-3	Transelec Concesiones S.A	Chile	Mercantile current Account	Not defined	Indirect	CH$	891,662	360,769	-	-
76.920.929-8	Transmisora del Pacifico S.A.	Chile	Mercantile current Account	Not defined	Indirect	CH$	466,023	386,288	-	-
	Total						**51,074,223**	**2,607,684**	**224,471,639**	**228,259,514**

Account payables to related companies

Tax ID Number	Company	Country	Description	Maturity	Relation	Currency	Balance as of			
							Current		Non-current	
							June 30, 2019 ThCh$	December 31, 2018 ThCh$	June 30, 2019 ThCh$	December 31, 2018 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Dividend payable	Not defined	Parent Company	CH$	32,871,712	-	-	-
76.559.580-0	Rentas Eléctricas I Limitada	Chile	Dividend payable	Not defined	Indirect parent	CH$	3,288	-	-	-
	Total						**32,875,000**	**-**	**-**	**-**

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.1 Balances and transactions with related parties (continued)

a) Most significant transactions and their effect on income

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

Tax ID Number	Company	Country	Relation	Description of the transaction	June 30, 2019		June 30, 2018	
					Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Amounts provided	47.017.611	-	38.044.427	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Dividend payable	32.871.712	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Amounts collected	-	-	(40.406.691)	
76.559.580-0	Rentas Eléctricas I Limitada	Chile	Indirect parent	Dividend payable	3.288	-	-	-
76.920.929-8	Transmisora del Pacífico S.A.	Chile	Indirect	Amounts provided	75.258	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Interest earned	4.259.252	4.259.252	3.783.497	3.783.497
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Exchange difference	4.026.833	4.026.833	(9.569.605)	(9.569.605)
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Indexed to UF	260.556	260.556	277.427	277.427

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. For each Board Member there is an alternate Board Member.

The current Board of Directors was elected at the Ordinary Shareholders Meeting dated April 26, 2019, which was composed as follows: Mrs. Brenda Eaton as Director and Mr. Jordan Anderson as her alternate Director, Mr. Rui Han as Director and Mrs. Sihong Zhong as his alternate Director; Mr. Richard Cacchione as Director and Mr. Michael Rosenfeld as his alternate Director; Mr. Alfredo Ergas Segal as Director and Mr. Ricardo Szlejf as his alternate Director; Mr. Mario Valcarce Durán as Director and Mr. José Miguel Bambach Salvatore as his alternate Director; Mr. Blas Tomic Errázuriz as Director and Mr. Patricio Reyes Infante as his alternate Director; Mr. Alejandro Jadresic Marinovic as Director and Mr. Juan Agustín Laso Salvatore as his alternate Director; Mr. Juan Benabarre Benaiges as Director and Mr. Roberto Munita Valdés as his alternate Director; and Mrs. Patricia Núñez Figueroa as Director and Mr. Claudio Campos Bierwirth as her alternate Director.

At the Board meeting held on May 15, 2019, Mrs. Brenda Eaton was elected Chairman of Transelec.

As of june 30, 2019, the Board of Directors is composed of eight full members, following the death of Mr. Alejandro Jadresic Marinovic on June 5, 2019.

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, with the exception of its President, who will receive a gross amount of US$155.000 per year, regardless of the number of meetings actually attended or held. The allowance is paid quarterly.

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

	June 30, 2019 ThCh$	June 30, 2018 ThCh$
Brenda Eaton (Presidente)	26,018	-
Alejandro Jadresic Marinovic	27,688	27,408
Blas Tomic Errázuriz	27,688	27,408
Mario Alejandro Valcarce Durán	27,688	27,408
Patricia Angelina Nuñez Figueroa	27,688	-
Juan Ramon Benabarre Benaiges	27,688	-
Bruno Pedro Philippi Irarrázabal	-	27,408
José Ramón Valente Vias	-	22,883

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.3 Board expenses

During the period between January 01, 2019 and June 30, 2019 there have been UF 55 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. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board. The Audit Committee has held one meeting in the three-month period from January 01 to March 31, 2019.

As of April 18, 2018, in a 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, Arturo Le Blanc Cerda.

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

At the twelfth Ordinary Shareholders' Meeting of Transelec S.A., held on April 26, 2019, it was agreed to keep as compensation of the members of the Committee, the gross amount of US$ 10,000 per year regardless of the number of meetings that they actually attend or that are actually held.

The following compensation was received by members of the Audit Committee as of june 30, 2019 and 2018:

	June 30, 2019 ThCh$	June 30, 2018 ThCh$
Patricia Angelina Nuñez	6,253	-
Mario Alejandro Valcarce Duran	6,253	6,147
Jose Ramon Valente	-	6,147

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.5 Compensation of key management that are not Directors

Members of Key Management

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

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

Compensation of key management personnel by concept for the periods 2019 and 2018 is detailed as follows:

	Balance as of	
	June 30, 2019 ThCh$	June 30, 2018 ThCh$
Salaries	978,389	908,778
Short-term employee benefits	470,460	408,314
Long-term employee benefits	232,116	270,563
Total compensation received by key management personnel	**1,680,965**	**1,587,655**

8 - OTHER FINANCIAL ASSETS, LEASES

As of June 30, 2019 and December 31, 2018, this account is detailed as follows:

	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Finance lease receivables current	1,043,652	1,030,014
Swap Contracts (See note 17)	-	20,902
Forward Contracts (See note 17)	-	170,391
Sub-total Other financial assets current	**1,034,652**	**1,221,307**
Finance lease receivables non-current	27,907,084	28,924,095
Other financial assets	41,751	15,286
Swap Contracts (See note 17)	-	42,246
Sub-total Other financial assets non-current	**27,948,835**	**28,981,627**
Total	**28,983,487**	**30,202,934**

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:

June 30, 2019

Period in years	Present Value ThCh$	Interest receivable ThCh$	Gross investment ThCh$
Less than 1	1,034,652	3,164,301	4,198,953
1-5	5,707,966	14,817,775	20,525,741
Over 5	22,199,118	48,100,736	70,299,854
Total	**28,941,736**	**66,082812**	**95,024,548**

December 31, 2018

Period in years	Present Value ThCh$	Interest receivable ThCh$	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**

8 - OTHER FINANCIAL ASSETS, LEASES (continued)

8.1 Finance lease receivables (continued)

Movements in finance leases:

	Balance as of	
	June 30, 2019 ThCh$	**December 31, 2018 ThCh$**
Opening balance	**29,954,109**	**24,993,959**
Additions	-	2,330,201
Amortization	(505,351)	(907,043)
Translation difference	(507,022)	3,536,992
Ending balance	**28,941,736**	**29,954,109**

9 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of June 30, 2019 and December 31, 2018:

Intangible assets, net	**June 30, 2019 ThCh$**	**December 31, 2018 ThCh$**
Rights of way (*)	176,263,865	176,039,780
Software	6,434,224	5,219,985
Total intangible assets	**182,698,089**	**181,259,765**

(*) As of June 30, 2019 and December 31, 2018 Transelec S.A. present intangible assets with indefinite useful lives under the classification of rights of way.

9 - INTANGIBLE ASSETS (continued)

Intangible assets, gross	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Rights of way	176,263,865	176,039,780
Software	18,578,281	15,944,534
Total intangible assets	**194,842,146**	**191,984,314**

Accumulated amortization and impairment	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Software	(12,144,057)	(10,724,549)
Total accumulated amortization	**(12,144,057)**	**(10,724,549)**

The composition and movements of intangible assets as of June 30, 2019 and December 31, 2018 are the following:

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2019	**176,039,780**	**5,219,985**	**181,259,765**
Movements in intangible assets			
Additions	224,085	2,663,747	2,857,832
Amortization	-	(1,419,508)	(1,419,508)
Ending balance of intangible assets as of June 30 , 2019	**224,085**	**6,434,224**	**182,698,089**

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2018	**173,991,593**	**6,370,762**	**180,362,355**
Movements in intangible assets			
Additions	2,048,187	1,312,862	3,361,050
Amortization	-	(2,463,639)	(2,463,640)
Ending balance of intangible assets as of December 31 , 2018	**176,039,780**	**5,219,985**	**189,259,765**

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of June 30, 2019 and December 31, 2018 to be recovered.

10 – Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the group's identifiable net assets acquired.

10.1 Measurement of the recoverable value of goodwill

The Company has defined its only operating segment of Electric Power Transmission as the Cash Generating Unit (CGU) for the purpose of performing the impairment tests and therefore the surplus value at the date of the impairment test is fully assigned to this CGU.

The breakdown of this item as of June 30, 2019 and December 31, 2018 is as follows:

Detail	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Goodwill	343,059,078	343,059,078
	343,059,078	**343,059,078**

10.2 Movement of goodwill in the Interim Consolidated Financial Statements:

The goodwill movements during the period ended June 30, 2019 and December 31, 2018 are:

	ThCh$
Opening balance as of January 1, 2019	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of June, 2019	**343,059,078**

	ThCh$
Opening balance as of January 1, 2018	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of December, 2018	**343,059,078**

10.3 Impairment test

Management considers that the value in use approach, determined by the discounted cash flow model, is the most reliable method for determining the recoverable values of the CGU. (The variables used by the Company are found in Note 2.8 Impairment of non-financial assets).

10 – Goodwill(Continued)

10.3 Impairment test(continued)

The result of the impairment test, which includes a sensitivity analysis of its main variables, showed that the calculated recoverable values exceed the book value of the net assets of the respective cash-generating unit, and therefore no impairment was detected.

11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

The composition corresponds to the following detail:

Property, plant and equipment, net	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Land	20,363,222	20,696,130
Buildings and infrastructure	899,500,414	912,272,233
Work in progress	81,048,571	73,919,836
Machinery and equipment	472,665,768	466,735,333
Other property, plant and equipment	5,812,596	6,110,221
Property, plant and equipment, net	**1,479,390,571**	**1,479,733,753**

Property, plant and equipment, gross	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Land	20,363,222	20,696,130
Buildings and infrastructure	1,198,835,811	1,198,912,973
Work in progress	81,048,571	73,919,836
Machinery and equipment	711,086,687	693,226,181
Other property, plant and equipment	5,812,596	6,110,221
Total property, plant and equipment, gross	**2,017,146,887**	**1,992,865,341**

Total accumulated depreciation of property, plant and equipment, net	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Buildings and infrastructure	(299,335,397)	(286,640,740)
Machinery and equipment	(238,420,919)	(226,490,848)
Total accumulated depreciation of property, plant and equipment	**(537,756,316)**	**(513,131,588)**

11 - PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 Reconciliation of changes in property, plant and equipment

The following table details the reconciliation of changes in property, plant and equipment by class during the periods ended June 30, 2019 and December 31, 2018:

		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, 2019		**20,696,130**	**912,272,233**	**466,735,333**	**73,919,836**	**6,110,221**	**1,479,733,753**
Movement	Additions	-	-	25,377,131	233,986	25,611,117	25,611,117
	Retirements	-	(219,507)	(13,407)	-	(456,573)	(456,573)
	Transfer to operating assets	167,166	18,371,240	(18,234,989)	(531,611)	-	-
	Reclassifications (1)	(500,704)	-	-	-	(500,074)	(500,074)
	Depreciation	-	(12,221,298)	-	-	(24,997,652)	(24,997,652)
Closing balance as of June 30, 2019		**20,363,222**	**899,500,414**	**472,665,768**	**81,048,571**	**5,812,596**	**1,479,390,571**

(1) Reclassification corresponds to land transferred to Non-Current Assets Held for Sale. See more detail in Note 12.

		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**	**5,842,010**	**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)	(22,876,907)	-	-	(48,699,782)
Closing balance as of December 31, 2018		**20,969,130**	**912,272,233**	**466,735,333**	**73.919,836**	**6,110,221**	**1,479,733,753**

11 - PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 Additional information on property, plant and equipment

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

The Company held as of June 30, 2019 and December 31, 2018 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engineering-Procurement-Construction) in the amount of ThCh$ 71,381,270 and ThCh$70,701,154, respectively.

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

	June 30, 2018	December 31, 2019
Capitalization rate (Annual basis)	4,65%	5.10%
Capitalized interest costs (ThCh$)	851,352	3,146,911

Work in progress balances amounts to ThCh$81,048,571 and ThCh$73,919,836 as of June 30, 2019 and December 31, 2018 respectively.

12 - NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD-FOR-SALE

Non-current assets and disposal groups held-for-sale as of June 30, 2019 and December 31, 2018, are detailed below:

Non-Current Assets held for sale	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Land	500,074	-
Total non-current assets held for sale	500,074	-

The balances of the item are presented at the lower of book value and fair value less the cost to sell. The fair value of the assets was determined based on appraisals for a similar asset class in active markets.

These assets were reclassified from properties, plants and equipment to non-current assets and disposal groups held-for-sale (note 11.2)

The sale of these assets is considered highly probable and it is expected that the intention to sell by the Company materializes over the course of the following twelve months.

13 – LEASE RIGHT OF USE

13.1 Amounts recognized in the statement of financial position and in the income statement.

The following are the carrying amounts of the right-of-use assets, the lease liabilities and the movements during the period:

	Movement in Right of Use Assets 2019 Period	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
	Opening balances as of January 01, 2019	-	-	-	-
Movements	Additions	101,788	5,322,615	608,565	6,032,968
	Amortization Expense	(7,813)	(548,902)	(228,212)	(784,927)
	Interest expenses	-	-	-	-
	Payments	-	-	-	-
	Deferred interest	-	-	-	-
	Closing balance as of June 30, 2019	**93,975**	**4,773,713**	**380,353**	**5,248,041**

	Movement in Lease Liabilities 2019 Period	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
	Opening balances as of January 01, 2019	-	-	-	-
Movements	Right of Use from lease	105,042	5,628,528	615,092	6,348,662
	Interest expenses	(1,021)	(57,571)	(3,894)	(62,486)
	Payments	(6,232)	(525,255)	(227,639)	(759,126)
	Deferred interest	(6,502)	(244,073)	(2,634)	(253,209)
	Closing balance as of June 30, 2019	**91,287**	**4,801,629**	**380,925**	**5,273,841**

13 – LEASE RIGHT OF USE (continued)

13.2 Additional information of rights of use from leases

a) The following is the detail of the incremental discount rates for contracts subject to the adoption of IFRS 16 - Leases:

Currencies	5 Years	10 Years
Rate in CLP ($)	4,73%	5,32%
Rate in UF	1,52%	2,30%

b) The following is the detail of other Right of use financial liabilities for short- and long-term leases as of June 30, 2019 and December 31, 2018:

Right of Use from lease	Balance as of June30, 2019		Total	Balance as of December 31, 2018		Total
	Current ThCh$	Non-current ThCh$	As of June 30, 2019	Current ThCh$	Non-current ThCh$	As of December 31, 2018
Right of Use Liabilities	1,571,432	3,955,618	5,527,050	-	-	-
Total Right of Use Liabilities	1,571,432	3,955,618	5,527,050	**-**	**-**	**-**
Right of Use deferred interest	(115,625)	(137,584)	(253,209)	-	-	-
Total Right of Use deferred interest	**(115,625)**	**(137,584)**	**(253,209)**	**-**	**-**	**-**
Total Right of Use financial liabilities	**1,455,807**	**3,818,034**	**5,273,841**	**-**	**-**	**-**

13 – LEASE RIGHT OF USE (continued)

13.2 Additional information on rights of use from leases (continued)

c) Detail of future lease rights of use liabilities.

	Current			Non-current			
Right of use	Maturity Less than 90 days ThCh$	Maturity More than 90 days ThCh$	Total Current as of June 30, 2019 ThCh$	Maturity 1 and up to 3 years ThCh$	Maturity 3 and up to 5 years ThCh$	Maturity More than 5 years ThCh$	Total Non-current as of June 30, 2019 ThCh$
Land	7,253	6,939	14,192	-	-	84,348	84,348
Buildings	582,826	406,836	989,662	3,558	3,681,155	-	3,684,713
Vehicles	231,532	220,421	451,953	48,973	-	-	48,973
Total Right of Use financial liabilities	**821,611**	**634,196**	**1,455,807**	**52,531**	**3,681,155**	**84,348**	**3,818,034**

14 - DEFERRED TAXES

14.1 Detail of deferred tax liabilities

The origin of deferred taxes recorded as of June 30, 2019 and December 31, 2018; corresponding to the company Transelec is detailed as follows:

Temporary differences	Net deferred taxes	
	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Depreciable fixed assets	(157,005,877)	(146,156,576)
Financial expenses	(289,961)	(385,544)
Leased assets	(4,187,895)	(3,704,520)
Materials and spare parts	124,133	102,495
Tax losses	35,104,588	47,864,178
Staff severance indemnities provision	(123,649)	(100,932)
Deferred income	1,497,507	1,551,179
Investment value provision	-	12,955
Obsolescence provision	926,866	926,866
Work in progress	1,051,655	855,845
Vacation provisions	432,796	491,460
Intangible assets	(5,194,999)	(5,842,609)
Adjustment of effective interest rate of bonds	(2,721,452)	(2,978,885)
Land	1,654,940	1,597,531
Goodwill	914,359	962,196
Net deferred tax assets/(liabilities)	**(127,816,989)**	**(104,804,361)**
Reflected in the statement financial position as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	(127,816,989)	(104,804,361)
Net deferred tax assets/(liabilities)	**(127,816,989)**	**(104,804,361)**

14.2 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the statement of financial position for the periods June 30, 2019 and December 31, 2018 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2018	**34,410**	79,303,942
Increase (decrease)	(34,410)	25,500,419
Balance as of December 31, 2018	**-**	**104,804,361**
Increase (decrease)	-	23,012,628
Balance as of June 30, 2019	**-**	**127,816,989**

14 - DEFERRED TAXES (continued)

14.2 Deferred tax movements in statement of financial position (continued)

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.

15 - FINANCIAL LIABILITIES

15.1 Other financial liabilities

The current and non-current portion of this account as of June 30, 2019 and December 31, 2018 is as follows:

Interest bearing loans	**June 30, 2019**		**December 31, 2018**	
	Current ThCh$	**Non- current ThCh$**	**Current ThCh$**	**Non- current ThCh$**
Bonds payable	17,878,129	1,447,419,093	18,223,395	1,453,091,243
Total bonds payable	**17,878,129**	**1,447,419,093**	**18,223,395**	**1,453,091,243**
Bank borrowings	11,274	-	-	-
Swap contract (Note 15)	3,999,078	10,337,276	4,070,488	-
Total Banks borrowings	**4,010,352**	**10,337,276**	**4,070,488**	**-**
Right of use liabilities	1,455,807	3,818,034	-	-
Total Right of use liabilities	**1,455,807**	**3,818,034**	**-**	**-**
Total	**23,344,288**	**1,461,574,403**	**22,293,883**	**1,453,091,243**

15 - FINANCIAL LIABILITIES (continued)

15.2 Detail of other financial liabilities

a) Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of June 30, 2019 and December 31, 2018 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	June 30, 2019 ThCh$	December 31, 2018 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4.37%	4.25%	At maturity	Semiannually	12-15-2027	374,412,904	369,698,027
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4.79%	4.80%	At maturity	Semiannually	08-01-2031	85,421,158	84,379,227
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4.61%	4.60%	At maturity	Semiannually	09-01-2031	45,304,229	44,750,389
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4.26%	4.05%	At maturity	Semiannually	06-15-2032	41,070,822	40,557,478
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4.23%	4.05%	At maturity	Semiannually	06-15-2032	51,922,935	51,271,136
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4.29%	3.95%	At maturity	Semiannually	12-15-2038	80,160,888	79,146,501
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4.02%	3.95%	At maturity	Semiannually	10-15-2042	86,460,254	85,417,989
76.555.400-4	Transelec S.A	Chile	Foreign	1st issuance	Sr N	US$	5.10%	4.63%	At maturity	Semiannually	07-26-2023	206,362,152	210,977,924
76.555.400-4	Transelec S.A	Chile	Foreign	2nd issuance	Sr N	US$	4.66%	4.25%	At maturity	Semiannually	01-14-2025	256,960,520	262,645,250
76.555.400-4	Transelec S.A	Chile	Foreign	3rd issuance	Sr N	US$	4.31%	3.88%	At maturity	Semiannually	01-12-2029	237,221,360	242,470,718
											Total	**1,465,297,222**	**1,471,314,638**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$ 1,687,289,160 and ThCh$1,553,921,792 as of June 30, 2019 and December 31, 2018, respectively (it does not include other current and non-current liabilities such as swap agreements which are presented in the Interim Consolidated Financial Statements at fair value). The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities. This value is categorized as level 2 according to the hierarchy of fair value.

15 - FINANCIAL LIABILITIES (continued)

15.2 Detail of other financial liabilities (continued)

a) Bonds payable (continued)

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	June 30, 2019 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity more than 5 years ThCh$	June 30, 2019 Non-current ThCh$
76.555.400-4	Transelec S.A	480	-	649.087	649.087	-	-	373.763.817	373.763.817
76.555.400-4	Transelec S.A	599	1.660.417	-	1.660.417	-	-	83.760.741	83.760.741
76.555.400-4	Transelec S.A	599	685.682	-	685.682	-	-	44.618.547	44.618.547
76.555.400-4	Transelec S.A	599	-	70.946	70.946	-	-	40.999.876	40.999.876
76.555.400-4	Transelec S.A	599	-	90.100	90.100	-	-	51.832.835	51.832.835
76.555.400-4	Transelec S.A	599	-	139.480	139.480	-	-	80.021.409	80.021.409
76.555.400-4	Transelec S.A	744	-	702.630	702.630	-	-	85.757.625	85.757.625
76.555.400-4	Transelec S.A	1st issuance	4.201.622	-	4.201.622	-	202.160.530	-	202.160.530
76.555.400-4	Transelec S.A	2nd issuance	5.200.135	-	5.200.135	-	-	251.760.384	251.760.384
76.555.400-4	Transelec S.A	3rd issuance	4.478.030	-	4.478.030	-	-	232.743.329	232.743.329
		Total	**16.225.886**	**1.652.243**	**17.878.129**	**-**	**202.160.530**	**1.245.258.563**	**1.447.419.093**

Debtor taxpayer ID number	Debtor Name	Instrument registration number	Current: Maturity less than 90 days ThCh$	Current: Maturity more than 90 days ThCh$	December 31, 2018 Current ThCh$	Non-current: Maturity 1 to 3 years ThCh$	Non-current: Maturity 3 to 5 years ThCh$	Non-current: Maturity more than 5 years ThCh$	December 31, 2018 Non-current ThCh$
76.555.400-4	Transelec S.A	480	-	685.600	685.600	-	-	369.012.426	369.012.426
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	666.660	-	666.660	-	-	44.083.730	44.083.730
76.555.400-4	Transelec S.A	599	-	72.367	72.367	-	-	40.485.110	40.485.110
76.555.400-4	Transelec S.A	599	-	91.900	91.900	-	-	51.179.236	51.179.236
76.555.400-4	Transelec S.A	599	-	142.251	142.251	-	-	79.004.250	79.004.250
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	**16.524.149**	**1.699.246**	**18.223.395**	**-**	**206.666.586**	**1.246.424.657**	**1.453.091.243**

15 - FINANCIAL LIABILITIES (continued)

15.3 Other aspects

As of June 30, 2019 and December 31, 2018, 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 21.5), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

16 - TRADE AND OTHER PAYABLES

Trade and other payables as of June 30, 2019 and December 31, 2018, are detailed as follows:

Trade and other payables	Current June 30, 2019 ThCh$	 December 31, 2018 ThCh$
Trade and other payables	49,873,038	45,621,741
Other accounts payable	1,461,932	1,811,584
Total	**51,334,970**	**47,433,325**

The average payment period for suppliers in the periods ended 2019 and 2018 was 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

17 - 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.

17 - DERIVATIVE INSTRUMENTS (continued)

17.1 Hedge assets and liabilities

	June 30, 2019				December 31, 2018			
	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	-	-	(3,999,078)	(10,337,276)	-	42,246	(4,070,488)	-
Currency and rate hedge swap (non-hedging)(*)	-	-	-	-	20,902	-	-	-
Forward (non-hedging))	-	-	(11,274)	-	170,391	-	-	-
Total	**-**	**-**	**(4,010,352)**	**(10,337,276)**	**191,293**	**42,426**	**(4,070,448)**	

(*) The balance of ThCh$ 20,902, as of December 31, 2018, corresponded to an interest rate swap, whose maturity was January 7 , 2019.

17.2 Other Information

The following table details Transelec's derivatives as of June 30, 2019 and December 31, 2018, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh$	Maturity Before 1 year ThCh$	2019 ThCh$	2020 ThCh$	2021 ThCh$	2022 ThCh$	Subsequent years ThCh$	June 30, 2019 Total ThCh$
Currency hedge Swap	(14,336.354)	(3,999,078)	-	-	-	-	(10,337,276)	(14,336,354)
Forward	(11,274)	(11,274)	-	-	-	-	-	(11,274)

Financial derivatives	Fair value ThCh$	Maturity 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)
Currency and rate hedge swap	20,902	20,902	-	-	-	-	-	20,902
Forward	170,391	170,391	-	-	-	-	-	170,391

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 June 30, 2019 and December 31, 2018, 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.

17 - DERIVATIVE INSTRUMENTS (continued)

17.3 Fair value hierarchies

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

The following table details financial assets and liabilities measured at fair value as of June 30, 2019.

Financial instrumental measured at fair value		Fair value measured at the end of the reporting period using		
	June 30, 2019	Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap	(14,336,354)	-	(14,336,354)	-
Cash flows derivatives (non-hedging)	(11,274)	-	(11,274)	-
Total, net	**(14,347,628)**	**-**	**(14,347,628)**	**-**

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

Financial instrumental measured at fair value		Fair value measured at the end of the reporting period using		
	December 31, 2018	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)**	**-**

18 - FINANCIAL INSTRUMENTS

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

June 30, 2019	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	-	129,024,237	-	-	-	129,024,237
Other financial assets, current	1,034,652	-	-	-	-	1,034,652
Trade and other receivables	99,219,958	-	-	-	-	99,219,958
Other financial assets, non-current	27,907,084	41,751	-	-	-	27,948,835
Receivables from related parties, current	51,074,223	-	-	-	-	51,074,223
Receivables from related parties, non-current	224,471,639	-	-	-	-	224,471,639
Total	**403,707,556**	**129,065,988**	**-**	**-**	**-**	**532,773,544**

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
			For other comprehensive income			
		For profit or loss		Hedge	No Hedge	
December 31, 2018	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	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	15,286	-	42,246	-	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	**333,153,412**	**104,074,560**	**-**	**42,246**	**191,293**	**437,461,511**

NOTE 18 - FINANCIAL INSTRUMENTS (continued)

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

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
		For Profit or Loss	For other comprehensive income		For Profit or Loss	
June 30, 2019	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	19,333,936	-	-	3,999,078	11,274	23,344,288
Trade and other payables	51.334,970	-	-	-	-	51,334,970
Other financial liabilities, non-current	1,451,237,127	-	-	10,337,276	-	1,461,574,403
Total	**1,521,906,033**	**-**	**-**	**14,336,354**	**11,274**	**1,536,253,661**

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
		For Profit or Loss	For other comprehensive income		For Profit or Loss	
December 31, 2018	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	18,223,395	-	-	4,070,488	-	22,293,883
Trade and other payables	47,433,325	-	-	-	-	47,433,325
Other financial liabilities, non-current	1,453,091,243	-	-	-	-	1,453,091,243
Total	**1,518,747,963**	**-**	**-**	**4.070,488**	**-**	**1,522,818,451**

19 - PROVISIONS

19.1 Detail of provisions

The detail as of June 30, 2019 and December 31, 2018, is as follows:

Detail	Current		Non-current	
	June 30, 2019 ThCh$	December 31, 2018 ThCh$	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Staff severance indemnities	386,077	384,004	5,730,553	5,730,553
Accrued vacations	1,602,947	1,820,222	-	-
Profit sharing benefits	991,438	4,497,305	-	-
Other provisions	205,447	205,447	-	-
Total	**3,185,909**	**6,906,978**	**5,730.553**	**5,730,553**

19.2 Provision movements

The movement of these obligations in the period ended as of June 30, 2019 and December 31, 2018 is as follows:

June 30, 2019

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Opening balance as of January 1, 2019	**6,114,557**	**4,497,305**	**1,820,222**	**205,447**	**12,637,531**
Movements in provisions:					
Provisions during the year	415,201	1,834,638	471,692	-	2,721,531
Payments	(413,128)	(5,340,505)	(688,967)	-	(6,442,600)
Ending balance as of June 30, 2019	**6,116,630**	**991,438**	**1,602,947**	**205,447**	**8,916,462**

December 31, 2018

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Opening 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**

19 - PROVISIONS (continued)

19.2 Provision movements (continued)

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

As of June 30, 2019

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	386,077	509,338	340,522	4,880,693
Accrued vacations	1,602,947	-	-	-
Profit sharing benefits	991,438	-	-	-
Other provisions	205,447	-	-	-
Total	**3,185,909**	**509,338**	**340,522**	**4,880,693**

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**

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 7).

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.

19 - PROVISIONS (continued)

19.2 Lawsuits and arbitration proceedings

Transelec S.A.

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

   As of June 30, 2018 the Company has established a provision for these and other contingents liabilities totaling to ThCh$ 1, 348,067 considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC.

20 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

20.1 Detail of account

Employee benefit obligations	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Staff severance indemnity provision – current	386,077	384,004
Staff severance indemnity provision non – current	5,730,553	5,730,553
Total Employee benefit obligations Current and Non-current	**6,116,630**	**6,114,557**

20.2 Detail of obligations to employees

As of June 30, 2019 and December 31, 2018, this account is detailed as follows:

	Staff severance indemnity	
	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Present value of defined benefit plan obligations opening balance	6,114,557	4,723,415
Current service cost of defined benefit plan obligations	415,201	1,592,351
Liquidations obligation defined benefit plan	(413,128)	(201,209)
Present value of defined benefit obligations ending balance	**6,116,630**	**6,114,557**

20.3 Balance of obligations to employees

	Staff severance indemnity	
	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Present value of defined benefit obligations, ending balance	**6,116,630**	**6,114,557**
Present obligation with defined benefit plan funds	6,116,630	6,114,557
Balance of defined benefit obligations, ending balance	**6,116,630**	**6,114,557**

20 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

20.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2019 to June 30, 2019 ThCh$,	January 1, 2018 to December 31, 2018 ThCh$	
Current service cost of defined benefit plan	193,331	965,221	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	103,152	311,271	Cost of sales and Administrative expenses
Total expense recognized in income statement	**296,483**	**1,276,492**	

20.5 Actuarial hypothesis

Detail	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Discount rate used	1,65%	1,65%
Inflation rate	3,00%	3,00%
Future salary increase	1,10%	1,10%
Mortality table	RV-2014	RV-2014
Disability table	30% RV-2014	30% RV-2014
Rotation table	2,77%/0,92%	2,77%/0,92%

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

20.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of June 30, 2019:

	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	(220,896)	243,503	234,835	(217,736)	239,423	(221,674)

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 June 30, 2019.

20 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

20.6 Sensitivity analysis

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

	June 30, 2019 ThCh$	December 31, 2018 ThCh$
During the upcoming 12 month	520,783	384,004
Between 2 to 5 years	1,256,685	1,204,336
Between 5 to 10 years	2,292,344	1,835,101
More than 10 years	2,046,818	2,691,116
Total Payments Expected	**6,116,630**	**6,114,557**

21 - EQUITY

21.1 Subscribed and paid capital

As of June 30, 2019 and December 31, 2018 authorized, subscribed and paid share capital amounts to ThCh$ 776,355,048.

21.2 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.

21.3 Dividends

In the Board of Directors Meeting held on June 18, 2019, it was agreed to distribute a provisional dividend charged to the year 2019, amounting to the sum of ThCh$ 32,875,000, which will be paid from July 18, 2019 to the shareholders registered in the respective registry on July 11, 2019. As of June 30, 2019 this dividend is payable on the indicated date.

21 – EQUITY (continued)

21.4 Other reserves

Other reserves as of June 30, 2019 and December 31, 2018 are detailed as follows:

Description	June 30, 2019 ThCh$	December 31, 2018 ThCh$
Net investment hedge	427,386	575,763
Cash flow hedge (Exchange rate)	(57,623,189)	(58,304,659)
Actuarial calculation exchange differences	726,408	726,408
Deferred taxes	15,246,737	15,390,672
Total	**(41,222,658)**	**(41,611,816)**

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, 2019	**420,308**	**(42,562,401)**	**530,277**	**(41,611,816)**
Translation adjustment	(148,377)	681,470	-	533,093
Deferred tax	40,062	(183,997)	-	(143,935)
Closing balance as of June 30, 2019	**311,993**	**(42,064,928)**	**530,277**	**(41,222,658)**

21.5 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.

21 – EQUITY (continued)

21.5 Capital management (continued)

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

1) Maintain individual and indebtedness levels (Total debt / Total capitalization ratio) no greater than 0.7 based on the definitions of these terms in the respective prospectuses of local bond series C, D, H, K, M, N and Q.

2) a) Maintain minimum individual and equity of fifteen million UF equivalent to ThCh$ 407.381.550 as of June 30, 2018. As that term is defined in the respective prospectuses of local bond series C, D, H, K, M and N.

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

The test of distribution of restricted payments (net cash flow of the operations / financial costs) must be greater than 1.5 times, as those terms are defined in the respective prospectuses C,D,H,K,M and N.

The following tables present – as of June 30, 2019 and December 31, 2018 - 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**	**June 30, 2019 MCh$**	**December 31, 2018 MCh$**
A	Other financial liabilities, current	23,344	22,294
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,461,575	1,453,091
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,489,919**	**1,475,385**
G	Debt with guarantees (1)	-	-
DT=E+G	**Total debt**	**1,489,919**	**1,475,385**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	832,045	800,893
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	**2,341,933**	**2,301,248**
DT/CT	**Total debt / Total capitalization ratio**	**0,63**	**0,64**

Covenant 2	**Minimum equity** **Greater than or equal to UF 15 million/ Greater or equal to ThCh$ 350,000**	**June 30, 2019 MCh$**	**December 31, 2018 MCh$**
P	Equity attributable to owners of the parent	832,045	800,893
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	**857,015**	**825,863**
UF	UF value	27.903,30	27.565,79
(I+P)/UF	**Equity (in UF millions)**	**30,71**	**29,96**

21 – EQUITY (continued)

21.5 Capital management (continued)

Covenant 3	Restricted payments test Funds from operations (FNO) / Financial costs > 1.5	June 30, 2019 MCh$	December 31, 2018 MCh$
FO	Cash flow from operations	213,783	203,189
CF	Financial costs	71,035	68,692
IG	Income tax expense	46,804	37,586
FNO=FO+CF+IG	**Funds from operations**	**331,622**	**309,467**
FNO/CF	**Funds from operations / Financial costs**	**4,67**	**4,51**

Covenant N° 4	Total debt / Adjusted EBITDA Lower or equal to 0.70	June 30, 2019 MCh$	December 31, 2018 MCh$
A	Other financial liabilities, current	23,344	22,294
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,461,575	1,453,091
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,484,919**	**1,475,385**
F	Debt with guarantees	-	-
G=E+F	**Total debt**	**1,484,919**	**1,475,385**
H	Cash and cash equivalents	(129,024)	(104,059)
DN=G-H	**Net debt**	**1,355,895**	**1,371,326**
I	Operating revenues	360,231	329,217
J	Cost of sales	(82,639)	(82,877)
K	Administrative expenses	(26,891)	(25,791)
L	Depreciation and amortization	54,981	53,592
N	Other gains	3,419	3,104
O	Finance lease amortization	992	907
EA=I+J+K+L+N+O	**Adjusted EBITDA**	**310,093**	**278,152**
(I+P)/UF	**Net debt /Adjusted EBITDA**	**4,37**	**4,93**

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

22 - REVENUE

22.1 Revenue

The following table details revenue for the six-month periods ended June 30, 2019 and 2018:

Revenue

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Revenues from regulated transmission services	134,516,417	101,534,623	69,544,420	53,787,696
Revenues from contractual transmission services	37,541,807	39,714,858	18,362,285	19,951,732
Leases revenue	1,828,768	1,623,775	811,413	677,600
Total revenues	**173,886,992**	**142,873,256**	**88,718,118**	**74,417,028**

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Customers from regulated transmission services	134,516,417	101,534,623	69,544,420	53,787,696
Customers from contractual transmission services	37,541,807	39,714,858	18,362,285	19,951,732
Otros	1,828,768	1,623,775	811,413	677,600
Total	**173,886,992**	**142,873,256**	**88,718,118**	**74,417,028**
National Revenue	102,928,880	89,151,523	52,674,738	47,613,465
Local Revenue	37,692,405	22,912,489	19,120,422	1,194,461
Dedicated Revenue	28,394,672	26,062,161	14,662,644	25,859,784
Revenue from services	3,042,267	3,123,308	1,448,901	1,460,640
Other	1,828,768	1,623,775	811,413	677,600
Total	**173,886,992**	**142,873,256**	**88,718,118**	**74,417,028**
Transferred services by a long time	173,886,992	142,873,256	88,718,118	74,417,028
Total Revenues	**173,886,992**	**142,873,256**	**88.,718,118**	**74,417,028**

22 – REVENUE (continued)

22.2 Other operating income

The following table details operating income for the six -month periods ended June 30, 2019 and 2018:

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Financial income (Note 23.4)	7,455,243	4,663,202	4,426,080	2,537,550
Other gains (losses), net	1,502,999	1,188,223	1,113,953	515,789
Total other operating income	**8,958,242**	**5,851,425**	**5,540,033**	**3,053,339**

23 - RELEVANT INCOME STATEMENT ACCOUNTS

23.1 Expenses by nature

The composition of cost of sales and administrative expenses by nature in the six-month periods ended June 30, 2019 and 2018:

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Personnel expenses	10,890,312	12,113,471	5,674,281	6,738,995
Operating expenses	8,172,102	7,631,557	4,041,310	4,204,020
Maintenance expenses	4,201,856	4,331,063	2,459,004	2,535,174
Depreciation and write-offs	27,628,770	26,240,099	13,716,872	13,103,001
Other	1,209,847	924,087	1,036,068	630,299
Total	**52,102,887**	**51,240,277**	**26,927,535**	**27,211,489**

23 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

23.2 Personnel expenses

As of June 30, 2019 and 2018, this account is detailed as follows:

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Salaries and wages	9,923,368	9,380,772	4,948,725	4,689,504
Short-term employee benefits	608,925	1,941,296	288,562	1,727,553
Staff severance indemnity	296,483	459,707	133,617	165,119
Other long-term benefits	667,694	595,672	338,837	269,596
Other personnel expenses	3,567,900	3,612,634	2,108,642	2,031,956
Expenses capitalized on construction in progress	(4,174,058)	(3,876,610)	(2,144,102)	(2,144,733)
Total	**10,890,312**	**12,113,471**	**5,674,281**	**6,738,995**

21.3 Depreciation and amortization

The following table details depreciation and amortization for the six-month periods ended June 30, 2019 and 2018:

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Depreciation	24,997,652	24,181,857	12,558,482	12,148,235
Amortization	1,419,508	1,220,485	749,633	608,409
Amortization (Rights of use)	784,927	-	392,463	-
Losses from damages [(1)]	426,683	837,757	408,757	346,357
Total	**27,628,770**	**26,240,099**	**14,109,335**	**13,103,001**

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

NOTE 23 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

23.4 Financial results

The Company's financial result for the six-month periods ended June 30, 2019 and 2018 is detailed as follows:

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Financial income:	**745,5.243**	**4,663,202**	**4,426,080**	**2,537,550**
Commercial interest earned	1,372.525	116,647	1,338,953	93,523
Bank interest earned	1,823.467	763,058	1,183,805	434,856
Interest earned from related parties	4,259.251	3,783,497	1,903,322	2,009,171
Financial expenses:	**(35,921,688)**	**(33,577,782)**	**(18,063,948)**	**(17,079,496)**
Interest on bonds	(31,305,743)	(28,779,386)	(15,782,672)	(14,616,611)
Commercial interest incurred	-	-	-	-
Interest rate Swap	(4,329,297)	(4,332,219)	(2,166,099)	(2,186,763)
Other expenses	(286,648)	(466,177)	(115,177)	(276,122)
Gain (loss) from indexation of UF	**(9,042,455)**	**(9,608,090)**	**(9,041,252)**	**(5,102,701)**
Foreign exchange gains (losses), net	**772,533**	**(716,524)**	**588,687**	**(754,071)**
Obligations with public	16,164,947	(37,303,250)	(510,962)	(49,687,490)
Intercompany Loan	-	9,569,605	4,167,070	12,504,248
Financial Instruments	1,529,299	25,910,469	12,214,898	34,932,508
Other	(8,844,533)	1,106,652	(7,205,139)	1,496,663
Total financial result, net	**(36,736,367)**	**(39,239,194)**	**(22,090,433)**	**(20,398,718)**

24 - INCOME TAX RESULT

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Current tax expense	44,494	47,598	(432)	83,374
Current tax expense, net, total	**44,494**	**47,598**	**(432)**	**83,374**
Deferred tax expense relating to origination and reversal of temporary differences	22,868,693	13,647,410	10,124,839	6,922,741
Deferred tax expense, net, total	**22,868,693**	**13,647,410**	**10,124,839**	**6,922,741**
Effect of change in tax situation of the entity or its shareholders	-	-	-	-
Income tax expense	**22,913,187**	**13,695,008**	**10,124,407**	**6,839,367**

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 June 30, 2019 and 2018:

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Tax rate using statutory rate	**(23,368,699)**	**(14,467,142)**	**(11,019,808)**	**(7,377,105)**
Price-level restatement of capital	21,004	142,947	21,004	76,239
Price-level restatement of investment in related company	(34,356)	-	(34,356)	(226,050)
Expenses not accepted	(33,962)	-	(33,962)	-
Price-level restatement of tax loss	677,961	-	677,961	-
Others differences	(175,135)	629,187	264,754	687,549
Total adjustments to tax expense using statutory rate	455,512	772,134	895,401	537,738
Tax expense using effective tax rate	**(22,913,187)**	**(13,695,008)**	**(10,124,407)**	**(6,839,367)**

24 - INCOME TAX RESULT (continued)

	01.01.2019 06.30.2019 ThCh$	01.01.2018 06.30.2018 ThCh$	04.01.2019 06.30.2019 ThCh$	04.01.2018 06.30.2018 ThCh$
Statutory Tax Rate	27,00%	27,00%	27,00%	27,00%
Price-level restatement of capital	(0,02%)	(0,27%)	(0,04%)	(0,28%)
Price-level restatement of investment in related company	0,04%	-	0,08%	0,83%
Expenses not accepted	0,04%	-	0,08%	-
Price-level restatement of tax loss	(0,78%)	-	(1,66%)	-
Others differences	0,19%	(1,17%)	(0.65%)	(2,52%)
Total adjustments to tax expense using statutory rate	**(0,53%)**	**(1,44%)**	**(2,20%)**	**(1,97%)**
Effective tax rate	**26,47%**	**25,56%**	**24,81%**	**25,03%**

The tax rate used for the years 2019 and 2018 reconciliations corresponds to 27%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations

Reforma Tributaria Chile

On September 29, 2014, the law N° 20,780 was published, named “Tax Reform which modifies the Tax System on the income and which introduces various adjustments on the Tax System.”

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

25 - 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	June 30, 2019	June 30, 2018
Profit attributable to equity holders of parent (ThCh$)	63,637,550	39,887,000
Earnings available to common shareholders, basic (ThCh$)	63,637,550	39,887,000
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	63.638	39.887

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

26 - SEGMENT REPORTING

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

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

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

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

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

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.

NOTE 26 - SEGMENT REPORTING (continued)

Information about products and services

	June 30, 2019 ThCh$	June 30, 2018 ThCh$
Transmission services	173,886,992	142,873,256
Total Transmission services	**173,886,992**	**142,873,256**

Information about sales and principal customers

La información sobre los principales clientes de la Compañía está contenida en la nota 3.1.2 Riesgo de crédito.

27 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

As of June 30, 2019, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$16,99,018(ThCh$15,878,679 as of December 31, 2018).

28 - DISTRIBUTION OF PERSONNEL

As of June 30, 2019 and December 31, 2018, personnel employed by Transelec S.A. are detailed as follows:

	June 30, 2019				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**16**	**390**	**137**	**543**	**540**

	December 31, 2018				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**15**	**396**	**127**	**538**	**532**

29 - 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 six-month ended June 30, 2019 and 2018, the Company has made the following environmental disbursements:

Company making disbursement	**Project**	**June 30, 2019 ThCh$**	**June 30, 2018 ThCh$**
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	629,966	169,745
Total		**629,966**	**169,745**

30 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	June 30, 2019		December 31, 2018	
			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$	8,239,024	-	58,070,904	-
	Other Currency	CH$	253,082	-	289,637	-

Current Liabilities	Foreign Currency	Functional Currency	June 30, 2019		December 31, 2018	
			Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	13,879,787	-	18,297,804	-

			June 30, 2019			December 31, 2018		
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$	-	202,160,530	484,503,713	-	-	701,866,575

31 - SUBSEQUENT EVENTS

On July 18, 2019, the Company totally paid the interim dividend amounting to ThCh$ 32,875,000, agreed at the Board of Directors Meeting held on June 18, 2019.

Between June 30, 2019, closing date of these interim consolidated financial statements and the date of issuance, there has been no other significant financial and accounting events that may affect the equity of the Company or the interpretation of these interim consolidated financial statements.

Management Discussion and Analysis (MD&A) of the Consolidated Financial Statements

TRANSELEC S.A AND SUBSIDIARY

Santiago, Chile
June 30, 2019

SUMMARY

As of June 30, 2019, Revenues reached MCh$173,887 showing an increase of 21.7% compared to the same period of 2018 (MCh$142,873). The increase is explained by the entry into force of 6T Decree in last quarter of 2018 which mainly establishes the new Zonal tariffs. The raise is also explained by commissioning of new projects and also macroeconomics effects, mostly explained by USD/CLP exchange rate.

As of June 30, 2019, Transelec obtained an EBITDA[1] of MCh$151,421, a 26.7% higher than the one obtained in the same period of 2018 (MCh$119,481), with an EBITDA Margin[2] of 87.1%. The EBITDA increase is almost totally due to the higher Revenues explained before.

The loss in Non-Operating Income as of June, 2019 was MCh$35,233, representing a decrease of 7.4% compared to the same period of 2018 (MCh$38,051). Mostly explained by higher Financial Income and positive Foreign Exchange Differences. The raise is partially offset by higher Financial Costs.

Net Income recorded by the Company as of June 30, 2019, was MCh$63,638, which is 59.5% higher compared to the same period of 2018, in which was registered a Net Income of MCh$39,887.

During the first half of 2019, the Company incorporated US$20.3 million of new facilities, which correspond to the commissioning of an expansion of the national segment and an extension in the zonal segment. Likewise, in the 12-months period ended June 2019, facilities for US$139.1 million were incorporated.

[1] EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization

[2] EBITDA Margin= EBITDA/Revenues

Relevant events of the period:

- In January 2019, the international risk rating agencies Moody's y Fitch Ratings ratified the Transelec's ratings at Baa1, BBB, respectively. Standard & Poors, on the other hand, did so in July 2018, ratifying the classification in BBB. The local risk rating agencies Feller and Fitch Ratings also ratified the classifications in AA- during January 2019, while Humphrey's upgraded the Company's rating from AA- to AA with stable outlook in November 2018.

- In the first half of 2019, the effect on income of Decree 6T (published in October 2018) is noticed. It establishes the new rates for the Zonal segment and will be valid from January 1, 2018 to December 31, 2019.

- The Ordinary Shareholders' Meeting held on April 26 agreed a total dividend distribution charged to the 2018 profit of MCh$39,887, equivalent to the first and second interim dividends paid in June and September of 2018, so in the meantime, there won't be additional distributions associated to the year 2018.

- The Board of Directors of Transelec S.A., in a session held on June 18, 2019, agreed to a first interim dividend charged to 2019 earnings for MCh$32,875 to be distributed in July 2019.

- As of this year, the Company has adopted IFRS 16, which ceases to classify as operating costs the lease contracts with identifiable underlying assets (for example, leasing of offices, cars, etc.), classifying them now as fixed assets and financial liabilities, reflecting in the income statement a depreciation of the asset and a financial expense of the liability.

1- INCOME STATEMENT ANALYSIS

ITEMS	June 2019 MCh$	June 2018 MCh$	Variation 2019/2018 MCh$	Variation 2019/2018 %
Revenues	**173.887**	**142.873**	**31.014**	**21,7%**
Toll sales	170.845	139.750	31.095	22,3%
Services	3.042	3.123	-81	-2,6%
Operation Costs and Expenses	**-52.103**	**-51.240**	**-863**	**-1,7%**
Sales Costs	-14.569	-15.997	1.428	8,9%
Administrative Expenses	-9.905	-9.003	-902	-10,0%
Depreciation and Amortization	-27.629	-26.240	-1.388	-5,3%
Operating Income	**121.785**	**91.633**	**30.152**	**32,9%**
Financial Income	7.455	4.663	2.792	59,9%
Financial Costs	-35.922	-33.578	-2.344	-7,0%
Foreign exchange differences	773	-717	1.490	N/A
Gain (loss) for indexed assets and liabilities	-9.042	-9.608	566	5,9%
Other income (Losses)	1.503	1.188	315	26,5%
Non-Operating Income	**-35.233**	**-38.051**	**2.818**	**7,4%**
Income before Taxes	**86.552**	**53.582**	**32.970**	**61,5%**
Income Tax	-22.913	-13.695	-9.218	-67,3%
Net Income	**63.638**	**39.887**	**23.751**	**59,5%**
EBITDA[1]	**151.421**	**119.481**	**31.940**	**26,7%**
EBITDA Margin[2]	**87,1%**	**83,6%**		

[1] EBITDA= Operating Revenues + Operating Fixed Costs + Administration and Sales Fixed Costs + Other Income + Finance Leases Amortization

[2] EBITDA Margin= EBITDA/Revenues

a) Operating Income

In the first half of 2019, the Revenues reached MCh$173,887 increasing a 21.7% compared to the same period of 2018 (MCh$142,873). The increase is explained by higher revenues from Toll Sales which as of June, 2019, reached MCh$170,845, a 22.3% higher than the obtained in the same period of 2018 (MCh$139,750). The Services revenues as of June 30, 2019 reached MCh$3,042, a 2.6% lower than the same period of 2018 (MCh$3,123).

The increase in Toll Sales Revenues is explained by an increase of MCh$13,777 in the National segment, MCh$14,780 in the Zonal segment and MCh$2,538 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 new tariffs of transmission for the Zonal Segment, for 2018-2019 period, for MCh$14,954, (ii) macroeconomic effects by MCh$9,816, and (iii) new revenues in 2019 of projects that came into operation in the last 12 months for MCh$5,747.

Total Transelec Operational Costs and Expenses as of June 30, 2019 were MCh$52,103, a 1.7% higher than the comparison period in 2018 that reached MCh$51,240. Total Costs and Expenses are composed by the following main items.

Cost of sales during the analysis period totaled MCh$14,569, an 8.9% lower than the same period of 2018 (MCh$15,997). The decrease is mainly explained by (i) lower personnel costs due to the end of a negotiation with one of the unions in 2018 and (ii) lower lease costs due to the application of new IFRS 16 for leases and rentals, which establishes that as of 2019, these are reflected in the Balance Sheet and not as costs,. The foregoing is partially offset by higher services provided to related companies.

Administrative Expenses amounted MCh$9,905 in June 2019, 27.0% higher than those obtained in the same period in 2018 (MCh$3,789). The increase is mainly explained by higher expenses in consultancies.

Total Depreciation and Amortization as of June 30, 2019 reached MCh$27,629, a 5.3% higher than the same period in 2018 (MCh$26,240). The increase is mainly due to the entry into operation of new projects and greater amortization associated with the implementation of the new IFRS standard explained above. The foregoing is partially offset by exceptional right-offs made in 2018.

b) Non-Operating Income

The Non-Operating Income of the first half of 2019 was a loss of MCh$35,233, a 7.4% lower than the same period of 2018 (MCh$38,051). Is mainly explained by higher Financial Income and positive Foreign Exchange Differences. This is partially offset by higher Financial Costs.

The loss for Indexed Assets and Liabilities was MCh$9,042 as of June 30, 2019, a 5.9% lower than the same period of 2018 (MCh$9,608). This is mainly explained by the revaluation of the local debt denominated in UF due to the variation in the value of the UF which for the first months of 2019 corresponds to 1.22% compared to 1.35% for the same period of 2018, due to higher inflation in that period.

The Financial Costs registered to June 2019 amounted to MCh$35,922, increasing by 7.0% compared to the same period of 2018 (MCh$33,578). The increase is mainly due to higher interest payments on USD and UF bonds, since the average exchange rate for the semester increased by 10.47% compared to 2018, likewise, the average UF value for the semester increased by 2.50% compared to the previous year. In the Financial Costs item, since this year the interests of the financial liability for leases are registered, associated with the implementation of IFRS 16.

Other Income, as of June 2019, were MCh$1,503, 26.5% higher than the same period of 2018 (MCh$1,188). As of June 30, 2019, the gain is mainly explained by adjustments with suppliers. As of June 30, 2018, the gain was mostly associated to adjustments for the absorption of subsidiaries in 2014.

Foreign Exchange Differences as of June, 2019 resulted in a gain of MCh$773. During 2019, negative effects that impact on 2018 where corrected. These corrections meant a gain in Exchange Differences.

Financial Income registered as of June 2019 reached MCh$7,455, 59.9% higher than what was recorded in the same period of 2018 (MCh$4,663). The increase is mainly due to higher interest received from related companies and a higher cash stock.

c) Income tax

Income Tax as of June 30, 2019 was MCh$22,913, increasing by 67.3% in relation to the same period of 2018 (MCh$13,695). The increase is mainly due to higher Income before Taxes.

2. BALANCE SHEET ANALYSIS

ITEMS	June 2019 MCh$	December 2018 MCh$	Variation 2019/2018 MCh$	Variation 2019/2018 %
Current assets	284.694	182.590	102.104	55,9%
Non-current assets	2.269.690	2.267.861	1.829	0,1%
Total Assets	**2.554.384**	**2.450.450**	**103.934**	**4,2%**
Current liabilities	121.869	80.384	41.485	51,6%
Non current liabilities	1.600.470	1.569.173	31.297	2,0%
Equity	832.045	800.893	31.152	3,9%
Total Liabilities & Equity	**2.554.384**	**2.450.450**	**103.934**	**4,2%**

As of June 2019, a reclassification between Current and Non-Current Liabilities was made. To maintain comparison between periods, the same reclassification was made as of December 2018. It should be noted that this reclassification does not affect 2018 total Liabilities.

The increase in Assets between December 2018 and June 2019 is almost totally explained by an increase in Current Assets. This increase is mostly explained by higher balance of accounts receivable from related entities, higher balance of commercial accounts receivable and higher cash and cash equivalent.

The increase in total Liabilities and Equity is due to an increase in all the components of the category. The rise in current liabilities are mainly due to higher accounts payable to related companies and commercial accounts payable. The increase in Non-Current Liabilities is due to an increase Deferred Taxes Liabilities and higher financial liabilities associated to the implementation of IFRS 16 which reassign the pending contributions of lease agreements as financial debt. The rise in Equity is explained by higher accumulated earnings associated to the no distribution during the first half of 2019.

Value of the Main PP&E in Operation

ASSETS	June 2019 MCh$	December 2018 MCh$	Variation 2019/2018 MCh$	Variation 2019/2018 %
Land	20.363	20.696	-333	-1,6%
Building, Infraestucture, works in progress	1.198.836	1.198.913	-77	0,0%
Work in progress	81.049	73.920	7.129	9,6%
Machinery and equipment	711.087	693.226	17.861	2,6%
Other fixed assets	5.813	6.110	-297	-4,9%
Depreciation (less)	-537.756	-513.132	-24.624	-4,8%
Total	**1.479.391**	**1.479.734**	**-343**	**0,0%**

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital) June 2019	December 2018
Series D bond	UF	4,25%	Fixed	15-Dec-27	13,50	13,50
Series H bond	UF	4,80%	Fixed	01-Aug-31	3,00	3,00
Series K bond	UF	4,60%	Fixed	01-Sep-31	1,60	1,60
Series M bond	UF	4,05%	Fixed	15-Jun-32	3,40	3,40
Series N bond	UF	3,95%	Fixed	15-Dec-38	3,00	3,00
Series Q bond	UF	3,95%	Fixed	15-Oct-42	3,10	3,10
Series Senior Notes bond @2023	USD	4,625%	Fixed	26-Jul-23	300,00	300,00
Series Senior Notes bond @2025	USD	4,25%	Fixed	14-Jan-25	375,00	375,00
Series Senior Notes bond @2029	USD	3,875%	Fixed	12-Jan-29	350,00	350,00
Revolving Credit Facility[1]	USD	3,57%	Floating	03-Aug-20	-	-
Revolving Credit Facility[1]	UF	0,81%	Fixed	03-Aug-20	-	-

[1] Revolving Credit Facility: USD Tranche MM US$150: The floating rate of 3.57% breaks down in 3 months Libor rate plus a margin of 1.25%. At June 30, 2019, the Company did not utilize this line therefore does not pay interest of 3.57% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

[2] Revolving Credit Facility: UF Tranche MM UF$2.5: The floating rate of 0.81% breaks down in TAB UF 180 rate plus a margin of 0.25%. At June 30, 2019, the Company did not utilize this line therefore does not pay interest of 0.81% and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

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 Revenues indexed to inflation.

3. CASH FLOWS ANALYSIS

ITEMS	June 2019 MM$	June 2018 MM$	Variation 2019/2018 MM$	Variation 2019/2018 %
Cash flows provided by (used in) operating activities	102.004	91.410	10.594	11,6%
Cash flows provided by (used in) investing activities	-77.039	-41.591	-35.448	-85,2%
Cash flows provided by (used in) financing activities	0	-38.116	38.116	N/A
Net increase (decrease) of cash and cash equivalent	**24.965**	**11.703**	**13.262**	**113,3%**
Cash and cash equivalent at the begining of the period	104.059	61.628	42.431	68,9%
Cash and cash equivalent at the end of the period	**129.024**	**73.331**	**55.693**	**75,9%**

As of June 30, 2019, cash flow from activities of the operation reached MCh$102,004, which increased by 11.6% compared to the same period of 2018 (MCh$91,410). The increase is due to higher payments from customers, partially offset by higher payments to suppliers and interests.

During the same period, the cash flow used in investment activities was MCh$77,039, an 85.2% higher than the amount allocated as of June 30, 2018 (MCh$41,591). The increase is mainly explained due to as of June 2018 a payment from related companies of MCh$40,407 which lowered the cash flow used in that period.

As of June 2019 there was no cash flow from or used in financing activities. As of June 2018, the cash flow used in financing activities corresponds to dividend payment.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of June 30, 2019 the company has the following committed credit line (Revolving Credit Facility), 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	June 2019	December 2018
Capitalization Ratio[1]	All local Bonds	< 0.70	0,63	0,64
Shareholder's Equity[1] MMUF	D, H, K, M and N local Bonds	> 15.00	30,78	29,96
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	857.015	825.863
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	4,37	4,93
Test	**Bonds**	**Limit**	**June 2019**	**December 2018**
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	4,67	4,51

[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 June 30, 2019 amounted to MCh$24.970.

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

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

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

RATIOS		June 2019	December 2018	Variation 2019/2018
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	15,5%	13,2%	230 pbs
Assets profitability[3]	(%)	5,1%	4,3%	80 pbs
Operating assets profitability[4]	(%)	8,7%	7,1%	160 pbs
Earnings per share[5]	($)	129.218	105.467	22,5%
Liquidity & Indebtedness				
Current Ratio	(times)	2,34	2,27	3,1%
Acid-Test Ratio	(times)	2,33	2,27	2,6%
Debt to Equity	(times)	2,07	2,06	0,5%
Short term debt/Total debt	(%)	7,1%	4,9%	220 pbs
Log term debt/Total debt	(%)	92,9%	95,1%	-220 pbs
Financial expenses coverage	(times)	4,22	4,05	4,2%

[1] Profitability ratios are presented under last twelve months criteria.

[2] Shareholders' Equity profitability is calculated as Net Income over Equity.

[3] Assets profitability is calculated as Net Income over Total Assets.

[4] Operating assets profitability is calculated as Net Income over total value of the Main Pp&E.

[5] Earnings per share is calculated as Net Income over total shares.

5. THE TRANSMISION MARKET

5.1. The transmission activity and its regulation

Transelec develops its activities in Chile in the electricity market, which has been divided into three sectors: generation, transmission and distribution. The generation sector includes companies that are dedicated to produce electricity that will subsequently be used throughout the country by end users. The 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 Transmission Law 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 Dedicated System by users liable to price regulation, among other topics.

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.

5.2. Valuation and pricing of facilities

Prices associated to transmission activity are determined by the Commission every four years by conducting internationally tendered studies, 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 values, 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 Transmission Law establishes a new payment regime for using national facilities that would become effective as of January 1, 2019 starting on that date and a transitory period that will extend until December 31, 2034, period during which the payments of the generating companies for the associated use to the supply agreements for free and regulated customers, concluded prior to the publication of enactment of this new law, will apply the same general rules for calculating the payment of the trunk transmission with some adjustments. These resulting injections tolls will be reduced year by year and the payment of the corresponding amounts will be transferred to a single charge of transmission paid by 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 the Transmission Law, 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.

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 Transmission Law considers the promulgation of several regulations, has some already published (Reglamento del Coordinador Eléctrico, del Panel de Expertos, de Determinación de Franjas Preliminares, para Dictación de Normas Técnicas y para la Determinación, Pago de Compensaciones y de Servicios Complementarios) and others are in development such as Coordinación y operación, and Planificación y de Valorización, waiting for its publication in 2019. Notwithstanding that for the elaboration of the great majority of these regulations, the authority has contemplated the participation of the private agents of the sector through workshops and of the citizenship in general through the procedures of public consultation, the authority is not obliged to incorporate the comments and observations made to the preliminary versions of the regulations, and finally may include what it deems pertinent or necessary, always in accordance with the law.

Additionally, in virtue of the regime of unrestricted open access that the 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.

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

Transelec has Chilean peso as its functional currency, therefore the following factors expose Transelec to foreign exchange risk:

- Transactions in U.S. dollars (construction contracts, import purchases, etc.).
- Leasing contracts that generate income indexed to US dollars.
- Accounts payables in US dollars associated to debt issued in U.S. America.
- Accounts receivables in US dollars associated to intercompany loans.
- Cross Currency Swap contracts that compensates the risks of exchange rates on the international issuances.

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

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

	June 2019		December 2018	
In million pesos	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	701.919	700.889	759.919	760.791
Chilean peso	1.669.627	1.669.991	1.610.961	1.610.090

Below are the exchange rates (Observed Dollar) in Chilean pesos to the United States dollar; in the periods indicated.

MONTH	Average 2019 ($)	Last Day 2019 ($)	Average 2018 ($)	Last Day 2018 ($)
January	677,06	657,81	605,53	603,25
February	656,30	651,79	596,84	593,61
March	667,68	678,53	603,45	603,39
April	667,40	678,71	600,55	610,98
May	692,00	709,80	626,12	631,29
June	692,41	679,15	636,15	651,21
Average of the period	**675,48**	**675,97**	**611,44**	**615,62**

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 limited in the industry given the nature of the stable regulatory framework, and the business of the Company's customers, which also have excellent credit level; and the short term payment of customers, which does not accumulate significant amounts.

BILLING	June 2019 MM$	June 2019 %	June 2018 MM$	June 2018 %
Enel Group	66.552	38,3%	49.144	34,4%
AES Gener Group	29.949	17,2%	22.997	16,1%
Colbún Group	29.682	17,1%	20.127	14,1%
Engie Group	10.449	6,0%	9.658	6,8%
Pacific Hydro-LH-LC Group	32.403	18,6%	8.498	5,9%
Others	4.851	2,8%	32.449	22,7%
Total	**173.887**		**142.873**	
% Concentration	**97,2%**		**77,3%**	

As of June 30, 2019, the Company has five main clients which represent individually between 6.0% and 38.3% of total revenues. These are Enel Group (MCh$66,552), Colbún Group (MCh$29,949), AES Gener Group (MCh$29,682), Engie Group (MCh$10,449) and CGE Group (MCh$32,403). The total sum of these main customers corresponds to a 97.21% of the total income of the Company. In the same period of 2018, the Company had a similar structure of clients, whose revenues reached to MCh$49,144, MCh$22,997, MCh$20,127, MCh$9,658 and MCh$8,498 respectively, with a percentage of total incomes of 77.29%.

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. This risk is compensated by the excellent credit level of these clients, together with the "take or pay" type of payment of the Transelec transmission income.

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$171,630,750. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, being renegotiated in 2014 and 2017. The last renovation was on August 03, 2017 maintains the total amount but it includes a local tranche and a USD tranche with others improvements. Is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi, EDC DnB NOR and Banco Estado. This line does not include any material clause of adverse change.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of June 30, 2019 and December 31, 2018.

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
June 30, 2019	62.052	124.104	327.715	1.070.137	490.634	2.074.642
December 31, 2018	62.052	124.104	332.535	840.330	746.648	2.105.668

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

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

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CEN (National Electrical Coordinator) through the collection or payment to the different companies, owners of generation facilities.

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

6.9. Interest Rate Risks

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

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

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

All the debt as of June 30, 2019, and as of December 31, 2018, was at a fixed rate. However, in the case of UF indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

UF Values

MONTH	Average 2019 ($)	Last Day 2019 ($)	Average 2018 ($)	Last Day 2018 ($)
January	27.558,53	27.546,22	26.811,97	26.824,94
February	27.546,04	27.556,90	26.864,09	26.923,70
March	27.564,62	27.565,76	26.961,32	26.966,89
April	27.601,09	27.662,17	26.980,73	27.004,63
May	27.720,11	27.762,55	27.040,06	27.078,32
June	27.826,20	27.903,30	27.119,59	27.158,77
Average of the period	**27.636,10**	**27.666,15**	**26.962,96**	**26.992,88**

Subsequent Events

- On June 18, 2019 the first interim dividend was paid for a total amount of MCh$32,875.

CONSOLIDATED MATERIAL FACTS

TRANSELEC S.A.

1) On January 15, 2019, and in accordance with article 9 and subsection 2 of article 10 of Law No. 18,045 on the Securities Market and General Standard No. 30 of the Superintendency of Exchange and Securities, today the Commission for the Financial Market, it was informed as an essential fact that on January 15, 2019, Mr. Paul Dufresne communicated his resignation as Director to the Chairman of the Board of Transelec S.A. In addition, it was communicated that the Board approved the suspensions of provisory dividends regarding the exercise of year 2018.

2) On March 21, 2019, and in compliance with article 9 and subsection 2 of article 10 of Law No. 18,045 on Stock Market and General Standard No. 30, it was reported as an essential fact that on March 21, 2019, Mr. Jean Daigneault communicated his resignation as Alternate Director to the Chairman of the Board of Transelec S.A. Given the previously mentioned, in the same Meeting of the Board of Directors of Transelec S.A. Mr. Richard Cacchione was appointed as subsitute director.

3) On March 21, 2019 and according the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, the following material fact was reported:

   Transelec S.A.'s Board of Directors at its meeting held on March 21, 2019, agreed on informing as a material fact the calling for the annual Shareholders Meeting to be held on April 26, 2019, in order to inform and request approval from shareholders on the following matters:

   1. Annual Report, General Balance Sheet, Financial Statements and External Auditors' Report, corresponding to the period ended on December 31, 2018.

   2. Distribution of final dividends. On this matter, Transelec S.A.'s Board of directors agreed on requesting approval to the shareholders for the distribution of a final dividend for fiscal year 2018, the amounts already distributed as provisory dividends during the exercise of year 2018, for a total amount of CLP 39.887.000.000.

   3. Due to an error that must be corrected from the dividend policy previously in place, the Board recommends to the Shareholders Meeting the approval of the following policy: "To distribute as dividends up to 100% of the net income

reported by the Company, considering acquisition and investment opportunities, the financial situation of the Company, obligations of the Company, commitments acquired during any bond and/or debt issuance and any impact arising from IFRS compliance. Board of Directors will quarterly determine the amount to be distributed as interim dividends according to the abovementioned conditions".

4. Renewal of the Board of Directors members.

5. Remuneration of the Board of Directors and the Audit Committee.

6. Appointment of External Auditors.

7. Newspaper to call for Shareholders Meetings.

8. Resolutions adopted by the Board regarding matters contained in articles 146 et seq. of the Law on Stock Corporations.

9. Other matters of interest for the Company and of the Shareholders' competence.

4) On April 26, 2019 and according the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, it was reported as material fact that on this same date Transelec S.A.'s Shareholders Meeting agreed the following matters:

   1. To approve the Annual Report, General Balance Sheet, Financial Statements and External Auditors' Report, corresponding to the period ended on December 31, 2018.

   2. To approve the distribution as final dividends for the year 2018 the amounts already distributed as provisory dividends during the exercise of year 2018, for a total amount of CLP 39.887.000.000.

   3. To approve the dividend policy proposed by Transelec's Board.

   4. To approve the renewal of the Board of Directors members as it follows: Mrs. Brenda Eaton as Director and Mr. Jordan Anderson as her Alternate Director, Mr. Rui Han as Director and Mrs. Sihong Zhong as his Alternate Director; Mr. Richard Cacchione as Director and Mr. Michael Rosenfeld as his Alternate Director; Mr. Alfredo Ergas Segal as Director and Mr. Ricardo Szlejf as his Alternate Director; Mr. Mario Valcarce Durán as Director and Mr. José Miguel Bambach Salvatore as his Alternate Director; Mr. Blas Tomic Errázuriz as Director and Mr. Patricio Reyes Infante as his Alternate Director; Mr. Alejandro

Jadresic Marinovic as Director and Mr. Juan Agustín Laso Salvatore as his Alternate Director; Mr. Juan Benabarre Benaiges as Director and Mr. Roberto Munita Valdés as his Alternate Director; and Mrs. Patricia Núñez Figueroa as Director and Mr. Claudio Campos Bierwirth as her Alternate Director.

5. To approve the remuneration of the Board of Directors and the Audit Committee.

6. To approve the appointment of Deloitte for the exercise of the year 2019 as External Auditors.

7. To approve the designation of *Diario Financiero* for publishing the announcements to call for Shareholders Meetings.

8. It was informed the resolutions adopted by the Board regarding matters contained in articles 146 et seq. of the Law on Stock Corporations.

5) On May 15, 2019 and according the article 9 and second paragraph of article 10 of the law No 18,045 of Securities Market, it was reported as material fact that on this same date Transelec S.A.'s Board elected Mrs. Brenda Eaton as Chairman of the Board of Transelec S.A.

6) On June 19, 2019, and in compliance with *Circular N° 660* of the Superintendency of Exchange and Securities, today the Commission for the Financial Market, it was reported as material fact that on this same date Transelec S.A.'s Board agreed to distribute a provisory dividend charged to the exercise of year 2019, for a total of CLP $32.875.000.000, to be paid from June 18, 2019 to the shareholders enrolled on the proper register at July, 11, 2019, as stablished on the dividend policy approved by Transelec S.A.'s Board and informed at Shareholders Meeting celebrated on April, 2015.