Consolidated Interim Financial Statements (Non-Audited)

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
As of March 31, 2019 and as of December 31, 2018

Consolidated Interim Financial Statements (Non-Audited)

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
For the period ended as of as of March 31, 2019 and as of December 31, 2018

CH$: Chilean pesos
ThCh$: Thousands of Chilean pesos
UF : *Unidades de fomento* (inflation linked units of account)
US$: United States dollars
ThUS$: Thousands of United States dollars

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Consolidated Interim Financial Statements (Non-Audited)

TRANSELEC S.A. AND SUBSIDIARY

As of March 31, 2019 and as of December 31, 2018

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Financial Position
As of March 31, 2019 and December 31, 2018
(Expressed in thousands of Chilean Pesos – ThCh$)

ASSETS	**Note**	**(Non-Audited) 31/03/2019 ThCh$**	**(Audited) 31/12/2018 ThCh$**
CURRENT ASSETS			
Cash and cash equivalents	(5)	112,880,810	104,059,274
Other financial assets	(8)	1,011,734	1,221,307
Other non-financial assets		4,083,187	2,334,336
Trade and other receivables, net	(6)	82,828,550	72,332,105
Receivables from related parties	(7)	13,897,409	2,607,684
Inventories		97,910	34,919
Subtotal current assets		**214,799,600**	**182,589,625**
Other non-current assets held for sale	(11)	500,074	-
Total current assets		**215,299,674**	**182,589,625**
NON-CURRENT ASSETS			
Other financial assets	(8)	27,986,142	28,981,627
Other non-financial assets		6,760,754	6,566,917
Accounts receivable from related companies	(7)	224,052,891	228,259,514
Intangible assets other than goodwill, net	(9)	181,029,721	181,259,765
Goodwill	(9)	343,059,078	343,059,078
Property, plant and equipment, net	(10)(12)	1,484,175,303	1,479,733,753
Total non-current assets		**2,267,063,889**	**2,267,860,654**
Total assets		**2,482,363,563**	**2,450,450,279**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Financial Position
As of March 31, 2019 and December 31, 2018
(Expressed in thousands of Chilean Pesos – ThCh$)

NET EQUITY AND LIABILITIES	Note	(Non-Audited) 31/03/2019 ThCh$	(Audited) 31/12/2018 ThCh$
CURRENT LIABILITIES			
Other financial liabilities	(14)(12)	18,372,927	32,950,989
Trade and other payables	(15)	39,946,326	47,433,325
Current provisions for employee benefits	(18)	2,452,336	6,906,978
Current tax liabilities		148,811	103,886
Other non-financial liabilities		5,385,356	3,645,910
Total current liabilities		**66,305,756**	**91,041,088**
NON-CURRENT LIABILITIES			
Other financial liabilities	(14)(12)	1,444,950,496	1,442,434,138
Deferred tax liabilities	(13)	119,854,000	104,804,361
Non-current provisions for employee benefits	(18)	5,730,553	5,730,553
Other non-financial liabilities		5,447,759	5,547,152
Total non-current liabilities		**1,575,982,808**	**1,558,516,204**
Total liabilities		**1,642,288,564**	**1,649,557,292**
EQUITY			
Issued capital	(20)	776,355,048	776,355,048
Retained earnings (Accumulated losses)		99,097,609	66,149,755
Other reserves	(20)	(35,377,658)	(41,611,816)
Total equity attributable to the owners of the parent		**840,074,999**	**800,892,987**
Non- controlling interest		-	-
Total equity		**840,074,999**	**800,892,987**
Total equity and liabilities		**2,482,363,563**	**2,450,450,279**

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Interim Statements of Comprehensive Income By Function
for the three months ended as of March 31, 2019 and 2018
(Expressed in thousands of Chilean pesos - ThCh$)

	Note	(Non-Audited) 01/01/2019 31/03/2019 ThCh$	(Non-Audited) 01/01/2018 31/03/2018 ThCh$
Statements of Comprehensive Income By Function			
Operating revenue	(21)	85,168,874	68,456,228
Cost of sales	(22.1)	(19,698,693)	(19,108,971)
Gross profit		**65,470,181**	**49,347,257**
Administrative expenses	(22.1)	(5,476,659)	(4,919,817)
Other income (losses)	(21.2)	389,046	672,434
Finance income	(21.2)	3,029,163	2,125,652
Financial expenses	(22.4)	(17,857,740)	(16,498,286)
Foreign exchange difference, net	(22.4)	183,846	37,547
Indexation units	(22.4)	(1,203)	(4,505,389)
Income before income tax		**45,736,634**	**26,259,398**
Income tax expense	(23)	(12,788,780)	(6,855,641)
Profit from continuing operations		32,947,854	19,403,757
Profit (loss) from discontinued operations		-	-
Profit		**32,947,854**	**19,403,757**
Profit (loss) attributable to:			
Profit attributable to the owners of the parent company		32,947,854	19,403,757
Profit (loss) attributable to non – controlling interest		-	-
Profit		**32,947,854**	**19,403,757**
Earnings per share			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations	(24)	**32,948**	**19,404**
Basic earnings (loss) per share/diluted from discontinued operations		**-**	-
Basic earnings per share/diluted ($/s)	(24)	**32,948**	**19,404**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Interim Statements of Comprehensive Income By Function
for the three months ended as of March 31, 2019 and 2018
(Expressed in thousands of Chilean pesos - ThCh$)

	Note	(Non-Audited) 01/01/2019 31/03/2019 ThCh$	(Non-Audited) 01/01/2018 31/03/2018 ThCh$
PROFIT (LOSS)		**32,947,854**	**19,403,757**
Components of other comprehensive income, before taxes			
Translation differences			
Translation gains (losses) , before taxes		(74,189)	(492,452)
Employee benefits plans	(19.2)	-	-
Cash flow hedges			
Gains (losses) on cash flow hedges		8,614,132	(11,932,325)
Income taxes related to components of other comprehensive income			
Income taxes related to conversion differences		20,031	132,962
Income taxes related to cash flow hedges		(2,325,816)	3,221,728
Income taxes related to actuarial calculation		-	-
Other comprehensive income		6,234,158	**(9,070,087)**
Total comprehensive income (loss)		**39,182,012**	**10,333,670**
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent		39,182,012	10,333,670
Comprehensive income attributable to non-controlling interest		-	-
Total comprehensive income (loss)		**39,182,012**	**10,333,670**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Interim Statements of Changes in Net Equity
For the three months ended as of March 31, 2019 and 2018
(Expressed in thousands of Chilean pesos - ThCh$)

	Notes	Issued capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained earnings (Accumulated losses) ThCh$	Equity attributable to owners of parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Starting balance as of January 01, 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		-	-	-	-	-	32,947,854	32,947,854	-	32,947,854
Other comprehensive income		-	(54,158)	6,288,316	-	6,234,158	-	6,234,158	-	6,234,158
Total comprehensive income		-	(54,158)	6,288,316	-	6,234,158	32,947,854	39,182,012	-	39,182,012
Total changes in equity		-	(54,158)	6,288,316	-	6,234,158	32,947,854	39,182,012	-	39,182,012
Final balance as of December31, 2019 (Note 20)		**776,355,048**	**366,150**	**(36,274,085)**	**530,277**	**(35,377,658)**	**99,097,609**	**840,074,999**	**-**	**840,074,999**

	Notes	Issued capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained earnings (Accumulated losses) ThCh$	Equity attributable to owners of parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Starting balance as of January 01, 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		-	-	-	-	-	19,403,757	19,403,757	-	19,403,757
Other comprehensive income		-	(359,490)	(8,710,597)	-	(9,070,087)	-	(9,070,087)	-	(9,070,087)
Total comprehensive income		-	(359,490)	(8,710,597)	-	(9,070,087)	19,403,757	10,333,670	-	10,333,670
Dividends	(20.3)	-	-	-	-	-	(18,712,012)	(18,712,012)	-	(18,712,012)
Total changes in equity		-	(359,490)	(8,710,597)	-	(9,070,087)	691,745	(8,378,342)	-	(8,378,342)
Closing balance as of December31, 2018 (Note 20)		**776,355,048**	**1,498,776**	**(18,961,260)**	**(314,754)**	**(17,777,238)**	**19,403,759**	**777,981,569**	**-**	**777,981,569**

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Interim Statements of Cash Flows
For the three months ended as of March 31, 2019 and 2018
(Expressed in thousands of Chilean pesos - ThCh$)

Statement of Cash Flows – Direct method	**Notes**	**(Non-Audited) 01/01/2019 31/03/2019 ThCh$**	**(Non-Audited) 01/01/2018 31/03/2018 ThCh$**
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		99,951,179	92,628,684
Other proceeds from operating activities		30,386	370,082
Cash receipts from interest		1,129,910	508,223
Classes of payments			
Payments to suppliers for goods and services		(41,301,911)	(35,909,534)
Other payments for operating activities		(30,385)	(18,886)
Payments to and on behalf of the employees		(7,356,648)	(6,703,584)
Interest paid		(21,690,544)	(20,394,663)
Net cash flows from operating activities		**30,731,987**	**30,480,322**
Cash flows provided by (used in) financing activities			
Cash flow used to gain control over subsidiaries or other businesses			-
Additions of property, plant and equipment		(13,007,382)	(25,299,182)
Proceeds from sale of property, plant and equipment		-	2,596,524
Cash advances and loans given to third parties		-	-
Loans to related companies		(8,903,069)	(8,986,200)
Amounts collected from related companies		-	-
Net cash flows used in investing activities		**(21,910,451)**	**(31,688,858)**
Cash flows provided by (used in) financing activities			
Proceeds from borrowings		-	-
Repayment of loans		-	-
Dividends paid	(20.3)	-	-
Net cash flows provided by (used in) financing activities		-	-
Net Increase (Decrease) in Cash and Cash Equivalents		8,821,536	(1,208,536)
Effect of changes in the exchange rate		-	-
Cash and Cash Equivalents, at the beginning of the year (Note 5)		104,059,274	61,628,069
Cash and Cash Equivalents, at the end of the year (Note 5)		**112,880,810**	**60,419,533**

1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was incorporated as a limited liability partnership by means of public deed on June 06, 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 became a corporation and changed its corporate name to Rentas Eléctricas III S.A., and on June 30, 2007 it changed its corporate name again to its current Transelec S.A. (hereinafter referred to as "the Company" or "Transelec").

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

On December 1, 2014, Transelec S.A. merged with its subsidiary Transelec Norte S.A. through an acquisition of 0.01% of the shares of Transelec Norte S.A. owned by Transelec Holdings Rentas Limitada, becoming the owner of 100% of the 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. and 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% of the shares in Transmisión Del Melado SpA assuming control of the latter in April 2017. For this reason, Transelec S.A. used to prepare separate financial statements until December 31, 2016, but then it started preparing consolidated financial statements as of June 30, 2017.

The Company is domiciled at Calle Orinoco N°90, Floor 14, district of 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 transmissionfacilities. 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.

1 - GENERAL INFORMATION (continued)

Effective January 16, 2018 the SVS was replaced by the Financial Market Commission (referred to as "CMF").

The Company's financial statements for the year ended March 31, 2019 were approved by the Company's Board of Directors on its 184th meeting held on May 14th, 2019.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of March 31, 2019 and applied uniformly for the periods presented.

2.1 Basis of preparation of the consolidated financial statements

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

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

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

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

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

(Expressed in thousands of Chilean pesos - ThCh$)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, including all of its assets, liabilities, income, expenses and cash flows after making adjustments and eliminations related to intercompany transactions that are part of the consolidation.

A subsidiary is a company over which Transelec S.A. exercises control in accordance with IFRS 10. To meet the definition of control in IFRS 10, three criteria must be met, including: (a) an investor has power over the relevant activities of an investee, (b) the investor has an exposure, or rights, to variable returns from its involvement in the investee, and (c) the investor has the ability to use its power over the investee to influence the amount of the investor's returns. Non-controlling interest represents the portion of net assets and profit or loss not owned by the Parent Company, which is presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position.

The acquisition of a subsidiary is recorded in accordance with IFRS 3 "Business Combinations" using the acquisition method. This method requires the recognition of identifiable assets (including previously unrecognized intangible assets and goodwill) and liabilities of the acquired business at fair value at the acquisition date. Non-controlling interest is recognized for the proportion held by minority shareholders of the fair values of recognized assets and liabilities.

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

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

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

Taxpayer No.	Name of Subsidiary	Percentage of ownership		Home country	Functional currency
		3/31/2019	12/31/2018		
76,538,831-7	Transmisión del Melado SpA	100%	100%	Chile	CH$

(Expressed in thousands of Chilean pesos - ThCh$)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New accounting pronouncements

The following new standards, amendments to IFRS and interpretations has been adopted in these financial statements:

	New standards, amendments and interpretations	Mandatory application date
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 consolidated financial statements, are detailed below. The Company has not adopted these standards in advance:

	New Standards	Mandatory application date
IFRS 17	Insurance Contracts	January 01, 2021
Conceptual framework	Updates of references to the Conceptual Framework	January 01, 2020

New Standards

IFRS 17 Insurance Contracts

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.

(Expressed in thousands of Chilean pesos - ThCh$)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New accounting pronouncements (continued)

Updates of references to the Conceptual Framework

IASB issued a document called "Updates of references to the Conceptual Framework", which includes the modification to the affected standards in order to make them to refer to the new Conceptual Framework. These modifications are effectives for annual periods starting on or after January 1, 2020. Early adoption is permitted.

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

2.3.3 Enhancements and Modifications

The enhancements and modifications to IFRS, which have been issued but are not yet effective at the date of these financial statements, are detailed below.

	Enhancements and Modifications	Mandatory application date
IFRS 10 and IAS 28	Consolidated financial statements	To be determined

IAS 28 - Investments in Associates and Joint Ventures", IFRS 10 "Consolidated Financial Statements

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

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

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

Updates of references to the Conceptual Framework

IASB issued a document called "Updates of references to the Conceptual Framework", which includes the modification to the affected standards in order to make them to refer to the new Conceptual Framework. These modifications are effectives for annual periods starting on or after January 1, 2020. Early adoption is permitted.

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The Company’s functional currency is the Chilean peso. These Consolidated Financial Statements are presented in thousands of 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 or indexation unit	Chilean pesos per unit	
	March 31, 2019	December 31, 2018
Unidad de Fomento	27,565.76	27,565.79
U.S. dollar	678.53	694.77
Euro	761.28	794.75

2.5 Financial reporting by operating segments

The Company manages its operations and presents information in the consolidated financial statements based on a single operating segment, Electricity transmission.

The source of the revenue generated by the company and the Company's assets are located in Chile.

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 to placing the asset in the location and condition that enables it to be used in the manner intended by management.

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

(c) Future disbursements that Transelec must make to close its facilities are incorporated into the value of the asset at present value, recording the corresponding provision in the accounting. 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. Expenditures for periodic maintenance (preventive or required) and repair are recognized directly 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:

(Expressed in thousands of Chilean pesos - ThCh$)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment (continued)

Items	Range of estimated useful life	
	Minimum	Maximum
Constructions and infrastructure	20	50
Machinery and Equipment	15	40
Other assets	3	15

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

2.7 Intangible assets

2.7.1 Goodwill

Goodwill represents the excess of acquisition cost on the fair value of net assets acquired in a business combination. Goodwill is not amortized; it is annually tested for impairment regardless of whether 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 these Consolidated Financial Statements, there were no impairment losses of goodwill.

2.7.2 Rights of way

The rights of way are stated 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 or at any moment if there are indicators 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 Statement of income under Cost of sales and Administrative and selling expenses.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.7 Intangible assets (continued)

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 rights of way, are not depreciated or 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use, which is defined as the present value of the estimated future cash flows.

The Company has defined its only operating segment, electricity transmission, as a cash generating unit (CGU) for the purpose of impairment testing and, therefore, goodwill and intangible assets with an indefinite useful life existing on the date of impairment testing 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	March 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
Estimation period of flows	6 years	6 years	The estimate period is 6 years based on the Company's internal business plan plus a perpetuity.

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

Non-financial assets other than goodwill that could have 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.

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, which are generated on specified dates and are made up of principal and interest (SPPI criterion).

Financial assets that meet the conditions established in IFRS 9, to be valued at amortized cost are: accounts receivable, loans and cash equivalents. These assets are recorded at amortized cost, which is the initial fair value, less repayments of principal, plus uncollected accrued interest, calculated using the effective interest rate method. The effective interest rate is the discount rate that exactly matches the estimated cash flows to be received or paid over the expected useful life of the financial instrument (or when appropriate in a shorter period of time), with the net carrying amount of the financial asset or financial liability.

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

For financial assets within the Company's business model whose objective is both to collect contractual cash flows which are generated at specific times and consist of principal and interest (SPPI criterion) and to sell the asset.

These financial assets are recognized into the financial statement at their fair value when it can be feasible determined. Changes in its fair value, net of tax effect, are recorded in the Consolidated Statement of Comprehensive Income in the item Other Comprehensive Income, until the disposal of such entries is generated, moment when the accumulated amount in this item is charged fully into profit or loss of the period. If the fair value is lower than the acquisition cost, and if there is objective evidence that the financial assets has an impairment that is not considered temporary, the difference has to be recorded as a loss of the period.

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 are measured in the statement of financial position at their fair value and the changes on its fair value are recorded directly in profit or loss when occurred, Purchases or sales of financial assets are recorded at the date of the transaction.

2) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks, time deposits and other short-term investments with maturities in less than 90 days as of the investment date, and which are highly liquid readily convertible to cash and which are subject to an insignificant risk of changes in value. The balance under this heading does not differ from the one presented in the statement of cash flows. There is no restricted cash.

3) Impairment of financial assets

According to IFRS 9, the Company applies the impairment model based of expected credit losses. This 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 their fair value, net of 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.

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 16).

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 statement of financial position. 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 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 "Reserved 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. The net investment hedges in foreign operations are those recorded similarly to the cash flow hedges Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under “Other reserves” heading) until the investment's disposal. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”.

The Company has not used net investment hedges in a foreign operation in the presented periods.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial Instruments (continued)

5) Derivatives and Hedge activities (continued)

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. The other derivatives are presented as current assets or current liabilities.

6) Embedded derivatives

Derivatives embedded in other financial instruments contracts or other contracts are treated as derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are not measured at fair value through profit and loss. In the case that they are not closely related, they are recorded separately, and any changes in value are recognized in the income statement. In the periods presented in these consolidated financial statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when:

a) The contractual rights to receive cash flows from the financial asset expire or have been transferred or, if the contractual rights are retained, the Company has assumed a contractual obligation to pay these cash flows to one or more recipients.

b) The entity transfers substantially all the risks and rewards of ownership or, if the entity neither transfers nor retains substantially all these, when the entity does not retain the control of the asset.

8) Offsetting of financial assets and liabilities

The Company offsets financial assets and liabilities, and the net amount is presented in the statement of financial position only when:

a) There is a legally binding right to offset recognized amounts; and
b) The company intends to settle them on a net basis, or to simultaneously realize the asset and settle the liability.

The right of offset may only be legally enforceable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy, of one or all of the counterparties.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.10 Inventories

Inventories are 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 carrying 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 are realized and the liabilities are settled.

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

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of acquired capital gains and those whose origin is given by the valuation of theinvestments in subsidiaries, associates and entities under joint control, in which Transelec can control the reversal of the same and it is probable that they will not revert 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 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.13 Employee Benefits

2.13.1 Severance indemnities

The Company recognizes the expense for personnel vacations in accordance with the accrual method. This benefit is applied to all employees and is equivalent to an amount established in accordance with the individual employment contract of each employee.

This benefit is recorded at nominal value.

The Company sets up liabilities for obligations for payment on termination of personnel services for its employees, based on the stipulations of collective and individual personnel employment contracts. If this benefit is agreed, the obligation is treated, in accordance with IAS 19, in the same way as the defined benefit plans and is recorded using the projected credit unit method.

Defined benefit plans define the amount of benefit that an employee will receive at the estimated time of their use. This usually depends on one or more factors, such as the employee's age, turnover, years of service and compensation.

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation, plus/less the adjustments for unrecognized actuarial gains or losses and the costs for past services. The present value of the defined benefit obligation is calculated by discounting the estimated cash outflows using CBB interest rates (Chilean Central Bank bonds rate in *unidades de fomento* or inflation index-linked units of account) denominated in the same currency in which the benefits will be paid and have terms that approximate the expiration terms of the obligation under severance indemnity.

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

2.13.2 Profit Sharing

The Company recognizes a liability and an expense for profit sharing based on collective and individual contracts of its employees, as well as on contracts of executives, on the basis of a formula that takes into account the profit attributable to the shareholders of the Company after certain adjustments. Transelec recognizes a provision when it is contractually bound or when there is a past practice that has created a constructive obligation in accordance with IAS 19.

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 constructive, as a result of past events;
- It is probable that a disbursement will be necessary to settle the obligation;
- The amount can be estimated reliably.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.14 Provisions (continued)

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, at the balance sheet date, of the time value of money and the specific risk associated with the particular liability, if applicable. Increases in provisions due to the passage of time are recognized in interest expense.

As of the date of issuance of these consolidated financial statements, Transelec has no obligation to establish provision for environmental restoration.

2.15 Current/non-current classification

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

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

2.16 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 supplemented 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 sub transmission system and additional systems now form part of National, Zone and Committed Transmission System, respectively. To the remuneration received from the transmitter, a variable discount rate will be applied with a minimum of 7% and a maximum of 10% after taxes. The law enters into effect immediately and gradually until its full application as of 2020.

Company's revenues are generated mainly from the marketing of the capacity of the electrical transmission of the transmission facilities. The Company basically distinguishes two types of contracts with customers, one of which is regulated and the other contractual. The first one is subject to the tariff regulation while the second one comes from contractual arrangements with the users of the Company's transmission facilities.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Revenue recognition (continued)

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 establishes these “AVI+COMA” as integral components in rendering the transmission service. Therefore, as these services are substantially the same and they have the same transference pattern to customers, in other words, both services are satisfied throughout time with a similar progress measurement, the company has defined that there is a single performance obligation and that this 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 the application of the AVI and COMA values stipulated in the contracts or resulting from the regulated tariffs and indexed as applicable. The transmission service is invoiced usually at the beginning of the month following the month when the service was rendered and thus the revenue recognized each month includes transmission service provided but not invoiced up to the month end.

2.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. In making such determination consideration is made of 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

2.17.1 The Company as lessor (continued)

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

2.17.2 The Company as lessee

Leases in which the Company acts as a lessee are recognized at the inception of the arrangement. At that time, the Group records an asset based on the nature of the lease and a liability for the same amount, equal to the fair value of the leased asset or the present value of the minimum lease payments, if the latter is lower.

Subsequently, the minimum lease payments are apportioned between finance expenses and reduction of the lease obligation. Finance expenses are recognized immediately in the income statement and allocated over the lease term, so as to achieve a constant interest rate on the remaining balance of the liability. Leased assets are amortized on the same terms as other similar depreciable assets, as long as there is reasonable certainty that ownership of the asset will be acquired at the end of the lease. If no such certainty exists, the leased assets are amortized over the shorter of the useful lives of the assets and their lease term.

2.17.3 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 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17.3 Rights from Use of Lease (continued)

2.17.3.1 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.

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 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17.3 Rights from Use of Lease (continued)

2.17.3.2 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.

2.17.3.3 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.

2.17.3.4 Short-term leases and leases 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17.3 Rights from Use of Lease (continued)

2.17.3.4 Short-term leases and leases of low-value assets (continued)

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 December 31, 2018, 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

The dividends payable to the Company’s shareholders is recognized as a liability in the consolidated financial statements in the period in which they are approved by the shareholders.

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

The policy used in determining the net distributable profit approved at Board meeting No. 57 dated December 31, 2010 does not contemplate adjustments to the "Profit (Loss) attributable to Equity Holders of the Parent".

As of March 31, 2019, the company has not agreed on, or distributed, dividends.

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.

(Expressed in thousands of Chilean pesos - ThCh$)

3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial Risk (continued)

3.1.1 Market Risk (continued)

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. 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 finance costs due to interest rate variations and, reduce volatility in the income statement.

The table below compares the debts of the Company and shows that all of the debt of the Company as of March 31, 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 indexation	Interest rate	Type of Rate	Amount in Original Currency (thousand) March 31, 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	US$	4.625%	Fixed	300,000	300,000
Senior Notes	US$	4.250%	Fixed	375,000	375,000
Senior Notes	US$	3.875%	Fixed	350,000	350,000
Revolving Credit Facility	US$	3.85%	Floating (*)	-	-
Revolving Credit Facility	UF	0.86%	Floating (**)	-	-

(Expressed in thousands of Chilean pesos - ThCh$)

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 floating interest rate 3.85% of the revolving credit facility breaks down in 3 month LIBOR plus a margin of 1.25%. As of March 31, 2019, the Company has not drawn on this line and, therefore, does not pay that interest of 2.44% and currently is paying a fixed commission of 0.4375% per annum of the committed amount undrawn.

(**) The floating interest rate 0.86% of the revolving credit facility breaks down in TAB UF 180 plus a margin of 0.25%. As of Sunday, March 31, 2019, the Company has not drawn on this line and, therefore, does not pay interest of 2.44% and currently is paying a fixed commission of 0.15% per annum of the committed amount undrawn.

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$)		
Series	**Long /(Short)**	**Inflation (3%)**	**Inflation (4%)**	**Inflation (2%)**
Series D Bond	(13,389,355)	(16,521)	(20,211)	(12,830)
Series H Bond	(3,000,900)	(3,703)	(4,530)	(2,876)
Series K Bond	(1,598,766)	(1,973)	(2,414)	(1,532)
Series M Bond	(1,469,043)	(1,813)	(2,217)	(1,408)
Bono M1	(1,857,088)	(2,291)	(2,803)	(1,779)
Series N Bond	(2,868,384)	(3,539)	(4,330)	(2,748)
Series Q Bond	(3,072,613)	(3,791)	(4,638)	(2,944)
Total	**(27,256,149)**	**(33,631)**	**(41,143)**	**(26,117)**

(Expressed in thousands of Chilean pesos - ThCh$)

3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial Risk (continued)

3.1.1 Market Risk (continued)

3.1.1.2 Exchange Rate Risk

Transelec's exposure to exchange rate risk arises from the following:

- Transelec performs several transactions in US dollars (construction contracts, imports and other).
- Transelec maintains accounts receivable in US dollars.
- Transelec maintains cross currency swap contracts that offset the exchange rate risks of international issues made in 2014 and 2016, by amounts or notional equivalent to USD375 million and USD350 million.- respectively (long position).
- Transelec maintains lease contracts that generate revenue indexed to the US dollar.

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 are the assets and liabilities denominated in US dollars and in Chilean pesos, in the periods indicated below:

	Liabilities		Assets	
	March 31, 2019 ThCh$	December 31, 2018 ThCh$	March 31, 2019 ThCh$	December 31, 2018 ThCh$
US Dollar (amounts associated with balance sheet items)	718,981	760,791	716,653	759,919
Figures in Chilean Pesos	1,651,900	1,610,090	1,654,228	1,610,961

The half-yearly applied indexation formulas included in tolls contracts and in the Zonal System (Ex Subtransmission) rates, as well as the monthly applied formulas for regulated National System (Ex Trunk) revenues, allow to reflect the changes in the value of the facilities and the costs of operation, maintenance and administration. In general, these indexation formulas contemplate the variations in the international prices of equipment, the prices of materials and the national labor force.

3.1.1.2.1 18.5 Sensitivity analysis

The following chart shows the sensitivity analysis of various items to a 10% increase or decrease in exchange rates (US Dollar) and their effect on income or equity. This exchange rate sensitivity (10%) is used to internally report the Company's foreign exchange risk to key management personnel and represents management's valuation of the possible change in foreign currencies. 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 and/or other comprehensive income. A percentage of positive variation implies a valuation of the Chilean peso over the foreign currency. A percentage of negative variation implies a devaluation of the Chilean peso below the foreign currency.

(Expressed in thousands of Chilean pesos - ThCh$)

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	Net income		Position	OCI	
	Long/ (Short)	**Change (-10%)**	**Change (+10%)**	**Long/ (Short)**	**Change (-10%)**	**Change (+10%)**
Cash (US$)	27,316	(45)	45	-	-	-
Leasing (USD)	28,981	(47)	47			
Forwards (assets) (US$)	(25,445)	-	-	(776)	1	(1)
Senior Notes (US$)	(693,536)	1,136	(1,136)	-	-	-
Swaps	484,190	(793)	793	(2,879)	5	(5)
Inter-Co Loan (US$)	175,758	(288)	288	-	-	-
Total	(2,736)	(37)	37	(3,655)	6	(6)

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, which leads to a situation in which clients do not accumulate very significant amounts.
However, revenues are highly concentrated in major customers as shown in the following table:

Revenues	**For the period ended March 31 2019 ThCh$**	**For the period ended March 31 2018 ThCh$**
Enel Group	28,771,899	24,336,122
Colbun Group	13,630,328	11,429,980
AES Gener Group	10,668,962	9,416,720
Engie (E-CL) Group	3,740,287	4,308,455
Grupo Pacific Hydro-LH-LC	1,597,685	1,518,192
Other	26,759,713	17,446,759
Total	**85,168,874**	**68,456,228**
% of concentration of top customers	**68,58%**	**74,51%**

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 risk associated with financial assets of the Company other than accounts receivable (time deposits, fixed income mutual funds, covenants, active position of derivatives), 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 strip assets on a timely basis at a reasonable price.

a) Risk associated with Company's management

To ensure that it is able to react financially to both investment opportunities and the timely payment of its obligations, Transelec has, in addition to its cash availability and short-term accounts receivable, a revolving line of credit committed to use for working capital comprising two tranches; for US$ 150 million and UF 2,5 million, both equivalent to MCh$165,090. To date, this line does not have balance of amounts used. This committed line of credit was contracted on July 9, 2012, and was granted for a period of 3 years by a syndicate of banks comprised of Scotiabank, Bank of Tokyo- Mitsubishi and DnB NOR.

This line was renegotiated and extended on October 15, 2014 with a new maturity date as of Monday, October 15, 2018. After this, a new amendment was made to extend the maturity of the credit line for 3 more years.

On this occasion, the bank syndicate consisted of Scotiabank and Banco Estado for the UF tranche; while The Bank of Nova Scotia, Bank of Tokyo-Mitsubishi, DnB Bank and Export Development Canada are on the USD tranche. In this last renewal, the conditions negotiated in the previous extensions were maintained:

(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.

(Expressed in thousands of Chilean pesos - ThCh$)

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 shows the capital amortizations and interest payments corresponding to the Company's financial liabilities, according to their maturity date, as of March 31, 2019 and December 31, 2018.

Debt maturity (principal and interest)	Less than 1 year ThCh	1 to 3 years ThCh$	3 to 5 years ThCh$	5 to 10 years ThCh$	More than 10 years ThCh$	Total ThCh$
March 31, 2019	62,051,823	124,103,646	327,714,679	1,077,962,968	495,802,169	2,087,635,285
December 31, 2018	62,051,823	124,103,646	332,534,646	840,329,917	746,647,575	2,105,667,607

The maturity of derivatives is presented on Note 14.2.

b) Risk Associated with the settlement of trunk transmission system tariff revenues (Ex Troncal)

According to Decree No.4/20,018 from the Chilean Treasury, Development and Reconstruction Department, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to receive on a provisional basis the actual tariff revenue of the National System (ex Troncal) generated for every period.

In order to collect the Transelec's own revenue, set up in the first paragraph of article No.101 of the aforementioned Decree No.4/20,018, the real tariff income received on a provisional basis must be settled by Transelec according to the repayment schedule prepared by the CEN (the Spanish acronym for the National Electrical Coordinator) through the collection or payment to the companies that are the owners of generation facilities.

The Company could face the risk of not timely collecting the tariff income that some of the companies that are the owners of generation facilities should pay as determined in the repayment schedules prepared by CEN. This may temporarily affect the Company's liquidity position. In this sense, and in the opinion of the Company, the role that Transelec plays in the above-mentioned collection process, consists not of the collection of amounts for its own benefit, but it is merely collection and subsequent transfer to third parties of credits and debts that do not belong to the Company, except the expected tariff income.

(Expressed in thousands of Chilean pesos - ThCh$)

4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA USED 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.

Transelec performs estimates and assumptions about the future. The resulting accounting estimates, per definition, will rarely be equal to the actual outcomes. Estimates and assumptions with a significant risk to the Company are detailed below:

- The estimation of recoverable values of assets and goodwill to determine the potential existence of impairment losses;
- The useful lives and residual values of the properties, plants and equipment and intangible assets;
- The hypothesis used to calculate the fair value of the financial instruments.
- The hypothesis used in the actuarial calculation of the liabilities and obligations with the employees.
- The future fiscal results for purposes of determining the recoverability of deferred tax assets;
- Determination of existence and classification of finance or operating leases based on the transfer of risks and rewards of the leased assets.
- Deferred tax assets
- Contingent assets and liabilities.

In spite that the estimates mentioned above were made according to the best information available at the issuance date of these consolidated financial statements, it is possible that future events force their modification (upwards or downwards) in further periods; those modifications to each estimate will be recorded prospectively and recognized in such consolidated financial statements.

5- CASH AND CASH EQUIVALENTS

(a) The detail of this item as of March 31, 2019 and December 31, 2018 is as follows:

Cash and cash equivalents	**Balances as at**	
	03.31.2019 ThCh$	**12.31.2018 ThCh$**
Cash and banks	4,275,206	60,079,795
Short term deposits	22,097,436	-
Reverse repurchase agreements and mutual funds	86,508,168	43,979,479
Total	**112,880,810**	**104,059,274**

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

(Expressed in thousands of Chilean pesos - ThCh$)

5- CASH AND CASH EQUIVALENTS (continued)

b) The detail per type of currency of the previous balance is the following:

Detail of cash and cash equivalents	Currency	Balances as at 03.31.2019 ThCh$	Balances as at 12.31.2018 ThCh$
Cash and cash equivalents	United States Dollar (US Dollar)	25,688,369	58,070,904
Cash and cash equivalents	Euros	289,637	289,637
Cash and cash equivalents	Chilean pesos	86,902,804	45,698,733
Total		**112,880,810**	**104,059,274**

Fair values do not differ significantly from book values due to the short term maturity of these instruments and there are no restrictions.

6- TRADE AND OTHER RECEIVABLES

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

	03.31.2019 ThCh$	12.31.2018 ThCh$
Trade receivables	82,493,837	72,098,730
Sundry debtors	334,713	233,375
Trade and other receivables	**82,828,550**	**72,332,105**
Bad debt provision	-	-
Total Trade and other receivables, net	**82,828,550**	**72,332,105**

For amounts, terms and conditions associated with Due from related companies, please refer to Note 6.

As of March 31, 2019 and December 31, 2018 the analysis of non-impaired debtors is the following:

	Balances as at 03.31.2019 ThCh$	Balances as at 12.31.2018 ThCh$
With maturity in 30 days	70,586,678	63,975,047
Maturing in more than 30 days up to 1 year	12,241,872	8,357,058
Total	**82,828,550**	**72,332,105**

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

(Expressed in thousands of Chilean pesos - ThCh$)

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

The balances of accounts receivable and payable between the Company and its related entities that are not consolidated are as follows:

Due from related companies

Tax ID Number	Company	Country	Description	Concessionterm	Relationship	Currency	Balance at			
							Current		Non-current	
							03.31.2019 ThCh$	12.31.2018 ThCh$	03.31.2019 ThCh$	12.31.2018 ThCh$
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current account	Non-established	Parent Company	CH$	9,485,893	658,327	-	-
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	3 years	Parent Company	CH$	1,019,511	772,240	27,212,850	27,212,850
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Parent Company	UF	140,595	-	21,082,366	21,082,389
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	10 years	Parent Company	US$	1,735,413	-	175,757,675	179,964,275
76.248.725-k	CYT Operaciones SPA	Chile	Account receivable	Non-established	Indirect	CH$	409,624	256,883	-	-
20601047005	Conelsur LT SAC	Peru	Account receivable	Non-established	Indirect	CH$	91,254	173,177	-	-
76,524,463-3	Transelec Concesiones S.A.	Chile	Current Account Mercantile	Non-established	Indirect	CH$	478,896	360,769	-	-
76,920,929-8	Transmisora del Pacifico S.A	Chile	Current Account Mercantile	Non-established	Indirect	CH$	536,223	386,288	-	-
	Total						**13,897,409**	**2,607,684**	**224,052,891**	**228,259,514**

(Expressed in thousands of Chilean pesos - ThCh$)

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.1 Balances and transactions with related parties (continued)

(a) Most significant transactions and their effects in income (loss)

The effects in the Statements of income of the transactions with unconsolidated related entities are the followings:

Tax ID Number	Company	Coun try	Relationship	Description of the transaction	March 31, 2019		December 31, 2018	
					Amount ThCh$	Effect on profit or loss ThCh$	Amount ThCh$	Effect in profit or loss ThCh$
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Loans provided	8,827,810	-	99,395,737	-
76,560,200-9	Transelec Concesiones S.A.	Chile	Indirect	Loans paid	-	-	113,423,614	-
76.920.929-8	Transmisora del Pacífico S.A.	Chile	Indirect	Loans provided	75,259	-	386,288	-
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Interest earned	2,083,386	2,083,386	8,091,215	8,091,215
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Loans paid	-	-	-	-
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Exchange difference	4,167,070	4,167,070	20,592,263	20,595,263
76,560,200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Indexed to UF	25	25	590,496	590,496
76,560,200-9	Transelec Concesiones S.A.	Chile	Indirect	Loans provided	-	-	-	-

These operations are in conformity with the established in Articles Nos. 44 and 49 of Law No. 18.046 on Corporations.

(Expressed in thousands of Chilean pesos - ThCh$)

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 consists 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 held on April 27, 2018 and it was modified at the Board meeting held on August 22, 2018, when the Board accepted the resignation of Nicolás Ubilla Pareja as Director, and the resignation of his alternate Director Stella Muñoz Schiattino; and the Board also accepted the resignation of Josefina Court Spikin as Director, and the resignation of her alternate Director Mario Rodrigo Valderrama Venegas. As a result, in the same meeting the Board of Directors appointed Patricia Nuñez and Juan Benabarre as Directors.

At the Board meeting held on May 23, 2018, Mrs. Brenda Eaton was elected Chairman of Transelec.

At the Board meeting held on January 15, 2019, the resignation of Paul Dufresne as Company Director was accepted. Subsequently, at the Board meeting held on March 21, 2019, the resignation of the alternate Director of Paul Dufresne, Jean Daigneault, was accepted. In the same meeting the Board appointed Richard Cacchione as Director.

7.2.1 Board of Directors' compensation

According to Article No, 33 of Law No, 18,046 on Corporations, at the 11th Ordinary Shareholders' Board Meeting of Transelec S.A., held on April 27, 2018, it was agreed to maintain annual directors' allowance of US$ 90,000, gross value, regardless of the number of meetings actually attended or held. The allowance is paid quarterly.

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

	March 31, 2019 ThCh$	March 31, 2018 ThCh$
Brenda Eaton (Chairman)	-	-
Alejandro Jadresic Marinovic	14,069	13,832
Blas Tomic Errázuriz	14,069	13,832
Mario Alejandro Valcarce Duran	14,069	13,832
Bruno Pedro Philippi Irarrázabal	-	13,832
José Ramón Valente Vias	-	13,832
Patricia Angelina Nuñez Figueroa	14,069	-
Juan Ramon Benabarre Benaiges	14,069	-

(Expressed in thousands of Chilean pesos - ThCh$)

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.3 Expenses in advisory services for the Board of Directors

As of March 31, 2019, no advisory service expenses were incurred in regards to the Board of Directors.

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 consolidated financial statements, the Audit Committee is maintained, except by the resign of Mr. José Ramón Valente during the first quarter of 2018.

At the Eleventh Ordinary Shareholders' Meeting of Transelec S.A., held on April 27, 2018, 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 during 2019 and 2018:

	March 31, 2019 ThCh$	March 31, 2018 ThCh$
José Ramón Valente	-	6,174
Mario Alejandro Valcarce Duran	6,253	6,174

(Expressed in thousands of Chilean pesos - ThCh$)

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
Eric Ahumada Gómez	Vice-President of Business Development
Francisco Castro Crichton	Vice-President of Finance
Alexandros Semertzakis Pandolfi	Vice-President of Engineering and Construction
Claudio Aravena Vallejo	Vice-President of Human Resources
Arturo Le Blanc Cerda	Vice-President of Legal Matters
Rodrigo López Vergara	Vice-President of Operations
David Noe Scheinwald	Vice-President of Corporate Matters and the Environment

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

	Balances as at	
	03.31.2019 ThCh$	03.31.2018 ThCh$
Salaries	439,734	428,173
Short-term employee benefits	189,176	180,032
Long-term employee benefits	144,000	160,792
Total Compensation received by the key Management personnel	**772,910**	**768,997**

(Expressed in thousands of Chilean pesos - ThCh$)

8– OTHER FINANCIAL ASSETS, LEASES

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

	Balance at 03.31.2019 ThCh$	Balance at 12.31.2018 ThCh$
Finance leases receivable, current	1,011,734	1,030,014
Swap contracts (Note 14)	-	20,902
Forward contracts (Note 14)	-	170,391
Subotal Other current financial assets	**1,011,734**	**1,221,307**
Finance leases receivable, non-current	27,969,749	28,924,095
Other financial assets	15,285	15,286
Swap contracts (Note 14)	-	42,246
Forward contracts	1,108	-
Subotal Other non-current financial assets	**27,986,142**	**28,981,627**
Total	**28,997,876**	**30,202,934**

8.1 Finance lease receivables

Within current and non-current other assets receivable, the Company includes accounts receivable for assets that have been constructed at the express request of the lessee. Therefore, substantially all risks and rewards 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:

March 31, 2019

Period in Years	Present value ThCh$	Interest receivable ThCh$	Nominal value (Gross investment) ThCh$
Less than 1	1,011,734	3,174,521	4,186,255
1-5	5,692,651	14,886,152	20,578,803
Over 5	22,277,098	36,723,936	59,001,034
Total	**28,981,483**	**54,784,609**	**83,766,092**

December 31, 2018

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

(Expressed in thousands of Chilean pesos - ThCh$)

8– OTHER FINANCIAL ASSETS, LEASES (continued)

8.1 Finance lease receivables (continued)

Movements in finance leases:

	Balance at	
	March 31, 2019 ThCh$	**December 31, 2018 ThCh$**
Opening balance	**29,954,109**	**24,993,959**
Additions	-	2,330,201
Amortization	(232,276)	(907,043)
Conversion difference	259,650	3,536,992
Ending balance	**29,981,483**	**29,954,109**

9 - INTANGIBLE ASSETS

The balances as of March 31, 2019 and December 31, 2018 are presented below:

Intangible assets, net	**March 31, 2019 ThCh$**	**December 31, 2018 ThCh$**
Right-of-ways (*)	176,039,780	176,039,780
Software	4,989,941	5,219,985
Total intangible assets, net	**181,029,721**	**181,259,765**
Goodwill	343,059,078	343,059,078
Total intangible assets, net	**524,088,799**	**524,318,843**

(*) As of March 31, 2019 and 2018 the rights of way of Transelec S.A. represent intangible assets with an indefinite useful life.

Intangible assets, gross	**March 31, 2019 ThCh$**	**December 31, 2018 ThCh$**
Right-of-ways	176,039,780	176,039,780
Software	16,384,365	15,944,534
Goodwill	343,059,078	343,059,078
Total intangible assets	**535,483,223**	**535,043,392**

(Expressed in thousands of Chilean pesos - ThCh$)

9– INTANGIBLE ASSETS (continued)

Accumulated amortization and impairment	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Software	(11,394,424)	(10,724,549)
Total accumulated amortization	**(11,394,424)**	**(10,724,549)**

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

Movements in intangible assets	Right-of-ways ThCh$	Software ThCh$	Goodwill ThCh$	Intangible assets, net ThCh$
Opening balance as of January 1, 2019	**176,039,780**	**5,219,985**	**343,059,078**	**524,318,843**
Movements in intangible assets				
Additions	-	439,831	-	439,831
Amortization	-	(669,875)		(669,875)
Closing balance as of March 31, 2019	**176,039,780**	**4,989,941**	**343,059,078**	**524,088,799**

Movements in intangible assets	Right-of-ways ThCh$	Software ThCh$	Goodwill ThCh$	Intangible assets, net ThCh$
Opening balance as of January 1, 2018	173,991,593	6,370,762	343,059,078	523,421,433
Movements in intangible assets				
Additions	2,048,187	1,312,862	-	3,361,050
Amortization	-	(2,463,639)	-	(2,463,640)
Other increases (decreases)	-	-	-	-
Closing balance as of December 31, 2018	**176,039,780**	**5,219,985**	**343,059,078**	**524,318,843**

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

(Expressed in thousands of Chilean pesos - ThCh$)

10 - PROPERTY, PLANT AND EQUIPMENT

10.1 Detail of items

The breakdown of this item is as follows:

Property, plant and equipment, net	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Land	20,196,056	20,696,130
Buildings and infrastructure	905,961,561	912,272,233
Work in progress	76,096,712	73,919,836
Machinery and Equipment	470,078,765	466,735,333
Other fixed assets	6,201,705	6,110,221
Property, plant and equipment, net	**1,478,534,799**	**1,479,733,753**

Property, plant and equipment, gross	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Land	20,196,056	20,696,130
Buildings and infrastructure	1,198,982,262	1,198,912,973
Work in progress	76,096,712	73,919,836
Machinery and Equipment	702,621,120	693,226,181
Other fixed assets	6,201,705	6,110,221
Total property, plant and equipment, gross	**2,004,097,855**	**1,992,865,341**

Total accumulated depreciation Property, plant and equipment	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Buildings and infrastructure	(293,020,701)	(286,640,740)
Machinery and Equipment	(232,542,355)	(226,490,848)
Total accumulated depreciation of Property, plant and equipment	**(525,563,056)**	**(513,131,588)**

(Expressed in thousands of Chilean pesos - ThCh$)

10 - PROPERTY, PLANT AND EQUIPMENT (continued)

10.2 Reconciliation of changes in property, plant and equipment

The following table shows the detail of changes in property, plant and equipment per type of assets for the years ended March 31, 2019 and December 31, 2018.

	Movement 2019	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other fixed assets	Property, plant and equipment, net
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2019		**20,696,130**	**912,272,233**	**466,735,333**	**73,919,836**	**6,110,221**	**1,479,733,753**
Movements	Additions	-	-	-	11,666,732	91,484	11,758,216
	Withdrawals	(500,074)	(17,927)	-	-	-	(518,001)
	Transfer	-	94,917	9,394,939	(9,489,856)	-	-
	Depreciation expense	-	(6,387,662)	(6,051,507)		-	(12,439,169)
Closing balance as of March 31, 2019		**20,196,056**	**905,961,561**	**470,078,765**	**76,096,712**	**6,201,705**	**1,478,534,799**

	Movement 2018	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other fixed assets	Property, plant and equipment, net
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2018		**20,696,130**	**897,872,721**	**439,189,740**	**92,667,010**	**5,842,514**	**1,456,268,115**
Movements	Additions	-	-	-	77,878,304	267,707	78,146,011
	Withdrawals	-	(2,114,742)	(2,438,050)	(1,427,799)	-	(5.980.591)
	Transfer	-	41,337,129	53,860,550	(95.197.679)	-	-
	Depreciation expense	-	(24,822,875)	(23.876.907)	-	-	(48,699,782)
Closing balance as of March 31, 2018		**20,696,130**	**912,272,233**	**466,735,333**	**73,919,836**	**6,110,221**	**1,479,733,753**

(Expressed in thousands of Chilean pesos - ThCh$)

10 - PROPERTY, PLANT AND EQUIPMENT (continued)

10.3 Additional information on property, plant and equipment

Transelec has insurance policies in force to cover any potential risks to property, plant and equipment, and to face any potential claims that could be filed in connection with the performance of its activities. The Company considers that these policies are sufficient to cover the risks in regards to which they are taken.

As of March 31, 2019 and December 31, 2018, the Company had commitments to acquire property, plant and equipment items derived from EPC (Engineering-Procurement-Construction) construction contracts in the amount of ThCh$68,805,710 and ThCh$70,701,154, at the close of each period, respectively.

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

	March 31, 2019	December 31, 2018
Capitalization rate (Annual basis)	4.61%	5.10%
Capitalized interest costs (ThCh$)	397,973	3,146,911

Work in progress balances amount to ThCh$76,096,712 as of March 31, 2019 and ThCh$ 73,919,836 as of December 31, 2018.

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

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

Non-Current Assets held for sale	March 31, 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.

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.

(Expressed in thousands of Chilean pesos - ThCh$)

12 - LEASE RIGHT OF USE

12.1 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	(3,907)	(274.451)	(114.106)	(392,464)
	Interest expenses	-	-	-	-
	Payments	-	-	-	-
	Deferred interest	-	-	-	-
	Closing balance as of March 31, 2019	**97,881**	**5,048,164**	**494,459**	**5,640,504**

	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	109,311	5,624,259	615,092	6,348,662
	Interest expenses	(556)	(29.409)	(2.154)	(32.119)
	Payments	-	(260.266)	(113.138)	(373.404)
	Deferred interest	(6,967)	(272.234)	(4.374)	(283,575)
	Closing balance as of March 31, 2019	**101,788**	**5,062,350**	**495,426**	**5,659,564**

12.2 Additional information on 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 CH$ ($)	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 March 31, 2019 and December 31, 2018:

Right of Use from lease	Balance as of March 31, 2019		Total	Balance as of December 31, 2018		Total
	Current ThCh$	Non-current ThCh$	As of March 31, 2019	Current ThCh$	Non-current ThCh$	As of December 31, 2018
Right of Use Liabilities	1,607,946	4,335,194	5,943,140	-	-	-
Total Right of Use Liabilities	**1,607,946**	**4,335,194**	**5,943,140**	**-**	**-**	**-**
Right of Use deferred interest	(53,309)	(230.267)	(283.576)	-	-	-
Total Right of Use deferred interest	**(53,309)**	**(230.267)**	**(283.576)**	**-**	**-**	**-**
Total Right of Use financial liabilities	**1,554,637**	**4,104,927**	**5,659,564**	**-**	**-**	**-**

(Expressed in thousands of Chilean pesos - ThCh$)

12 - LEASE RIGHT OF USE (continued)

12.2 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	Maturity More than 90 days	Total Current as of March 31, 2019	Maturity 1 and up to 3 years	Maturity 3 and up to 5 years	Maturity More than 5 years	Total Non-current as of March 31, 2019
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Land	-	15,439	15,439	-	-	82,785	82,785
Buildings	290,192	791,528	1,081,720	5,869	3,978,274	-	3,984,143
Vehicles	115,330	342,148	457,478	37,999	-	-	37,999
Total Right of Use financial liabilities	**405,522**	**1,149,115**	**1,554,637**	**43,868**	**3,978,274**	**82,785**	**4,104,927**

13 - DEFERRED TAXES

13.1 Detail of deferred tax liabilities

The origin of deferred taxes recorded as of March 31, 2019 and December 31, 2018 for Transelec is as follows:

Temporary difference	Net deferred taxes	
	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Depreciable fixed assets	(152,896,721)	(146,156,576)
Financial expenses	(336.169)	(385.544)
Leased assets	(3.849.312)	(3.704.520)
Materials and spare parts	102,189	102,495
Tax loss	39,563,747	47,864,178
Provision for severance indemnities	(49.719)	(100.932)
Unearned income	1,524,343	1,551,179
Provision for investment value	12,955	12,955
Obsolescence provision	926,866	926,866
Work in progress	811,318	855,845
Vacation provision	409,090	491,460
Intangible Assets	(5.742.869)	(5,842,609)
Adjustment for effective bond rate	(2,817,471)	(2.978.885)
Land	1,555,787	1,597,531
Tax goodwill	931,966	962,196
Net deferred taxes assets/(liabilities)	**(119,854,000)**	**(104,804,361)**
Presentation in Statement of financial position		
Deferred tax assets	-	-
Deferred tax liabilities	(119,854,000)	(104,804,361)
Net deferred taxes assets/(liabilities)	**(119,854,000)**	**(104,804,361)**

(Expressed in thousands of Chilean pesos - ThCh$)

13 - DEFERRED TAXES (continued)

13.2 Deferred tax movements of the statement of financial position

The movements of the "Deferred Taxes" items of the Balance Sheet in the periods as of March 31, 2019 and December 31, 2018 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balances as of January 01, 2018	**34,410**	**79,303,942**
Increase (decrease)	(34,410)	25,500,419
Balances as of December 31, 2018	**-**	**104,804,361**
Increase (decrease)	-	15,049,639
Balance as of March 31, 2019	**-**	**119,854,000**

The recovery of deferred tax asset depends on whether sufficient tax profits are obtained in the future. The Company considers that future profits projections will allow to recover these assets.

14 - FINANCIAL LIABILITIES

14.1 Other financial liabilities

The detail of this item in the short- and long-term as of March 31, 2019 and December 31, 2018 is as follows:

Classes of interest-bearing (accruing) loans	Balance As of March 31, 2019		Balances as of December 31, 2018	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bonds payable	14,379,818	1,437,966,702	28,880,501	1,442,434,138
Total bonds payable	**14,379,818**	**1,437,966,702**	**28,880,501**	**1,442,434,138**
Forwards	605,493	-	-	-
Swap Contracts (note 16)	1,832,979	2,878,867	4,070,488	-
Lease Right of Use Liability	1,554,637	4,104,927	-	-
Total Bank borrowings	**3,993,109**	**6,983,795**	**4,070,488**	**-**
Total	**18,372,927**	**1,444,950,496**	**32,950,989**	**1,442,434,138**

(Expressed in thousands of Chilean pesos - ThCh$)

14 - FINANCIAL LIABILITIES (continued)

14.2 Detail of other financial liabilities

a) Bonds payable

The following is a description of Bonds payable by series, currencies, established rate and maturity as of March 31, 2019 and December 31, 2018:

Tax ID Number Debtor company	Name debtor company	Country debtor company	Country where placed	Registration number or identification of instrument	Series	Currency Or unit	Annual rate effective	Rate annual nominal	Payment amortization	Payment interest	Final term	Balance 03.31.2019 ThCh$	Balance 12.31.2018 ThCh$
76,555,400-4	Transelec S.A.	Chile	Chile	480	D	UF	4.37%	4.25%	At maturity	Half-yearly	12/15/2027	373,756,871	369,698,027
76,555,400-4	Transelec S.A.	Chile	Chile	599	H	UF	4.79%	4.80%	At maturity	Half-yearly	8/1/2031	83,417,233	84,379,227
76,555,400-4	Transelec S.A.	Chile	Chile	599	K	UF	4.61%	4.60%	At maturity	Half-yearly	9/1/2031	44,261,016	44,750,389
76,555,400-4	Transelec S.A.	Chile	Chile	599	M	UF	4.26%	4.05%	At maturity	Half-yearly	6/15/2032	40,976,399	40,557,478
76,555,400-4	Transelec S.A.	Chile	Chile	599	M-1	UF	4.23%	4.05%	At maturity	Half-yearly	6/15/2032	51,803,132	51,271,136
76,555,400-4	Transelec S.A.	Chile	Chile	599	N	UF	4.29%	3.95%	At maturity	Half-yearly	12/15/2038	79,970,009	79,146,501
76,555,400-4	Transelec S.A.	Chile	Chile	744	Q	UF	4.02%	3.95%	At maturity	Half-yearly	10/15/2042	86,249,159	85,417,989
76,555,400-4	Transelec S.A.	Chile	Foreign	1st Issue	Series No.	US$	5.10%	4.63%	At maturity	Half-yearly	7/26/2023	203,643,508	210,977,924
76,555,400-4	Transelec S.A.	Chile	Foreign	2nd Issue	Series No.	US$	4.66%	4.25%	At maturity	Half-yearly	1/14/2025	253,779,078	262,645,250
76,555,400-4	Transelec S.A.	Chile	Foreign	3rd Issue	Series No.	US$	4.31%	3.88%	At maturity	Half-yearly	1/12/2029	234,490,115	242,470,718
											Total	**1,452,346,520**	**1,471,314,639**

The fair value of current and non-current, secured and unsecured bonds payable as of March 31, 2019 amounts to ThCh$ 1,600,409 and as of December 31, 2018 it amounts to ThCh$ 1,590,320 (this does not include other current and non-current liabilities such as swap and forwards contracts, which are presented in the consolidated financial statements at their fair values). The fair value of the bonds is estimated by discounting future cash flows, using discount rates available for debt with terms, credit risk and similar maturities. This value is categorized as level 2 according to the fair value hierarchy.

(Expressed in thousands of Chilean pesos - ThCh$)

14 - FINANCIAL LIABILITIES (continued)

14.2 Detail of other financial liabilities (continued)

a) Bonds payable (continued)

			Current			Non-current			
Debtor company taxpayer No.	Name Debtor	Registration number or identification of instrument	Maturity Less than 90 year	Maturity More than 90 years	Total current as of 03.31.2019	Maturity 1 and up to 3 years	Maturity 3 and up to 5 years	Maturity More than 5 years	Total Non-current as of 03.31.2019
			ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
76,555,400-4	Transelec S.A.	480	4,059,247	-	4,059,247	-	-	369,697,624	369,697,624
76,555,400-4	Transelec S.A.	599	-	669,728	669,728	-	-	82,747,506	82,747,506
76,555,400-4	Transelec S.A.	599	-	182,209	182,209	-	-	44,078,807	44,078,807
76,555,400-4	Transelec S.A.	599	418,966	-	418,966	-	-	40,557,434	40,557,434
76,555,400-4	Transelec S.A.	599	532,052	-	532,052	-	-	51,271,080	51,271,080
76,555,400-4	Transelec S.A.	599	823,594	-	823,594	-	-	79,146,415	79,146,415
76,555,400-4	Transelec S.A.	744	1,533,640	-	1,533,640	-	-	84,715,519	84,715,519
76,555,400-4	Transelec S.A.	1st Issue	-	1,732,520	1,732,520	-	201,910,988		201,910,988
76,555,400-4	Transelec S.A.	2nd Issue	-	2,363,663	2,363,663	-	-	251,415,415	251,415,415
76,555,400-4	Transelec S.A.	3rd Issue	-	2,064,199	2,064,199	-	-	232,425,914	232,425,914
		Total	**7,367,499**	**7,012,319**	**14,379,818**	-	**201,910,988**	**1,236,055,714**	**1,437,966,702**

(Expressed in thousands of Chilean pesos - ThCh$)

14 - FINANCIAL LIABILITIES (continued)

14.2 Detail of other financial liabilities (continued)

a) Bonds payable (continued)

			Current			Non-current			
Debtor company taxpayer No.	Name Debtor	Registration number or identification of instrument	Maturity Less than 90 year	Maturity More than 90 days	Total current as of 12.31.2018	Maturity 1 and up to 3 years	Maturity 3 and up to 5 years	Maturity More than 5 years	Total Non-current as of 12.31.2018
			ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
76,555,400-4	Transelec S.A.	480	-	8,010,905	8,010,905	-	-	361,687,122	361,687,122
76,555,400-4	Transelec S.A.	599	1,630,172	-	1,630,172	-	-	82,749,055	82,749,055
76,555,400-4	Transelec S.A.	599	666,659	-	666,659	-	-	44,083,730	44,083,730
76,555,400-4	Transelec S.A.	599	-	859,019	859,019	-	-	39,698,459	39,698,459
76,555,400-4	Transelec S.A.	599	-	1,090,851	1,090,851	-	-	50,180,285	50,180,285
76,555,400-4	Transelec S.A.	599	-	1,688,450	1,688,450	-	-	77,458,051	77,458,051
76,555,400-4	Transelec S.A.	744	-	707,128	707,128	-	-	84,710,861	84,710,861
76,555,400-4	Transelec S.A.	1st Issue	4,311,338	-	4,311,338	-	206,666,586		206,666,586
76,555,400-4	Transelec S.A.	2nd Issue	5,328,330	-	5,328,330	-	-	257,316,920	257,316,920
76,555,400-4	Transelec S.A.	3rd Issue	4,587,649	-	4,587,649	-	-	237,883,069	237,883,069
		Total	**16,524,148**	**12,356,353**	**28,880,501**	**-**	**206,666,586**	**1,235,767,552**	**1,442,434,138**

14.3 Other Aspects

As of March 31, 2019, Transelec had a credit line of US$ 250 million, which has not been used as of these dates.

Many of the Company's debt agreements include an obligation to comply with certain financial ratios (See Note 20), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

(Expressed in thousands of Chilean pesos - ThCh$)

15- TRADE AND OTHER PAYABLES

The detail of this item as of March 31, 2019 and as of December 31, 2018, respectively, is as follows:

Notes and accounts payable	Current		Non-current	
	March 31, 2019 ThCh$	December 31, 2018 ThCh$	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Trade accounts payable	38,298,540	45,621,741	-	-
Other accounts payable	1,647,786	1,811,584	-	-
Total	**39,946,326**	**47,433,325**	**-**	**-**

The average period for payment to suppliers is 30 days in the 2019 and 2018 period; therefore the fair value of Trade and other payables does not differ significantly from their carrying amount.

16 - DERIVATIVE INSTRUMENTS

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

- Cash flow hedging: 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.

(Expressed in thousands of Chilean pesos - ThCh$)

16 - DERIVATIVE INSTRUMENTS (continued)

16.1 Derivative Assets and Liabilities

	March 31, 2019				December 31, 2018			
	Assets		Liabilities		Assets		Liabilities	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Currency hedge swap	-	1,108	(1,832,979)	(2.878.867)	-	42,246	(4.070.488)	-
Currency and rate swap (non-hedging)	-	-	-	-	20,902	-	-	-
Foward Contracts (Non hedge)	-	-	(605,493)	-	170,391	-	-	-
Total	**-**	**1,108**	**(2.438.472)**	**(2.878.867)**	**191,293**	**42,246**	(4.070.488)	-

(Expressed in thousands of Chilean pesos - ThCh$)

16 - DERIVATIVE INSTRUMENTS (continued)

16.2 Other

Below is a detail of the derivatives contracted by Transelec as of March 31 2019 and 2018, their fair value and the breakdown by maturity:

Financial derivatives	Fair value ThCh$	Maturity: Prior to year 1 ThCh$	2019 ThCh$	2020 ThCh$	2021 ThCh$	2022 ThCh$	After ThCh$	March 31, 2019 Total ThCh$
Currency Hedging Swap:	(4,710,739)	(1,832,979)	-	-	-	-	(2,877,759)	(4,710,738)
Currency and rate swap	-	-	-	-	-	-	-	-
Forward contracts	(605,493)	(605,493)	-	-	-	-	-	(605,493)

Financial derivatives	Fair value ThCh$	Maturity: Prior to year 1 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	2021 ThCh$	After ThCh$	December 31, 2018 Total ThCh$
Currency Hedging Swap:	(4,028,242)	(4,070,488)	-	-	-	-	42,246	(4,028,242)
Currency and rate swap	20,902	20,902	-	-	-	-	-	20,902
Forward contracts	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. As of March 31, 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 counterpart, foreign exchange spot rates and interest rate curves in Chilean peso and US dollar.

16.3 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).

(Expressed in thousands of Chilean pesos - ThCh$)

16 - DERIVATIVE INSTRUMENTS (continued)

16.3 Fair value hierarchies (continued)

The following table details financial assets and liabilities measured at fair value as of March 31, 2019:

Financial instruments at fair value		Fair value at the end of the reporting period using		
	March 31, 2019 ThCh$	Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
Financial assets (liability)				
Cash flow derivatives (hedging)	(4,710,738)	-	(4,710,738)	-
Cash flow derivatives (non-hedges)	(605,493)	-	(605.493)	-
Total net	**(5,316,231)**	**-**	**(5,316,231)**	**-**

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

Financial instruments at fair value		Fair value at the end of the reporting period using		
	December 31, 2018 ThCh$	Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
Financial assets (liability)				
Cash flow derivatives (hedging)	(4,028,242)	-	(4,028,242)	-
Cash flow derivatives (non-hedges)	191,293	-	191,293	-
Total net	**(3,836,949)**	**-**	**(3,836,949)**	**-**

(Expressed in thousands of Chilean pesos - ThCh$)

17 - FINANCIAL INSTRUMENTS

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

	Financial assets at amortized cost	Financial assets at fair value:		Derivative instruments		Total
		By income	By other comprehensive income	Hedge	Non-hedge	
March 31, 2019	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalent	-	112,880,810	-	-	-	112,880,810
Other current financial assets	1,011,734	-	-	-	-	1,011,734
Trade and other receivables	82,828,550	-	-	-	-	82,828,550
Other non-current financial assets	27,969,748	15,286	-	1,108	-	27,986,142
Due from related parties, current	13,897,409	-	-	-	-	13,897,409
Due from related parties, non-current	224,052,891	-	-	-	-	224,052,891
Total	**349,762,548**	**112,896,096**	**-**	**1,108**	**-**	**462,659,752**

	Financial assets at amortized cost	Financial assets at fair value		Derivative instruments		Total
		By income	By other comprehensive income	Hedge	Non-hedge	
December 31, 2018	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalent	-	104,059,274	-	-	-	104,059,274
Other current financial assets	1,030,014	-	-	-	191,293	1,221,307
Trade and other receivables	72,332,105	-	-	-	-	72,332,105
Other non-current financial assets	28,924,095	15,286	-	42,246	-	28,981,627
Due from related parties, current	2,607,684	-	-	-	-	2,607,684
Due 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**

(Expressed in thousands of Chilean pesos - ThCh$)

17 - FINANCIAL INSTRUMENTS (continued)

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

	Financial liabilities at amortized cost	Financial assets at fair value		Derivative instruments		Total
		By income	By other comprehensive income	Hedge	Non-hedge	
March 31, 2019	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	15,934,455	-	-	2,438,472	-	18,372,927
Trade and other payables	39,946,326	-	-	-	-	39,946,326
Other financial liabilities, non-current	1,442,071,629	-	-	2,878,867	-	1,444,950,496
Total	**1,497,952,410**	**-**	**-**	**5,317,339**	**-**	**1,503,269,749**

	Financial liabilities at amortized cost	Financial assets at fair value		Derivative instruments		Total
		By income	By other comprehensive income	Hedge	Non-hedge	
December 31, 2018	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Other financial liabilities, current	28,880,501	-	-	4,070,488	-	32,950,989
Trade and other payables	47,433,325	-	-	-	-	47,433,325
Other financial liabilities, non-current	1,442,434,138	-	-	-	-	1,442,434,138
Total	**1,518,747,964**	**-**	**-**	**4,070,488**	**-**	**1,522,818,452**

(Expressed in thousands of Chilean pesos - ThCh$)

18 – ACCRUALS FOR EMPLOYEE BENEFITS

18.1 Detail of provisions

As of March 31, 2019 and December 31, 2018 the details of this item are as follows:

Detail	Current		Non-current	
	March 31, 2019 ThCh$	December 31, 2018 ThCh$	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Severance indemnity	487,156	384,004	5,730,553	5,730,553
Vacation accrual	1,515,149	1,820,222	-	-
Annual benefits	244,585	4,497,305	-	-
Other provisions	205,446	205,447	-	-
Total	**2,452,336**	**6,906,978**	**5,730,553**	**5,730,553**

18.2 Provision movements

The following are the provision movements as at March 31, 2019 and as of December 31, 2018:

Provision movements	Severance indemnity ThCh$	Annual benefits ThCh$	Vacation accrual ThCh$	Other provisions ThCh$	Total ThCh$
Starting balance as of January 01, 2019	**6,114,557**	**4,497,305**	**1,820,222**	**205,447**	**12,637,531**
Provision movements					
Provision for the period	3,403,764	871,056	307,369	(1)	4,582,188
Payments	(3,300,612)	(5,123,776)	(612.442)	-	(9.036.830)
Closing balance as of March 31, 2019	**6,217,709**	**244,585**	**1,515,149**	**205,446**	**8,182,889**

Provision movements	Severance indemnity ThCh$	Annual benefits ThCh$	Vacation accrual ThCh$	Other provisions ThCh$	Total ThCh$
Starting balance as of January 01, 2018	4,723,415	4,735,588	1,692,184	205,447	11,356,634
Provision movements					
Provision for the period	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)
Closing balance as of December 31, 2018	**6,114,557**	**4,497,305**	**1,820,222**	**205,447**	**12,637,531**

(Expressed in thousands of Chilean pesos - ThCh$)

18 – ACCRUALS FOR EMPLOYEE BENEFITS (continued)

18.2 Provision movements (continued)

The estimated maturity of provisions is detailed below:

As of March 31, 2019

Detail	Less than 1 year ThCh$	Over 1 year and up to 3 years ThCh$	From 3 years and up to 5 years ThCh$	More than 5 Years ThCh$
Severance indemnity	487,156	509,338	340,522	4,880,693
Vacation accrual	1,515,149	-	-	-
Annual benefits	244,585	-	-	-
Other provisions	205,446	-	-	-
Total	**2,452,336**	**509,338**	**340,522**	**4,880,693**

As of December 31, 2018

Detail	Less than 1 year ThCh$	Over 1 year and up to 3 years ThCh$	From 3 years and up to 5 years ThCh$	More than 5 Years ThCh$
Severance indemnity	384,004	509,338	340,522	4,880,693
Vacation accrual	1,820,222	-	-	-
Annual benefits	4,497,305	-	-	-
Other provisions	205,447	-	-	-
Total	**6,906,978**	**509,338**	**340,522**	**4,880,693**

Severance indemnity
The Company has recorded a provision for severance payments that will be made to its personnel, in conformity with the collective agreements signed with their employees. This provision represents the total of the accrued provisions (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 employment contract of each employee.

Annual benefits
This provision primarily includes provisions for the employees' share of the Company's income, which is 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.

18 – ACCRUALS FOR EMPLOYEE BENEFITS (continued)

18.3 Litigations and Arbitrations

1. In regards to the delays in two of the important milestones of Nogales-Polpaico project, the Chilean Department of Energy collected two guarantees for US$2,960,000 in June 2016. In September 2016, the CDEC-SIC (now CEN) determined the fine for delays in the start-up of the project and informed that Transelec had to to pay the maximum fine, that is, US$1,800,000. Transelec filed a remedy of protection against CDEC-SIC (now CEN) and the Chilean Department of Energy, since there are requests for extension of time that have not been resolved by the Chilean Department of Energy. Therefore, CDEC-SIC's action and the omission by the Chilean Department of Energy are completely inadmissible. The Court of Appeals declared the appeal admissible and issued an injunction to preserve the status quo. By judgment dated December 13, 2016, the Court of Appeals rejected this remedy of protection. The Supreme Court rejected the appeal filed. We are waiting for TGR to report the fine, and then proceed to its payment.

   As of March 31, 2019, the Company has set up provision for this and other contingencies for ThCh$1,584,219, considering for this estimate that, on the one hand, there are similar cases at the Court of Appeals with claims, and that, on the other hand, the Court of Appeals rejected the claim. The hearing of the appeal before the Supreme Court is pending. This court has confirmed SEC's decisions in similar cases (SEC, Spanish acronym for the Chilean Superintendency of Electricity and Fuels).

(Expressed in thousands of Chilean pesos - ThCh$)

19 – LIABILITIES FOR EMPLOYEE BENEFITS

19.1 Detail of account

Liabilities for employee benefits	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Provision for severance indemnities - current	487,156	384,004
Provision for severance indemnities - non-current	5,730,553	5,730,553
Total Obligaciones por Beneficio a empleados Corriente y no Corriente	**6,217,709**	**6,114,557**

19.2 Detail of employee liabilities

The movement of these obligations in the period ended as of December 31, 2018 and 2017 is as follows:

	Severance payments	
	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Present value of defined benefit plan liability, opening balance	6,114,557	4,723,415
Cost of current service of defined benefit plan liability (*)	146,125	1,592,351
Settlements of defined benefit plan liability	(42,973)	(201,209)
Present value of defined benefit plan liability, ending balance	**6,217,709**	**6,114,557**

(*) The balance as of 03.31.2019 contains ThCh$ 1,151,577 relating to the updating of the actuarial variables recorded in the Other Comprehensive Income

19.3 Balance of employee liabilities

	Severance payments	
	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Present value of defined benefit plan liability, ending balance	**6,217,709**	**6,114,557**
Present obligation with defined benefit plan funds	6,217,709	6,114,557
Balance of defined benefits plan, Ending balance	**6,217,709**	**6,114,557**

(Expressed in thousands of Chilean pesos - ThCh$)

19 – LIABILITIES FOR EMPLOYEE BENEFITS (continued)

19.4 Expenses recognized in the income statement.

	Severance payment		Income Statement Lime item wherr recognized
	01.01.2019 to 03.31.2019 ThCh$	01.01.2018 to 12.31.2018 ThCh$	
Cost of current service of defined benefit plan	59,714	965,221	Cost of sale and Administrative Expenses
Defined benefit plan interest cost	103,152	311,271	Cost of sale and Administrative Expenses
Total expense recognized in profit or loss	**162,866**	**1,276,492**	

19.5 Actuarial hypothesis

Detail	**March 31, 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
Turnover 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.

19.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of Sunday, March 31, 2019:

	Discount rate used		Inflation rate		Future increase of salaries	
Sensitivity Level	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**	**Increase 1% (ThCh$)**	**Decrease 1% (ThCh$)**
Impact on post-employment benefit liability Current and non-current	(216,865)	239,288	232,816	(215,488)	237,368	(219,381)

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 March 31, 2019.

(Expressed in thousands of Chilean pesos - ThCh$)

19 – LIABILITIES FOR EMPLOYEE BENEFITS (continued)

19.6 Sensitivity analysis (continued)

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

	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Over next 12 months	487,156	384,004
2 to 5 years	1,333,489	1,204,336
1 to 10 years	1,870,894	1,835,101
After 10 years	2,526,170	2,691,116
Total expected payments	**6,217,709**	**6,114,557**

20 - NET EQUITY

20.1 Subscribed and paid-in capital

As of March 31, 2019 and December 31, 2018, the authorized, subscribed and paid-in capital is ThCh$776,355,048.

20.2 Number of subscribed and paid-in shares

	No. subscribed shares	No. paid-in shares	Number of shares with voting right
Single series, with no par value	1,000,000	1,000,000	1,000,000

There have been no issues or redemptions of shares in the presented periods.

20.3 Dividends

The Ordinary Shareholders' Meeting held on April 27, 2018 agreed to distribute a final dividend for the year 2018 of ThCh$ 18,712,012, which will be paid as of the May 29, 2018 to the shareholders registered in the respective registry as of May 23, 2018. As of March 31, 2019, it is fully paid.

In the Board meeting held on May 23, 2018, it was agreed to distribute a provisional dividend for the year 2018 of ThCh$ 19,404,000, which will be paid as of June 19, 2018 to the shareholders registered in the respective registry as of June 13, 2018. As of December 31, 2018, it was fully paid.

In the Board meeting held on August 22, 2018, it was agreed to distribute a provisional dividend for the year 2018 of ThCh$ 20,483,000, which will be paid as of September 25, 2018 to the shareholders registered in the respective registry as of September 15, 2018. As of March 31, 2019, it is fully paid.

No dividend was agreed for the first quarter of 2019.

(Expressed in thousands of Chilean pesos - ThCh$)

20 - NET EQUITY (continued)

20.4 Other reserves

The detail of other reserves as of Sunday, March 31, 2019 and 2018 is as follows:

Item	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Conversion difference	501,575	575,763
Cash flows hedge (exchange rate)	(49,690,527)	(58,304,659)
Actuarial calculation exchange differences	726,407	726,408
Deferred taxes	13,084,887	15,390,672
Total	**(35,377,658)**	**(41,611,816)**

Presented below are the movements in other reserves in the 2019 period:

	Conversion reserve ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2019	**420,308**	**(42,562,401)**	**530,277**	**(41,611,816)**
Conversion difference	(74,189)	8,614,132	-	8,539,943
Deferred tax	20,031	(2.325.816)	-	(2.305.785)
Balance as of March 31, 2019	**366,150**	**36,274,085**	**530,277**	**(35,377,658)**

20 - NET EQUITY (continued)

20.5 Capital management

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

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

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

The main financial safeguards (covenants) established in the debt contracts in force related to capital requirements are:

1) Maintain a level of indebtedness at a level in which the total debt/total capitalization ratio does not exceed zero point seven times, as these terms are defined in the respective prospectuses of the local bonds series C, D, H, K, M, N and Q.

2) a) Maintain at all times during the term of bond issues a minimum Equity of fifteen million Unidades de Fomento, equivalent as of March 31, 2019, to ThCh$ 413,486,850, as this term is defined in the respective local bond prospects series C, D, H, K, M and N.

   b) Maintain at all times during the term of the bond issues a minimum equity of

   MCh$ 350,000, as defined in the respective prospectus of the local bond series Q.

In addition, the restricted payment distribution test (net cash flow from operations / finance costs) should be greater than 1.5 times, as these terms are defined in the respective prospectuses of local bonuses of the series C,D,H,K,M and N.

(Expressed in thousands of Chilean pesos - ThCh$)

20 - NET EQUITY (continued)

20.5 Capital management (continued)

The following tables present as of March 31, 2019 and December 31, 2018 the calculation of the two covenants and a third ratio that the Company has to comply with, which does not depend on capital value (equity).

Covenant No. 1	**Total debt / Total capitalization ratio** **Lower or equal to 0,70**	**March 31, 2019 ThCh$**	**December 31, 2018 ThCh$**
A	Other financial liabilities, current	18,373	32,951
B	Due to related companies, current	-	-
C:	Other financial liabilities, non-current	1,444,950	1,442,434
D	Due to related companies, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,463,323**	**1,475,385**
G	Debt with guarantees	-	-
DT=E+G	**Total debt**	**1,463,323**	**1,475,385**
H	Minority interest	-	-
P	Equity attributable to owners of the parent	840,075	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**	**2,328,368**	**2,301,248**
DT/CT	**Total debt / Total capitalization ratio**	**0.63**	**0.64**

Covenant No. 2	**Minimum equity** **Greater than or equal to 15 million UF / Greater than or equal to MCh$ 350,000**	**March 31, 2019 ThCh$**	**December 31, 2018 ThCh$**
P	Equity attributable to owners of the parent	840,075	800,893
i.	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in MCH$)**	**865,045**	**825,863**
UF	UF Value	27,565.76	27,565.79
(I+P)/UF	**Equity (in UF millions)**	**31.38**	**29.96**

Test	**Restricted payments test** **Funds from operations (FNO) / Financial costs > 1,5**	**March 31, 2019 ThCh$**	**December 31, 2018 ThCh$**
FO	Cash flow from operations	203,441	203,189
CF	Financial costs	70,051	68,692
IG	Income tax expense	43,519	37,586
FNO=FO+CF+IG	**Funds from operations (FNO)**	**317,011**	**309,467**
FNO/CF	**FNO / Financial costs**	**4.53**	**4.51**

(Expressed in thousands of Chilean pesos - ThCh$)

20 - NET EQUITY (continued)

20.5 Capital management (continued)

Covenant No. 4	Total debt / Adjusted EBITDA Lower or equal to 7,0	March 31, 2019 ThCh$	December 31, 2018 ThCh$
A	Other financial liabilities, current	18,373	32,951
B	Due to related companies, current	-	-
C:	Other financial liabilities, non-current	1,444,950	1,442,434
D	Due to related companies, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,463,323**	**1,475,385**
F	Debt with guarantees	-	-
G=E+F	**Total debt**	**1,463,323**	**1,475,385**
H	Cash and cash equivalents	(112,881)	(104,059)
DN=G-H	**Net debt**	**1,350,443**	**1,371,326**
i.	Operating revenues	345,930	329,217
J	Cost to sales	(83,467)	(82,877)
K	Administrative expenses	(26,347)	(25,791)
L	Depreciation and amortization	53,975	53,592
N	Otras Ganancias	2,821	3,104
O	Finance lease amortization	934	907
EA=I+J+K+L+N+O	**Adjusted EBITDA**	**293,845**	**278,152**
(G-H)/EA	**Net debt /Adjusted EBITDA**	**4.60**	**4.93**

On the issuance date of these Consolidated Financial Statements, the Company was in compliance with all the financial safeguards established in the current debt agreements.

(Expressed in thousands of Chilean pesos - ThCh$)

21 - REVENUE

21.1 Operating revenue

The detail of net income as of and for the years ended March 31, 2019 and 2018 is as follows:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Revenues from regulated transmission services	64,888,314	47,957,241
Revenues from contractual transmission services	20,110,742	19,552,812
Leases revenue	169,818	946,175
Total revenue	**85,168,874**	**68,456,228**

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Customers from regulated transmission services	64,971,997	47,957,241
Customers from contractual transmission services	19,179,522	19,552,812
Other	1,017,355	946,175
Total	**85,168,874**	**68,456,228**
National revenue	50,254,142	41,538,058
Zonal revenue	18,571,983	24,106,950
Dedicated Revenue	13,732,028	202,377
Revenue from services	1,593,366	1,662,668
Other	1,017,355	946,175
Total	**85,168,874**	**68,456,228**
Transferred assets in a specific moment	-	-
Transferred services by a long time	85,168,874	68,456,228
Total revenue	**85,168,874**	**68,456,228**

(Expressed in thousands of Chilean pesos - ThCh$)

21 – REVENUE (continued)

21.2 Other operating revenue

The detail of other operating revenue for the period ended as of March 31, 2019 and 2018 is as follows:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Finance income (Note 20.4)	3,029,163	2,125,652
Other income, net	389,046	672,434
Total other income	**3,418,209**	**2,798,086**

22 - RELEVANT INCOME STATEMENT ACCOUNTS

22.1 Expenses by nature

The composition of expenses by nature, included in cost of sales and administrative expenses for the periods ended as of March 31, 2019 and 2018, is as follows:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Personnel expenses	5,216,031	5,374,476
Operating expenses	4,130,792	3,427,537
Operating expenses	1,742,852	1,795,889
Depreciations and write-offs	13,126,971	13,137,098
Other	958,706	293,788
Total	**25,175,352**	**24,028,788**

(Expressed in thousands of Chilean pesos - ThCh$)

22- RELEVANT INCOME STATEMENT ACCOUNTS (continued)

22.2 Personnel expenses

The details for this item as of March 31, 2019 and 2018 are as follows:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Salaries and Wages	4,974,643	4,691,268
Short-term employee benefits	320,363	213,743
Severance indemnity	162,866	294,588
Long-term employee benefits	328,857	326,076
Other personnel expenses	1,459,258	1,580,678
Personnel expenses capitalized in construction in progress	(2,029,956)	(1,731,877)
Total	**5,216,031**	**5,374,476**

22.3 Depreciation and amortization

The detail as of March 31, 2019 and 2018 is as follows:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Depreciation	12,439,169	12,033,622
Amortizations	669,875	612,076
Losses for withdrawal and damages (1)	17,927	491,400
Total	**13,126,971**	**13,137,098**

(1) Losses due to withdrawal and damages are caused by replacement of equipment due to technical conditions, not significantly affecting the impairment of the Cash Generating Unit.

(Expressed in thousands of Chilean pesos - ThCh$)

22- RELEVANT INCOME STATEMENT ACCOUNTS (continued)

22.4 Financial results

The detail of the financial result for the periods ended March 31, 2019 and 2018 is as follows:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Financial income:	**3,029,163**	**2,125,652**
Trade Interest earned	33,572	23,124
Bank Interest earned	639,662	328,202
Interest earned related companies	2,355,929	1,774,326
Financial expenses:	**(17,857,740)**	**(16,498,286)**
Bond interest and expenses	(15,523,071)	(14.162.775)
Swaps interest	(2,163,198)	(2.145.456)
Other expenses	(171,471)	(190.055)
Indexation units	**(1,203)**	**(4.505.389)**
Foreign exchange difference, net	**183,846**	**37,547**
Bonds payable	16,675,909	12,384,240
Inter-company loans	(4,167,070)	(2,934,643)
Financial Instruments	(10,685,599)	(9,022,039)
Other	(1,639,394)	(390,011)
Total financial income/(loss)	**(14,645,934)**	**(12,520,423)**

(Expressed in thousands of Chilean pesos - ThCh$)

23 – INCOME TAX RESULT

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Current tax expense	44,926	31,562
Total net current tax expense	**44,926**	**31,562**
Deferred Expense (Income) from Taxes related to the creation and reversal of temporary differences	12,743,854	6,824,079
Total net deferred tax expense	**12,743,854**	**6,824,079**
Effect of change on the tax position of the entity or its shareholders		
Income tax expense	**12,788,780**	**6,855,641**

Presented below is a reconciliation between the income tax that would result from applying the current general tax rate to "Profit or loss Before Tax" and the income tax expense recorded in the Income Statement for the years ended as of March 31, 2019 and 2018:

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Tax expense using statutory rate	12,348,891	7,090,037
Price-level restatement of capital	-	66,708
Price-level restatement of tax loss	-	226,050
Other differences	439,889	(58,362)
Total adjustments to tax expense using statutory rate	439,889	234,396
Tax expense using effective rate	**12,788,780**	**6,855,641**

(Expressed in thousands of Chilean pesos - ThCh$)

23 – INCOME TAX RESULT (continued)

	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Statutory Tax Rate	27.00%	27.00%
Price-level restatement of capital	-	0.25%
Price-level restatement of tax loss	-	(0.86%)
Other differences	0.96%	(0,03%)
Total adjustments to tax expense using statutory rate	0.96%	(0.89%)
Tax expense using effective rate	**27.96%**	**26.11%**

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.

Chilean Tax Reform:

On December 29, 2014, law No. 20,780 was published. It is named "Tax Reform which modifies the Tax System on the income and which introduces various adjustments on the Tax System".

Among the main changes, the creation of two optional tax systems stand out: The Attributed Income System, which establishes the progressive increase of the corporate income tax rate for the business years 2014, 2015, 2016 and 2018, increasing this rate to 21%, 22,5%, 24% and 25%, respectively; and the Partially Integrated System, which establishes a progressive increase of the corporate income tax rate for the business years 2014, 2015, 2016, 2018 and 2018, increasing this rate to 21%, 22,5%, 24%, 25,5% and 27% respectively.

24 - 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	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Profit attributable to equity holders of parent (ThCh$)	32,947,854	19,403,757
Earnings available to common shareholders, basic (ThCh$)	32,947,854	19,403,757
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	32,948	19,404

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

25 - 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.

The 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 system), the zonal system (former subtransmission system) and the committed system (former additional systems), establishing an open access scheme for the first two systems and allowing committed (former 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).

The annual zonal system (former subtransmission system) value 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 (former additional) systems is to enable generators to inject their production into the electricity system and to allow large customers to make withdrawals.

The law distinguishes between the different systems in order to ensure that tariffs are appropriate for each case. Nevertheless, facilities of a given voltage (220 KV, for example) are identical, whether 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. In regards to operation, exactly the same occurs. The operation is carried out by the relevant CEN regardless of whether the involved facility is national (former trunk), Zonal (former subtransmission) or committed (former additional). Thus, for Transelec this classification into national (former trunk), zonal (former subtransmission) or commited (former 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.

(Expressed in thousands of Chilean pesos - ThCh$)

25 - SEGMENT REPORTING (continued)

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 single operating segment for the Company.

Information about products and services

	Accumulated as of	
	01/01/2019 03/31/2019 ThCh$	01/01/2018 03/31/2018 ThCh$
Revenues from regulated transmission services	**85,168,874**	**68,456,228**

Information about sales and main customers

Credit risk Note (Note 3.1.2) provides the Information of the main customers of the Company.

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

As of March 31, 2019, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$16,990,018 (ThCh$15,878,679 as of December 31, 2018). Also to guarantee the refund of the housing loans, the corresponding mortgages have been established in favor of the Company.

(Expressed in thousands of Chilean pesos - ThCh$)

27 - DISTRIBUTION OF PERSONNEL

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

	March 31, 2019				
	Managers and executives	Professionals	Workers, technicians and other	Total	Average of the year
Total	**15**	**395**	**130**	**540**	**539**

	December 31, 2018				
	Managers and executives	Professionals	Workers, technicians and other	Total	Average of the year
Total	**15**	**396**	**127**	**538**	**532**

28 – ENVIRONMENT

Transelec, in compliance with current environmental regulations and in accordance with its sustainability policy, has submitted its projects or their modifications to the environmental authority through the Environmental Evaluation System (SEIA). To this end, several studies have been carried out that have made it possible to substantiate the presentations of environmental documents. These documents, be they an Environmental Impact Declaration (EID) or an Environmental Impact Study (EIS), are submitted to the respective Evaluation Service, complying with the requirements established by Law No. 19,300 on General Environmental Bases, modified by Law No. 20,417, and its corresponding SEIA regulations. For those projects that have begun their execution, the conditions and measures imposed by the environmental authority in the respective environmental qualification resolutions have been followed up, including the processing of sectorial environmental permits.

During the periods ended March 31, 2019 and 2018, the Company has made the following environment-related disbursements which have been capitalized as per the following detail:

Company making disbursement	Project	March 31, 2019 ThCh$	December 31, 2018 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	186,389	61,100
Total		**186,389**	**61,100**

(Expressed in thousands of Chilean pesos - ThCh$)

29 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

			March 31, 2019		December 31, 2018	
Current assets:	**Foreign currency**	**Functional currency**	**Up to 90 days ThCh$**	**More than 91 days up to 1 year ThCh$**	**Up to 90 days ThCh$**	**More than 91 days up to 1 year ThCh$**
Cash and cash equivalents	U.S. dollar (US$)	Ch$	25,688,369	-	58,070,904	-
	Other currencies	Ch$	289,637	-	289,637	-

			March 31, 2019		December 31, 2018	
Current liabilities:	**Foreign currency**	**Functional currency**	**Up to 90 days ThCh$**	**More than 91 days up to 1 year ThCh$**	**Up to 90 days ThCh$**	**More than 91 days up to 1 year ThCh$**
Other financial liabilities, current	U.S. dollar (US$)	Ch$	-	7,993,361	18,297,804	-

(Expressed in thousands of Chilean pesos - ThCh$)

29 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY (continued)

b) Non-current assets and liabilities

Non-current liabilities	Foreign currency	Functional currency	March 31, 2019 More than 1 up to 3 years ThCh$	March 31, 2019 More than 3 up to 5 years ThCh$	March 31, 2019 More than 5 years ThCh$	December 31, 2018 More than 1 up to 3 years ThCh$	December 31, 2018 More than 3 up to 5 years ThCh$	December 31, 2018 More than 5 years ThCh$
Other financial liabilities, non-current	U.S. dollar (US$)	CH$	-	201,910,480	483,841,329	-	-	701,866,575
	Other currencies	CH$	-	-	-	-	-	-

30 - SUBSEQUENT EVENTS

Between March 31, 2019 and the issuance date of these consolidated financial statements there have been no significant financial and accounting events that may affect the equity of the Company or the interpretation of these consolidated financial statements.

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

TRANSELEC S.A AND SUBSIDIARY

Santiago, Chile
March 31, 2019

SUMMARY

As of March 31, 2019, Revenues reached MCh$85,169 showing an increase of 24.4% compared to the same period of 2018 (MCh$68,456). The increase is explained by the entry into force of 6T Decree which mainly establishes the new Zonal tariffs, commissioning of new projects and also macroeconomics effects, mostly explained by USD/CLP exchange rate.

As of March 31, 2019, Transelec obtained an EBITDA[1] of MCh$74,134, a 26.9% higher than the one obtained in the same period of 2018 (MCh$58,442), with an EBITDA Margin[2] of 87.0%. The EBITDA increase is almost totally due to the higher Revenues explained before.

The loss in Non-Operating Income as of March, 2019 was MCh$14,257, representing a decrease of 21.5% compared to the same period of 2018 (MCh$18,168). Because there was practically no inflation during the period under analysis, the result of readjustment (which mainly measures the impact of inflation on the Company's UF denominated bonds) was almost null as of March 31, 2019, which compares with a loss of MCh$4,505 in 2018.

Net Income recorded by the Company as of March 31, 2019, was MCh$32,948, which is 69.8% higher compared to the same period of 2018, in which was registered a net income of MCh$19,404.

During the first quarter 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 two extensions in the zonal segment. Likewise, in the 12-months period ended March 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 quarter of 2019, the effect on income of Decree 6T (published in October 2018) is noticed, when compared with first quarter 2018, which establishes the new rates for the Zonal segment and will be valid from January 1, 2018 to December 31, 2019.

- The Board of Directors of Transelec SA, in a meeting held on March 21, 2019, agreed to propose to the Ordinary Shareholders' Meeting (to be held on April 26) 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.

- 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	March 2019 MCh$	March 2018 MCh$	Variation 2019/2018 MCh$	Variation 2019/2018 %
Revenues	**85,169**	**68,456**	**16,713**	**24.4%**
Toll sales	83,576	66,763	16,813	25.2%
Services	1,593	1,694	-101	-5.9%
Operation Costs and Expenses	**-25,175**	**-24,029**	**-1,146**	**-4.8%**
Sales Costs	-6,832	-7,094	262	3.7%
Administrative Expenses	-4,824	-3,798	-1,026	-27.0%
Depreciation and Amortization	-13,519	-13,137	-382	-2.9%
Operating Income	**59,993**	**44,426**	**15,567**	**35.0%**
Financial Income	3,029	2,126	903	42.5%
Financial Costs	-17,858	-16,498	-1,360	-8.2%
Foreign exchange differences	184	38	146	389.6%
Gain (loss) for indexed assets and liabilities	-1	-4,505	4,504	100.0%
Other income (Losses)	389	672	-283	-42.1%
Non-Operating Income	**-14,257**	**-18,168**	**3,911**	**21.5%**
Income before Taxes	**45,737**	**26,259**	**19,478**	**74.2%**
Income Tax	-12,789	-6,856	-5,933	-86.5%
Net Income	**32,948**	**19,404**	**13,544**	**69.8%**
EBITDA [1]	**74,134**	**58,442**	**15,692**	**26.9%**
EBITDA Margin [2]	**87.0%**	**85.4%**		

[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 quarter of 2019, the Revenues reached MCh$85,169 increasing a 24.4% compared to the same period of 2018 (MCh$68,456). The increase is explained by higher revenues from Toll Sales which as of March, 2019, reached MCh$83,576, a 25.2% higher than the obtained in the same period of 2018 (MCh$66,763). The Services revenues as of March 31, 2019 reached MCh$1,593, a 5.9% lower than the same period of 2018 (MCh$1,694).

The increase in Toll Sales Revenues is explained by an increase of MCh$8,531 in the National segment, MCh$6,743 in the Zonal segment and MCh$1,539 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$6,931, (ii) macroeconomic effects by MCh$5,554, and (iii) new revenues in 2019 of projects that came into operation in the last 12 months for MCh$3,693.

Total Transelec Operational Costs and Expenses as of March 31, 2019 were MCh$25,175, a 4.8% higher than the comparison period in 2018 that reached MCh$24,029. Total Costs and Expenses are composed by the following main items.

Cost of sales during the analysis period totaled MCh$6,832, a 3.7% lower than the same period of 2018 (MCh$7,094). The decrease is mainly explained by (i) 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, (ii) lower personnel costs, and (iii) lower costs of basic services. The foregoing is partially offset by higher services provided to related companies.

Administrative Expenses amounted MCh$4,824 in March 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 March 31, 2019 reached MCh$13,519, a 2.9% higher than the same period in 2018 (MCh$13,137). 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 withdrawals made in 2018.

b) Non-Operating Income

The Non-Operating Income of the first quarter of 2019 was a loss of MCh$14,257, a 21.5% lower than the same period of 2018 (MCh$18,168), mainly explained by Due mainly to the fact that there is no inflation in the period in the analysis, impacting almost zero loss due to the revaluation of bonds in the UF.

The loss for Indexed Assets and Liabilities was MCh$1 as of March 31, 2019, decreasing practically in its totality in relation to the same period of 2018 (MCh$4,505). This is due to the fact that during the period in analysis the UF did not show a significant variation that leads to readjusting the local bonds in UF. This effect, in the first quarter of 2018, corresponded to 0.63%.

The Financial Costs registered to March 2019 amounted to MCh$17,858, increasing by 8.2% compared to the same period of 2018 (MCh$16,498). The increase is mainly due to higher interest payments on bonds in USD, since the average exchange rate for the quarter increased by 10.8% compared to 2018. 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 March 2019, were MCh$389, 42.1% lower than the same period of 2018 (MCh$672). As of March 31, 2019, the gain is mainly explained by adjustments with suppliers. As of March 31, 2018, the gain was mostly associated to adjustments for the absorption of subsidiaries in 2014.

Foreign Exchange Differences as of March, 2019 resulted in a gain of MCh$184. Maintaining low levels, associated with the foreign currency hedging policy of the balance sheet.

Financial Income registered as of March 2019 reached MCh$3,029, 42.5% higher than what was recorded in the same period of 2018 (MCh$2,126). The increase is mainly due to higher interest received from related companies and a higher cash stock.

c) Income tax

Income Tax as of March 31, 2019 was MCh$12,789, increasing by 86.5% in relation to the same period of 2018 (MCh$6,856). The increase is mainly due to higher Income before Taxes.

2. BALANCE SHEET ANALYSIS

ITEMS	March 2019 MCh$	December 2018 MCh$	Variation 2019/2018 MCh$	Variation 2019/2018 %
Current assets	215,300	182,590	32,710	17.9%
Non-current assets	2,267,064	2,267,861	-797	0.0%
Total Assets	**2,482,364**	**2,450,450**	**31,914**	**1.3%**
Current liabilities	66,306	91,041	-24,735	-27.2%
Non current liabilities	1,575,983	1,558,516	17,467	1.1%
Equity	840,075	800,893	39,182	4.9%
Total Liabilities & Equity	**2,482,364**	**2,450,450**	**31,914**	**1.3%**

The increase in Assets between December 2018 and March 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 cash and cash equivalent and higher balance of commercial accounts receivable.

The increase in total Liabilities and Equity is due to an increase in Equity and Non-Current Liabilities, partially offset by decreases in Current Liabilities. The increase in Equity is explained by higher accumulated earnings associated to the no distribution during the quarter. The rise 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 lower current liabilities are mainly due to lower financial liabilities associated to the interest payment of the Yankee bonds and lower accounts payable to suppliers.

Value of the Main PP&E in Operation

ASSETS	March 2019 MCh$	December 2018 MCh$	Variation 2019/2018 MCh$	Variation 2019/2018 %
Land	20,196	20,696	-500	-2.4%
Building, Infraestucture, works in progress	1,198,982	1,198,913	69	0.0%
Work in progress	76,097	73,920	2,177	2.9%
Machinery and equipment	702,621	693,226	9,395	1.4%
Other fixed assets	6,202	6,110	92	1.5%
Depreciation (less)	-525,563	-513,132	-12,431	-2.4%
Total	**1,478,535**	**1,479,734**	**-1,199**	**-0.1%**

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital) March 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	3.85%	Floating	03-Aug-20	-	-
Revolving Credit Facility[1]	UF	0.86%	Fixed	03-Aug-20	-	-

[1] Revolving Credit Facility: USD Tranche MM US$150: The floating rate of 3.85% breaks down in 3 months Libor rate plus a margin of 1.25%. At March 31, 2019, the Company did not utilize this line therefore does not pay interest of 3.85% 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 0.86% breaks down in TAB UF 180 rate plus a margin of 0.25%. At March 31, 2019, the Company did not utilize this line therefore does not pay interest of 0.86% 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	March 2019 MM$	March 2018 MM$	Variation 2019/2018 MM$	Variation 2019/2018 %
Cash flows provided by (used in) operating activities	30,732	30,480	252	0.8%
Cash flows provided by (used in) investing activities	-21,910	-31,689	9,779	30.9%
Cash flows provided by (used in) financing activities	0	0	0	N/A
Net increase (decrease) of cash and cash equivalent	**8,822**	**-1,209**	**10,031**	**N/A**
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	**112,881**	**60,420**	**52,461**	**86.8%**

As of March 31, 2019, the flow from activities of the operation reached MCh$30,732, which remains almost equal (increased by 0.8%) to the same period of 2018 (MCh$30,480).

During the same period, the cash flow used in investment activities was MCh$21,910, a 30.9% less than the amount allocated as of March 31, 2018 (MCh$31,689). The decrease is mainly explained by lower purchases of property, plant and equipment of MCh$12,292.

As of March 2019 and March 2018, there was no cash flow from or used in financing activities.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of March 31, 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	March 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	31.38	29.96
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	865,045	825,863
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	4.60	4.93

Test	Bonds	Limit	March 2019	December 2018
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	4.53	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 March 31, 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		March 2019	December 2018	Variation 2019/2018
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	14.2%	13.2%	100 pbs
Assets profitability[3]	(%)	4.8%	4.3%	50 pbs
Operating assets profitability[4]	(%)	8.0%	7.1%	90 pbs
Earnings per share[5]	($)	119,011	105,467	12.8%
Liquidity & Indebtedness				
Current Ratio	(times)	3.25	2.04	59.3%
Acid-Test Ratio	(times)	3.25	2.04	59.3%
Debt to Equity	(times)	1.95	2.06	-5.3%
Short term debt/Total debt	(%)	4.0%	5.5%	-150 pbs
Log term debt/Total debt	(%)	96.0%	94.5%	150 pbs
Financial expenses coverage	(times)	4.15	4.05	2.5%

[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:

	March 2019		December 2018	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	716,653	718,981	759,919	760,791
Chilean peso	1,654,228	1,651,900	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
Average of the period	**667.01**	**662.71**	**601.94**	**600.08**

The income that Transelec is entitled to receive for its facilities belonging to the national and zonal transmission systems (VATT) and for the installations of the dedicated systems (toll contracts), are indexed in order to maintain their real values during the period of validity of these rates or tolls. These revenues are expressed in accordance with their base value, in dollars, and are updated according to components whose cost variation over time correlates with national or international economic indicators, considering the availability and stability of the source that issues it.

6.7. Credit Risk

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

As of March 31, 2019, the Company has five main clients which represent individually between 1.9% and 33.8% of total revenues. These are Enel Group (MCh$28,772), Colbún Group (MCh$13,630), AES Gener Group (MCh$10,669), Engie (MCh$3,740) and Pacific Hydro-LH-LC Group (MCh$1,598). The total sum of these main customers corresponds to a 68.6% 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$24,336, MCh$11,430, MCh$9,417, MCh$4,308 and MCh$1,518 respectively, with a percentage of total incomes of 74.5%.

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

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

6.8. Liquidity Risk

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

a) Risk associated to Company's Management

In order to guarantee that Transelec is able to quickly react financially to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed line of credit for working capital of approximately US$250 million, equivalent to MCh$170,693,975. As of the balance sheet date, does not register balance of used amounts. This committed line of credit was contracted on July 9, 2012, being renegotiated in 2014 and 2017. The last renovation was on August 03, 2017 maintains the total amount but it includes a local tranche and a USD 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 March 31, 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
March 31, 2019	62,052	124,104	327,715	1,077,963	495,802	2,087,635
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 March 31, 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
Average of the period	**27,556.39**	**27,556.29**	**26,879.13**	**26,905.18**

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 Securitie, 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.