

ANNUAL REPORT 2018



transelec[®]
CONCESIONES S.A.

INDEX

01 THE COMPANY	3
02 CORPORATE GOVERNANCE	7
03 THE BUSINESS	10
04 THE OPERATION	18
05 FINANCE	21
06 FINANCIAL STATEMENTS	26

01 THE COMPANY



IDENTIFICATION

Name or Firm Name:	Transelec Concesiones S.A.
National Securities Registration:	Number 406
Legal Domicile:	Santiago, while not restricting the establishment of agencies, branches or offices in other parts of the country or overseas.
Address:	Orinoco N°90, 14th floor, Las Condes
Telephone:	(56-2) 2246 7000
Tax list number:	76.524.463-3
Entity type:	Closed Stock Corporation
E-mail:	transelec@transelec.cl
Webpage:	www.transelec.cl/empresas-relacionadas/

COMPANY HISTORY

Transelec Concesiones S.A. was constituted by Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada due to the awarding of exploiting rights and execution of the work "Nueva Charrúa Substation, 2x500 kV Charrúa - Ancoa lines 1 and 2 sectioning and new 2x220 line kV Nueva Charrúa - Charrúa" which is part of the bidding process for the new works indicated in the Exempt Decree No. 201 of 2014 of the Ministry of Energy.

Transelec Concesiones S.A.'s constitution consists of a public deed dated November 6, 2015, granted by Notaría de Santiago of Mr. Raúl Undurraga Laso, whose extract is inscribed in the sheet 86,649, N°50,023, in the Santiago Real Estate Registrar Commercial Registry, 2015, published in the Official Gazette dated November 14, 2015.

In addition, on March 9, 2016, the Securities and Insurance Commission certified that Transelec Concesiones S.A. had been registered in the Especial Registry of Informing Entities, under the number 406.

On February 17, 2017, Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada sold to Transelec Concesiones S.A. the amount of 2,497,500 and 2,500 subscribed and paid shares, respectively, of the company Pichirropulli Transmisora de Energía S.A., which, according to the Register of Shareholders of said company, represent the totality of its shares.

Because of the aforementioned purchase and sale of shares, as Transelec Concesiones S.A. gained control over all shares of Pichirropulli Transmisora de Energía S.A., the dissolution by absorption of the latest occurred, in accordance with the law.

On the same day, through two shares sale agreements held through private instruments, Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada sold to Transelec Concesiones S.A. the amount of 4,995 and 5 subscribed and paid shares, respectively, of the company Interconexión Los Changos S.A., which, according to the Shareholders' Registry of said company, represent the totality of its shares.

Because of the aforementioned purchase and sale of shares, as Transelec Concesiones S.A. gained control over all shares of Interconexión Los Changos S.A., the dissolution by absorption of the latest occurred, in accordance with the law.

Transelec Concesiones is a part of Transelec Group, which provides all its support in administrative and operational matters. Final Group's Shareholders are: China Southern Power Grid International (CSGI), Canada Pension Plan (CPP), British Columbia Investment Management Corporation (BCI) y Public Sector Pension Investment (PSP). The Group benefits from an important and vast operational knowledge, both by Transelec S.A., the most important electricity transmission company in the country, and by the experience of CSGI, China's second largest operator.

BUSINESS ACTIVITY

Transelec Concesiones S.A. has the exclusive purpose of exploiting and developing electrical systems, owned by them or by third parties, intended for the transportation or transmission of electrical energy, being able to obtain, acquire and enjoy the respective concessions and permits, and exercise all the rights and powers that the legislation confer to the electric companies.

The corporate purpose includes the commercialization of the transmission lines transport and substations transformation capacity, and any equipment associated to them, so that generation plants, both national and foreign, can transmit the electrical energy they produce and reach their consumption centers. Additionally, it looks to allow the development of other commercial and industrial activities related to the use of electrical transmission infrastructure.

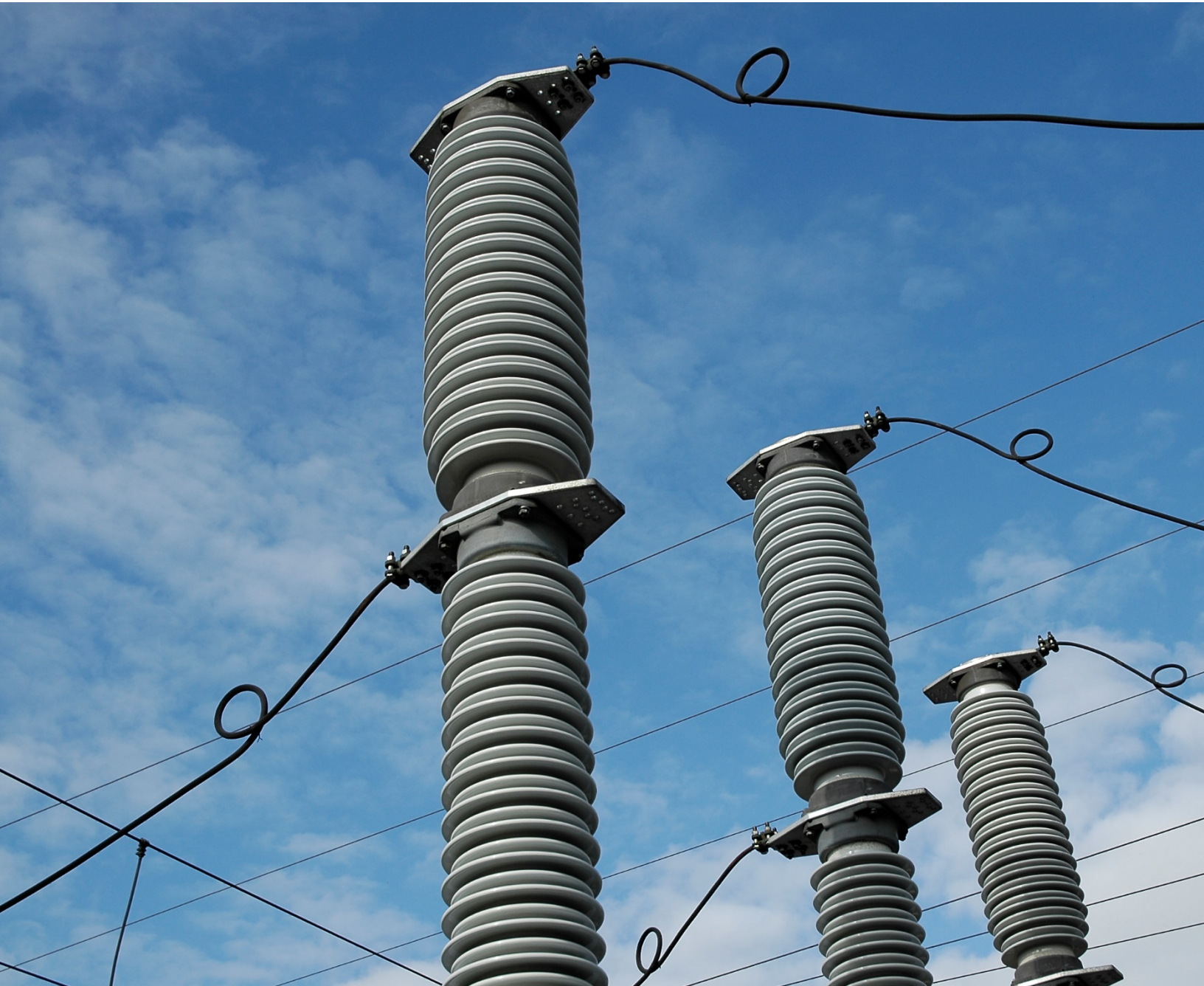
In the fulfillment of its corporate purpose, the company may act directly or through subsidiaries or affiliated companies, both inside the country and abroad.

PROPERTY

The equity amounts \$ 5,000,000. of United States dollars divided into 5,000,000 registered shares, of a single serie and without par value.

Transelec Holdings Rentas Limitada owns 4,995,000 shares while Rentas Eléctricas I Limitada owns 5,000 shares.

02 CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

According to the Sixth Article of its Bylaws, the Board of Directors is comprised of three members elected by the shareholders at the respective shareholders meeting. Board members serve for a period of two years and are eligible for re-election. To be a director, it is not necessary to be a shareholder of the company.

The current Board of Directors of the company was elected at the Ordinary Meeting of Shareholders on April 27, 2018, and is composed as follows:

1. Francisco Castro Crichton (Chairman, Chilean, T.I.N.: 9.963.957-1);
2. Arturo Le Blanc Cerda (Chilean, T.I.N.: 10.601.441-8); and
3. Rodrigo López Vergara (Chilean, T.I.N.: 7.518.088-8)

BOARD OF DIRECTORS SALARIES

According with the provisions of the Seventh Article of the social Bylaws, the directors' are not remunerated.

BOARD OF DIRECTORS EXPENSES

During the year, no payments were made associated with directors' expenses.

PRINCIPAL EXECUTIVES

General Manager : Kuhlmann Jahn, Andrés

T.I.N. : 6.554.568-3

Principal Executives : Ahumada Gómez, Eric Robinson
T.I.N.: 9.899.120-4

Castro Crichton, Francisco Javier
T.I.N.: 9.963.957-1

López Vergara, Rodrigo Anselmo

T.I.N.: 7.518.088-8

Le Blanc Cerda, Arturo Cristián

T.I.N.: 10.601.441-8

Semertzakis Pandolfi, Alexandros Georgios

T.I.N.: 7.053.358-8

Administrative Structure : Board of Directors and General Manager.

DIVERSITY

a) Board of Directors Diversity

1. Number of persons by gender: 3 men.
2. Number of persons by nationality: 3 Chilean.
3. Number of persons by age range: 2 between 40 and 50 years, and 1 between 51 and 60 years old
4. Number of persons by seniority: 3 directors have been in the Company for less than 3 years.

b) Diversity of the General Management and other managements that report to this management or to the Board of Directors

1. Number of persons by gender: 6 men.
2. Number of persons by nationality: 6 Chilean.
3. Number of persons by age range: 3 persons between 51 and 60 years old
3 persons between 40 and 50 years old
4. Number of persons by seniority: 6 persons that has been in the Company for less than 3 years

c) Organization Diversity

Transelec Concesiones does not have any employees, apart from the executive level, so this section does not apply.

d) Wage gap by gender

It does not apply given that there are no women within the organization.

03 THE BUSINESS



REGULATORY SCENARIO

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

The last important reform made to the LGSE is the recently passed Law N° 20,936/2016, which incorporated the following important amendments:

- a new functional definition of Power Transmission Systems
- a new long-term Energy Planning and Power Transmission Planning process
- a new remuneration and tariff setting mechanism for public service power transmission facilities
- a new universal Open Access regime
- a preliminary definition of power transmission line routes for specific new projects, by means of a Strip Study Procedure, and
- creation of a new Independent Coordinator for the National Electricity System

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

- **The National Transmission System:** comprised of power transmission lines and electrical substations that enable development of this market, interconnecting all other power transmission segments and enabling power to be supplied for meeting total power system demand in different availability scenarios within power generation facilities, including contingency and fault situations.
- **Zonal Transmission Systems:** comprised of power transmission lines and electrical substations essentially arranged to supply current or future regulated customers that can be identified on a territorial basis, without compromising use by free customers or power generation companies connected directly to or by means of power transmission systems used for the aforementioned power transmission systems.
- **Transmission Systems for Development Poles:** comprised of power transmission lines and electrical substations used to transmit electrical energy generated by a single development pole into a power transmission system, thus making efficient use of national territory.
- **Dedicated Transmission Systems:** comprised of power transmission lines and electrical substations that are interconnected to the electricity system and essentially arranged to supply electrical energy to users that are not subject to price regulation or to inject power produced by power plants into the power grid.

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

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

- i) Open access planning process and interconnection of facilities, and
- ii) Power Transmission System tariff setting, compensation and payment.

These regulations should be published during the first half of 2019. The General Comptrollership of the Republic is currently acknowledging operation Coordination and Complementary Services Regulations as constitutional prior to publication and application.

BUSINESS DESCRIPTION

The National Transmission System, through the interconnection of all the transmission segments (transmission lines and substations), allows the conformation of a common electric market capable of supplying all of the electricity demand, even facing failures and contingencies, maintaining the quality and safety requirements of service established by current regulations.

Transelec Concesiones S.A. is part of this regulated revenue System, having the rights for the exploitation and execution of New Works tendered by the Ministry of Energy.

NATIONAL TRANSMISSION SYSTEM REMUNERATION

The works awarded to Transelec Concesiones correspond to international tenders for large expansion projects classified as new works. The awarded company is responsible for managing the corresponding permits and carrying out the construction and operation of the works through a BOO contract. The VATT and its indexation contained in the tender offer constitute the new project's remuneration for the next 20 years from the start of operation of the project.

This remuneration is applied for 20 years without any alteration except for the corresponding indexation. Only after this period, the assets and their valuation are reviewed and updated every 4 years through the tariff studies of the Transmission Systems.

The first 20 years' income for the service is guaranteed, that is, the awarded company has the right by law to receive 100% of the agreed income.

Once the period of 20 years has ended, the revenues from existing installations of the National Transmission System are constituted by the Annual Transmission Value per Tranche (VATT), which is calculated on the basis of the Annuity of the Investment Value (AVI.), plus the Costs of Operation, Maintenance and Administration (COMA) for each section of this system.

The VATT for all sections that build this system are determined every four years by the National Energy Commission (CNE) based on the Study of Valorization of the National Transmission System by a consultant chosen through an international public tender. Because of this process, the CNE prepares a technical report and, based on it, the Ministry of Energy will set the rates for the next four-year period of the National Transmission System.

During the four-year period between two consecutive tariff processes, both the AVI and the COMA of each tranche will be indexed by formulas that aim to maintain their real value during said period. Indexation formulas and the periodicity of their application are determined in the corresponding tariff process.

For the purposes of income collection, a single charge for use will be established, determined by the CNE, so that its collection constitutes the complement to the actual tariff revenues to collect the VATT from each section. "Real tariff income per tranche" shall be understood as the difference resulting from the application of the marginal operational costs of the system, with respect to the injections and withdrawals of power and energy in said section. Payment of the National Transmission System will be charged to regulated and unregulated end users.

Additionally, every year the CNE must implement a transmission planning process, which must consider at least a twenty-year horizon. This planning includes the necessary expansion works of the National Transmission System, which contain investments that must be classified as new works or expansion works of existing facilities. Because of this process, the CNE prepares a technical report and, based on it, the Ministry of Energy will establish the Expansion Plan of the Transmission System for the next 12 months.

The Coordinator has the responsibility to carry out the international public tenders of the expansion projects, whether defined as new or enlargement works. The tender for the construction and execution of the enlargement works of existing facilities will be resolved according to the VI offered, and will be remunerated by the owner of the installation to the respective awardee, unlike what happens in the case of new works, where the exploitation and execution rights will be awarded to the bidder who submits the lowest VATT for the project.

PROJECT ADJUDICATION

The exploitation rights and execution of the project "Nueva Charrúa Substation, sectioning of the 2x500 kV Charrúa - Ancoa lines 1 and 2 and the new 2x220 kV Nueva Charrúa - Charrúa line" was awarded to the Company by Exempt Decree No. 55 dated January 22, 2016, of the Ministry of Energy and published in the Official Gazette on January 29 of the same year,. This project was part of the bidding process of the new projects indicated in Exempt Decree No. 201 of the 2014 year of the Ministry of Energy (the "Project").

By virtue of this decree, since these projects are operating, the Company participates in the National Transmission System of the SEN defined by law and will have regulated revenues, in accordance with the Annual Transmission Value per Tranche offered in the bidding process of the project.

On the other hand, after the absorption of Pichirropulli Transmisora de Energía S.A. and Interconexión Los Changos, Transelec Concesiones S.A. obtains:

- Exploitation rights and execution of the work "Line 2x220 kV Pichirropulli-Nueva Puerto Montt, energized in 220 kV" (the "Project") that is part of the bidding process of new projects indicated in Exempt Decree N ° 201 of 2014 of the Ministry of Energy.

The Project consists of the construction of a new transmission line 2x500 kV Pichirropulli - Nueva Puerto Montt, energized in 220 kV, including the necessary works in 220 kV in the substations Nueva Puerto Montt and Pichirropulli. The construction of the Nueva Puerto Montt sectioning substation and the sectioning of the 2x220 kV Rahue - Puerto Montt lines in the new substation are included.

- The rights of exploitation and execution of the project "New Line 2x500 kV 1500 MW between S/E Los Changos and S/E Nueva Crucero Encuentro, Autotransformers Banks 2x750 MVA 500/220 kV in S/E Nueva Crucero Encuentro, Autotransformers Banks 750 MVA 500/220 kV in S/E Los Changos and New Line 2x220 kV 1500 MW between S/E Los Changos and S/E Kapatur" which is part of the new projects' bidding process indicated in Exempt Decree N ° 158, 2015, of the Ministry of Energy.

The Project consists of the construction of a new 2x500 kV line between Los Changos substation and Nueva Crucero Encuentro substation, with an approximate length of 140 km in double circuit structures, with a capacity of 1,500 MW. In addition, the work includes the installation of two banks of 500/220 kV autotransformers of 750 MVA each, plus a reserve unit for each bank, in the future Nueva Crucero Encuentro substation, together with the respective 500 kV yard. Additionally, the project contains the installation of a 500/220 kV 750 MVA autotransformer bank, plus a reserve unit, in Los Changos substation, which is under construction. It also includes the construction of a new 2x220 kV line between the substations under construction Los Changos and Kapatur, of an approximate length of 3 km, in double circuit structures, and a nominal capacity of 1,500 MW.

Of the Works above, the new line 2x200 kV Los Changos – Kapatur is the only one in operation, since November 2017.

As indicated previously, Transelec Concesiones S.A. was established after the award of the projects and by express provision of the Decrees, for the purposes of developing the aforementioned projects. Thus, in 2017, all assets conforming these projects were transferred to the Company, as a single legal universality, which initially, and for reasons of operational and administrative experience, begun to be built by Transelec S.A.

NATIONAL SYSTEM PROJECTS

NEW WORKS

1. Studies

No Studies were developed during this period.

2. Adjudication

No projects were awarded during this period.

3. Project Development

During the period, the development of projects with a referential investment value of \$ 238.119 million continued:

Decree	Project	IV Ref. (kUSD)	Entry into Operation
0201/2014	New Line 2x500 kV Pichirropulli – Tineo	81.519	3rd Trim. 2021
0158/2015	New Line 2x500 kV S/E Los Changos - S/E Kimal	156.600	4th Trim. 2019

4. Entry into Operation

During 2018, Transelec Concesiones energized projects with a referential investment value of \$81.9 million dollars:

Decree	Project	IV Ref. (kUSD)	Entry into Operation
0201/2014	S/E Entre Ríos and line sectioning 2x500 kV Charrúa – Ancoa 1 and 2 and new line 2x220 kV Charrúa – Entre Ríos	81.914	2nd Trim. 2018

INVESTMENT DURING 2018

National Transmission System

Values in millions of pesos:

Project Type	Real Investment
New Works	15.598
Pull (*)	1.391
National System Total Projects	16.989

(*) Corresponds to payments made in 2018 for projects put into service in 2017 or earlier.

INVESTMENT VALUE (IV)

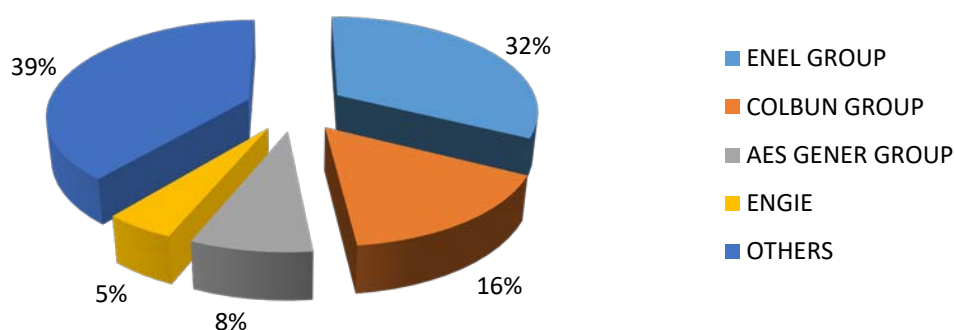
The current regulatory framework establishes mechanisms for calculating and publishing the investments valuation of transmission companies at market prices. This information is used for service charging.

Transelec Concesiones transmission facilities valuation, as of December 31, 2018, amounts to US\$ 94.5 million.

REVENUES

Transelec Concesiones' revenues correspond in their entirety to regulated revenues from the National System. The Company's main clients are shown in the chart below, based on their participation.

Transelec Concesiones Client Participation



04 THE OPERATION



Transelec Concesiones is strongly committed to delivering an energy transport service with high quality and safety standards, for which it has entered into a service provision agreement with Transelec S.A. (operator), that has its own staff and highly qualified contractors, as well as technological resources and processes based on risk models.

ASSETS MANAGEMENT

In 2018, the operator updated the asset management model, whose main objective is to reduce the failure rate. This new methodology allows Transelec Concesiones to prioritize the maintenance and replacement of assets, establishing the optimal use of resources.

ASSETS PERFORMANCE

No failures in Transelec Concesiones' assets were registered during 2018, reflecting its high quality commitment.

OPERATION

The Operational Continuity Plan applied by the operator integrates in the same procedure the guidelines to prevent, mitigate and respond effectively and efficiently to emergencies in order to recover and preserve the operational continuity of their facilities. During 2018, the continuous improvement of procedures was implemented, and a study begun with an international consultant to know and apply the latest advances in good practices of operational continuity plans.

The operator, Transelec, is part of the National Transmission Operation Center (CNOT), which plays a fundamental role in ensuring the continuity of service. In 2014, the construction of the CNOT was completed with the highest safety standards, and it became possible for Transelec to centralize its facilities' operation in real time. In 2016, a competency management process for CNOT operators was established, a process that considered a survey of model skills. During the year 2019, Operator Training System (OTS) will start being used, system that will deepen the improvement of the technical and behavioral performance of operators in a controlled environment, through the simulation of extreme events and conditions, replicating the real characteristics of the system and their job.

EQUIVALENT TIME OF INTERRUPTION (TEI)

Quality of service is one of the strategic pillars of Transelec Concesiones, and it is reached thanks to the management carried out, in both the network operation and maintenance environment. On the other hand, the network topology evolution, as well as changes in quality standards, added to the increasingly exigent demands of society, creates goals that are more challenging every year. During 2018, this indicator remained at 0, due to the good performance of its assets and risk mitigation management.

05 FINANCE



FINANCE

DEBT

On December 21, 2018, a Project Finance Agreement was signed with the following banks:

- Bank of Tokyo-Mitsubishi UFJ (MUFG),
- KfW IPEX-Bank (KfW) and
- Export Development Canada (EDC).

The credit is for an approximate total amount of USD 358 million. As of December 31, 2018, only an amount of USD65 million has been disbursed.

The contract seeks the financing of the new expansion projects of the Company: Nueva Charrúa Substation and Transmission Lines Pichirropulli - Puerto Montt, Los Changos - New Encuentro Cruise and Los Changos-Kapatur

INVESTMENT AND FINANCING POLICY

Transelec Concesiones S.A. does not have an investment and financing policy.

DIVIDEND POLICY

In the Ordinary Shareholders' Meeting held on April 29, 2016, the distribution of at least 30% of the net profits of each year was approved, according to the provisions of article 79 of the Public Limited Companies Act.

This policy will remain in place as long as no new dividend policy is proposed by the Board of Directors of the Company and approved in a new Ordinary Shareholders' Meeting.

RISK FACTORS

Both the characteristics of the Chilean electricity market and the regulations of this sector, the company is not exposed to significant risks arising from the development of its core business. However, it is appropriate to mention and consider the following risk factors:

REGULATORY FRAMEWORK

The electricity transmission rates are set by law and include readjustments in order to guarantee a real annual return to the operator. The nature of the industry allows the income of the transmitters to be stable over time. These are complemented with the income obtained thanks to the existence of private contracts with large customers.

However, the fact that these rates are reviewed every four years in the National and Zonal Transmission Studies could make the Company to face new rates that are detrimental or less attractive in terms of investments.

TRANSMISSION SERVICE INTERRUPTION FINES

Transelec Concesiones could face proceedings before the Superintendency of Electricity and Fuels (SEC), due to charges made by the Authority for forced disconnections of the electricity transmission service.

OPERATIONAL RISKS

Notwithstanding that, the Administration estimates that Transelec Concesiones maintains adequate risk coverage, according to industry practices, it is not possible to ensure that the coverage of the insurance policies will be sufficient to cover certain operational risks to which it is exposed. Transelec Concessions, including the forces of nature, damage to transmission facilities, work accidents and equipment failures. Any of these events could affect the financial statements of the company.

ENVIRONMENTAL INSTITUTIONALITY AND THE APPLICATION OF NORMATIVES AND / OR ENVIRONMENTAL POLICIES

Operations of Transelec Concesiones are subject to Law N ° 19.300 / 1994 on General Bases of the Environment ("Environmental Law") and its subsequent modifications. The Environmental Law requires that holders of new projects or modifications of high voltage transmission lines and electrical substations submit to the Environmental Impact Assessment System (SEIA) and submit Environmental Impact Assessments (EIA) or Environmental Impact Statements (DIA), as appropriate. These projects must be evaluated and environmentally qualified by the respective Environmental Assessment Commissions, and finally obtain their approval through an environmental qualification resolution. Additionally, the regulation establishes that the project owner may request from the Environmental Assessment Service a ruling on whether a project or its modification must be submitted to the SEIA. These presentations are called letters of relevance to the SEIA.

Notwithstanding that the company complies with the environmental requirements of the Environmental Law, it is not possible to ensure that these presentations (EIA, DIA or Letter of

Relevance) before the environmental authority are approved by the government authorities, nor that the possible public opposition will not generate delays or modifications in the proposed projects, nor that the laws and regulations will not change or will be interpreted in a way that could adversely affect the operations and plans of the company, since the new institutionality, in all its capacity, is underway and in perfection.

DELAYS IN THE CONSTRUCTION OF NEW TRANSMISSION FACILITIES

The success of the construction of the projects awarded during the tenders of the National Transmission System will depend on numerous factors, including cost and availability of financing. The construction of new facilities could be negatively affected by factors commonly associated with the projects, including delays in obtaining regulatory authorizations such as electrical concessions; shortage of equipment, materials or labor, or changes in their prices; adverse weather conditions; natural catastrophes and circumstances and unforeseen difficulties in obtaining financing under reasonable conditions and rates. Any of the above-mentioned factors could cause delays in the partial or total conclusion of the capital investment program, as well as increase the costs for the contemplated projects.

FINANCIAL RISKS

Interest Rate Risk

Significant changes in fair values and future cash flows of financial instruments, which may be directly attributable to interest rate risks, include changes in the net income of financial instruments whose cash flows are determined by variable interest rates and changes in the value of financial instruments whose cash flows are fixed may affect the Company.

Liquidity Risk

Liquidity risk is the risk that the company cannot satisfy a demand for cash or the payment of a debt at maturity. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

Exchange Rate Risk

The majority of the Company's cash flows are denominated in Dollars and, given that this is its functional currency, there is no significant exposure to the exchange rate.

Credit Risk

With regard to the credit risk related to accounts receivable from the electricity transmission activity, this risk is historically very limited in the industry given the business nature of the Company's clients and the short term of collection, which means that significant amounts are not accumulated.

RELEVANT FACTS

1. On March 27, 2018, and in compliance with the provisions of article 9 and the second paragraph of article 10 of Law No. 18,045, on the Securities Market, the following essential fact was reported

That the board of Transelec Concesiones SA, in a meeting held on March 27, 2018, agreed to report as essential fact the summons to the ordinary shareholders' meeting for April 27, 2018, with the purpose of submitting to the knowledge and approval of the shareholders, the following matters:

- 1) Annual Reports, Balanced Sheets, Financial Statements and a Report of the External Auditors, for the period ended on December 31, 2017.
- 2) Final Dividend Distributions.
- 3) Election of the Board.
- 4) Remuneration of the Board.
- 5) Appointment of External Auditors.
- 6) Diary to call Shareholders' Meetings.
- 7) Agreements adopted by the Board of Directors on matters contained in articles 146 et seq. of the Law on Corporations.
- 8) Other matters of interest to society and of the Board's competence.

2. On April 27, 2018, and in compliance with the provisions of article 9 and the second paragraph of article 10 of Law No. 18,045, on the Securities Market, the following essential fact was reported:

That on April 27, 2018, the ordinary meeting of shareholders of the company was held, at which the following was agreed:

- 1) Approve the Annual Report, the Balance Sheet, the Financial Statements and the Report of the External Auditors, for the period ended on December 31, 2017.
- 2) In relation to the final dividend, it was reported that there are no profits to be distributed for the period ended December 31, 2017.

- 3) It was agreed to elect the members of the Board, composed as follows Mr. Arturo Le Blanc Cerda, Francisco Castro Crichton and Rodrigo López Vergara.
- 4) In relation to the Directors remuneration, it was informed that according to the bylaws of the company, they would not be remunerated.
- 5) Approve the appointment of Deloitte as External Auditor of the company for 2018.
- 6) Approve the appointment of Diario Financiero to publish the Shareholders' Meeting summons.
- 7) The agreements adopted by the Board on matters contained in articles 146 et seq. of the Law on Corporations were informed.

3. On June 29, 2018, and in compliance with the provisions of article 9 and the second paragraph of article 10 of Law No. 18,045, on the Securities Market, and the provisions of NCG No. 30, the following essential fact was informed:

That at the Second Extraordinary Shareholders' Meeting of Transelec Concesiones S.A., held on June 29, 2018, the capital of the company was increased from the amount of USD \$1,000 to USD \$5,000,000 through the issuance of 4,990,000 new payment shares.

06 FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Information

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

Auditor's Responsibility

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

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

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

Opinion

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

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

The financial statements of Transelec Concesiones S.A., as of December 31, 2017, were audited by other auditors, whose report dated March 27, 2018, expressed an unmodified opinion on those financial statements.

Other-matter – Translation into English

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

A blue ink signature of a Deloitte representative, written in a cursive style.

Santiago, Chile
March 25, 2019

Financial Statements

TRANSELEC CONCESIONES S.A.

Santiago, Chile

As of December 31, 2018 and 2017

US\$: United States dollars

ThUS\$: Thousands of United States dollars

INDEX

FINANCIAL STATEMENTS

CLASSIFIED STATEMENTS OF FINANCIAL POSITION.....	1
STATEMENTS OF COMPREHENSIVE INCOME BY FUNCTION.....	3
STATEMENTS OF CHANGES IN NET EQUITY.....	5
STATEMENT OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7
Note 1 - GENERAL INFORMATION	7
Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES.....	7
2.1 Basis of preparation of the financial statements	8
2.2 International Financial Reporting Standards	8
2.3 Foreign currency transactions	15
2.4 Financial reporting by operating segments.....	15
2.5 Property, plant and equipment	16
2.6 Intangible assets.....	17
2.7 Impairment of non-financial assets	17
2.8 Financial Instruments	18
2.9 Inventories	22
2.10 Paid-in capital.....	22
2.11 Income tax and deferred taxes	23
2.12 Provisions.....	23
2.13 Classification of current and non-current balances.....	24
2.14 Distribution of dividends	24
2.15 Revenue recognition in Contracts with Customers	24
Note 3 - RISK MANAGEMENT POLICY	25
3.1 Financial risk.....	25
Note 3 - RISK MANAGEMENT POLICY (continued)	26
Note 4 – ESTIMATES AND JUDGMENTS OR CRITICAL CRITERIA USED BY MANAGEMENT	28
Note 5- CASH AND CASH EQUIVALENTS	29
Note 6- TRADE AND OTHER RECEIVABLES	29
Note 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES	30
7.1 Balances and transactions with related parties	30
7.1.1 Accounts receivable from related entities	30
7.1.2 Accounts payable to related entities	30
Note 8– OTHER NON-FINANCIAL ASSETS.....	31
Note 9- INTANGIBLE ASSETS OTHER THAN GOODWILL.....	31
Note 9- INTANGIBLE ASSETS OTHER THAN GOODWILL (continued).....	32
Note 10 - PROPERTY, PLANT AND EQUIPMENT	33
10.1 Detail of items	33
10.2 Reconciliation of changes in property, plant and equipment.....	33
10.3 Additional information on property, plant and equipment	34
Note 11 – DEFERRED TAXES.....	35
11.1 Deferred taxes.....	35
Note 12– OTHER FINANCIAL ASSETS.....	35
Note 13- TRADE AND OTHER PAYABLES	36
Note 14– OTHER FINANCIAL LIABILITIES	36
Note 15 - DERIVATIVE INSTRUMENTS.....	37

15.1	Hedge assets and liabilities.....	37
15.2	Other information	37
15.3	Fair value hierarchies.....	38
	Note 16 - NET EQUITY	39
16.1	Subscribed and paid-in capital.....	39
16.2	Number of subscribed and paid-in shares.....	39
16.3	Other reserves.....	39
16.4	Capital management	40
	Note 17 – RELEVANT INCOME STATEMENT ACCOUNTS.....	41
17.1	Revenue	41
17.2	Expenses by nature	41
17.3	Financial results.....	42
	Note 18 – INCOME TAX RESULT	42
	Note 19 – ENVIRONMENT	44
	Note 20 – LAWSUITS AND CONTINGENCIES.....	44
	Note 21 – SUBSEQUENT EVENTS	44

Financial Statements

TRANSELEC CONCESIONES S.A.

As of December 31, 2018 and 2017

TRANSELEC CONCESIONES S.A.

**Classified Statements of Financial Position
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

ASSETS	Note	31/12/2018 ThUS\$	31/12/2017 ThUS\$
CURRENT ASSETS			
Cash and cash equivalents	(5)	3,161	9,348
Trade and other receivables	(6)	1,653	-
Other financial assets	(12)(15)	5,980	4,735
Other non-financial assets	(8)	47,100	38,259
Total current assets		<u>57,894</u>	<u>52,342</u>
NON-CURRENT ASSETS			
Intangible assets other than goodwill	(9)	6,630	3,671
Property, plant and equipment, net	(10)	208,765	97,230
Deferred tax assets	(11)	-	7
Total non-current assets		<u>215,395</u>	<u>100,908</u>
Total Assets		<u>273,289</u>	<u>153,250</u>

TRANSELEC CONCESIONES S.A.

**Classified Statements of Financial Position
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NET EQUITY AND LIABILITIES	Note	31/12/2018 ThUS\$	31/12/2017 ThUS\$
CURRENT LIABILITIES			
Trade and other payables	(13)	8,097	11,126
Accounts payable to related companies	(7)	2,751	15,405
Current tax liabilities		-	1,206
Total current liabilities		<u>10,848</u>	<u>27,737</u>
NON-CURRENT ASSETS			
Other non-current financial liabilities	(14)	62,738	-
Accounts payable to related companies	(7)	182,517	121,770
Deferred tax liabilities	(11)	2,117	-
Total non-current liabilities		<u>247,372</u>	<u>121,770</u>
Total liabilities		<u>258,220</u>	<u>149,507</u>
EQUITY			
Issued capital	(16)	5,000	1
Gain (losses) accumulated		1,792	(838)
Other reserves	(16.3)	8,277	4,580
Total equity attributable to owners of the Parent		<u>15,069</u>	<u>3,743</u>
Non-controlling interest		-	-
Total equity		<u>15,069</u>	<u>3,743</u>
Total equity and liabilities		<u>273,289</u>	<u>153,250</u>

TRANSELEC CONCESIONES S.A.

Statements of Comprehensive Income By Function
For the years ended December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

	Note	01/01/2018 31/12/2018 ThUS\$	01/01/2017 31/12/2017 ThUS\$
Statements of Comprehensive Income By Function			
Operating revenues	(17.1)	4,935	-
Cost of sales	(17.2)	(1,182)	-
Gross margin		3,753	-
Administrative expenses	(17.2)	(894)	(51)
Financial income	(17.3)	106	119
Financial expenses	(17.3)	(896)	(518)
Foreign exchange differences	(17.3)	1,317	(220)
PROFIT (LOSS) BEFORE INCOME TAXES		3,386	(670)
Income tax expense	(18)	(756)	361
Profit from continuing operations		2,630	(309)
Profit (loss) from discontinued operations		-	-
PROFIT (LOSS)		2,630	(309)
Profit (loss) attributable to:			
Profit attributable to the owners of the parent company		2,630	(309)
Profit (loss) attributable to non – controlling interest		-	-
Profit (loss)		2,630	(309)
Earnings per share			
Basic earnings per share/diluted			
Basic earnings per share/diluted from continuing operations (\$/s)		0.526	-
Basic earnings (loss) per share/diluted from discontinued operations		-	-
Basic earnings per share/diluted (\$/s)		0.526	-

TRANSELEC CONCESIONES S.A.

Statements of Comprehensive Income By Function
For the years ended December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

	01/01/2018 31/12/2018 ThUS\$	01/01/2017 31/12/2017 ThUS\$
PROFIT (LOSS)	2,630	(309)
Components of other comprehensive income, before taxes		
Cash flow hedges		
Gains (losses) on cash flow hedges	5,064	6,274
	<hr/>	<hr/>
Income taxes related to components of other comprehensive income		
Income taxes related to cash flow hedges	(1,367)	(1,694)
Other comprehensive income	3,697	4,580
Total comprehensive income	<u>6,327</u>	<u>4,271</u>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	<u>6,327</u>	<u>4,271</u>
Comprehensive income attributable to non-controlling interest	<u>-</u>	<u>-</u>
Total comprehensive income	<u>6,327</u>	<u>4,271</u>

TRANSELEC CONCESIONES S.A.

**Statements of Changes In Net Equity
For the years ended December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

	Issued capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total reserves	Gain (losses) accumulated	Equity attributable to owners of the parent	Non-controlling interest	Total equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2018	1	-	4,580	-	-	(838)	3,743	-	3,743
Changes in equity									
Comprehensive income	-	-	-	-	-	-	-	-	-
Profit (loss)	-	-	-	-	-	2,630	2,630	-	2,630
Other comprehensive income	-	-	3,697	-	-	-	3,697	-	3,697
Total comprehensive income	-	-	3,697	-	-	2,630	6,327	-	6,327
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) due to transfers and other changes	4,999	-	-	-	-	-	4,999	-	4,999
Total changes in equity	4,999	-	3,697	-	-	2,630	11,326	-	11,326
Closing balance as of December 31, 2018	5,000	-	8,277	-	-	1,792	15,069	-	15,069

	Issued capital	Reserve for foreign translation adjustment	Reserve for cash flow hedges	Other reserves	Total reserves	Gain (losses) accumulated	Equity attributable to owners of the parent	Non-controlling interest	Total equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2017	1	-	-	-	-	(15)	(14)	-	(14)
Changes in equity									
Comprehensive income	-	-	-	-	-	-	-	-	-
Profit (loss)	-	-	-	-	-	(309)	(309)	-	(309)
Other comprehensive income	-	-	4,580	-	-	-	4,580	-	4,580
Total comprehensive income	-	-	4,580	-	-	(309)	4,271	-	4,271
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) due to transfers and other changes	-	-	-	-	-	(514)	(514)	-	(514)
Total changes in equity	-	-	4,580	-	-	(823)	3,757	-	3,757
Closing balance as of December 31, 2017	1	-	4,580	-	-	(838)	3,743	-	3,743

TRANSELEC CONCESIONES S.A.

Statement of Cash Flows
For the years ended December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Statement of Cash Flows – Direct method	Note	31/12/2018 ThUS\$	31/12/2017 ThUS\$
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		4,826	-
Other proceeds from operating activities		567	-
Classes of payments			
Payments to suppliers for goods and services		(15,352)	(14,267)
Advance payments to contractors		-	(11,105)
Other payments for operating activities		(4)	(171)
Interest paid		(876)	-
Interest received		91	18
Net cash flows used in operating activities		<u>(10,748)</u>	<u>(25,525)</u>
Cash flows provided by (used in) investing activities			
Additions of property, plant and equipment		(108,686)	(83,326)
Cash flows used to obtain control of companies ¹		-	(502)
Compensation for easements		-	(8,860)
Amount from settlement of forwards		-	1,401
Net cash flows used in investing activities		<u>(108,686)</u>	<u>(91,287)</u>
Cash flows provided by (used in) financing activities			
Amounts proceeding from long-term loans		65,039	-
Amounts received from related parties	(7.1.2)	119,539	126,159
Payment of loans to related entities	(7.1.2)	(67,994)	-
Other cash inflows (disbursements)		(3,337)	-
Net cash flows provided by (used in) financing activities		<u>113,247</u>	<u>126,159</u>
Net increase (decrease) in Cash and Cash Equivalents		(6,187)	9,347
Cash and Cash Equivalents, at the beginning of the year	(5)	<u>9,348</u>	<u>1</u>
Cash and Cash Equivalents, at the end of the year		<u><u>3,161</u></u>	<u><u>9,348</u></u>

¹The total assets of the merged companies is ThUS\$4,120; neither company included tangible assets; both had a total cash and cash equivalents of ThUS\$4 and the total cash paid for the operation was ThUS\$502.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 1 - GENERAL INFORMATION

Transelec Concesiones S.A. (hereinafter also referred to as the Company) was incorporated by means of a public deed on November 6, 2015, with a capital of US\$1,000 divided into 10,000 nominative, single series, no par value shares, which were subscribed and paid in as follows: a) Transelec Holdings Rentas Limitada subscribes and pays in 9,990 shares, for a total of US\$999; and b) Rentas Eléctricas I Limitada subscribes and pays in 10 shares for a total of US\$1.

As per a public deed dated June 13, 2018, Transelec Concesiones S.A. increased its capital from US\$1,000 divided into 10,000 shares, to US\$5,000,000 divided into 5,000,000 nominative, single series, no par value shares. This capital increase was subscribed and paid in such a way that Transelec Holding Rentas Limitada and Rentas Eléctricas I Limitada maintained their ownership percentages as established in the Company's by-laws.

On February 17, 2017, the Company purchased 99.9% of the shares of Pichirropulli Transmisora de Energía S.A. and Interconexión Los Changos S.A. As a result, the Company became owner of 100% of the shares in the aforementioned companies.

Its registered office is located 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 transmission facilities. The Company may act directly or through subsidiaries or affiliates, both in Chile and abroad.

The Company is controlled directly by Transelec Holdings Rentas Limitada and indirectly by Rentas Eléctricas I Limitada.

The Company's financial statements for the period ended December 31, 2018 were approved by the Company's Board of Directors at its 22nd meeting on March 25, 2019.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.1 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the presentation rules of the CMF, which are not in conflict with IFRS.

These financial statements have been prepared from the accounting records maintained by the Company. The figures in these Financial Statements and their notes are expressed in thousands of United States dollars.

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

In preparing these financial statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. 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 financial statements is the responsibility of the Company's management.

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2017, except for the adoption of new standards and interpretations in effect as of January 1, 2018, which did not materially affect the financial statements.

2.2 International Financial Reporting Standards

2.2.1 New accounting pronouncements

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

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

Effects of the application of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments are described in more details on note 2.17 and 2.8, respectively.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 International Financial Reporting Standards (continued)

2.2.1 New accounting pronouncements (continued)

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 financial statements, are detailed below. The Company has not adopted these standards in advance:

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

New Standards

IFRS 16 Leases

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

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosures for lease agreements and requires that the lessee recognizes all lease agreements under a similar manner as a finance lease according to IAS 17. The Standard includes two exemptions for the lessee: leases of low-value assets (e.g. personal computers) and short-term leases (e.g. leases with a lifetime of 12 months or less). At the inception date of the lease agreement, the lessee shall recognize a liability for the lease payment to be made (e.g., the lease liability) and an asset for the lease which represents the right of use of the underlying asset during the lifetime of the lease agreement (e.g., the asset with the right of use).

The lessees shall recognize separately the interest expenses in the lease liability and the depreciation expenses in the asset with the right of use.

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

The accounting for the lessor under IFRS 16 does not substantially change from the accounting under IAS 17. Lessors will continue classifying all lease agreements according to the classification principle stated in IAS 17 and they should distinguish between two types of leases: operating leases and finance leases. Also, IFRS 16 requires lessors and lessees to make more disclosures than those previously required by IAS 17.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 International Financial Reporting Standards (continued)

2.2.2 New accounting pronouncements (continued)

IFRS 16 *Leases* (continued)

Application of IFRS 16 starts on January 1, 2019. A lessee may choose to apply the Standard using the full retrospective approach or a modified retrospective approach. The transition provisions in the Standard allows some simplifications.

During 2018, the Company evaluated the adoption of IFRS 16 from the starting date of this standard, and the evaluation concluded that this Standard has no effects for the Company.

IFRIC 23 *Uncertainty over Income Tax Treatments*

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

The Company evaluated the impacts that this new standard could generate and concluded that these are not significant.

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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 International Financial Reporting Standards (continued)

2.2.3 Enhancements and Modifications (continued)

Enhancements and Modifications

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 financial statements, are detailed below.

Enhancements and Modifications		Date of mandatory application
IFRS 3	Business combinations	January 1, 2019
IFRS 9	Financial instruments	January 1, 2019
IFRS 11	Joint arrangements	January 1, 2019
IAS 12	Income taxes	January 1, 2019
IAS 19	Employee benefits - Modification, reduction or liquidation of the plan	January 1, 2019
IAS 23	Borrowing costs	January 1, 2019
IAS 28	Investments in associates	January 1, 2019
Conceptual framework	Updates of references to the Conceptual Framework	January 1, 2020
IFRS 10 and IAS 28	Consolidated financial statements	To be determined

IFRS 3 Business Combinations

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

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

IFRS 9 Financial Instruments – Payments with Negative Compensation

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 International Financial Reporting Standards (continued)

2.2.3 Enhancements and Modifications (continued)

IFRS 9 Financial Instruments – Payments with Negative Compensation (continued)

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

IAS 19 Benefits to employees - Amendment, curtailment or settlement of the plan

Amendments to IAS 19 address the accounting when occurs an amendment, curtailment or settlement of the plan during a reporting period. The amendments specify that when an amendment, curtailment or settlement occurs on a plan during the annual reporting, the entity should:

- Determine the actual cost of services for the rest of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to measure the liability (asset) of the defined benefit plan, in a net basis, showing the benefits and assets of the plan after the event.
- Determine the net interest for the rest of the period after the plan amendment, curtailment or settlement using: the liability (asset), net from the defined benefits, that shows the benefits and assets of the plan before the event; and the discount rate used to reassess the liability (asset) net for defined benefits.

The amendments clarify that an Entity has to determine first any cost of past services, or a gain or loss in the settlement, without considering the effect of the asset ceiling. This amount is recorded in profit or loss. Then, an entity has to determine the effect of the asset ceiling after plan amendment, curtailment or plan settlement. Any change in this effect, excluding the amount related to the net interest, is recognized in other comprehensive income.

This clarification establishes that the entities could recognize a cost of past service, or a result in the settlement that reduce the surplus not recognized before. Changes in the asset ceiling effect won't be offset with this effect.

The amendments are applicable to the changes, curtailments or plan settlements that occur on or after the start of the first annual reporting period commencing on or after January 1, 2019. Early adoption is permitted and it should be disclosed.

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 International Financial Reporting Standards (continued)

2.2.3 Enhancements and Modifications (continued)

IFRS 9 Financial Instruments – Payments with Negative Compensation (continued)

It shall apply from January 1, 2019 and shall be applied retrospectively with early adoption permitted.

To date, the Company is evaluating the impacts that the modification could generate.

IFRS 11 Joint Arrangements

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

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

IAS 12 Income Taxes

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

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

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as general borrowings any indebtedness originally entered into to develop a qualifying asset when substantially all activities necessary to get that asset ready for use or sale are completed. Amendments must be applied as of January 1, 2019.

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 International Financial Reporting Standards (continued)

2.2.3 Enhancements and Modifications (continued)

IAS 28 *Investments in Associates*

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

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

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

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

Amendments issued in December 2014 establish that when the transaction involves a business (found in a subsidiary or not), a complete profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are found in a subsidiary. The date of 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 effective 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.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 Foreign currency transactions

2.3.1 Functional and presentation currency

The Company has determined that its functional currency is the United States dollar (US\$). These financial statements are presented in US dollars.

2.3.2 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 hedge strategies.

2.3.3 Exchange rates

As of each year end, assets and liabilities in foreign currency and unidad de fomento have been converted to United States dollars, using the following exchange rates:

Currency or indexation unit	US dollars per unit	
	31.12.2018	31.12.2017
Unidad de Fomento	39.6761	43.5919
Chilean peso	0.00144	0.00163
Euro	1.1439	1.2023

2.4 Financial reporting by operating segments

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.5 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 concepts:

- a) All costs directly related to placing the asset in the location and condition that enables it to be used in the manner intended by management.
- b) Borrowing costs incurred during the construction period that are directly attributable to the acquisition, construction or production of qualified assets, which require a substantial period of time before being ready for use are capitalized. The interest rate used is that of the specific financing or, if none exists, the average financing rate of the company carrying out the investment.
- c) Future disbursements that Transelec Concesiones S.A., 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. Periodic maintenance, conservation and repair expenses are recorded directly in income as an expense for the period in which they are incurred.

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

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

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Intangible assets

2.6.1 Goodwill

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

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

2.6.2 Rights of way

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

2.6.3 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 Costs of sales and Administrative expenses.

2.7 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. Depreciated or 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 excess between the asset's carrying amount and its recoverable amount.

The 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.

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.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.7 Impairment of non-financial assets (continued)

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. Reversals are included in the income statement.

Impairment of goodwill is not reversed.

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

2.8 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).

The financial assets that meet the conditions stated in IFRS 9 to be classified at amortized cost are: account receivables, loans granted and cash equivalents. These assets are recorded at amortized cost which is its initial fair value, less payments of principal, plus the non-collected accrued interests calculated according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or when appropriate, in a shorter period of time) with the net carrying amount of a financial asset or liability.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Financial Instruments (continued)

1) Non-derivatives Financial Assets (continued)

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.

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.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Financial Instruments (continued)

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.

5) Derivatives and Hedge activities

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

Derivatives instrument used by the Company are mainly related to hedge the interest rate/exchange rate risks. Derivatives instruments are recorded at its fair value at the date of 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.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Financial Instruments (continued)

5) Derivatives and Hedge activities (continued)

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

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

5.3) Net Investment Hedge: Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. 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 the item "Other reserves" 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)".

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Financial Instruments (continued)

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 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 the cash flows from the financial asset expire or have been transferred, or even retaining them, the Company has assumed contractual obligations determining the payment of such flows to one or more entities.
- 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.

2.9 Inventories

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

2.10 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.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.11 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 will be sufficient future taxable profits to recover the deductible temporary differences and to make the tax credits effective.

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

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

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

2.12 Provisions

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

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

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

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

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.13 Classification of current and non-current balances

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

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

2.14 Distribution of dividends

The dividends payable to the Company's shareholders is recognized as a liability in the 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.

2.15 Revenue recognition in Contracts with Customers

The regulatory framework that governs electrical transmission activity in Chile comes from the Law Decree No. 4/2006 which establishes the Restated, Coordinated and Systemized Text of the Law Decree No. 1, from Mining, of 1982, General Law of the Electric Services (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19,940 (called also the "Short Law I") 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 Regulations of the General 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 Service Quality and Assurance (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 has basically one type of contracts with customers, the regulated, which is subject to regulated tariffs.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.15 Revenue recognition in Contracts with Customers (continued)

The total revenues for the use of the Company's facilities 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 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 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 through the time with a similar progress measurement. The company has defined that there is a unique performance obligation and it is satisfied during a period of time, therefore revenues are recognized in the same temporal base.

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

Note 3 - RISK MANAGEMENT POLICY

3.1 Financial risk

Transelec Concesiones S.A. is exposed to the following risks: market risks such as interest rates and exchange rates. 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.

The Company's 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.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 3 - RISK MANAGEMENT POLICY (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.

Currently, Transelec Concesiones does not have a direct exposure to this type of risk, but within the short term it is expected that there will be a financing at variable rate, for this reason Transelec Concesiones has entered into a 3-Month Libor Interest Rate Swap, which covers 75% of the expected debt balance. The main terms are detailed in the following chart:

Closing date	Start date	Maturity date	Currency	Notional (asset leg)	Floating rate (asset leg)	Frequency	Currency	Notional (liability leg)	Fixed rate (liability leg)	Frequency
12/28/2018	12/28/2018	12/15/2036	US\$	94,925,026	Libor 3M	Quarterly	US\$	94,925,026	2.5561 %	Quarterly

Note that the notional amount of this derivative increases and decreases according to the estimate of the debt structure that the financing would have.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 3 - RISK MANAGEMENT POLICY (continued)

3.1.1.2 Exchange rate risk

Currently, Transelec Concesiones S.A.'s only exposure to foreign exchange risk arises from the capital expenditure commitments it will have to incur for the core projects under construction.

Any other type of exposure to exchange rate risk will be managed through an approved policy that contemplates fully covering the net balance sheet exposure, which is made through various instruments such as: positions US dollars/Chilean pesos, forward contracts and swaps.

3.1.2 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 positive percentage implies a strengthening of the Chilean peso with respect to the foreign currency; a negative percentage implies a weakening of the Chilean peso with respect to the foreign currency.

Entry (Currency)	Position	Net income		Position	OCI	
	Long/ (Short)	Change (-10%)	Change (+10%)	Long/ (Short)	Change (-10%)	Change (+10%)
Cash (US\$)	1,014	(2)	2	-	-	-
Forwards (UF/USD) (US\$)	-	-	-	-	-	-
VAT credit S/T (US\$)	28,732	(46)	46	-	-	-
Inter-Co Loan (US\$)	(28,243)	45	(45)	-	-	-
Payables to Suppliers (US\$)	8,249	(13)	13	-	-	-
Other (US\$)	-	-	-	-	-	-
Total	9,752	(16)	16	-	-	-

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 4 – ESTIMATES AND JUDGMENTS OR CRITICAL 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.

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

In spite that the estimates mentioned above were made according to the best information available at the issuance date of these 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 financial statements.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 5- CASH AND CASH EQUIVALENTS

(a) The breakdown of this item as of December 31, 2018 and 2017 is as follows:

Cash and cash equivalents	Balances as at	Balances as at
	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Cash and banks	3,161	329
Short term deposits	-	9,019
Total	3,161	9,348

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

Detail of cash and cash equivalents	Currency	Balances as at	Balances as at
		31.12.2018 ThUS\$	31.12.2017 ThUS\$
Cash and cash equivalents	United States dollars	2,132	9,227
	Chilean pesos	1,029	121
Total		3,161	9,348

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

Note 6- TRADE AND OTHER RECEIVABLES

The breakdown of this item as of December 31, 2018 and 2017 is as follows:

Item	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Trade debtors	1,653	-
Total	1,653	-

As of December 31, 2018 and 2017, the analysis of non-impaired debtors is the following:

	Balances as at	
	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Due in 30 days	1,653	1,653
Total	1,653	1,653

Fair values do not differ significantly from book values due to the short term maturity of these instruments. In addition, the Company does not record any bad debt provisions.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

7.1.1 Accounts receivable from related companies

There are no accounts receivable as of December 31, 2018 and 2017.

7.1.2 Accounts payable to related companies

The breakdown of this item as of December 31, 2018 and 2017, is as follows:

Accounts payable to related parties			Current balances at		Non-current balances at	
Tax ID No.	Company	Concept	31.12.2018	31.12.2017	31.12.2018	31.12.2017
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
76.560.200-9	Transelec Holding Rentas Ltda. (Parent)	Mercantile account	2,751	11,181	182,517	121,770
76.555.400-4	Transelec S.A.	Mercantile account	-	4,224	-	-
Total			2,751	15,405	182,517	121,770

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 No.	Company	Country	Relationship	Description of the transaction	31.12.2018		31.12.2017	
					Amount	Effect in profit or loss	Amount	Effect in profit or loss
					ThUS\$	ThUS\$	ThUS\$	ThUS\$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent	Loans received	119,539	-	126,159	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent	Loans paid	67,994	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent	Accrued interest	6,223	6,223	1,204	1,204
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent	Foreign exchange difference	2,799	2,799	907	907

These operations are in conformity with articles N°. 44 and 49 of Law No. 18.046 on limited company.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 8– OTHER NON-FINANCIAL ASSETS

The breakdown of this item as of December 31, 2018 and 2017 is as follows:

Other non-financial assets	Balances as at	Balances as at
	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Expenses to be reported for easements	9,950	8,964
Advance payments to contractors	7,702	9,332
VAT credit	28,732	19,280
Other non-financial assets	716	683
Total	47,100	38,259

Note 9- INTANGIBLE ASSETS OTHER THAN GOODWILL

The breakdown of this item as of December 31, 2018 and 2017 is as follows:

Intangible assets other than goodwill	Balances as at	
	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Easements	6,380	3,421
Other intangible assets	250	250
Total	6,630	3,671

On January 22, 2016, Abengoa Chile S.A. assigns to Pichirropulli Transmisora de Energía S.A. the right to operate and execute the "2x500 KV Pichirropulli Nueva Puerto Montt Line, energized at 220 KV" which was awarded through Supreme Decree No. 20T of 2015. As this right is unlikely to be revoked, the Company considers that this right has an indefinite useful life.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 9- INTANGIBLE ASSETS OTHER THAN GOODWILL (continued)

The following table shows the detail of changes in intangible assets other than goodwill for the years ended December 31, 2018 and 2017.

Movements in intangible assets	Easements	Other intangible assets	Intangible assets, net
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2018	3,421	250	3,671
Movements in intangible assets			
Additions	2,959	-	2,959
Amortization	-	-	-
Closing balance of intangible assets as of December 31, 2018	6,380	250	6,630

Movements in intangible assets	Easements	Other intangible assets	Intangible assets, net
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2017	-	-	-
Movements in intangible assets			
Additions	3,421	250	3,671
Amortization	-	-	-
Closing balance of intangible assets as of December 31, 2017	3,421	250	3,671

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 10 - PROPERTY, PLANT AND EQUIPMENT

10.1 Detail of items

Property, plant and equipment, net	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Land	889	889
Lines	8,970	-
Work in progress	132,662	96,341
Machinery and equipment	66,244	-
Total Property, plant and equipment	<u>208,765</u>	<u>97,230</u>
Property, plant and equipment, gross	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Land	889	889
Lines	9,045	-
Work in progress	132,662	96,341
Machinery and equipment	67,161	-
Total Property, plant and equipment	<u>209,757</u>	<u>97,230</u>
Total accumulated depreciation and impairment Property, plant and equipment,	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Lines	(75)	-
Machinery and equipment	(917)	-
Total accumulated depreciation and impairment of PPE	<u>(992)</u>	<u>-</u>

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 December 31, 2018 and 2017.

	Movement year 2018	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other fixed assets	Property, plant and equipment, net
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Opening balance as of January 1, 2018	889	-	-	96,341	-	97,230
	Additions	-	-	-	112,527	-	112,527
	Withdrawals	-	-	-	-	-	-
	Transfer	-	9,045	67,161	(76,206)	-	-
	Depreciation expense	-	(75)	(917)	-	-	(992)
	Conversion difference	-	-	-	-	-	-
	Other increases (decreases)	-	-	-	-	-	-
	Closing balance as of December 31, 2018	889	8,970	66,244	132,662	-	208,765

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 10 - PROPERTY, PLANT AND EQUIPMENT (continued)

10.2 Reconciliation of changes in property, plant and equipment (continued)

	Movement year 2017	Land	Buildings and infrastructure	Machinery and equipment	Work in progress	Other fixed assets	Property, plant and equipment, net
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Opening balance as of January 1, 2017	-	-	-	-	-	-
	Additions	889	-	-	96,341	-	97,230
	Withdrawals	-	-	-	-	-	-
	Transfer	-	-	-	-	-	-
	Depreciation expense	-	-	-	-	-	-
	Conversion difference	-	-	-	-	-	-
	Other increases (decreases)	-	-	-	-	-	-
	Closing balance as of Sunday, December 31, 2017	889	-	-	96,341	-	97,230

10.3 Additional information on property, plant and equipment

As of December 31, 2018 and 2017, the Company had commitments to acquire property, plant and equipment items derived from EPC (Engineering-Procurement-Construction) construction contracts in the amount of ThUS\$130,815 and ThUS\$214,876, at the close of each period, respectively.

Work in progress balances amount to ThUS\$132,662 as of December 31, 2018 and ThUS\$96,341 as of December 31, 2017.

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 11 – DEFERRED TAXES

11.1 Deferred taxes

The origin of deferred taxes recorded as of December 31, 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
	ThUS\$	ThUS\$
Deferred tax assets		
Tax loss	-	7
Total deferred tax assets	-	7
Deferred tax liabilities		
Property, plant and equipment	(2,117)	-
Total deferred tax liabilities	(2,117)	-
Net deferred taxes assets/(liabilities)	(2,117)	7

Note 12– OTHER FINANCIAL ASSETS

The breakdown of this item as of December 31, 2018 and 2017 is as follows:

	Current		Non-Current	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Forward contracts	5,980	-	4,735	-
Total	5,980	-	4,735	-

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 13- TRADE AND OTHER PAYABLES

The detail of this item as of December 31, 2018 and 2017, is the following:

Creditors and accounts payable	Current		Non-Current	
	31.12.2018 ThUS\$	31.12.2017 ThUS\$	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Other payables	8,097	11,126	-	-
Total	8,097	11,126	-	-

Note 14– OTHER FINANCIAL LIABILITIES

The other financial liabilities correspond to a bank loan held by the Company as of December 31, 2018 and 2017, respectively, and are detailed below:

Creditor	Country	Currency	Effective interest rate	Maturity	Periodicity	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Export Development Canada KfW IPEX-Bank GmbH MUFG Bank Ltd.	Canada Germany United States	US dollars	2.72%	Dec 15, 2036	Semi-annual	62,738	-
Total						62,738	-

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 15 - DERIVATIVE INSTRUMENTS

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

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

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

15.1 Hedge assets and liabilities

	December 31, 2018				December 31, 2017			
	Assets		Liabilities		Assets		Liabilities	
	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$	Current ThUS\$	Non-current ThUS\$
Forward UF/USD	-	-	-	-	5,204	-	-	-
Forward Starting Swap	5,980	-	-	-	(469)	-	-	-
Total	5,980	-	-	-	4,735	-	-	-

15.2 Other information

Below is a detail of the derivatives contracted by Transelec Concesiones S.A. as of 31 December 2018 and 31 December 2017, their fair value and the breakdown by maturity:

Financial derivatives	Fair value ThUS\$	Maturity						31.12.2018
		Prior to year 1 ThUS\$	2018 ThUS\$	2019 ThUS\$	2020 ThUS\$	2021 ThUS\$	After ThUS\$	Total ThUS\$
Forward Starting Swap	5,980	5,980	-	-	-	-	-	5,980

Financial derivatives	Fair value ThUS\$	Maturity						31.12.2017
		Prior to year 1 ThUS\$	2017 ThUS\$	2018 ThUS\$	2019 ThUS\$	2020 ThUS\$	After ThUS\$	Total ThUS\$
Forward UF/USD	5,204	5,204	-	-	-	-	-	5,204
Forward Starting Swap	(469)	(469)	-	-	-	-	-	(469)

The contractual notional amount of these contracts does not represent the risk assumed by Transelec Concesiones S.A., as it is only in response to the basis with which derivative settlements are calculated. As of December 31, 2018 and 2017, Transelec Concesiones S.A. 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 foreign exchange spot rates forward rates and interest rate curves in Chilean peso and US dollar.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 15 - DERIVATIVE INSTRUMENTS (continued)

15.3 Fair value hierarchies

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

The following table details financial assets and liabilities measured at fair value as of December 31, 2018 and 2017:

Financial instruments at fair value	31.12.2018 ThUS\$	Fair value at the end of the reporting period using		
		Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$
Financial assets (liability)				
Cash flow derivatives	5,980	-	5,980	-
Total net	5,980	-	5,980	-

Financial instruments at fair value	31.12.2017 ThUS\$	Fair value at the end of the reporting period using		
		Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$
Financial assets (liability)				
Cash flow derivatives	4,735	-	4,735	-
Total net	4,735	-	4,735	-

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 16 - NET EQUITY

16.1 Subscribed and paid-in capital

At December 31, 2018, the authorized, subscribed and paid-in capital stock amounted to ThUS\$5,000. At December 31, 2017, the authorized, subscribed and paid-in capital stock amounted to ThUS\$1.

16.2 Number of subscribed and paid-in shares

	No. subscribed shares	No. paid-in shares	Number of shares with voting right
Unique series, with no par value	5,000,000	5,000,000	5,000,000

In July 2018, the Company's shareholders (Transelec Holdings Rentas Ltda. and Rentas Eléctricas I Ltda.) carried out a capital increase in the amount of ThUS\$4,999, thus giving rise to a total capital of ThUS\$5,000 as of December 31, 2018.

The contributions were made in proportion to the participation of each of the shareholders before the capital increase, both maintaining the same percentage of participation once the contribution was made.

16.3 Other reserves

The detail of other reserves as of December 31, 2018 and 2017 is as follows:

Concept	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Cash flow hedging	8,277	4,580
Total	8,277	4,580

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 16 - NET EQUITY (continued)

16.4 Capital management

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

The capital management policy of Transelec Concesiones S.A. is aimed to maintain an adequate balance that allows to keep a sufficient capitalization levels to sustain its operations and provide a 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.

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 17 – RELEVANT INCOME STATEMENT ACCOUNTS

17.1 Revenue

The detail of net income as of and for the years ended December 31, 2018 and 2017 is as follows:

	01.01.2018 31.12.2018 ThUS\$	01.01.2017 31.12.2017 ThUS\$
Revenues from regulated transmission services	4,935	-
Total revenue	4,935	-
	01.01.2018 31.12.2018 ThUS\$	01.01.2017 31.12.2017 ThUS\$
Regulated clients	4,935	-
Total	4,935	-
National revenue	4,935	-
Total	4,935	-
Transferred assets in a specific moment	-	-
Transferred services over time	4,935	-
Total revenue	4,935	-

17.2 Expenses by nature

The composition of expenses by nature, included in cost of sales and administrative expenses for the periods ended December 31, 2018 and 2017, is as follows:

Detail	For the periods ended as of	
	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Depreciations and write-offs	992	-
Other expenses	1,084	51
Total	2,076	51

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 17- RELEVANT INCOME STATEMENT ACCOUNTS (continued)

17.3 Financial results

The detail of the financial result for the years ended December 31, 2018 and 2017 is as follows:

Detail	For the years ended as of	
	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Financial income:	106	119
Bank interests	106	119
Financial expenses:	(896)	(518)
Other expenses	(896)	(518)
Foreign exchange differences:	1,317	(220)
Accounts related parties	2,799	(907)
Capital market	-	13
VAT Tax credit Remnant	-	891
Other	(1,482)	(217)
Total financial income/(loss)	527	(619)

Note 18 – INCOME TAX RESULT

The income tax expense for the period as of December 31, 2018 and 2017, is the following:

Result of income taxes	31.12.2018 ThUS\$	31.12.2017 ThUS\$
Current tax expense	-	(362)
Income from deferred taxes	756	1
Income tax expense (profit), total	756	(361)

TRANSELEC CONCESIONES S.A.

Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))

Note 18 – RESULT FROM INCOME TAXES (continued)

	Balance at	
	31.12.2018	31.12.2017
Reconciliation of Tax Expense Using Statutory Rate with Tax Expense	ThUS\$	ThUS\$
Tax income (expense) at statutory rate	(914)	362
Adjustment for recognition of carry-forward tax loss	-	-
Movement of PPE	118	(1)
Difference between statutory rate, actual rate	-	-
Other	40	-
Total adjustments to tax expense using statutory rate	158	(1)
Total income (expense) for taxes	(756)	361
	31.12.2018	31.12.2017
Statutory Tax Rate	27.00%	25.50%
Adjustment for recognition of carry-forward tax loss.	-	-
Movement of PPE	(3.48%)	-
Difference between statutory rate, actual rate	-	-
Other	(1.19%)	(0.10%)
Adjustments to Statutory Tax Rate, Total	(4.67%)	(0.10%)
Effective tax rate	22.33%	25.40%

TRANSELEC CONCESIONES S.A.

**Notes to the Financial Statements
As of December 31, 2018 and 2017
(In thousands of US dollars (ThUS\$))**

Note 19 – ENVIRONMENT

Transelec Concesiones S.A., 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 years ended December 31, 2018 and 2017, the Company has not made any disbursements related to this matter.

Note 20 – LAWSUITS AND CONTINGENCIES

As of December 31, 2018 and 2017, the Company has no lawsuits or arbitrations.

Note 21 – SUBSEQUENT EVENTS

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