Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
As of September 30, 2020 and as of December 31, 2019

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

As of September 30, 2020 and as of December 31, 2019

(Translation of the Financial Statements originally issued in Spanish)

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

INDEX

Page

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
As of September 30, 2020 and as of December 31, 2019

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of September 30, 2020 and December 31, 2019
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) September 30, 2020 ThCh$	(Audited) December 31, 2019 ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	130,887,725	108,642,362
Other financial assets	(8)	1,323,225	1,223,578
Other non-financial assets		8,536,456	2,966,635
Trade and other receivables	(6)	150,897,245	87,044,078
Receivables from related parties	(7)	7,945,285	22,005,672
Inventory		336,459	315,202
Total current assets		**299,926,395**	**222,197,527**
NON-CURRENT ASSETS			
Other non-current financial assets	(8)	116,771,900	71,361,110
Other non-current non-financial assets		8,844,771	7,770,805
Receivables from related parties, non-current	(7)	226,089,068	242,808,336
Intangible assets other than goodwill	(9)	181,007,710	182,202,369
Goodwill	(10)	343,059,078	343,059,078
Property, plant and equipment, net	(11)	1,646,331,874	1,543,335,368
Total non-current assets		**2,522,104,401**	**2,390,537,066**
Total Assets		**2,822,030,796**	**2,612,734,593**

The accompanying notes number 1 to 30 form an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of September 30, 2020 and December 31, 2019
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) September 30, 2020 ThCh$	(Audited) December 31, 2019 ThCh$
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Other financial liabilities	(14)	99,114,789	24,892,053
Trade and other payables	(15)	33,714,214	31,123,907
Provisions for employee benefits, current	(18)	8,050,030	6,153,716
Current tax liabilities	(12)	15,083,852	153,399
Other non-financial liabilities		717,411	2,434,524
Total current liabilities		**156,680,296**	**64,757,599**
NON-CURRENT LIABILITIES			
Other financial liabilities	(14)	1,585,619,022	1,533,707,053
Deferred tax liabilities	(13)	175,684,686	156,348,593
Provisions for employee benefits, non-current	(18)	3,824,707	5,821,598
Other non-financial liabilities		4,851,401	5,149,580
Total non-current liabilities		**1,769,979,816**	**1,701,026,824**
Total liabilities		**1,926,660,112**	**1,765,784,423**
EQUITY			
Paid-in capital	(20)	776,355,048	776,355,048
Retained earnings		147,073,583	110,543,991
Other reserves	(20)	(28,057,947)	(39,948,869)
Total equity attributable to owners of the parent		**895,370,684**	**846,950,170**
Non-controlling interest		-	-
Total equity		**895,370,684**	**846,950,170**
Total Equity and Liabilities		**2,822,030,796**	**2,612,734,593**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the nine and three months ended as of September 30, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	(Unaudited) 01/01/2020 09/30/2020 ThCh$	(Unaudited) 01/01/2019 09/30/2019 ThCh$	(Unaudited) 07/01/2020 09/30/2020 ThCh$	(Unaudited) 07/01/2019 09/30/2019 ThCh$
Statement of comprehensive income by function					
Operating revenues	(21)	253,723,155	267,153,891	82,536,549	93,266,899
Cost of sales	(22)	(68,667,755)	(63,557,132)	(22,907,744)	(22,737,055)
GROSS MARGIN		**185,055,400**	**203,596,759**	**59,628,805**	**70,529,844**
Administrative expenses	(22)	(16,330,289)	(17,431,062)	(6,231,274)	(6,179,925)
Other gains (losses)	(21)	699,774	1,103,271	210,258	(368,055)
Financial income	(22)	8,880,879	10,569,684	2,409,854	3,114,441
Financial expenses	(22)	(57,754,098)	(54,377,869)	(19,470,455)	(18,456,181)
Foreign exchange differences	(22)	521,408	844,240	92,913	71,707
Income by indexed units	(22)	(10,669,065)	(12,894,467)	(283,940)	(3,852,012)
Profit (Loss), Before Tax		**110,404,009**	**131,410,556**	**36,356,161**	**44,859,819**
Income tax expense	(23)	(30,021,933)	(34,995,585)	(9,697,625)	(12,082,398)
Profit from continuing operations		**80,382,076**	**96,414,971**	**26,658,536**	**32,777,421**
Profit (loss) from discontinued operations		-	-	-	-
Profit (loss)		**80,382,076**	**96,414,971**	**26,658,536**	**32,777,421**
PROFIT (LOSS) ATTRIBUTABLE TO:					
Profit (loss) attributable to the owners of the parent company		80.382.076	96.414.971	26.658.536	32.777.421
Profit (loss)		**80,382,076**	**96,414,971**	**26,658,536**	**32,777,421**
EARNINGS PER SHARE					
Basic earnings per share/diluted					
Basic earnings per share/diluted from continuing operations (Ch$/sh)	(24)	80,382	96,415	26,659	32,777
Basic earnings per share/diluted from discontinued operations (Ch$/sh)		-	-	-	-
Basic earnings per share/diluted (Ch$/sh)		**80,382**	**96,415**	**26,659**	**32,777**

The accompanying notes number 1 to 30 form an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the nine and three months ended as of September 30, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	(Unaudited) 01/01/2020 09/30/2020 ThCh$	(Unaudited) 01/01/2019 09/30/2019 ThCh$	(Unaudited) 07/01/2020 09/30/2020 ThCh$	(Unaudited) 07/01/2019 09/30/2019 ThCh$
PROFIT (LOSS)	80,382,076	96,414,971	26,658,536	32,777,421
Components of other comprehensive income, before taxes				
Foreign Currency Translation				
Gains (losses) on foreign currency translation differences, before taxes	(222,567)	(204,819)	(74,189)	(56,442)
Cash flow hedges				
Gains (losses) on cash flow hedges	16,511,501	(9,158,275)	544,434	(9,839,745)
Income taxes related to components of other comprehensive income				
Income taxes related to components of foreign currency translation	60,093	55,301	20,031	15,239
Income taxes related to components of cash flow hedge	(4,458,105)	2,472,734	(146,997)	2,656,731
Other comprehensive income	**11,890,922**	**(6,835,059)**	**343,279**	**(7,224,217)**
Total comprehensive income	**92,272,998**	**89,579,912**	**27,001,815**	**25,553,204**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	92,272,998	89,579,912	27,001,815	25,553,204
Comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive income	**92,272,998**	**89,579,912**	**27,001,815**	**25,553,204**

The accompanying notes number 1 to 30 form an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Changes in Equity
For the nine month period ended September 30, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Actuarial Losses ThCh$	Total Other reserves ThCh$	Accumulated gains (losses) ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2020	776,355,048	216,632	(40,570,859)	405,358	(39,948,869)	110,543,991	846,950,170	-	846,950,170
Changes in equity:									
Comprehensive income:									
Profit (loss)	-	-	-	-	-	80,382,076	80,382,076	-	80,382,076
Other comprehensive income	-	(162,474)	12,053,396	-	11,890,922	-	11,890,922	-	11,890,922
Total comprehensive income	-	(162,474)	12,053,396	-	11,890,922	80,382,076	92,272,998	-	92,272,998
Dividends (note 20.3)	-	-	-	-	-	(43,852,484)	(43,852,484)	-	(43,852,484)
Total changes in equity	-	(162,474)	12,053,396	-	11,890,922	36,529,592	48,420,514	-	48,420,514
Closing balance as of September 30, 2020 (Unaudited) (Note 20)	**776,355,048**	**54,158**	**(28,517,463)**	**405,358**	**(28,057,947)**	**147,073,583**	**895,370,684**	**-**	**895,370,684**

	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Actuarial Losses ThCh$	Total Other reserves ThCh$	Accumulated gains (losses) ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2019	776,355,048	420,308	(42,562,401)	530,277	(41,611,816)	66,149,755	800,892,987	-	800,892,987
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	96,414,971	96,414,971	-	96,414,971
Other comprehensive income	-	(149,518)	(6,685,541)	-	(6,835,059)	-	(6,835,059)	-	(6,835,059)
Total comprehensive income	-	(149,518)	(6,685,541)	-	(6,835,059)	96,414,971	89,579,912	-	89,579,912
Dividends	-	-	-	-	-	(63,546,000)	(63,546,000)	-	(63,546,000)
Total changes in equity	-	(149,518)	(6,685,541)	-	(6,835,059)	32,868,971	26,033,912	-	26,033,912
Closing balance as of September 30, 2019 (Unaudited) (Note 20)	**776,355,048**	**270,790**	**(49,247,942)**	**530,277**	**(48,446,875)**	**99,018,726**	**826,926,899**	**-**	**826,926,899**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Cash Flows
For the nine months ended as of September 30, 2020 and 2019
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Direct Statement of Cash Flows	Note	(Unaudited) 01/01/2020 09/30/2020 ThCh$	(Unaudited) 01/01/2019 09/30/2019 ThCh$
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		325,018,828	364,592,371
Cash receipts from related party for services rendered		1,923,192	1,486,857
Other proceeds from operating activities		58,790	80,608
Proceeds from interest received		4,518,231	3,784,193
Classes of payments			
Payments to suppliers for goods and services		(106,071,690)	(48,419,207)
Other payments for operating activities		(47,195,660)	(92,995,436)
Payments to employees		(13,721,212)	(13,673,460)
Payments of interest for rights of use		(44,559)	(91,200)
Interest paid		(62,713,969)	(56,994,383)
Net cash flows provided by operating activities		**101,771,951**	**157,770,343**
Cash Flows Provided by (Used in) Investing Activities			
Additions of property, plant and equipment and Intangible		(162,678,782)	(60,368,444)
Sales of property, plant and equipment		-	26,300
Loans to related parties			(30,261,850)
Loan collection to receivables from related parties	(7.1)	29,180,023	-
Accounts receivable from related parties	(7.1)	(106,202)	-
Collections received from related parties	(7.1)	50,259,147	74,865,171
Payments made to related parties	(7.1)	(34,798,213)	(65,096,080)
Net cash flows used in investing activities		**(118,144,027)**	**(80,834,903)**
Cash Flows Provided by (Used in) Financing Activities			
Loan from banks		75,706,000	-
Payment for rights of use		(1,087,185)	(1,140,642)
Dividends paid	(20.3)	(43,852,484)	(63,546,000)
Net cash flows used in financing activities		**30,766,331**	**(64,686,642)**
Net Increase (Decrease) in Cash and Cash Equivalents		**14,394,255**	**12,248,798**
Effects of changes in the exchange rate on cash and cash equivalents		7,851,108	(651,532)
Net Increase (Decrease) in Cash and Cash Equivalents		**22,245,363**	**11,597,266**
Cash and Cash Equivalents, at the beginning of the period	(5)	108,642,362	104,059,274
Cash and Cash Equivalents, at the ending of the period	(5)	**130,887,725**	**115,656,540**

1 - GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

1 - GENERAL INFORMATION (continued)

The Interim Consolidated Financial Statements of the Company for the period ended as of September 30, 2020, were approved by the Board at its meeting N°207 held on November 13, 2020.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing the Interim consolidated financial statements are detailed below. These policies have been based on IFRS in effect as of September 30, 2020 and applied uniformly for the periods presented.

2.1 Basis of preparation of the Interim consolidated financial statements

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

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

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

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

The accounting policies adopted in the preparation of the Interim Consolidated Financial Statements are consistent with those applied in the preparation of the annual individual financial statements of the Company for the year ended December 31, 2019, except for the adoption of new standards and interpretations in effect as of January 1, 2020, which did not materially affect the Interim consolidated financial statements.

The Company made reclassifications to its financial statements regarding balances as of December 31, 2019. However, these reclassifications do not have a significant effect due to they were made only for comparative purposes.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 Basis of Interim Consolidation of the Financial Statements

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

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

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

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

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

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

Rut	Subsidiary	Participation Share 09-30-2020	Participation Share 12-31-2019	Country of origin	Functional currency
76.538.831-7	Transmisión del Melado SpA	100%	100%	Chile	Ch$

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting

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

	New standards, amendments and interpretations	Date of obligatory application
IAS 1 - IAS 8	Definition of Material	January 01, 2020
IFRS 3	Definition of a Business	January 01, 2020
Conceptual Framework	Updating references to the conceptual framework	January 01, 2020
IFRS 9 - IAS 39 - IFRS 7	Interest Rate Benchmark Reform	January 01, 2020

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

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

2.3.1. New Standards

IFRS 17 Insurance Policies

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 New standards and interpretations accounting (continued)

2.3.2 Enhancements and Modifications

The enhancements and modifications, which have been issued but are not yet effective at the date of these interim consolidated financial statements, are detailed below:

	Enhancements and Modifications	Date of obligatory application
IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2022
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment – Proceeds before Intended Used	January 1, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
IFRS 1- IFRS 9- IFRS 16 -IAS 4	Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 16	COVID 19-related Rent Concessions	June 1, 2020

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendments:

i. clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

ii. clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

iii. make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.2 Enhancements and Modifications (continued)

Reference to the Conceptual Framework (Amendments to IFRS 3)

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. In addition, they add to IFRS 3 a requirement that for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Finally, they add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

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

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.2 Enhancements and Modifications (continued)

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) (continued)

Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

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

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The annual improvements make amendments to four Standards:

IFRS 1 First-time Adoption of IFRS

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.2 Enhancements and Modifications (continued)

COVID-19 – Related Rent Concessions (Amendments to IFRS 16)

The COVID-19 pandemic has led to some lessors providing relief to lessees by deferring or relieving them of amounts that would otherwise be payable. In some cases, this is through negotiation between the parties, but can be as a consequence of a government encouraging or requiring that the relief be provided. Such relief is taking place in many jurisdictions in which entities that apply IFRSs operate.

When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which IFRS 16 defines as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”.

The amendments to IFRS 16:

1. Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;

2. Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;

3. Require lessees that apply the exemption to disclose that fact; and

4. Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The amendments do not provide any additional relief for lessors as the current situation is not as equally challenging for them and the required accounting is not as complicated.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. The amendments are also available for interim reports.

The Company did not identify any significant impact due to this modification because there has been not modification in the current leases agreements that the Company has.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

2.4.3 Exchange rates

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

Currency	Chilean pesos per unit	
	September 30, 2020	December 31, 2019
Unidad de Fomento	28,707.85	28,309.94
US$	788.15	748.74
Euro	923.11	839.58

2.5 Financial reporting by operating segments

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost, net of its corresponding accumulated depreciation and any impairment losses it may have experienced. In addition to the price paid to acquire each item, the cost also includes, where appropriate, the following items:

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment (continued)

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

2.7 Intangible assets

2.7.1 Goodwill

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

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

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

2.7.2 Rights of way

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

2.7.3 Computer software

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Impairment of non-financial assets

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

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

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

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

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

Variable	September 2020	December 2019	Description
Discount rate	5.96%	5.96%	The discount rate used is the weighted average cost of capital (WACC) of the Company, measured before taxes.
Growth rate	3.00%	3.00%	The growth rate is applied to the perpetuity and is based on the estimation of the long-term inflation expectation established by the Central Bank of Chile.
Period of estimation of flows	5 years	5 years	The estimation period is 5 years, based on the Company's internal business plan plus perpetuity.

Impairment losses from continuing operations are recognized in the income statement in the expenses categories in accordance with the function of the impaired assets. In the case of goodwill see Note 2.7.1.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments

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

1) Non-derivatives Financial Assets

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

a) Amortized Cost:

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

1) Non-derivatives Financial Assets (continued)

c) Fair value through profit or loss

For financial assets that were defined as such at the moment of their initial recognition and those that are not measured at amortized cost or fair value through other comprehensive income.

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

2) Cash and Cash Equivalent

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

3) Impairment of financial assets

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

4) Non-derivatives financial liabilities

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

5) Derivatives and Hedge activities

The Company selectively uses derivative and non-derivative instruments, to manage its exposure to exchange rate risk (See Note 16).

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

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

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

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

5.3) Hedge of a net investment in a foreign operation (hedge of a net investment): Hedges of net investments in foreign operations are accounted for to similarly to cash flow hedges. The exchange differences originated by a net investment in a foreign entity and those derived from the hedging operation must be recorded in a reserve of the Equity, under the item Other reserves until the disposal of the investment occurs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

5) Derivatives and Hedge activities (continued)

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

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

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

6) Embedded derivatives

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

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when, and only when:

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

b) The Company has substantially transferred the risks and benefits derived from its ownership or, if it has not substantially transferred or retained them, when it does not retain control of the assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

8) Compensation of financial assets and liabilities

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

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

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

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

2.10 Inventory

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

2.11 Paid-in capital

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

2.12 Income tax and deferred taxes

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.12 Income tax and deferred taxes (continued)

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

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

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

2.13 Employee benefits

2.13.1 Staff severance indemnity

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

This benefit is recorded at nominal value.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.13 Employee benefits (continued)

2.13.2 Profit sharing

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

2.14 Provisions

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

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

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

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

2.15 Classification of current and non-current balances

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

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

2.16 Revenue recognition

The regulatory framework that governs electrical transmission activity in Chile comes from the by - Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19.940 (called also the “Short Law”) enacted on March 13, 2004, Law 20,018 (“Short Law II”), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Revenue recognition (continued)

thereto. On July 11, 2016, the new Transmission Law was enacted, which creates an Independent Coordinating entity of the National Electrical System (NES), called National Electrical Coordinator (CEN, according to the Spanish acronym), which groups the previous DEC SIC and CDEC SING; in addition, it establishes a new Electrical Transmission System in which the trunk transmission system, the subtransmission system and additional systems now form part of National, Zone and Committed Transmission System, respectively. To the remuneration received from the transmitter, a variable discount rate will be applied with a minimum of 7% and a maximum of 10% after taxes. The las enters into effect immediately and gradually until its full application as of 2020.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases

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

2.17.1 The Company as lessor

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

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

2.17.2 The Company as lessee

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

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

2.17.3 Rights from Use of Lease

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

In adopting IFRS 16, the Company applied a single recognition and measurement approach to all leases (in which the Company acts as lessee), except for short-term leases and low-value assets. In addition, the standard provides specific transition requirements and practical solutions, which the Company has applied.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

2.17.3 Rights from Use of Lease (continued)

2.17.3.1 Leases previously classified as operating leases

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

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

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

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

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

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

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

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

2.17.3.2 Right of Use Assets

The Company recognizes right of use assets at the inception date of the lease (i.e., the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and are adjusted for any new measurement of lease liabilities. The cost of the right of use assets includes the amount of the recognized lease liabilities, the initially incurred direct costs and the lease payments on or before the inception date minus any received lease incentives.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

2.17.3 Rights of Use Assets (continued)

2.17.3.3 Lease Liabilities

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

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

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

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

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

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

2.18 Distribution of dividends

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.18 Distribution of dividends (continued)

On the Company's Board meeting No. 57 held on December 31, 2010, the policy used for the determination of distributable net profit was approved. This policy does not contemplate adjustments to the "Profit (Loss) attributable to Holders of Equity Participation instruments of the Controller ".

As of Septiembre 30, 2020, the company made the distribution of a final dividend for the results of the year 2019 in the amount of ThCh $ 43,852,484, which was paid during the month of May 2020 (see note 20.3).

As of September 30, 2020, and until the issuance of these Financial Statements, the company has not agreed or distributed interim dividends charged to the results of the 2020 period.

3 - RISK MANAGEMENT POLICY

3.1 Financial risk

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

3.1.1 Market risk

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

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

a) Investing cash surpluses in instruments maturing within no more than 90 days.

b) Entering into swap contracts and other instruments to maintain a balanced foreign exchange position.

c) Entering into long-term fixed rate indebtedness thus limiting risk from variable interest rates.

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

3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk

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

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

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

The table below compares the debts of the Company and shows that most of the debt of the Company as of September 30, 2020 and as of December 31, 2019 was at fixed rate (bonds at fixed rate until maturity and Revolving Credit Facility at fixed rate between its draw and maturity on January 2021). In addition, in the case of UF and Dollar indexed debt, variations in inflation and exchange rate could potentially impact the Company's financial expenses, which is mitigated by indexed income to inflation and exchange rate.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand) September 30, 2020	Amount in Original Currency (thousand) December 31, 2019
Series D Bond	UF	4.25%	Fixed	13,500	13,500
Series H Bond	UF	4.80%	Fixed	3,000	3,000
Series K Bond	UF	4.60%	Fixed	1,600	1,600
Series M Bond	UF	4.05%	Fixed	3,400	3,400
Series N Bond	UF	3.95%	Fixed	3,000	3,000
Series Q Bond	UF	3.95%	Fixed	3,100	3,100
Senior Notes	USD	4.625%	Fixed	300,000	300,000
Senior Notes	USD	4.250%	Fixed	375,000	375,000
Senior Notes	USD	3.875%	Fixed	350,000	350,000
Revolving Credit Facility	USD	1.76%	Floating (*)	100,000	-

(*) The floating rate 1.76% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.50%. As of September 30, 2020, the Company has drawn this line in the amount of US$ 100m.

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

3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

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

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

	Position in UF	Annual Effect on income (ThCh$)		
Serie	**Long / (Short)**	**Inflation (3%)**	**Inflation (4%)**	**Inflation (2%)**
Series D Bond	(13,406,785)	(22,331)	(26,180)	(18,483)
Series H Bond	(3,000,798)	(4,999)	(5,860)	(4,137)
Series K Bond	(1,598,880)	(2,663)	(3,122)	(2,204)
Series M Bond	(1,471,763)	(2,451)	(2,874)	(2,029)
Series M1 Bond	(1,860,853)	(3,099)	(3,634)	(2,565)
Series N Bond	(2,875,270)	(4,789)	(5,614)	(3,964)
Series Q Bond	(3,073,735)	(5,120)	(6,002)	(4,238)
Total	(27,288,084)	(45,453)	(53,286)	(37,620)

3.1.1.2 Exchange rate risk

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

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

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

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

The exposure to exchange rate risk is managed through an approved policy that includes fully covering the net balance sheet exposure, which is carried out through various instruments such as positions in US dollars, forward contracts and cross currency swaps.

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

	Liabilities		Assets	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$	September 30, 2020 ThCh$	December 31, 2019 ThCh$
U.S. dollar (amounts associated with balance sheet items)	886,891	774,341	884,740	773,997
Chilean peso	1,931,706	1,835,984	1,933,857	1,836,329

Indexation formulas semiannual application incorporated into contracts tolls and subtransmission tariffs, as well as monthly application for trunk regulated revenues, allowing reflect changes in the value of the facilities and operating costs, maintenance and management. Generally, these indexation formulas contemplate the variations in the international equipment prices, material prices and national manpower prices.

3.1.1.2.1 Sensivity analysis

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

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

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

3.1.1.2.1 Sensitivity analysis (continued)

	Position	Net income (gain)/loss		Position	OCI	
Item (Currency)	**Long /(Short)**	**Change (-10%)**	**Change (+10%)**	**Long /(Short)**	**Change (-10%)**	**Change (+10%)**
Cash (US$)	77,405	(109)	109	-	-	-
Leasing (US$)	32,307	(46)	46	-	-	-
Forwards (assets) (US$)	4,881	-	-	62	-	-
Senior Notes (US$)	(807,839)	1,139	(1,139)	-	-	-
Swaps	563,935	(795)	795	85,684	(121)	121
Intercompany loan (US$)	206,213	(291)	291	-	-	-
Other (US$)	(79,053)	111	(111)	-	-	-
Total	(2,151)	9	(9)	85,746	(121)	121

3.1.2 Credit risk

With respect to credit risk related to accounts receivable from the electricity transmission activity, this risk is historically very low in the industry given the nature of business of the Company's customers and the short-term period of collection of receivables from clients leads to the situation in which they do not accumulate very significant amounts.

However, revenues are highly concentrated in major customers as shown in the following table:

Revenues	**September 30, 2020 ThCh$**	**September 30, 2019 ThCh$**
Enel Group	71,560,720	103,630,592
CGE Group	42,136,872	47,160,272
AES Gener Group	30,884,236	43,112,134
Colbun Group	20,954,714	41,661,293
Engie (E-CL) Grouo	17,302,245	6,299,088
Others	70,884,368	25,290,512
Total	**253,723,155**	**267,153,891**
% of concentration of top customers	**72.06%**	**90.53%**

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.2 Credit risk (continued)

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

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

3.1.3 Liquidity risk

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

a) Risk associated to Company's management

To guarantee that it is able to respond financially both the investment opportunities and to the timely payment of its obligations. Transelec has, separely from its cash and short-term accounts receivables, a committed credit line of the revolving type (RC) for the use of working capital for an equivalent amount of US$237 million, which to date has a drawn balance of US$100 million. This line has been in force since July 2012 and the current conditions according to the last renewal are as follows:

(a) Amount committed US$250 million
(b) Cost for unused amount (Commitment Fee): 0.50%
(c) The margin or spread per amount used: 1.50%

This committed line of credit was contracted on July 9, 2012, initially granted for a period of 3 years by Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR. It was renegotiated and extended on October 15, 2014 with a new expiration date of October 15, 2017. Subsequently, a new extension was made with the group of banks Scotiabank, Banco Estado, The bank of Nova Scotia, Bank of Tokyo-Mitsubishi, DnB Bank and Export Development Canada due August 3, 2020. In July 2020 the line was renewed until July 31, 2021 with the group of banks The Bank of Nova Scotia, Bank of China, Santander, Bank of Tokyo-Mitsubishi, BNP Paribas, JP Morgan Bank, China Construction Bank.

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

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.3 Liquidity risk (continued)

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

The Company is exposed to risks associated with indebtedness, including refinancing risk when its debt matures. These risks are mitigated by using long-term debt and appropriately structuring maturities over time. The following table presents the capital amortizations and estimated interest payments corresponding to the Company's financial liabilities (debt), according to their maturity date, as of September 30, 2020 and December 31, 2019.

Debt maturity (equity and interest)	Less than 1 Years ThCh$	1 to 3 Years ThCh$	3 to 5 Years ThCh$	5 to 10 Years ThCh$	More than 10 years ThCh$	Total ThCh$
September 30, 2020	146,477,076	371,293,957	402,253,474	826,263,971	490,935,328	2,237,223,806
December 31, 2019	65,254,362	130,508,724	344,741,957	1,108,424,936	495,527,134	2,144,457,113

The maturity of derivatives is presented Note 16.2.

According to Decree N°4/20,018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income of the trunk system generated for every period.

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

In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20,018, monthly reliquidation of the tariff income received provisionally in accordance with the payment tables prepared by the CDEC (load economic dispatch center) through the collection or payment to the different companies, owners of generation facilities.

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

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.2 Situation of COVID-19

Current situation of COVID-19 has had a minor impact so far on the financial and operative aspects of the Company. However, the Company has been making preventive decisions in order to keep the operative performance according to our pre-pandemic standard.

From a Financing perspective, the Company has been cautious about its liquidity position, considering actions to save costs and, if needed, even some delay in investments and distributions. As of September 2020, the liquidity position of the Company is solid and there is a revolving credit line available that has been drawn for US$100m (having an additional US$150m available to be drawn if needed).

From Customers and Collections perspective, at the issuance of this Financial Statements, Distribution Companies had reported an annualized reduction on collectability between 6% and 7%, which is lower than the reduction expected.

The Basic Services Interruption Law, which prohibits the interruption of basic services to those clients that had some delay in the payments of their monthly bills for the next 90 days after that Law is enacted, is currently in force. Additionally some Congressman are discussing a modification to this Law which extend from 90 days to 270 days the mentioned deadlines, the decrease of restrictions to apply to this benefit, which means that this benefit will be available for the general public and increases the number of installments to pay the outstanding debt from 12 to 36. This modification is still in discussion in the Congress.

This situation should have no effect on Company collections, as current regulation state that non-collectability risk is not a cost of the transmission industry. At the date of issuance of this Financial Statements, the collection of Single Charge from client through Distributions Companies has had not delay for the Company.

From an Operational perspective, the facilities of the Company keep performing as usual and just minor adjustment had to be made in order to prioritize critical activities due to the pandemic. Main risks identified are related to the availability of personnel (internal and external) in order to keep the continuity of schedule tasks regarding the critical maintenance to ensure the continuous performance in Lines, Substations and Control & Telecommunications. In this regards, our Operations Center has also been reinforced in order to keep operational continuity.

From a Personnel perspective, the Company has been on teleworking modality from the second week of March 2020 up to date in all administrative and managing tasks maintaining the quality in its performance in this regard.

4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT

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

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

- The estimates of recoverable values of assets and goodwill to determine potential existence of impairment losses;
  Useful lives of property, plant and equipment and intangible assets;
- The assumptions used to calculate the fair value of financial instruments;
- The actuarial assumptions used to calculate obligations with employees;
- Future tax results for the purposes of determining the recoverability of deferred tax assets.
- Contingent assets and liabilities.
- Determination of existence and classification of financial or operating leases based on the transfer of risks and rewards of the leased assets (IFRS16), considerate the following:
  - Identification of whether a contract (or part of a contract) includes a lease.
  - Estimate the lease term.
  - Determine if it is reasonably true that it is an extension or termination option will be exercised.
  - Determination of the appropriate rate to discount lease payments.

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

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

5 - CASH AND CASH EQUIVALENTS

a) As of September 30, 2020 and December 31, 2019, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of September 30, 2020 ThCh$	Balance as of December 31, 2019 ThCh$
Bank and cash	7,251,003	1,680,122
Short term deposits	71,813,347	3,404,498
Reverse repurchase agreements and mutual funds	51,823,375	103,557,742
Total	**130,887,725**	**108,642,362**

Cash and cash equivalents included in the statement of financial position as of September 30, 2020 and December 31, 2019 does not differ from those presented in the statement of cash flows.

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

Detail of Cash and Cash Equivalents	Currency	Balance as of September 30, 2020 ThCh$	Balance as of December 31, 2019 ThCh$
Amount of cash and cash equivalents	U.S. dollars	77,414,946	4,021,429
Amount of cash and cash equivalents	Euros	11,217	252,235
Amount of cash and cash equivalents	Chilean pesos	53,461,562	104,368,698
Total		**130,887,725**	**108,642,362**

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

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

6 - TRADE AND OTHER RECEIVABLES

The detail as of September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Trade receivables	150,749,823	86,831,886
Miscellaneous receivables	147,422	212,192
Total trade and other receivables	**150,897,245**	**87,044,078**

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

As of September 30, 2020 and December 31, 2019, the aging of trade and other receivables is as follows:

	Balance as of	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Maturing in less than 30 days	74,974,268	56,760,654
Maturing in more than 30 days up to 1 year	75,922,977	30,283,424
Total	**150,897,245**	**87,044,078**

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

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

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

Account receivables from related companies

							Balance as of			
							Current		Non-current	
Tax ID Number	Company	Country	Description	Start Date	Relation	Currency	September 30, 2020 ThCh$	December 31, 2019 ThCh$	September 30, 2020 ThCh$	December 31, 2019 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Mercantile current Account	Not defined	Parent Company	CH$	4,301,925	13,955,738	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	08-31-2020	Parent Company	CH$	-	1,773,786	-	27,212,850
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	09-21- 2015/ 11-28-2027	Parent Company	UF	154,856	-	21,936,840	21,651,517
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	06-30-2015/ 11-28-2027	Parent Company	US$	2,060,573	-	204,152,228	193,943,969
76.524.463-3	Transelec Concesiones SA	Chile	Mercantile current Account	Not defined	Indirect	CH$	106,202	-	-	-
76.524.463-3	Transelec Concesiones SA	Chile	Accounts receivable	Not defined	Indirect	CH$	945,719	353,236	-	-
76.248.725-K	CYT Operaciones SPA	Chile	Accounts receivable	Not defined	Indirect	CH$	313,063	5,802,554	-	-
20601047005	Conelsur SV	Perú	Accounts receivable	Not defined	Indirect	CH$	62,947	120,358	-	-
Total							**7,945,285**	**22,005,672**	**226,089,068**	**242,808,336**

The company does not maintain accounts payable balances to unconsolidated related companies as of September 30, 2020 and December 31, 2019.

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.1 Balances and transactions with related parties (continued)

Most significant transactions and their effect on income

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

Tax ID Number	Company	Country	Relation	Description of the transaction	September 30, 2020		September 30, 2019	
					Amount ThCh$	Effect on Income ThCh$	Amount ThCh$	Effect on Income ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Amounts provided	34,798,213	-	95,457,930	-
76.560.200-9	Transelec Holdings Rentas Ltda	Chile	Parent Company	Amounts collected	73,240,609	-	74,865,171	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Interest earned	7,241,410	7,241,410	6,530,346	6,530,346
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Exchange difference	10,265,572	10,265,572	8,681,302	8,681,302
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Indexed to UF	304,323	304,323	402,814	402,814
76.920.929-8	Transmisora del Pacífico S.A.	Chile	Indirect	Amounts charged	391,128	-	-	-
76.920.929-8	Transmisora del Pacífico S.A.	Chile	Indirect	Amounts provided	-	-	75,259	-
76.248.725-K	CYT Operaciones SpA	Chile	Indirect	Amounts charged	5,807,432	-	-	-
76.524.463-3	Transelec Concesiones SA	Chile	Indirect	Amounts provided	106,202	-	-	-

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.2 Board of Directors and management

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

The current Board of Directors was elected at the Ordinary Shareholders Meeting dated April 24, 2020, which was composed as follows: Mr. Scott Lawrence as Director and Mr. Alfredo Ergas Segal as his alternate Director, Mrs. Brenda Eaton as Director and Mr. Jordan Anderson as her alternate Director, Mr. Rui Han as Director and Mrs. Sihong Zhong as his alternate Director; Mr. Richard Cacchione as Director and Mr. Michael Rosenfeld as his alternate Director; Mr. Mario Valcarce Durán as Director and Mr. José Miguel Bambach Salvatore as his alternate Director; Mr. Blas Tomic Errázuriz as Director and Mr. Patricio Reyes Infante as his alternate Director; Mr. Juan Benabarre Benaiges as Director and Mr. Roberto Munita Valdés as his alternate Director; and Mrs. Patricia Núñez Figueroa as Director and Mr. Claudio Campos Bierwirth as her alternate Director and Mrs. Andrea Butelmann Peisajoff as Director and Mr. Juan Agustín Laso Bambach as her alternate Director.

At the Board meeting held on May 13, 2020 was elected Mr. Scott Lawrence Chairman of the Board.

On September 15, 2020, the Board of Directors accepted the renounce of the Director Ms. Brenda Eaton, the Alternate Director, Mr. Jordan Anderson on an interim basis, until the next Ordinary Shareholders' Meeting.

Currently, the Board of Directors is composed of eight Regular Directors, an acting Director and their respective alternate Directors.

7.2.1 Board of Directors' compensation

According to Article No. 33 of Law No. 18,046 on Corporations, at the Tenth Ordinary Shareholders' Board Meeting of Transelec S.A., held on April 24, 2020, it was agreed to maintain annual directors' allowance of US$ 90,000, gross value, regardless of the number of meetings actually attended or held. The allowance is paid quarterly.

The Directors, Mr. Rui Han, Mr. Richar Cacchione, Mrs. Brenda Eaton, and Mr. Scott Lawrence renounced their respective diets for the 2020 period.

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.2.1 Board of Directors' compensation (continued)

At the Ordinary Shareholders' Meeting for 2020, it was decided that the alternate directors would not receive an allowance.

	September 30, 2020 ThCh$	September 30, 2019 ThCh$
Scott Lawrence (President)*	-	-
Rui Han*	-	-
Richard Cacchione*	-	-
Brenda Eaton (President in 2019)*	14,963	79,566
Mario Alejandro Valcarce Durán	54,495	46,046
Patricia Angelina Nuñez Figueroa	54,495	46,046
Blas Tomic Errázuriz	54,495	46,046
Juan Ramon Benabarre Benaiges	54,495	46,046
Andrea Butelmann Peisajoff	24,868	-
Alejandro Jadresic Marinovic	-	46,046

* Mr Scott Lawrence (Chairman), Rui Han, Richard Cacchione and Brenda Eaton renounced their respective diets for the period 2020.

7.3 Board expenses

As of September 30, 2020, expenses were incurred in the training of the In Company Program given by the PUC's Corporate Governance Center, held on September 2, 2020, for 200 UF.

As of September 30, 2019, no expenses will be incurred for this concept.

7.4 Audit committee

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other interim Consolidated Financial Statements and internal systems.

Transelec's Audit Committee is composed of five Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company, Committee members are appointed by the Board of Directors. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board. The Audit Committee has held two sessions during 2020.

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.4 Audit committee (continued)

Through a mandate from the Board of Directors, members of the Audit Committee were elected and composed by its President Mr, Mario Valcarce Durán, Directors Mr, Alfredo Ergas, Mrs, Brenda Eaton and Mr, Juan Ramón Benabarre Benaiges, and Mrs. Patricia Angelina Nuñez Figueroa, besides the Secretary, Mr, Arturo Le Blanc Cerda.

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

At the Thirteenth Ordinary Shareholders' Meeting of Transelec S.A., held on April 24, 2020, it was agreed to keep as compensation of the members of the Committee, the gross amount of US$ 10,000 per year regardless of the number of meetings that they actually attend or that are actually held.

The following compensation was received by members of the Audit Committee as of September 30, 2020 and 2019:

	September 30, 2020 ThCh$	**September 30, 2019 ThCh$**
Mario Alejandro Valcarce Duran	7,487	6,948
Patricia Angelina Nuñez Figueroa	7,487	6,948
Juan Ramón Benabarre Benaiges	7,487	-

7.5 Compensation of key management that are not Directors

Members of Key Management

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

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

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

7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.5 Compensation of key management that are not Directors (continued)

Compensation of key management personnel by concept for the years 2020 and 2019 is detailed as follows:

	Balance as of	
	September 30, 2020 ThCh$	September 30, 2019 ThCh$
Salaries	1,515,066	1,413,748
Short-term employee benefits	622,420	572,836
Long-term employee benefits	1,008,580	503,360
Total compensation received by key management personnel	**3,146,066**	**2,489,944**

8 - OTHER FINANCIAL ASSETS, LEASES

As of September 30, 2020 and December 31, 2019, this account is detailed as follows:

	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Finance lease receivables current	1,261,486	1,150,194
Forward Contracts (See note 16)	61,739	73,384
Sub-total Other financial assets current	**1,323,225**	**1,223,578**
Finance lease receivables non-current	31,045,728	30,342,702
Swap Contracts (See note 16)	85,684,420	40,976,656
Other financial assets	41,752	41,752
Sub-total Other financial assets non-current	**116,771,900**	**71,361,110**
Total	**118,095,125**	**72,584,688**

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

8 - OTHER FINANCIAL ASSETS, LEASES (continued)

8.1 Finance lease receivables

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

September 30, 2020			
Period in years	Present Value ThCh$	Interest receivable ThCh$	Gross investment ThCh$
Less than 1	1,261,486	3,621,512	4,882,998
1-5	5,311,559	13,653,131	18,964,690
Over 5	25,734,169	41,406,880	67,141,049
Total	**32,307,214**	**58,681,523**	**90,988,737**

December 31, 2019			
Period in years	Present Value ThCh$	Interest receivable ThCh$	Gross investment ThCh$
Less than 1	1,150,194	3,474,714	4,624,908
1-5	6,320,066	16,229,841	22,549,907
Over 5	24,022,636	38,442,162	62,464,798
Total	**31,492,896**	**58,146,717**	**89,639,613**

Movements in finance leases:

	Balance as of	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Opening balance	**31,492,896**	**29,954,109**
Additions	118,251	203,497
Amortization	(930,383)	(1,053,041)
Translation difference	1,626,450	2,388,331
Ending balance	**32,307,214**	**31,492,896**

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

9 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of September 30, 2020 and December 31, 2019:

Intangible assets, net	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Rights of way	177,084,349	176,327,213
Software	3,923,361	5,875,156
Total intangible assets	**181,007,710**	**182,202,369**

As of September 30, 2020 and December 31, 2019 Transelec S.A. present intangible assets with indefinite useful lives under the classification of rights of way.

Intangible assets, gross	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Rights of way	177,084,349	176,327,213
Software	19,730,600	19,465,387
Total intangible assets	**196,814,949**	**195,792,600**

Accumulated amortization and impairment	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Software	(15,807,239)	(13,590,231)
Total accumulated amortization	**(15,807,239)**	**(13,590,231)**

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

9 - INTANGIBLE ASSETS (continued)

The composition and movements of intangible assets as of September 30, 2020 and December 31, 2019 are the following:

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2020	**176,327,213**	**5,875,156**	**182,202,369**
Movements in intangible assets			
Additions	757,136	265,213	1,022,349
Retirements	-	-	-
Amortization	-	(2,217,008)	(2,217,008)
Ending balance of intangible assets as of September 30, 2020	**177,084,349**	**3,923,361**	**181,007,710**

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2019	**176,039,780**	**5,219,985**	**181,259,765**
Movements in intangible assets			
Additions	441,349	3,520,853	3,962,202
Retirements	(153,916)	-	(153,916)
Amortization	-	(2,865,682)	(2,865,682)
Ending balance of intangible assets as of December 31 , 2019	**176,327,213**	**5,875,156**	**182,202,369**

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of September 30, 2020 and December 31, 2019 to be recovered.

10 – GOODWILL

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

10.1 Measurement of the recoverable value of goodwill

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

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

10 – GOODWILL (continued)

10.1 Measurement of the recoverable value of goodwill (continued)

The breakdown of this item as of September 30, 2020 and December 31, 2019 is as follows:

Detail	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Goodwill	343,059,078	343,059,078
	343,059,078	**343,059,078**

10.2 Movement of goodwill in the Interim Consolidated Financial Statements:

The goodwill movements as of September 30, 2020 and December 31, 2019 are:

	September 30, 2020 ThCh$
Opening balance as of January 1, 2020	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of September 30, 2020	**343,059,078**

	December 31, 2019 ThCh$
Opening balance as of January 1, 2019	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of December 31, 2019	**343,059,078**

10.3 Impairment test

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

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

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

11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

The composition corresponds to the following detail:

Property, plant and equipment, net	**September 30, 2020 ThCh$**	**December 31, 2019 ThCh$**
Land	20,998,916	20,983,646
Buildings and infrastructure	879,978,106	896,902,191
Work in progress	259,122,324	135,552,321
Machinery and equipment	475,300,599	478,838,192
Other property, plant and equipment	5,917,960	5,932,186
Assets for Rights of Way Leasing	5,013,969	5,126,832
Property, plant and equipment, net	**1,646,331,874**	**1,543,335,368**

Property, plant and equipment, gross	**September 30, 2020 ThCh$**	**December 31, 2019 ThCh$**
Land	20,998,916	20,983,646
Buildings and infrastructure	1,211,885,277	1,210,139,071
Work in progress	259,122,324	135,552,321
Machinery and equipment	740,389,066	726,472,407
Other property, plant and equipment	5,917,960	5,932,186
Assets for Rights of use	7,856,907	6,721,268
Total property, plant and equipment, gross	**2,246,170,450**	**2,105,800,899**

Total accumulated depreciation of property, plant and equipment, net	**September 30, 2020 ThCh$**	**December 31, 2019 ThCh$**
Buildings and infrastructure	(331,907,171)	(313,236,880)
Machinery and equipment Assets from Rights of use	(265,088,467)	(247,634,215)
Assets from Rights of use	(2,842,938)	(1,594,436)
Total accumulated depreciation of property, plant and equipment	**(599,838,576)**	**(562,465,531)**

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

11 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.2 Reconciliation of changes in property, plant and equipment

The following table details the reconciliation of changes in property, plant and equipment by class during the periods ended September 30, 2020 and December 31, 2019:

	Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Assets rights of use ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2020	**20,983,646**	**896,902,191**	**478,838,192**	**135,552,321**	**5,932,186**	**5,126,832**	**1,543,335,368**
Movement:							
Additions	-	-	-	140,188,516	54,301	1,135,639	141.378.456
Retirements	-	(36,238)	(102,368)	(371,610)	-	-	(510.216)
Transfer to operating assets	15,270	1,819,429	14,480,731	(16,246,903)	(68,527)	-	-
Depreciation	-	(18,707,276)	(17,915,956)	-	-	(1,248,502)	(37.871.734)
Closing balance as of September 30, 2020	**20,998,916**	**879,978,106**	**475,300,599**	**259,122,324**	**5,917,960**	**5,013,969**	**1,646,331,874**

	Land ThCh$	Buildings and infrastructure ThCh$	Machinery and equipment ThCh$	Work in progress ThCh$	Other property, plant and equipment ThCh$	Assets rights of use ThCh$	Property, plant and equipment, net ThCh$
Opening balance January 1, 2019	**20,696,130**	**912,272,233**	**466,735,333**	**73,919,836**	**6,110,221**	**-**	**1,479,733,753**
Movement:							
Additions	-	-	-	110,795,192	715,371	6,721,268	118,231,831
Retirements	-	(1,154,194)	(1,046,337)	(445,701)	-	-	(2,646,232)
Transfer to operating assets	287,516	12,751,849	36,571,047	(48,717,006)	(893,406)	-	-
Depreciation	-	(26,967,697)	(23,421,851)	-	-	(1,594,436)	(51,983,984)
Closing balance as of December 31, 2019	**20,983,646**	**896,902,191**	**478,838,192**	**135,552,321**	**5,932,186**	**5,126,832**	**1,543,335,368**

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

11 - PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 Additional information on property, plant and equipment

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

The Company held as of September 30, 2020 and December 31, 2019 commitments to purchase items of property, plant and equipment arising from construction contracts under EPC (Engineering-Procurement-Construction) in the amount of ThCh$ 167,858,430 and ThCh$204,714,968, respectively.

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

	September 30 , 2020	December 31, 2019
Capitalization rate (Annual basis)	4.91%	4.71%
Capitalized interest costs (ThCh$)	4,695,660	2,147,489

Work in progress balances amounts to ThCh$259,122,324 and ThCh$135,552,321 as of September 30, 2020 and December, 2019 respectively.

11.4 – Lease right of use

The book values and movements of assets by right of use are detailed below:

Movement in Right of Use Assets	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
Opening balances as of January 01, 2019	-	-	-	-
Movements:				
Additions	101,788	6,010,915	608,565	6,721,268
Amortization Expense	(15,626)	(1,122,386)	(456,424)	(1,594,436)
Closing balance as of December 31, 2019	**86,162**	**4,888,529**	**152,141**	**5,126,832**
Movements:				
Additions	-	-	1,135,639	1,135,639
Amortization Expense	(11,720)	(895,368)	(341,414)	(1,248,502)
Closing balance as of September 30, 2020	**74,442**	**3,993,161**	**946,366**	**5,013,969**

As of September 30, 2020 and December 31, 2019 one of the main assets for use rights and liabilities for leases (Note 14.3), comes from the contract between Seguros Vida Security vision S.A and Transelec S.A. This contract has a duration of 5 years from January 2019 and accrues interest at an annual rate of 2.3%.

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

12 - CURRENT TAX LIABILITIES

The composition of the item as of September 30, 2020 and December 31, 2019 is as follows:

	Balance	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Income Tax Provision First Category	15,083,852	153,399
Total	**15,083,852**	**153,399**

13 - DEFERRED TAXES

13.1 Detail of deferred tax liabilities

The origin of deferred taxes recorded as of September 30, 2020 and December 31, 2019; corresponding to the company Transelec is detailed as follows:

Temporary differences	Net deferred taxes	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Depreciable fixed assets	(182,358,328)	(167,226,971)
Financial expenses	(92,383)	(210,162)
Leased assets	(6,907,471)	(5,573,603)
Materials and spare parts	173,083	141,951
Tax losses	734,930	16,974,715
Staff severance indemnities provision	(80,044)	(76,642)
Deferred income	1,363,327	1,443,835
Obsolescence provision	1,082,703	1,082,703
Work in progress	1,767,049	1,236,783
Vacation provisions	602,294	514,547
Intangible assets	(3,412,657)	(4,614,934)
Adjustment of effective interest rate of bonds	(2,858,932)	(2,709,734)
Land	1,916,908	1,804,089
Provision Tariff Review	11,640,935	-
Goodwill	743,900	864,830
Net deferred tax assets/(liabilities)	**(175,684,686)**	**(156,348,593)**
Reflected in the statement financial position as follows:		
Deferred tax liabilities	175,684,686	(156,348,593)
Net deferred tax assets/(liabilities)	**(175,684,686)**	**(156,348,593)**

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

13 - DEFERRED TAXES (continued)

13.1 Detail of deferred tax liabilities (continued)

Tax losses balances amounts to ThCh$2,721,963 and ThCh$62,869,317 as of September 30, 2020 and December 31, 2019 respectively.

13.2 Deferred tax movements in statement of financial position

The movements of balances of "deferred taxes" in the statement of financial position for the periods September 30, 2020 and December 31, 2019 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2019	**-**	104,732,474
Increase (decrease)	-	51,616,119
Balance as of December 31, 2019	**-**	**156,348,593**
Increase (decrease)	-	19,336,093
Balance as of September 30, 2020	**-**	**175,684,686**

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

14 - FINANCIAL LIABILITIES

The current and non-current portion of this account as of September 30, 2020 and December 31, 2019 is as follows:

Loan classes that accrue (accrue) interest	September 30, 2020		December 31, 2019	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	16,599,770	1,582,133,206	19,415,009	1,529,919,065
Total bonds payable	**16,599,770**	**1,582,133,206**	**19,415,009**	**1,529,919,065**
Bank loans	79,052,598	-	-	-
Swap contract (Note 16)	1,880,585	-	4,070,487	-
Total Banks borrowings	**80,933,183**	**-**	**4,070,487**	**-**
Right of use liabilities	1,581,836	3,485,816	1,406,557	3,787,988
Total Right of use liabilities	**1,581,836**	**3,485,816**	**1,406,557**	**3,787,988**
Total Financial Liabilities	**99,114,789**	**1,585,619,022**	**24,892,053**	**1,533,707,053**

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

14 - FINANCIAL LIABILITIES (continued)

14.1 Detail of other financial liabilities

a) Bonds payable

The obligations with the public by series, currency, effective rate and expiration as of September 30, 2020 and December 31, 2019 are shown below:

Taxpayer ID number	Debtor name	Country	Placement in Chile or abroad	Instrument registration number	Series	Indexation unit	Nominal interest rate	Effective interest rate	Interest payments	Periodicity principal payments	Final maturity	September 30, 2020 ThCh$	December 31, 2019 ThCh$
76.555.400-4	Transelec S.A	Chile	Chile	480	D	UF	4,37%	4,25%	At maturity	Semiannually	12-15-2027	389,691,674	380,060,600
76.555.400-4	Transelec S.A	Chile	Chile	599	H	UF	4,79%	4,80%	At maturity	Semiannually	08-01-2031	86,865,939	86,675,039
76.555.400-4	Transelec S.A	Chile	Chile	599	K	UF	4,61%	4,60%	At maturity	Semiannually	09-01-2031	46,095,191	45,970,408
76.555.400-4	Transelec S.A	Chile	Chile	599	M	UF	4,26%	4,05%	At maturity	Semiannually	06-15-2032	42,757,382	41,701,200
76.555.400-4	Transelec S.A	Chile	Chile	599	M-1	UF	4,23%	4,05%	At maturity	Semiannually	06-15-2032	54,194,821	52,722,915
76.555.400-4	Transelec S.A	Chile	Chile	599	N	UF	4,29%	3,95%	At maturity	Semiannually	12-15-2038	83,355,567	81,404,518
76.555.400-4	Transelec S.A	Chile	Chile	744	Q	UF	4,02%	3,95%	At maturity	Semiannually	10-15-2042	89,853,994	87,739,660
76.555.400-4	Transelec S.A	Chile	Foreign	1st issuance	Sr N	US$	5,10%	4,63%	At maturity	Semiannually	07-26-2023	237,186,545	227,748,936
76.555.400-4	Transelec S.A	Chile	Foreign	2nd issuance	Sr N	US$	4,66%	4,25%	At maturity	Semiannually	01-14-2025	295,608,439	283,538,652
76.555.400-4	Transelec S.A	Chile	Foreign	3rd issuance	Sr N	US$	4,31%	3,88%	At maturity	Semiannually	01-12-2029	273,123,424	261,772,146
											Total	**1,598,732,976**	**1,549,334,074**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1,749,904,328 and ThCh$1,754,552,977 as of September 30, 2020 and December 31, 2019, respectively (it does not include other current and non-current liabilities such as swap agreements which are presented in the Consolidated Financial Statements at fair value). The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities. This value is categorized as level 2 according to the hierarchy of fair value.

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

14 - FINANCIAL LIABILITIES (continued)

14.1 Detail of other financial liabilities (continued)

			Current			Non-current			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	Total Current September 30 , 2020 ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	Total Non-current September 30, 2020 ThCh$
76.555.400-4	Transelec S.A	480	4,805,689	-	4,805,689	-	-	384,885,985	384,885,985
76.555.400-4	Transelec S.A	599	-	663,413	663,413	-	-	86,202,526	86,202,526
76.555.400-4	Transelec S.A	599	-	166,751	166,751	-	-	45,928,440	45,928,440
76.555.400-4	Transelec S.A	599	519,923	-	519,923	-	-	42,237,459	42,237,459
76.555.400-4	Transelec S.A	599	762,241	-	762,241	-	-	53,432,580	53,432,580
76.555.400-4	Transelec S.A	599	920,684	-	920,684	-	-	82,434,883	82,434,883
76.555.400-4	Transelec S.A	744	1,595,219	-	1,595,219	-	-	88,258,775	88,258,775
76.555.400-4	Transelec S.A	1ra, Emisión	-	2,019,301	2,019,301	-	235,167,244	-	235,167,244
76.555.400-4	Transelec S.A	2da, Emisión	-	2,749,659	2,749,659	-	292,858,780	-	292,858,780
76.555.400-4	Transelec S.A	3da, Emisión	-	2,396,890	2,396,890	-		270,726,534	270,726,534
		Total	**8,603,756**	**7,996,014**	**16,599,770**	-	**528,026,024**	**1,054,107,182**	**1,582,133,206**

			Current			Non-current			
Debtor taxpayer ID number	Debtor Name	Instrument registration number	Maturity less than 90 days ThCh$	Maturity more than 90 days ThCh$	Total Current December 31, 2020 ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	Total Non-current December 31, 2019 ThCh$
76.555.400-4	Transelec S.A	480	-	703,805	703,805	-	-	379,356,795	379,356,795
76.555.400-4	Transelec S.A	599	1,673,554	-	1,673,554	-	-	85,001,485	85,001,485
76.555.400-4	Transelec S.A	599	684,445	-	684,445	-	-	45,285,962	45,285,962
76.555.400-4	Transelec S.A	599	-	74,407	74,407	-	-	41,626,793	41,626,793
76.555.400-4	Transelec S.A	599	-	94,501	94,501	-	-	52,628,414	52,628,414
76.555.400-4	Transelec S.A	599	-	146,308	146,308	-	-	81,258,210	81,258,210
76.555.400-4	Transelec S.A	744	-	722,248	722,248	-	-	87,017,412	87,017,412
76.555.400-4	Transelec S.A	1st issuance	4,647,652	-	4,647,652	-	223,101,284	-	223,101,284
76.555.400-4	Transelec S.A	2nd issuance	5,722,840	-	5,722,840	-	-	277,815,812	277,815,812
76.555.400-4	Transelec S.A	3rd issuance	4,945,249	-	4,945,249	-	-	256,826,898	256,826,898
		Total	**17,673,740**	**1,741,269**	**19,415,009**	**-**	**223,101,284**	**1,306,817,781**	**1,529,919,065**

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

14 - FINANCIAL LIABILITIES (continued)

14.2 Banks borrowings

Debtor taxpayer ID number	Debtor Name	Debtor Country	Creditor name	Creditor Country	Currency	Payment amortization	Annual effective rate	Annual nominal rate	Maturity	Balance 09/30/2020 ThCh$	Balance 12/31/2019 ThCh$
76.555.400-4	Transelec S.A.	Chile	MUFG Bank Ltda. y others	USA	USD	Bullet	1,76%	1,76%	07-31-2021	79,052,598	-
									Total	**79,052,598**	**-**

			Current			Non current			
Debtor taxpayer ID number	Debtor Name	Creditor name	Maturity Less than 90 days ThCh$	Maturity More than 90 days ThCh$	Total current as of 09/30/2020 ThCh$	Maturity 1 and up to 3 years ThCh$	Maturity 3 and up to 53 years ThCh$	Maturity More tan 5 years ThCh$	Total non-current as of a 06/30/2020 ThCh$
76.555.400-4	Transelec S.A.	MUFG Bank Ltda. y others	-	**79,052,598**	**79,052,598**	-	-	-	-
		Total	**-**	**79,052,598**	**79,052,598**	**-**	**-**	**-**	**-**

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

14 - FINANCIAL LIABILITIES (continued)

14.3 Lease liabilities for use rights

The book values of the lease liabilities and the movements during the periods are detailed below:

Movement Lease liabilities Period 2020	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
Opening balances as of January 01, 2020	84,765	4,960,285	149,495	5,194,545
Movements:				
Right of Use from lease	-	-	1,135,638	1,135,638
Interest expenses	(1,407)	(79,402)	(6,864)	(87,673)
Payments	(10,880)	(744,941)	(331,364)	(1,087,185)
Deferred interest	(1,407)	(79,402)	(6,864)	(87,673)
Closing balance as of September 30, 2020	**71,071**	**4,056,540**	**940,041**	**5,067,652**

Movement Lease liabilities Period 2019	Right of use Land ThCh$	Right of use Buildings ThCh$	Right of use Vehicles ThCh$	Total Right of use , net ThCh$
Opening balances as of January 01, 2019	-	-	-	-
Movements:				
Right of Use from lease	104,075	6,373,869	615,092	7,093,036
Interest expenses	(2,029)	(112,580)	(6,097)	(120,706)
Payments	(12,299)	(1,054,872)	(458,587)	(1,525,758)
Deferred interest	(4,982)	(246,132)	(913)	(252,027)
Closing balance as of December 31, 2019	**84,765**	**4,960,285**	**149,495**	**5,194,545**

a) Additional information of rights of use from leases

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

Currencies	5 Years	10 Years
Rate in CLP ($)	4.73%	5.32%
Rate in UF	1.52%	2.30%

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

14 - FINANCIAL LIABILITIES (continued)

14.3 Lease liabilities for use rights (continued)

b) Detail of other Right of use financial liabilities for short- and long-term leases

Right of Use from lease	Balance as of September 30, 2020		Balance as of December 31, 2019	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Right of Use Liabilities	1,658,089	3,595,110	1,439,238	4,007,334
Total Right of Use Liabilities	**1,658,089**	**3,595,110**	**1,439,238**	**4,007,334**
Right of Use deferred interest	(76,253)	(109,294)	(32,681)	(219,346)
Total Right of Use deferred interest	**(76,253)**	**(109,294)**	**(32,681)**	**(219,346)**
Total Right of Use financial liabilities	**1,581,836**	**3,485,816**	**1,406,557**	**3,787,988**

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

14 - FINANCIAL LIABILITIES (continued)

14.3 Lease liabilities for use rights (continued)

c) Detail of future lease rights of use liabilities.

	Current			Non-current			
Right of use	Maturity Less than 90 days ThCh$	Maturity More than 90 days ThCh$	Total Current as of September 30, 2020 ThCh$	Maturity 1 and up to 3 years ThCh$	Maturity 3 and up to 5 years ThCh$	Maturity More than 5 years ThCh$	Total Non-current as of September 30, 2020 ThCh$
Land	-	15,123	15,123	45,481	10,467	-	55,948
Buildings	297,562	900,768	1,198,330	2,646,646	211,564	-	2,858,210
Vehicles	93,644	274,739	368,383	571,658	-	-	571,658
Total Right of Use financial liabilities	**391,206**	**1,190,630**	**1,581,836**	**3,263,785**	**222,031**	**-**	**3,485,816**

	Current			Non-current			
Right of use	Maturity Less than 90 days ThCh$	Maturity More than 90 days ThCh$	Total Current as of December 31, 2019 ThCh$	Maturity 1 and up to 3 years ThCh$	Maturity 3 and up to 5 years ThCh$	Maturity More than 5 years ThCh$	Total Non-current as of December 31, 2019 ThCh$
Land	-	14,781	14,781	46,228	23,756	-	69,984
Buildings	290,521	951,760	1,242,281	3,428,907	205,104	83,993	3,718,004
Vehicles	112,047	37,448	149,495	-	-	-	-
Total Right of Use financial liabilities	**402,568**	**1,003,989**	**1,406,557**	**3,475,135**	**228,860**	**83,993**	**3,787,988**

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

14 - FINANCIAL LIABILITIES (continued)

14.4 Other aspects

As of September 30, 2020, Transelec has credit line available of US$250 million, which has been drawn for US$ 100 million, having a US$ 150 million available if needed. This credit line was drawn on March 27, 2020 and it was renewed in July 2020 with other banks, term and rate, keeping US$ 100 million drawn and US$ 150 million available.

Many of the Company's debt agreements include an obligation to comply with certain covenants, including certain financial ratios (see Note 20.5), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

15 - TRADE AND OTHER PAYABLES

Trade and other payables as of September 30, 2020 and December 31, 2019, are detailed as follows:

Trade and other payables	Current	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Trade and other payables	29,848,354	29,227,990
Other accounts payable	3,865,860	1,895,917
Total	**33,714,214**	**31,123,907**

The average payment period for suppliers in the periods ended 2020 and 2019 is less than 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

16 - DERIVATIVE INSTRUMENTS

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

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

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

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

16 - DERIVATIVE INSTRUMENTS (continued)

16.1 Hedge assets and liabilities

	September 30, 2020				December 31, 2019			
	Asset		Liability		Asset		Liability	
	Current ThCh$	Non – current ThCh$	Current ThCh$	Non - current ThCh$	Current ThCh$	Non - current ThCh$	Current ThCh$	Non – current ThCh$
Currency hedge Swap	-	85,684,420	1,880,585	-	-	40,976,656	4,070,487	-
Forward (non-hedging))	61,739	-	-	-	73,384	-	-	-
Total	**61,739**	**85,684,420**	**1,880,585**	**-**	**73,384**	**40,976,656**	**4,070,487**	**-**

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

16 - DERIVATIVE INSTRUMENTS (continued)

16.2 Other information

The following is the a detail of the derivatives contracted by Transelec as of September 30, 2020 and December 31, 2019, their fair value and the breakdown by maturity

Financial derivatives	Fair value ThCh$	Maturity Before 1 year ThCh$	2021 ThCh$	2022 ThCh$	2023 ThCh$	2024 ThCh$	Subsequent years ThCh$	September 30, 2020 Total ThCh$
Currency hedge Swap	83,803,835	(1,880,585)	-	-	-	-	85,684,420	83,803,835
Forward	61,739	61,739	-	-	-	-	-	61,739

Financial derivatives	Fair value ThCh$	Maturity Before 1 year ThCh$	2020 ThCh$	2021 ThCh$	2022 ThCh$	2023 ThCh$	Subsequent years ThCh$	December 31, 2019 Total ThCh$
Currency hedge Swap	36,906,169	(4,070,487)	-	-	-	-	40,976,656	36,906,169
Forward	73,384	73,384	-	-	-	-	-	73,384

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the periods presented September 30, 2020 and December 31, 2019, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

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

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

16 - DERIVATIVE INSTRUMENTS (continued)

16.3 Fair value hierarchies

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

The following table details financial assets and liabilities measured at fair value as of September 30, 2020 and December 2019

Financial instrumental measured at fair value	September 30, 2020	Fair value measured at the end of the reporting period using Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap (hedging)	83,803,835	-	83,803,835	-
Cash flows derivatives (non-hedging)	61,739	-	61,739	-
Total, net	**83,865,574**	-	**83,865,574**	**-**

Financial instrumental measured at fair value	December 31, 2019	Fair value measured at the end of the reporting period using Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset (liability)				
Currency hedge Swap(hedging)	36,906,169	-	36,906,169	-
Cash flows derivatives (non-hedging)	73,384	-	73,384	-
Total, net	**36,979,553**	**-**	**36,979,553**	**-**

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

17 - FINANCIAL INSTRUMENTS

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

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
September 30, 2020	ThCh$	For profit or loss ThCh$	For other comprehensive income ThCh$	Hedge ThCh$	No Hedge ThCh$	ThCh$
Cash and cash equivalents	-	130,887,725	-	-	-	130,887,725
Other financial assets, current	1,261,486	-	-	-	61,739	1,323,225
Trade and other receivables	150,897,245	-	-	-	-	150,897,245
Other financial assets, non-current	31,045,728	41,752	-	85,684,420	-	116,771,900
Receivables from related parties, current	7,945,285	-	-	-	-	7,945,285
Receivables from related parties, non-current	226,089,068	-	-	-	-	226,089,068
Total	**417,238,812**	**130,929,477**	**-**	**85,684,420**	**61,739**	**633,914,448**

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
December 31, 2019	ThCh$	For profit or loss ThCh$	For other comprehensive income ThCh$	Hedge ThCh$	No Hedge ThCh$	ThCh$
Cash and cash equivalents	-	108,642,362	-	-	-	108,642,362
Other financial assets, current	1,150,194	-	-	-	73,384	1,223,578
Trade and other receivables	87,044,078	-	-	-	-	87,044,078
Other financial assets, non-current	30,342,702	41,752	-	40,976,656	-	71,361,110
Receivables from related parties, current	22,005,672	-	-	-	-	22,005,672
Receivables from related parties, non-current	242,808,336	-	-	-	-	242,808,336
Total	**383,350,982**	**108,684,114**	**-**	**40,976,656**	**73,384**	**533,085,136**

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

17 - FINANCIAL INSTRUMENTS (continued)

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

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
September 30, 2020	ThCh$	For Profit or Loss ThCh$	For other comprehensive income ThCh$	ThCh$	For Profit or Loss ThCh$	ThCh$
Other financial liabilities, current	97,234,204	-	-	1,880,585	-	99,114,789
Trade and other payables	33,714,214	-	-	-	-	33,714,214
Other financial liabilities, non-current	1,585,619,022	-	-	-	-	1,585,619,022
Total	**1,716,567,440**	**-**	**-**	**1,880,585**	**-**	**1,718,448,025**

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
December 31, 2019	ThCh$	For Profit or Loss ThCh$	For other comprehensive income ThCh$	ThCh$	For Profit or Loss ThCh$	ThCh$
Other financial liabilities, current	20,821,566	-	-	4,070,487	-	24,892,053
Trade and other payables	31,123,907	-	-	-	-	31,123,907
Other financial liabilities, non-current	1,533,707,053	-	-	-	-	1,533,707,053
Total	**1,585,652,526**	**-**	**-**	**4,070,487**	**-**	**1,589,723,013**

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

18 - PROVISIONS

18.1 Detail of provisions

The detail as of September 30, 2020 and December 31, 2019, is as follows:

Detail	Current		Non-current	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Staff severance indemnities	1,663,474	365,539	3,824,707	5,821,598
Accrued vacations	2,230,720	1,905,730	-	-
Profit sharing benefits	3,950,389	3,677,000	-	-
Other provisions	205,447	205,447	-	-
Total	**8,050,030**	**6,153,716**	**3,824,707**	**5,821,598**

18.2 Provision movements

The movement of provisions as of September 30, 2020 and December 31, 2019 is as follows:

Movements in provisions 2020	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Opening balance as of January 1, 2020	**6,187,137**	**3,677,000**	**1,905,730**	**205,447**	**11,975,314**
Movements in provisions:					
Provisions during the year	289,196	5,286,643	1,037,946	-	6,613,785
Payments	(988,152)	(5,013,254)	(712,956)	-	(6,714,362)
Ending balance as of September 30, 2020	**5,488,181**	**3,950,389**	**2,230,720**	**205,447**	**11,874,737**

Movements in provisions	Staff severance indemnities ThCh$	Profit sharing benefits ThCh$	Accrued vacations ThCh$	Other provisions ThCh$	Total ThCh$
Opening balance as of January 1, 2019	**6,114,557**	**4,497,305**	**1,820,222**	**205,447**	**12,637,531**
Movements in provisions:					
Provisions during the year	379,684	6,365,580	1,396,460	-	8,141,724
Payments	(307,104)	(7,185,885)	(1,310,952)	-	(8,803,941)
Ending balance as of December 31, 2019	**6,187,137**	**3,677,000**	**1,905,730**	**205,447**	**11,975,314**

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

18 - PROVISIONS (continued)

18.2 Provision movements (continued)

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

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
As of September 30, 2020				
Staff severance indemnities	1,663,474	306,403	1,006,443	2,511,861
Accrued vacations	2,230,720	-	-	-
Profit sharing benefits	3,950,389	-	-	-
Other provisions	205,447	-	-	-
Total	**8,050,030**	**306,403**	**1,006,443**	**2,511,861**

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
As of December 31, 2019				
Staff severance indemnities	365,539	484,907	1,051,093	4,285,598
Accrued vacations	1,905,730	-	-	-
Profit sharing benefits	3,677,000	-	-	-
Other provisions	205,447	-	-	-
Total	**6,153,716**	**484,907**	**1,051,093**	**4,285,598**

18.3 Provision for employee benefits

Severance pay for years of service
The Company has constituted a provision to cover the obligation of severance pay for years of service, to be paid to its employees, in accordance with the collective contracts signed with the latter. This provision represents the entire accrued provision (see note 19).

Vacation accrual
This obligation corresponds to the expense for vacations granted and not accrued by the Company's employees, whose benefit is specified in individual contract of each employee.

Annual benefits
This provision primarily includes allowances for employee participation in the Company's income, which are mostly paid within the first quarter of the following year.

18 - PROVISIONS (continued)

18.3 Provision for employee benefits (continued)

Other provisions

This category's balance primarily corresponds to the obligation for health agreement contributions.

18.4 Lawsuits and arbitration proceedings

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

   As of September 30, 2020 the Company has established a provision for these and other contingents liabilities totaling to ThCh$ 1,418,670 (US$1,800,000) considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC.

2) As of September 30, 2020, Transelec has a provision of UTM 43,500, equivalent to 50% of three fines applied by the Superintendence of Electricity and Fuels. The first two correspond to the interruption of the electricity supply due to a failure of the Maitencillo-Vallenar power line that occurred on August 1, 2018. The other correspond to the failure of the Cóndores-Parinacota power line on December 18, 2018, there were paths claims of illegality before the Court of Appeals of Santiago, without sentence to date. As of September 30, 2020, this provision amounts to ThCh$ 2,189,007.

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

19 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

19.1 Detail of account

Employee benefit obligations	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Staff severance indemnity provision – current	1,663,474	365,539
Staff severance indemnity provision non – current	3,824,707	5,821,598
Total Employee benefit obligations Current and Non-current	**5,488,181**	**6,187,137**

19.2 Detail of obligations to employees

The movement of the obligation in the period ended September 30, 2020 and December 31, 2019 is as follows:

	Staff severance indemnity	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Present value of defined benefit plan obligations opening balance	6,187,137	6,114,557
Current service cost of defined benefit plan obligations	286,409	550,637
Liquidations obligation defined benefit plan	(985,365)	(484,057)
Present value of defined benefit obligations ending balance	**5,488,181**	**6,187,137**

19.3 Balance of obligations to employees

	Staff severance indemnity	
	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Present value of defined benefit obligations, ending balance	**5,488,181**	**6,187,137**
Present obligation with defined benefit plan funds	5,488,181	6,187,137
Balance of defined benefit obligations, ending balance	**5,488,181**	**6,187,137**

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

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

19.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2020 To September 30, 2020 ThCh$,	January 1, 2019 to December 31, 2019 ThCh$	
Current service cost of defined benefit plan	175,010	178,066	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	111,399	379,683	Cost of sales and Administrative expenses
Total expense recognized in income statement	**286,409**	**557,749**	

19.5 Actuarial hypothesis

Detail	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Discount rate used	(0.15%)	0.75%
Inflation rate	3.00%	3.00%
Future salary increase	1.10%	1.10%
Mortality table	RV-2014	RV-2014
Disability table	30% RV-2014	30% RV-2014
Rotation table	2.77%/0.92%	2.77%/0.92%

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

19.6 Sensitivity analysis

The following chart shows the sensitivity analysis of the significant hypotheses as of September 30, 2020:

	Discount rate used		Inflation rate		Future salary increase	
Level of Sensitivity	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)	Increase 1% (ThCh$)	Decrease 1% (ThCh$)
Impact on current and non-current of employment benefit obligation	(226,793)	249,277	238,861	(222,226)	243,519	(226,252)

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

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

18.6 Sensitivity analysis (continued)

To evaluate impact, the sensitivity analysis has been determined based on the extrapolation method obtaining reasonable results in terms of the changes in the significant hypotheses used as of September 30, 2020.

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

	September 30, 2020 ThCh$	December 31, 2019 ThCh$
During the upcoming 12 month	1,663,474	365,539
Between 2 to 5 years	1,312,846	1,536,000
Between 5 to 10 years	2,129,390	2,005,839
More than 10 years	382,471	2,279,759
Total Payments Expected	**5,488,181**	**6,187,137**

20 - EQUITY

20.1 Subscribed and paid capital

As of September 30, 2020 and December 31, 2019 authorized, subscribed and paid share capital amounts to ThCh$ 776,355,048.

20.2 Number of subscribed and paid shares

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

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

20.3 Dividends

As of September 30, 2020, the company made the distribution of a final dividend for the results of the year 2019 in the amount of ThCh $ 43,852,484, which was paid during the month of May 2020.

As of December 31, 2019, the company has distributed provisional dividends charged to the 2019 fiscal year amounting to ThCh$96,218,000, which was paid in full during the year. A first payment was made on July 18, 2019 for an amount of ThCh$32,875,000 and a second payment on September 25, 2019 for an amount of ThCh$30,671,000 and a third payment dated December 17, 2019 for an amount of ThCh$ 32,672,000.

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

20 – EQUITY (continued)

20.4 Other reserves

Other reserves as of September 30, 2020 and December 31, 2019 are detailed as follows:

Description	September 30, 2020 ThCh$	December 31, 2019 ThCh$
Conversion difference, before tax	74,189	296,755
Gains (losses) from cash flow hedges	(39,065,018)	(55,576,519)
Gain (loss) due to change in actuarial calculation rate	555,285	555,285
Income tax related to translation differences	(20,031)	(80,124)
Income tax related to cash flow hedges	10,547,555	15,005,660
Income tax related to change in actuarial calculation rate	(149,927)	(149,927)
Total	**(28,057,947)**	**(39,948,869)**

The movements of other reserves as of September 30, 2020 and December 31, 2019, are presented below:

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2020	**216,632**	**(40,570,859)**	**405,358**	**(39,948,869)**
Increase/(decrease)	(222,567)	16,511,501	-	16,288,934
Deferred tax	60,093	(4,458,105)	-	(4,398,012)
Closing balance as of September 30, 2020	**54,158**	**(28,517,463)**	**405,358**	**(28,057,947)**

	Foreign translation reserve ThCh$	Cash flow hedges reserve ThCh$	Other Reserves ThCh$	Total ThCh$
Opening balance as of January 1, 2019	**420,308**	**(42,562,401)**	**530,277**	**(41,611,816)**
Increase/(decrease)	(279,008)	2,728,140	(171,122)	2,278,010
Deferred tax	75,332	(736,598)	46,203	(615,063)
Closing balance as of December 31, 2019	**216,632**	**(40,570,859)**	**405,358**	**(39,948,869)**

20 – EQUITY (continued)

20.5 Capital management

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

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

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

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

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

2) a) Maintain minimum individual and equity of fifteen million UF equivalent to ThCh$430,617,750 as of September 30, 2020. As that term is defined in the respective prospectuses of local bond series C, D, H, K, M and N.

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

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

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

20 – EQUITY (continued)

20.5 Capital management (continued)

The following tables present – as of September 30, 2020 and December 31, 2019 - the calculation of the two covenants mentioned above and also a calculation of a third ratio that the Company has to comply, which does not depend on capital (equity) amount.

Covenant 1	**Total debt / Total capitalization ratio** **Lower or equal to 0.70**	**September 30, 2020 MCh$**	**December 31, 2019 MCh$**
A	Other financial liabilities, current	99,115	24,892
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,585,619	1,533,707
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,684,734**	**1,558,599**
G	Debt with guarantees	-	-
DT=E+G	**Total debt**	**1,684,734**	**1,558,599**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	895,371	846,950
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	**Total capitalization**	**2,605,075**	**2,430,519**
DT/CT	**Total debt / Total capitalization ratio**	**0.65**	**0.64**

Covenant 2	**Minimum equity** **Greater than or equal to UF 15 million/ Greater or equal to ThCh$ 350,000**	**September 30, 2020 MCh$**	**December 31, 2019 MCh$**
P	Equity attributable to owners of the parent	895,371	846,950
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	**920,341**	**871,920**
UF	UF value	28,707,85	28,309,94
(I+P)/UF	**Equity (in UF millions)**	**32.06**	**30.80**

Covenant 3	**Restricted payments test** **Funds from operations (FNO) / Financial costs > 1.5**	**September 30, 2020 MCh$**	**December 31, 2019 MCh$**
FO	Cash flow from operations	163,734	219,732
CF	Absolute value of financial costs	76,831	73,454
IG	Absolute value of income tax expense	46,170	51,144
FNO=FO+CF+IG	**Funds from operations**	**286,735**	**344,330**
FNO/CF	**Funds from operations / Financial costs**	**3.73**	**4.69**

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

20– EQUITY (continued)

20.5 Capital management (continued)

Covenant N° 4	Total debt / Adjusted EBITDA Lower or equal to 7.0	September 30, 2020 MCh$	December 31, 2019 MCh$
A	Other financial liabilities, (current and non-current)	1,684,734	1,558,599
B	Total rights of use	5,068	5,195
C	Cash and cash equivalents	130,888	108,642
D	Other financial assets (current and non-current)	118,095	72,585
E	Finance leases receivable (current and non-current)	32,307	31,493
DN= A-B-(C+D-E)	**Net debt**	**1,462,990**	**1,403,670**
G	Operating revenues	365,161	378,591
H	Cost of sales	(93,226)	(88,115)
I	Administrative expenses	(22,053)	(23,154)
J	Depreciation and amortization	56,299	57,396
K	Other gains	2,638	3,041
L	Finance lease amortization	630	1,053
EA=G+H+I+J+K+L	**Adjusted EBITDA**	**309,449**	**328,812**
DN/EA	**Net debt /Adjusted EBITDA**	**4.73**	**4.27**

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

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

21 - REVENUE

21.1 Revenue

The breakdown of operating income for the nine and three months periods ended September 30, 2020 and 2019, is as follows:

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Regulated revenues	232,505,170	212,138,571	76,351,093	72,897,679
Contract revenue	61,438,083	52,413,835	19,660,089	19,596,502
Leasing revenues	2,894,477	2,601,485	896,892	772,718
Provision Tariff Review	(43,114,575)	-	(14,371,525)	-
Total revenues	**253,723,155**	**267,153,891**	**82,536,549**	**93,266,899**

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Regulated Revenues:	**232,505,170**	**212,138,571**	**76,351,093**	**72,897,679**
National Transmission System	166,523,800	152,464,353	54,324,914	52,510,961
Zonal Transmission System	62,048,837	56,248,192	20,740,610	19,122,198
Dedicated Transmission System	3,203,858	2,727,659	1,046,406	1,031,699
Complementary services	728,675	698,367	239,163	232,821
Contractual income	**61,438,083**	**52,413,835**	**19,660,089**	**19,596,502**
Transmission facilities	48,345,922	46,489,712	14,301,786	16,685,312
Engineering and Construction Services	8,822,146	1,332,236	4,079,271	1,332,236
Others	4,270,015	4,591,887	1,279,032	1,578,954
Leasing revenues	**2,894,477**	**2,601,485**	**896,892**	**772,718**
Provision Tariff Review	**(43,114,575)**	**-**	**(14,371,525)**	**-**
Total	**253,723,155**	**267,153,891**	**82,536,549**	**93,266,899**

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Transferred services by a long time	253,723,155	267,153,891	82,536,549	93,266,899
Total Revenues	**253,723,155**	**267,153,891**	**82,536,549**	**93,266,899**

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

21 – REVENUE (continued)

21.1 Revenue (continued)

The next Tariff Study for the Nacional Interconnected System, which rules a high percentage of the revenues of the Company, is under current preparation according to the Law and it is expected to be enacted by the end of 2021. When the new Tariff Study will be in force, it will have a retroactive effect affecting the revenues of the Company from January 1st, 2020 up to date. This situation implies that for the time the new Study is on preparation and not yet effective, the previous Decree has a transitory character and it will continue under application until the new Tariff Study is enacted. Additionally, Exempt Resolutions n°815 and n°229 issued on December 26th, 2019 and June 26th, 2020 respectively, set a price freeze in Chilean Pesos for previous tariff until the new tariff enters in force and to the Toll Annual Reassessment Report of 2019 issued on March 2020 which ordered a payment to Generator Companies to be made on the first semester of 2020. Both effects should start to be refunded (a) partially starting on June 2020 and (b) totally once the new tariff is enacted. At the date of issuance of this Financial Statements, the Company continues the revenue recognition according to the previous Decree (DS23T and DS6T) until new Tariff Study is finally enacted.

According to the scenario mentioned above, the Company has estimated a possible impact on 2020 revenues due to new Tariff Study being enacted and in force, based upon best information available today has proceeded to make a provision for lower income as of September 30, 2020 for an amount of ThCh$43,114,575 (approximately US$54.7 millions).

21.2 Other operating income

The following table details others income for the nine and three months periods ended September 30, 2020 and 2019, is as follows:

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Financial income (Note 22.4)	8,880,879	10,569,684	2,409,854	3,114,441
Other gains, net	699,774	1,103,271	210,258	(368,055)
Total other income	**9,580,653**	**11,672,955**	**2,620,112**	**2,746,386**

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

22 - RELEVANT INCOME STATEMENT ACCOUNTS

22.1 Expenses by nature

The composition of cost of sales and administrative expenses for the nine and three months periods ended September 30, 2020 and 2019, is as follows:

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Personnel expenses	18,345,577	16,886,279	6,469,685	5,995,967
Operating expenses	16,924,412	14,143,929	5,435,575	5,971,827
Maintenance expenses	7,585,804	6,399,301	2,715,287	2,197,445
Depreciation and write-offs	40,598,958	41,695,504	13,832,971	14,066,734
Other	1,543,293	1,863,181	685,500	685,007
Total	**84,998,044**	**80,988,194**	**29,139,018**	**28,916,980**

22.2 Personnel expenses

The composition of this item for the nine and three months periods ended September 30, 2020 and 2019, is as follows:

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Salaries and wages	16,340,384	15,072,035	5,523,410	5,148,667
Short-term employee benefits	989,810	1,002,781	423,794	393,856
Staff severance indemnity	496,850	479,387	161,551	182,904
Other long-term benefits	1,060,666	1,033,496	361,547	365,802
Other personnel expenses	6,404,034	5,600,212	2,394,614	2,032,312
Expenses capitalized on construction in progress	(6,946,167)	(6,301,632)	(2,395,231)	(2,127,574)
Total	**18,345,577**	**16,886,279**	**6,469,685**	**5,995,967**

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

NOTE 22 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

22.3 Depreciation and amortization

The detail of this item in the income statement for the nine and three months periods ended September 30, 2020 and 2019, is as follows:

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Depreciation (PP&E)	36,623,232	37,611,004	12,260,671	12,613,352
Amortization (Intangible)	2,217,008	2,184,473	728,984	764,965
Amortization (Rights of use)	1,248,502	1,177,391	490,481	392,464
Losses from damages	510,216	722,636	352,835	295,953
Total	**40,598,958**	**41,695,504**	**13,832,971**	**14,066,734**

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

22.4 Financial results

The detail of the financial result for the nine and three months periods ended September 30 30, 2020 and 2019, is as follows:

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Financial income:	**8,880,879**	**10,569,684**	**2,409,854**	**3,114,441**
Commercial interest earned	668,490	1,296,472	138,806	(76,053)
Bank interest earned	1,306,436	2,470,323	102,803	646,856
Interest earned from related parties	6,914,426	6,802,889	2,176,718	2,543,638
Otros ingresos	(8,473)	-	(8,473)	-
Financial expenses:	**(57,754,098)**	**(54,377,869)**	**(19,470,455)**	**(18,456,181)**
Interest on bonds	(48,956,612)	(47,438,047)	(15,905,286)	(16,132,304)
Interest rate Swap	(6,522,101)	(6,519,199)	(2,189,903)	(2,189,902)
Other expenses	(2,275,385)	(420,623)	(1,375,266)	(133,975)
Gain (loss) from indexation of UF	**(10,669,065)**	**(12,894,467)**	**(283,940)**	**(3,852,012)**
Foreign exchange gains (losses), net	**521,408**	**844,240**	**92,913**	**71,707**
Obligations with public	(39,426,167)	(33,947,199)	34,186,922	(49,018,062)
Intercompany Loan	10,265,572	8,681,360	(8,481,007)	12,708,193
Financial Instruments	28,115,590	25,801,728	(23,912,344)	36,293,190
Other	1,566,413	308,351	(1,700,658)	88,386
Total financial result, net	**(59,020,876)**	**(55,858,412)**	**(17,251,628)**	**(19,122,045)**

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

23 - INCOME TAX RESULT

The following table reconciles income taxes resulting from applying statutory tax rate to the "Profit before Taxes" to the income tax expense recorded in the income statement for the nine and three months periods ended September 30, 2020 and 2019

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Current tax expense	15,146,615	168,847	8,471,804	124,353
Current tax expense, net, total	**15,146,615**	**168,847**	**8,471,804**	**124,353**
Deferred tax expense relating to origination and reversal of temporary differences	14,875,318	34,826,738	1,225,821	11,958,045
Deferred tax expense, net, total	**14,875,318**	**34,826,738**	**1,225,821**	**11,958,045**
Income tax expense	**30,021,933**	**34,995,585**	**9,697,625**	**12,082,398**

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Tax rate using statutory rate	**29,809,082**	**35,480,850**	**9,816,163**	**12,112,151**
Price-level restatement of capital	(104,856)	(864,159)	4,115	(843,155)
Price-level restatement of tax loss	564,121	-	17,643	-
Others differences	(246,414)	378,894	(140,296)	813,402
Total adjustments to tax expense using statutory rate	212,851	(485,265)	(118,538)	(29,753)
Tax expense using effective tax rate	**30,021,933**	**34,995,585**	**9,697,625**	**12,082,398**

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

23 - INCOME TAX RESULT (continued)

	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$	07.01.2020 09.30.2020 ThCh$	07.01.2019 09.30.2019 ThCh$
Statutory Tax Rate	27,00%	27,00%	27,00%	27.00%
Price-level restatement of capital	(0,09%)	(0,66%)	0,01%	(1.88%)
Price-level restatement of tax loss	0,50%	-	0,05%	-
Others differences	(0,22%)	0,29%	(0,39%)	1.81%
Total adjustments to tax expense using statutory rate	**0,19%**	**(0,37%)**	**(0,33%)**	**(0.07%)**
Effective tax rate	**27,19%**	**26,63%**	**26,67%**	**26.93%**

The tax rate used for the years 2020 and 2019 reconciliations corresponds to 27%, a corporate tax rate that entities should pay on taxable profits based on current tax regulations

Chilean Tax Reform

On February 24, 2020, Law 21,210 Modernization of the Tax Legislation was published in the Official Gazette, which is effective as of January 1, 2020, which comes to modify aspects of Business taxation and form finals taxpayers.

This Law repeals the previous Tax Regimes and generates a new unique tax regime called 14A).

The Transelec Group of Companies changed from regime 14B) as of December 31, 2019 to regime 14A) as of January 1, 2020.

Although the management is evaluating the generality of changes, regarding the change of regimen, it is estimated the effect on the Transelec Group is totally neutral since the tax regime 14B) to which the Group belongs mutated to the New Regime 14A) that works the same way.

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

24 - EARNINGS PER SHARE

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

Basic Earnings per Share	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$
Profit attributable to equity holders of parent (ThCh$)	80,382,076	96,414,971
Earnings available to common shareholders, basic (ThCh$)	80,382,076	96,414,971
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	80,382	96,415

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

25 - SEGMENT REPORTING

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

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

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

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

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

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

25 - SEGMENT REPORTING (CONTINUED)

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

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

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

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

Information about products and services

	Accumulated to	
	01.01.2020 09.30.2020 ThCh$	01.01.2019 09.30.2019 ThCh$
Transmission services	**253.723.155**	**267.153.891**

Information about sales and principal customers

Information about the main customers of the Company is contained in note 3.1.2 Credit risk.

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

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

As of September 30, 2020, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$40,607,823.- (ThCh$33,869,143 as of December 31, 2019). Also to guarantee the repayment of housing loans, the corresponding mortgages have been established in favor of the Company.

As of September 30, 2020, the Company has issued Guarantee Certificates for government entities and commercial counterparts, mainly to guarantee the fulfillment of works, the seriousness of offers in new tenders and/or asset purchases for an amount of ThCh$ 63,005,851. - (ThCh$ 57,424,320.- as of December 31, 2019).

27 - DISTRIBUTION OF PERSONNEL

As of September 30, 2020 and December 31, 2019, personnel employed by Transelec S.A. are detailed as follows:

	September 30, 2020				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**16**	**421**	**127**	**564**	**564**

	December 31, 2019				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**17**	**413**	**132**	**562**	**548**

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

28 - ENVIRONMENT

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

During for the nine and three month ended September 30, 2020 and 2019, the Company has made the following environmental disbursements:

Company making disbursement	Project	01.01.2020 09.30.2020 ThCh$	01.01.2019 12.31.2019 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	600,018	1,285,571
Total		**600,018**	**1,285,571**

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

29 - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

a) Current assets and liabilities

Current Assets	Foreign Currency	Functional Currency	September 30, 2020		December 31, 2019	
			Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$
Cash and cash equivalents	Dollars	CH$	77,414,946	-	4,021,429	-
	Other Currency	CH$	11,217	-	252,235	-

Current Liabilities	Foreign Currency	Functional Currency	September 30, 2020		December 31, 2019	
			Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$	Maturity less than 90 days ThCh$	Maturity more than 91 to 1 year ThCh$
Other financial liabilities, current	Dollars	CH$	-	86,218,448	19,386,228	-

			September 30, 2020			December 31, 2019		
Non-Current Liabilities	Foreign Currency	Functional Currency	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$	1 to 3 year ThCh$	3 to 5 year ThCh$	More than 5 year ThCh$
Other financial liabilities, non-current	Dollars	CH$	-	528,026,024	270,726,534	-	223,101,284	534,642,710

30. SUBSEQUENT EVENTS

To September 30, 2020, closing date of these Interim consolidated financial statements and their issuance date, there has been no significant financial and accounting events that may affect the equity of the Company or the interpretation of these Interim consolidated financial statements.

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

TRANSELEC S.A AND SUBSIDIARY

Santiago, Chile
September 30, 2020

SUMMARY

As of September 30, 2020, revenues reached MCh$253,723 showing a decrease of 5.0% compared to the same period of 2019 (MCh$267,154). The decrease is mainly explained by a lower income provision associated with the effect that the entry into force of the new 2020-2023 tariff study (that is currently being prepared and it is expected to be issued the second semester of 2021) would have. Nevertheless, it will have a retroactive effect on the company's incomes since January 1st, 2020. Additionally, the Company's revenues also consider the effects of higher revenues associated to: (i) the entry into operation of new projects and (ii) the indexation adjustment applied to our sales.

As of September 30, 2020, Transelec obtained an EBITDA[1] of MCh$210,708, an 8.5% lower than the one obtained in the same period of 2019 (MCh$230,288), with an EBITDA Margin[2] of 83.0%. The EBITDA decrease is mainly due to the drop in income explained above.

The loss in Non-Operating Income as of September 2020 was MCh$58,321, representing a rise of 6.5% compared to the same period of 2019 (MCh$54,755). This increase is mostly explained by higher Financial Costs and lower financial income, partially compensated by lower losses in indexed assets and liabilities.

Net Income recorded by the Company as of September 30, 2020, was MCh$80,382, which is 16.6% less compared to the same period of 2019, in which a Net Income of MCh$96,414 was registered.

In 2020, the Company has incorporated US$47.4 million of new facilities, which correspond to the commissioning of four expansion projects of the national system. In addition, in the last twelve months period ended in September 2020, the amount of new facilities incorporated was the same, because in the fourth quarter of 2019 there was not commissioning of new projects.

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

[2] EBITDA Margin= EBITDA/Revenues

Relevant events of the period:

- In January 2020, the international risk rating agency Fitch Ratings ratified Transelec's rating in BBB, Moody's, on the other hand, did so in July 2020, ratifying the classification in Baa1. Standard and Poor's ratified the classification BBB in September.

- During January 2020, the local risk rating agencies Humphreys and Fitch, ratified the classification in AA and AA- respectively.

- On January 17th, the Superintendency of Electricity and Fuels (SEC) notified a penalty to Transelec for the failure on the 220kV Cóndores - Parinacota line for US$4.8 million. The failure was caused by the cut of a conductor that left the Arica zone without electricity for 21 hours. Transelec filed releases and an administrative complaint (still in progress).

- According to the transmission law of 2016 as of January 2020, the rate of return on assets should fall from 10% before taxes to 7% after taxes. Since the tariff study to determine the remuneration of the transmission in the period 2020 – 2023 (valuation process) is delayed; through resolution 815, the regulator (CNE) has determined to stabilize the transmission rates until the rate study is completed (estimated within 2021), in order to advance the estimated reduction and not apply rises that are later reversed.

- In March 2020, Transelec drew from its committed credit line an amount of US$ 100,0 million. The objective is to have additional liquidity to face the potential effects of the health crisis.

- On April 24th, 2020, the Ordinary Shareholder's Meeting agreed to distribute a final 2019 dividend amounting Ch$43,852 million, which was paid in May 2020.

- This year, the Board of Directors has defined not to carry out interim dividend distributions associated with the first and second quarters of 2020, in order to have greater liquidity due to the potential effects of Covid-19.

- In June, Transelec made the CET payment to the generation companies. This amount does not affect the Income Statement. Free customers started to pay their corresponding CET in the third quarter of the year, while the CET from regulated customers will be recovered when the new decree comes into force.

- The next tariff studies for the National Interconnected System that regulate mostly the transmission rates in the country, are being prepared in accordance with the law and their results are expected to be published by the end of 2021. The applications of the new tariff studies will have a retroactive effect on the Company's revenues as of January 1, 2020, which implies that in the meantime, the previous tariff studies are transient until the new tariffs come into effect. At the closing of these financial statements, the Company continues to recognize revenues according to the previous tariff studies (DS23T and DS6T) pending the publication and the effective date of the new tariff study. Due to the all mentioned above, the Company has made an estimate of the impact that would have the entry into force of the new tariff study on revenues for the year 2020 considering the best information available to date and has proceeded to make a provision of less income as of September 30, 2020.

- So far, the situation of COVID-19 has had a limited impact on our Company in operational and financial aspects. The Company has taken preventive actions that allow maintaining the continuity of its operations, considering the impact of this situation on the market.

- On July 31, 2020, the Company entered into an agreement for a new committed revolving credit facility for an amount of US$250 million at a 3-month LIBOR rate, plus a margin of 150 basis points with maturity on July 31, 2021. This facility replaces the previous committed line, whose maturity was on August 3, 2020. The amount of US$100 million drawn in March 2020 was kept drawn when the line was renewed and remains in force at the end of September 2020.

1. INCOME STATEMENT ANALYSIS

ITEMS	September 2020 MCh$	September 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Revenues	**253,723**	**267,154**	**-13,431**	**-5.0%**
Toll sales	240,631	261,230	-20,599	-7.9%
Services	13,092	5,924	7,168	121.0%
Operation Costs and Expenses	**-84,998**	**-80,989**	**-4,009**	**-5.0%**
Sales Costs	-30,238	-23,950	-6,288	-26.3%
Administrative Expenses	-14,407	-15,373	966	6.3%
Depreciation and Amortization	-40,353	-41,666	-1,312	3.1%
Operating Income	**168,725**	**186,165**	**-17,440**	**-9.4%**
Financial Income	8,881	10,570	-1,689	-16.0%
Financial Costs	-57,754	-54,378	-3,376	-6.2%
Foreign exchange differences	521	844	-323	-38.2%
Gain (loss) for indexed assets and liabilities	-10,669	-12,894	2,225	17.3%
Other income (Losses)	700	1,103	-403	-36.6%
Non-Operating Income	**-58,321**	**-54,755**	**-3,566**	**-6.5%**
Income before Taxes	**110,404**	**131,410**	**-21,006**	**-16.0%**
Income Tax	-30,022	-34,996	4,974	14.2%
Net Income	**80,382**	**96,414**	**-16,032**	**-16.6%**
EBITDA[1]	**210,708**	**230,288**	**-19,580**	**-8.5%**
EBITDA Margin[2]	**83.0%**	**86.2%**		

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

[2] EBITDA Margin= EBITDA/Revenues

a) Operating Income

During 2020, Revenues reached MCh$253,723 decreasing a 5.0% compared to the same period of 2019 (MCh$267,154). The decrease is mainly explained to a lower income provision associated with the impact that would have the entry into force of the new 2020-2023 tariff study that is currently being prepared and it will have a retroactive effect on the company's incomes as of January 1st, 2020. Specifically, the decrease in Revenues is mainly explained by lower revenues from Toll Sales (due to the provision) which as of September 2020, reached MCh$240,631, 7.9% lower than the obtained in the same period of 2019 (MCh$261,230). The Services revenues as of September 30, 2020 reached MCh$13,092, a 121.0% higher than the same period of 2019 (MCh$5,924), mostly explained by exceptional services with third parties (which are also presented as costs).

As a whole, the drop in Revenues is mainly explained by the recognition of the provision explained above, partially offset by new revenues in 2020 from projects commissioned in last 12 months, macroeconomic effects (mainly associated with exchange rate) and income from exceptional services to third parties.

Total Transelec Operational Costs and Expenses as of September 30, 2020 were MCh$84,998, a 5.0% higher than the comparison period in 2019 that reached MCh$80,989. Total Costs and Expenses are composed by the following main items.

Cost of sales during the analysis period totaled MCh$30,238, a 26.3% higher than the same period of 2019 (MCh$23,950). The increase is mainly explained by provision for fines, costs for exceptional services to third parties (amount also presented as income), early payments for maintenance works (preventative) associated with the health emergency, higher insurance premiums, the payment of a bonus for collective bargaining with one of the unions and greater security implemented due to the contingency.

Administrative Expenses amounted to MCh$14,407 in September 2020, 6.3% lower than those obtained in the same period in 2019 (MCh$15,373). The decrease is mainly explained by higher payments for consultancy in 2019, partly offset by an increase associated with the payment of a bonus for collective bargaining with one of the unions and the maintenance of software systems.

Total Depreciation and Amortization as of September 30, 2020 reached MCh$40.353, a 3,1% lower than the same period in 2019 (MCh$41,666). The decrease is mainly explained by lower depreciation associated with the review of useful life carried out by the end of 2019 and largest withdrawal of equipment in 2020, partially offset by higher depreciation due to equipment renewal and the commissioning of new projects.

b) Non-Operating Income

The Non-Operating Income at the end of September 2020, was a loss of MCh$58,321, a 6.5% higher than the same period of 2019 (MCh$54,755). This is mainly explained by higher Financial Costs and lower financial income, partially offset by lower losses for indexed assets and liabilities.

Financial Costs registered as of September 2020 reached MCh$57,754, increasing by 6.2% compared to the same period of 2019 (MCh54,378). The increase in mainly due to higher interest payments on USD and UF bonds, as the average exchange rate so far in 2020 increased by 17.00% compared to the same period of 2019, also the average UF value for the first 9 months of 2020 increased by 3.05% over the previous year. Added to the above, there are interests on the drawn of the committed line in 2020.

The Financial Income registered to September 2020 amounted to MCh$8,881, decreasing by 16.0% compared to the same period of 2019 (MCh$10,570). The drop is mainly due to the lower rates in the financial market.

Other Income, as of September 2020, were MCh$700, 36.6% lower than the same period of 2019 (MCh$1.103). The difference is mainly explained by regularizations with suppliers that occurred in the previous period.

The Exchange Differences as of September 2020 reached MCh$521, while during the same period of 2019, the balance was MCh$844. The Exchange Differences remain limited, associated with the foreign currency hedging policy.

The loss for Indexed Assets and Liabilities was MCh$10,669 as of September 30, 2020. The loss in the same period of 2019 was MCh$12.894. This is mainly due to the readjustment of the local UF bonds because of the variation in the value of the UF that for the first 9 months of the year 2020 corresponds to 1.41% compared to 1.75% for the same period of 2019.

c) Income tax

Income Tax as of September 30, 2020 was MCh$30,022, decreasing by 14.2% in relation to the same period of 2019 (MCh$34,996). The decrease is mainly due to lower earnings before Taxes.

2. BALANCE SHEET ANALYSIS

ITEMS	September 2020 MCh$	December 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Current assets	299,926	222,198	77,728	35.0%
Non-current assets	2,522,104	2,390,537	131,567	5.5%
Total Assets	**2,822,031**	**2,612,735**	**209,296**	**8.0%**
Current liabilities	156,680	64,758	91,922	141.9%
Non current liabilities	1,769,980	1,701,027	68,953	4.1%
Equity	895,371	846,950	48,421	5.7%
Total Liabilities & Equity	**2,822,031**	**2,612,735**	**209,296**	**8.0%**

The increase in Assets between December 2019 and September 2020 is explained both by an increase in Non-Current Assets and Current Assets. The increase in Non-Current Assets is mostly due to a higher balance in property, plant and equipment and an increase in financial assets associated to hedging agreements. While higher Current Assets are mainly due to a higher balance of accounts receivable from customers, higher cash and cash equivalents.

The increase in Liabilities and Equity is due to an increase in all the items that make up this balance sheet. The increase in Current Liabilities is mainly due to the use of the Revolving Credit Facility line (MM US$ 100.0). The rise in Non-Current Liabilities is mainly due to the valuation of debt in foreign currency. The increase in Equity is mainly due to higher accumulated profits and a lower negative balance in other reserves.

Value of the Main PP&E in Operation

ASSETS	September 2020 MCh$	December 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Land	20,999	20,984	15	0.1%
Building, Infraestucture, works in progress	1,211,885	1,210,139	1,746	0.1%
Work in progress	259,122	135,552	123,570	91.2%
Machinery and equipment	740,389	726,472	13,917	1.9%
Other fixed assets	5,918	5,932	-14	-0.2%
Right of use	7,857	6,721	1,136	16.9%
Depreciation (less)	-599,839	-562,466	-37,373	-6.6%
Total	**2,246,170**	**2,105,801**	**140,369**	**6.7%**

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital) September 2020	December 2019
Series D bond	UF	4.25%	Fixed	15-Dec-27	13.50	13.50
Series H bond	UF	4.80%	Fixed	01-Aug-31	3.00	3.00
Series K bond	UF	4.60%	Fixed	01-Sep-31	1.60	1.60
Series M bond	UF	4.05%	Fixed	15-Jun-32	3.40	3.40
Series N bond	UF	3.95%	Fixed	15-Dec-38	3.00	3.00
Series Q bond	UF	3.95%	Fixed	15-Oct-42	3.10	3.10
Series Senior Notes bond @2023	USD	4.625%	Fixed	26-Jul-23	300.00	300.00
Series Senior Notes bond @2025	USD	4.25%	Fixed	14-Jan-25	375.00	375.00
Series Senior Notes bond @2029	USD	3.875%	Fixed	12-Jan-29	350.00	350.00
Revolving Credit Facility[1]	USD	1.7338%	Floating	03-Aug-20	100.00	-

[1] Revolving Credit Facility of US$250 million: The floating rate of 1.7338% breaks down in 3 months Libor rate plus a margin of 1.50%. As of September 30, 2020, the Company maintain drew this line for an amount of US$ 100.00 million.

Although increases in inflation may have an impact on the costs of debt denominated in UF and therefore on the Company's finance expenses, these impacts are partially offset by inflation-indexed revenues.

3. CASH FLOW ANALYSIS

ITEMS	September 2020 MM$	September 2019 MM$	Variation 2020/2019 MM$	Variation 2020/2019 %
Cash flows provided by (used in) operating activities	101,772	155,664	-53,892	-34.6%
Cash flows provided by (used in) investing activities	-118,144	-80,517	-37,627	-46.7%
Cash flows provided by (used in) financing activities	30,766	-63,549	94,315	N/A
Net increase (decrease) of cash and cash equivalent	**14,394**	**11,597**	**2,797**	**24.1%**
Effect of changes in the exchanges rate	7,851	-652	8,503	N/A
Net increase (decrease) of cash and cash equivalent	**22,245**	**10,946**	**11,299**	**103.2%**
Cash and cash equivalent at the begining of the period	108,642	104,059	4,583	4.4%
Cash and cash equivalent at the end of the period	**130,888**	**115,005**	**15,883**	**13.8%**

As of September 30, 2020, cash flow from activities of the operation reached MCh$101,776, which decreased by 34.6% compared to the same period of 2019 (MCh$155,664). The decrease is mainly due to higher payments to suppliers associated with the CET payment.

During the same period, the cash flow used in investment activities was MCh$118,144, a 46.7% higher than the amount allocated as of September 30, 2019 (MCh$80,517). The increase is mainly due to higher investment in PP&E.

In September 2020, the cash flow from financing activities was MCh$30,766 which mainly corresponds to the drawn on the committed credit line for US$100 million compensated in part by the payment of dividends. In September 2019, the cash flow used in financing activities was MCh$63,559, which corresponds almost entirely to the payment of dividends.

The Company made reclassifications to its cash flow statements regarding balances that affect the year 2019. However, these reclassifications do not have a significant effect as they are made for comparison purposes only. These reclassifications are not considered for the calculation of covenants reported in 2019.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, as of September 30, 2020 the company has the following committed line of credit (Revolving Credit Facility) which is partially drawn and it was renegotiated and extended during July 2020 for one year in the amount of US$ 250 million.

Bank	Amount (up to)	Maturity	Type of Credit
Scotiabank, Bank of Tokyo-Mitsubishi, DnB NOR and Export Development Canada	US$250,000,000	31-Jul-21	Working Capital

4. INDICATORS

Financial restrictions contained in local debt agreements are presented in the next table:

Covenants	Debt Contract	Limit	September 2020	December 2019
Capitalization Ratio[1]	All local Bonds	< 0.70	0.65	0.64
Shareholder's Equity[1] MMUF	D, H, K, M and N local Bonds	> 15.00	32.06	30.80
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	920,341	871,920
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	4.73	4.27

Test	Bonds	Limit	September 2020	December 2019
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	3.73	4.69

[1]Equity= Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and September 30, 2020 amounted to MCh$24.970.

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

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

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

RATIOS		September 2020	December 2019	Variation 2020/2019
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	13.9%	16.6%	-270 pbs
Assets profitability[3]	(%)	4.4%	5.4%	-100 pbs
Operating assets profitability[4]	(%)	5.5%	6.7%	-120 pbs
Earnings per share[5]	($)	124,580	140,612	-11.4%
Liquidity & Indebtedness				
Current Ratio	(times)	1.91	3.43	-44.3%
Acid-Test Ratio	(times)	1.91	3.43	-44.3%
Debt to Equity	(times)	2.15	2.08	3.4%
Short term debt/Total debt	(%)	8.1%	3.7%	440 pbs
Log term debt/Total debt	(%)	91.9%	96.3%	-440 pbs
Financial expenses coverage	(times)	3.65	4.48	-18.5%

[1] Profitability ratios are presented under last twelve months criteria.
[2] Shareholders' Equity profitability is calculated as Net Income over Equity.
[3] Assets profitability is calculated as Net Income over Total Assets.
[4] Operating assets profitability is calculated as Net Income over total value of the Main PP&E.
[5] Earnings per share is calculated as Net Income over total shares.

5. THE TRANSMISION MARKET

5.1. The transmission activity and its regulation

Transelec develops its activities in Chile in the electricity market, which has been divided into three sectors: generation, transmission and distribution. The generation sector includes companies that are dedicated to produce electricity that will subsequently be used throughout the country by end users. The purpose of the distribution sector is to carry electricity to the physical location where each end user will use this electricity. Finally, the primary goal of the transmission sector (the only sector in which it participates Transelec) is to transport the generated electricity from where it is produced (electrical power plants) to the 'points of entry' of the distribution companies' networks or of the large end users.

The transmission system of Transelec which stretches between 'Arica y Parinacota' Regions to 'Los Lagos' Region, encompasses the majority of the transmission lines and substations in the National Electrical System. This transmission system transports the electricity that supplies approximately 98.5% of Chile's population. The Company owns the 35% of all of the 500 kV electricity transport lines, 40% of the 220 kV lines, 83% of the 154 kV lines and 10% of the 110kV and 66kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) and its subsequent modifications, including Law 19,940 ('Ley Corta I') published on March 13, 2004, and the Law 20.936 issued on July 20, 2016, which stablishes a new electric transmission system and creates an independent coordinator of the National Electric System. Additionally, those who explodes and operates transmission facilities must follow at every time the Technical Standard on Reliability and Service Quality (Exempt Resolution No. 299 of April 26, 2018).

The last reform to the LGSE for the Transmission segment was the enactment of Law 20.936 / 2016, which introduced the following relevant modifications:

- A single Coordinator of the National Electric System independent of the market players, replacing the Economic Load Dispatch Centers.
- The redefinition of the transmission systems qualifying them as the National Transmission System (formerly trunk), the Zonal Transmission Systems (formerly sub-transmission), the Dedicated Systems (formerly additional), and will incorporate two new segments: Transmission Systems for Development Poles and International Interconnection Systems. Further.
- The incorporation of energy and transmission planning with a long-term horizon, which considers gaps in the systems and where it seeks to achieve a more robust and secure system.
- Preliminary definition of routes for new works, through a procedure of Strip Study by the Ministry for electrical transmission routes of public interest.
- Universal open access to regulated Transmission Systems and dedicated Transmission Systems when technical capacity is available.
- Regulates the pricing of National, Zonal Transmission Systems for Development Poles and payment for use of Dedicated Transmission System facilities by users subject to price regulation, among other matters.

Transelec's business is focused on the economic retribution that can obtain for tolls by use of the transport and transformation capacity of its facilities, aligned to the security and quality service standards. Transelec has the right to annually receive the annual transmission value (VATT) for its facilities belonging to the National and Zonal Transmission Systems, defined in the tariff processes or in the Decree for the award of expansion works, as the case may be. In the case of the installations of the Dedicated Transmission System, Transelec agrees private transport contracts with the respective users, to define the payment for the use of this type of facilities.

5.2. Valuation and pricing of facilities

Prices associated to transmission activity are determined by the Commission every four years by conducting internationally tendered studies, and processes that include the participation of companies, users and interested institutions and the Panel of Experts in the event of any discrepancies.

Pricing of the existing facilities recognizes the efficient acquisition and installation costs according to market values, which are annualized considering the assets life determined every three tariff periods and whit a variable discount rate, which will not be less than 7% or higher than 10%. The owners of regulated transmission facilities must receive the Annual Transmission Value from the sum of the real tariff revenues and a single charge associated to each segment and applied directly to end users.

During 2014 and 2015 were developed the third trunk facilities tariff process in order to determinate the tariffs and indexation formulas corresponding to the period 2016 - 2019, that were fixed by Decree N° 23T by the Minister of Energy on February 3, 2016 and its application is retroactive from January 1, 2016. These regulations established the trunk transmission facilities and the new Investment Values (VI), the Annuity of the Investment Value (AVI) and the Operating, Maintenance and Administration Costs (COMA), plus the VATT of the trunk facilities, and the Indexation formulas applicable during that period.

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

In relation to the Zonal transmission system facilities (previously subtransmission), on April 9, 2013, the Supreme Decree No. 14 was published by the Ministry of Energy, setting subtransmission tariffs from January 2011 to December 2014. The difference between invoiced amounts using these provisional tariffs since January 2011 until the publishing date of this decree were reassessed by the CDEC based on the difference between the provisional tariff and the definitive values established by Decree No. 14. According to what is indicated in the transitory third article of Law 20,805 published on January 29, 2015, and to what is established in the Decree No. 7T of April 22, 2015, the validity of the Decree No. 121/2010, which fixes the tariffs of subtransmission facilities, and of the Exempt Decree No. 14/2013, which fixes the qualification of subtransmission facilities, is extended until December 31, 2015.

In accordance with the provisions of the eleventh transitory article of the Transmission Law, during the period between the January 1, 2016 and December 31, 2017, remain in force Decree No. 14 and subtransmission tariffs, excluding payment corresponding to the generating companies. The Ministry of Energy issued on May 27, 2017 the 1T Decree where the Decree No. 14 adjustments were defined to implement the exemption from power plants and for harmonious and consistent implementation with the application decree 23T. Because of this the subtransmission revenues that have been collected since is 1 January 2016 were reassessed under the provisions containing the decree.

On the other hand, in accordance with the provisions of the twelfth article of the Transmission Law, during the period of the extended term of Decree 14 or Decree 1T, continuity and termination of the process of setting the new subtransmission rates were given which will have valid from January 1, 2018 to December 31, 2019. Thus, on July 19, 2018, the CNE published Exempt Resolution No. 531 which replaces the technical report that defines the VATT of the Zonal Transmission Systems and the proportion of use of the dedicated transmission of users subject to price regulation in the 2018-2019 biennium, approved through CNE Exempt Resolution No. 414 of July 31, 2017, in accordance with the provisions of the new Transmission Law. This technical report served as the basis for the enactment of Decree 6T, published in the official gazette on October 5, 2018, which establishes annual value per tranche of the zonal and dedicated transmission facilities used by users subject to price regulation, their rates and indexation formulas for the 2018-2019 biennium.

Through Exempt Resolution No. 815 of December 26, 2019, the CNE established that, from January 2020 and until such time as the final values that are established in the valorization decree of the facilities of National and Zonal transmission corresponding to the 2020-2023 four-year period, the Commission will fix the single charges for the use of the transmission based on those established in the semi-annual resolution in force in the second half of 2019 (stabilization of Transmission Charges). For the above, the CNE took into consideration that: i) the process of valorization of the transmission facilities that is currently underway will have a validity (retroactive) to January 1, 2020, and ii) that in said process a relevant reduction of charges, among other reasons, due to the decrease in the discount rate calculated in accordance with the provisions of article 118 of the General Law of Electric Services. In accordance with the provisions of Exempt Resolution No. 815, the CNE decided to make these adjustments to the charges transferable to final customers “in order to preserve the principle of procedural economy established in Article 9 of Law No. 19,880, according to the which, the Administration must respond to the maximum economy of means effectively, avoiding delaying procedures ", since not doing it" the charges to the final clients should suffer an increase, to later originate a reduction, giving rise to re-liquidations when they come into force the new process of valorization ”. The CNE indicates that the above has the final objective of reducing the risk of affectation to end customers. Once the valorization decree for the period 2020-2023 has been published, the re-liquidations established in article 113 of the Law must be carried out and, therefore, the companies that own the transmission facilities will receive the remuneration (VATT) in accordance with the provisions of Article 114 of the same, in order to ensure that the transmission companies receive an annual value of the transmission per section (VATT) that constitutes the total of their remuneration.

Finally, in relation to the state of catastrophe due to COVID19, on August 8th, Law 21,249 was published in the Official Gazette, which exceptionally provides for measures in favor of end users of health services, electricity and network gas (Basic Services Law).
The law stablishes the following:

- It prohibits the cut of basic services to a group of customers, including residential users, hospitals, prisons, etc., for late payment of this type of service during the ninety days following the publication of the law.
- For certain types of customers, such as customers who are within the 60% most vulnerable population, they may choose whether the debts generated between March 18, 2020 and up to ninety days after the publication of this law, will be prorated in a number of equal and successive monthly installments determined by the user, which may not exceed twelve and may not incorporate fines, interest or associated costs.

- During the ninety days following the publication of this law, the power generation and transmission companies shall continue to provide their services normally to the domestic energy distribution companies and to the electricity cooperatives.

- Within a period of thirty days prior to the publications of this law and ninety days thereafter, exceptionally, the payment by electric cooperatives to generating and transmission companies may be made in installments, in the same number of months in which the accounts of their beneficiaries will be prorated, without fines, interest or associated expenses.

In the case of electricity sector, this law directly affects the distribution companies with financial costs due to deferred payments, however, in practice it could affect the payment chain with the rest of the agents in the sector: generating companies and transmission companies.

6. MARKET RISK FACTORS

Due to the characteristics of the Chilean electricity market and strict standards regulating the sector, Transelec S.A. is not exposed to substantial risk in the course of operating its main line of business.

Transelec manages its risks through a corporate program, including the vision and information from the board of directors and employees in direct contact with the risks, with in the company strategy, workshops are utilized to analyzed past and potential risks. Carrying out concrete actions to prevent and / or mitigate them, to lower their probability of occurrence or its impact.

At project level, the company develop the process of Stages and Decisions, which ensures that projects are guided by stablished protocols from develop of a business idea, going through the proposal presentation, adjudication and later construction or acquisition, even its launch, to ensure that the decision makers have the necessary information available and mitigate the risks in the different parts of the projects.

The main risks of the company are presented and discussed quarterly in the Board of Directors. However, the following risk factors should be mentioned and taken into consideration:

6.1. Regulatory Framework

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

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

6.2. Operating Risks

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

6.3. Environmental Institutionalism and the Application of Environmental Standards and / or Policies

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

6.4. Construction Delays for New Transmission Facilities

Success of the upgrades and expansion program for the power transmission network will depend on several factors, including the cost and availability of financing. Although Transelec has experience with large-scale construction projects, the construction of new facilities could be hampered by factors commonly associated with projects, including delays for the approval of regulatory authorizations such as power concessions, lack of equipment, materials or labor, or price variation, adverse weather conditions, natural disasters or unforeseen circumstances or difficulties when it comes to taking out loans under favorable conditions and at reasonable rates. Any of the aforementioned factors could lead to delays in the partial or total completion of the capital investment program, while increasing the cost of the projects considered in this program.

6.5. Technological Changes

Transelec is compensated for investments that makes in electrical transmission facilities through an annual valuation of the existing facilities (AVI), which is performed every four years using current market prices. Any significant technological advance in the equipment that are part of Transelec' facilities could lower this valuation, which would prevent partial recovery of the investments made.

6.6. Foreign Exchange Risk

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

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

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

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

	September 2020		December 2019	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	884,740	886,891	773,997	774,341
Chilean peso	1,933,857	1,931,706	1,596,884	1,596,539

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

MONTH	Average 2020 ($)	Last Day 2020 ($)	Average 2019 ($)	Last Day 2019 ($)
January	772.65	799.11	677.06	657.81
February	796.38	818.32	656.30	651.79
March	839.38	852.03	667.68	678.53
April	853.39	837.92	667.40	678.71
May	821.81	806.32	692.00	709.80
June	793.72	821.23	692.41	679.15
July	784.73	754.45	686.06	700.82
August	784.66	779.92	713.70	720.20
September	773.40	784.46	718.44	728.21
Average of the period	**802.24**	**805.97**	**685.67**	**689.45**

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

6.7. Credit Risk

Credit risk corresponding to receivables from commercial activities, is historically very limited in the industry given the nature of the stable regulatory framework, and the business of the Company's customers, which also have excellent credit level; and the short term payment of customers, which does not accumulate significant amounts.

BILLING	September 2020 MM$	September 2020 %	September 2019 MM$	September 2019 %
Enel Group	71,561	28.2%	103,631	38.8%
CGE Group	42,137	16.6%	47,160	17.7%
AES Gener Group	30,884	12.2%	43,112	16.1%
Colbún Group	20,955	8.3%	41,661	15.6%
Engie Group	17,302	6.8%	6,299	2.4%
Others	70,884	27.9%	25,291	9.5%
Total	**253,723**		**267,154**	
% Concentration	**72.06%**		**90.53%**	

As of September 30, 2020, the Company has five main clients which represent individually between 6.8% and 28.2% of total revenues. These are Enel Group (MCh$71,561), CGE Group (MCh$42,137), AES Gener Group (MCh$30,884), Colbún Group (MCh$20,955) and Engie Group (MCh$17,302). The total sum of these main customers corresponds to a 72.06% of the total income of the Company. In the same period of 2019, the Company had a similar structure of clients, whose revenues reached to MCh$103,631, MCh$47,160, MCh$43,112, MCh$41,661 and MCh$6,299 respectively, with a percentage of total incomes of 90,53%.

The toll agreements signed with these clients, including its subsidiaries, will generate a large part of the Company's future cash flows and, therefore, a substantial change in their assets, financial condition and/or operating income could negatively affect the Company. This risk is compensated by the excellent credit level of these clients, together with the "take or pay" type of payment of the Transelec transmission income.

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

6.8. Liquidity Risk

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

a) Risk associated to Company's Management

In order to guarantee that Transelec is able to quickly react financially to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed line of credit for working capital of US$250 million. On

March 27, 2020 Transelec used the line on US$100 million due to the COVID19 contingency leaving unused an amount of US$150 million. This committed line of credit was first contracted on July 9, 2012, being renegotiated in 2014, 2017 and 2020. The last renovation was on July 31, 2020 modifying the total amount, eliminating the peso tranche, leaving only a unique amount available of US$250 million, between other improvements. Is granted for a period of one year by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi, BNP, Banco Santander, Bank of China, China Construction Bank y JP Morgan. This line does not include any material clause of adverse change.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of September 30, 2020 and December 31, 2019.

Debt Maturity (capital and interests) MCh$	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
September 30, 2020	146,477	371,294	402,253	826,264	490,935	2,237,224
December 31, 2019	65,254	130,509	344,742	1,108,425	495,527	2,144,457

b) Risk associated to the settlement of trunk transmission system tariff revenues

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

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

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

6.9. Interest Rate Risk

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

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

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

All the debt as of June 30, 2020, and as of December 31, 2019, was at a fixed rate, with the exception of the amount drawn on the committed line, which is at a variable rate. However, in the case of UF indexed debt, variations in inflation rates could potentially affect the Company's financial expenses.

UF Values

MONTH	Average 2020 ($)	Last Day 2020 ($)	Average 2019 ($)	Last Day 2019 ($)
January	28,324.55	28,338.25	27,558.53	27,546.22
February	28,387.75	28,463.67	27,546.04	27,556.90
March	28,539.73	28,597.46	27,564.62	27,565.76
April	28,648.24	28,690.73	27,601.09	27,662.17
May	28,713.19	28,716.52	27,720.11	27,762.55
June	28,709.15	28,696.42	27,826.20	27,903.30
July	28,681.36	28,667.44	27,946.95	27,953.42
August	28,667.73	28,679.45	27,968.13	27,993.08
September	28,694.02	28,707.85	28,021.53	28,048.53
Average of the period	**28,596.19**	**28,617.53**	**27,750.36**	**27,776.88**

6.10. Other Risks

In addition to the aforementioned, the company faces other risks such as cybersecurity, legal, market, counterpart and reputational risks.

7. SUBSEQUENT EVENTS:

Since September 30, 2020, closing date of these Interim Consolidated Financial Statements until their issuance date, there has been no significant financial and accounting events that may affect the equity of the Company or the interpretation of these Interim Consolidated Financial Statements.

RELEVANT CONSOLIDATED FACTS

TRANSELEC S.A.

RELEVANT FACTS

1) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, the following relevant fact was reported January 14 2020, that Mr. Juan Augustín Bambach announced his resignation from the position of director of Transelec S.A. Board of Directors, to be effective as of March 11 2020.

2) On the same date, the Transelec S.A. Board of Directors appointed Mrs. Andrea Butelmann Peisajoff as Director, to take the seat left vacancy by Mr. Juan Augustín Laso Bambach, to be effective on March 11 2020.

3) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law Nº 18,045 Article 10, the following relevant fact was reported 11 March 2020:

   At a meeting held 21 March 2020, the Transelec S.A. Board of Directors agreed to announce the schedule of a shareholders meeting on 24 April 2020 in order to announce the following issues to the shareholders and request their approval:

   1. The Annual Report, General Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2019.

   2. Final dividend distribution. In this regard, the Transelec S.A. Board of Directors agreed to propose distribution of amounts that had already been distributed as temporary dividends in 2019 as a final dividend corresponding to the 2019 fiscal year amounting to a total CLP 43,8520,483,903.

   3. Board of Directors election.

   4. Board of Directors and Audit Committee salaries.

   5. Appointment of External Auditors.

   6. The newspaper to be used to announce shareholder meetings.

7. Agreements reached by the Board of Directors regarding issues contained in Articles 146 and following of the Corporations Law.

8. Other issues of interest for the corporation and for consideration by the Board of Directors.

4) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law Nº 18,045 Article 10 and the provisions of General Standard N° 30, the following was reported as a relevant fact 24 April 2020 that agreements were reached regarding the following issues at a Transelec S.A. shareholders meeting held that same date:

   1. To approve the Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2019.

   2. To approve distribution of amounts distributed as temporary dividends during the 2019 fiscal year as a final dividend corresponding to 2019 amounting to CLP 43,8520,483,903.

   3. To approve the dividends policy proposed by the Transelec Board of Directors.

   4. It was agreed that the members of the Board of Directors were to be replaced and therefore the Board is now comprised as follows: Mr. Scott Lawrence as director and Mr. Alfredo Ergas as his respective deputy director; Mrs. Brenda Eaton as director and Mr. Jordan Anderson as her respective deputy director, Mr. Rui Han as director and Mrs. Sihong Zhong as his respective deputy director; Mr. Richard Cacchione as director and Mr. Michael Rosenfeld as his respective deputy director;; Mr. Mario Valcarce Durán as director and Mr. José Miguel Bambach Salvatore as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Patricio Reyes Infante as his respective deputy director; Mr. Juan Benabarre Benaiges as director and Mr. Roberto Munita Valdés as his respective deputy director; and Mrs. Patricia Núñez Figueroa as director and Mr. Claudio Campos Bierwirth as her respective deputy director Mrs. Andrea Butelmann Peisajoff as director and Mr. Jan Augustín Laso Bambach as her respective deputy director.

   5. Board of Directors and Audit Committee salaries were determined.

   6. Approval of the appointment of the firm Deloitte as the corporation's external auditors for the 2020 fiscal year.

   7. Approval of Diario Financiero as the newspaper to be used for publishing notices of shareholders meetings.

8. Agreements reached by the Board of Directors regarding matters contained in Corporations Law Article 146 and following articles were reported.

5) On 13 May 2020, in conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, it was reported as a relevant fact that Mr. Scott Lawrence was elected as Chairperson of the Board of Directors Transelec S.A. at a Board of Directors meeting held that same date.

6) In conformity with Article 9 and paragraph 2 of Stock Market Law N° 18,045 Article 10 and General Standard N° 30 issued by the Securities and Insurance Commission, presently the Commission for the Financial Market, the following relevant fact was reported on September 15 2020: Mrs. Brenda Eaton announced his resignation from the position of director of Transelec S.A. Board of Directors, to be effective as of September 30 2020.