Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

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

We have reviewed the accompanying interim consolidated financial statement of Transelec S.A. and its subsidiary (the "Company") which comprise the interim consolidated statement of financial position as of June 30, 2020, and the related interim consolidated statements of comprehensive income for the six-month and three-month periods ended June 30, 2020 and 2019, and its interim consolidated statement of changes in net equity and interim consolidated statement of cash flows for the periods then ended and the related notes to the interim consolidated financial statement.

Management's Responsibility for the Interim Consolidated Financial Information

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

Auditor's Responsibility

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

Conclusion

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

Other matters in relation to the consolidated statement of financial position as of December 31, 2019

On March 11, 2020, we expressed an unmodified opinion on the consolidated financial statements as of December 31, 2019 and 2018 of the Company which includes the consolidated financial statement as of December 31, 2019, which is presented in the Interim consolidated financial statements attached, in addition to their corresponding notes.

Other-matter – Translation into English

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

Deloitte

August 12, 2020
Santiago, Chile

Interim Consolidated Financial Statements (Unaudited)

TRANSELEC S.A. AND SUBSIDIARY

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

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position
As of June 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) June 30, 2020 ThCh$	(Audited) December 31, 2019 ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	117,985,521	108,642,362
Other financial assets	(8)	1,360,841	1,223,578
Other non-financial assets		15,914,082	2,966,635
Trade and other receivables, net	(6)	158,860,545	87,044,078
Receivables from related parties	(7)	7,397,084	22,005,672
Inventory		295,638	315,202
Total current assets		**301,813,711**	**222,197,527**
NON-CURRENT ASSETS			
Other financial assets	(8)	141,499,653	71,361,110
Other non-financial assets		10,572,559	7,770,805
Receivables from related parties	(7)	235,501,698	242,808,336
Intangible assets other than goodwill, net	(9)	181,699,274	182,202,369
Goodwill	(10)	343,059,078	343,059,078
Property, plant and equipment, net	(11)	1,605,679,994	1,543,335,368
Total non-current assets		**2,518,012,256**	**2,390,537,066**
Total Assets		**2,819,825,967**	**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 June 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) June 30, 2020 ThCh$	(Audited) December 31, 2019 ThCh$
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Other financial liabilities	(14)	108,376,183	24,892,053
Trade and other payables	(15)	28,312,536	31,123,907
Provisions, current	(18)	5,927,612	6,153,716
Current tax liabilities	(12)	6,612,048	153,399
Other non-financial liabilities		753,512	2,434,524
Total current liabilities		**149,981,891**	**64,757,599**
NON-CURRENT LIABILITIES			
Other financial liabilities	(14)	1,618,430,570	1,533,707,053
Deferred tax liabilities	(13)	174,269,136	156,348,593
Provisions, non-current	(18)	3,824,707	5,821,598
Other non-financial liabilities		4,950,794	5,149,580
Total non-current liabilities		**1,801,475,207**	**1,701,026,824**
Total liabilities		**1,951,457,098**	**1,765,784,423**
EQUITY			
Paid-in capital	(20)	776,355,048	776,355,048
Retained earnings		120,415,047	110,543,991
Other reserves	(20)	(28,401,226)	(39,948,869)
Total equity attributable to owners of the parent		**868,368,869**	**846,950,170**
Non-controlling interest		-	-
Total equity		**868,368,869**	**846,950,170**
Total Equity and Liabilities		**2,819,825,967**	**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 Comprehensive Income by Function
For the six an three months ended as of June 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 06/30/2020 ThCh$	(Unaudited) 01/01/2019 06/30/2019 ThCh$	(Unaudited) 04/01/2020 06/30/2020 ThCh$	(Unaudited) 04/01/2019 06/30/2019 ThCh$
Statement of comprehensive income by function					
Operating revenues	(21.1)	171,186,606	173,886,992	74,216,277	88,718,118
Cost of sales	(22.1)	(45,760,011)	(40,820,077)	(25,194,897)	(21,121,384)
GROSS MARGIN		**125,426,595**	**133,066,915**	**49,021,380**	**67,596,734**
Administrative expenses	(22.1)	(10,099,015)	(11,251,137)	(3,123,417)	(5,800,109)
Other gains (losses), net	(21.2)	489,516	1,471,326	145,791	1,107,911
Financial income	(21.2)	6,471,025	7,455,243	3,409,434	4,426,080
Financial expenses	(22.4)	(38,283,643)	(35,921,688)	(19,285,027)	(18,063,948)
Foreign exchange differences, net	(22.4)	428,495	772,533	351,841	588,687
Income by indexed units	(22.4)	(10,385,125)	(9,042,455)	(2,666,384)	(9,041,252)
Profit Before Income Taxes		**74,047,848**	**86,550,737**	**27,853,618**	**40,814,103**
Income tax expense	(23)	(20,324,308)	(22,913,187)	(7,459,406)	(10,124,407)
Profit from continuing operations		**53,723,540**	**63,637,550**	**20,394,212**	**30,689,696**
Profit (loss) from discontinued operations		-	-	-	-
Profit (loss)		**53,723,540**	**63,637,550**	**20,394,212**	**30,689,696**
PROFIT (LOSS) ATTRIBUTABLE TO:					
Profit attributable to the owners of the parent company		53,723,540	**63,637,550**	**20,394,212**	**30,689,696**
Profit (loss) attributable to non – controlling interest		-	-	-	-
PROFIT		**53,723,540**	**63,637,550**	**20,394,212**	**30,689,696**
EARNINGS PER SHARE					
Basic earnings per share/diluted					
Basic earnings per share/diluted from continuing operations	(24)	**53,724**	**63,638**	**20,394**	**30,690**
Basic earnings (loss) per share/diluted from discontinued operations		-	-	-	-
Basic earnings per share/diluted	(24)	**53,724**	**63,638**	**20,394**	**30,690**

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Comprehensive Income by Function
For the six an three months ended as of June 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 06/30/2020 ThCh$	(Unaudited) 01/01/2019 06/30/2019 ThCh$	(Unaudited) 04/01/2020 06/30/2020 ThCh$	(Unaudited) 04/01/2019 06/30/2019 ThCh$
PROFIT (LOSS)	**53,723,540**	**63,637,550**	**20,394,212**	**30,690,696**
Components of other comprehensive income, before taxes				
Foreign Currency Translation				
Gains (losses) on foreign currency translation differences, before taxes	(148,377)	(148,377)	(74,188)	(74,188)
Employees benefits plan	-	-	-	-
Cash flow hedges				
Gains (losses) on cash flow hedges, before taxes	15,967,066	681,470	2,746,645	(7,932,662)
Income taxes related to components of other comprehensive income				
Income taxes related to components of foreign currency translation	40,062	40,062	20,031	20,031
Income taxes related to components of cash flow hedge	(4,311,108)	(183,997)	(741,594)	2,141,819
Income taxes related to actuarial calculation	-	-	-	-
Other comprehensive income	**11,547,643**	**389,158**	**1,950,894**	**(5,845,000)**
Total comprehensive income	**65,271,183**	**64,026,708**	**22,345,106**	**24,845,696**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	**65,271,183**	**64,026,708**	**22,345,106**	**24,845,696**
Comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive income	**65,271,183**	**64,026,708**	**22,345,106**	**24,845,696**

TRANSELEC S.A. AND SUBSIDIARY

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

	Note	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 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		-	-	-	-	-	53,723,540	53,723,540	-	53,723,540
Other comprehensive income		-	(108,315)	11,655,958	-	11,547,643	-	11,547,643	-	11,547,643
Total comprehensive income		-	(108,315)	11,655,958	-	11,547,643	53,723,540	65,271,183	-	65,271,183
Dividends	(20.3)	-	-	-	-	-	(43,852,484)	(43,852,484)	-	(43,852,484)
Other increases (decreases)		-	-	-	-	-	-	-	-	-
Total changes in equity		-	(108,315)	11,655,958	-	11,547,643	9,871,056	21,418,699	-	21,418,699
Closing balance as of June 30, 2020 (Note 20) (Unaudited)		**776,355,048**	**108,317**	**(28,914,901)**	**405,358**	**(28,401,226)**	**120,415,047**	**868,368,869**	**-**	**868,368,869**

	Note	Paid-in capital ThCh$	Reserve for foreign translation adjustment ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves ThCh$	Retained Earnings ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interest ThCh$	Total equity ThCh$
Opening balance as of January 1, 2019		776,355,048	420,308	(42,562,401)	530,277	(41,611,816)	66,149,755	800,892,987	-	800,892,987
Changes in equity:										
Comprehensive income:										
Profit		-	-	-	-	-	63,637,550	63,637,550	-	63,637,550
Other comprehensive income		-	(108,315)	497,473	-	389,158	-	389,158	-	389,158
Total comprehensive income		-	(108,315)	497,473	-	389,158	63,637,550	64,026,708	-	64,026,708
Dividends	(20.3)	-	-	-	-	-	(32,875,000)	(32,875,000)	-	(32,875,000)
Other increases (decreases)		-	-	-	-	-	-	-	-	-
Total changes in equity		-	(108,315)	497,473	-	389,158	30,762,550	31,151,708	-	31,151,708
Closing balance as of June 30, 2019 (Note 20) (Unaudited)		**776,355,048**	**311,993**	**(42,064,928)**	**530,277**	**(41,222,658)**	**96,912,305**	**832,044,695**	**-**	**832,044,695**

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 Cash Flows
For the six months ended as of June 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 06/30/2020 ThCh$	(Unaudited) 01/01/2019 06/30/2019 ThCh$
Cash flows provided by (used in) operating activities			
Classes of receipts from operating activities			
Cash receipts from sales of goods and services		214,219,559	216,435,503
Cash receipts from related party for services rendered		725,774	703,803
Other proceeds from operating activities		35,724	49,692
Proceeds from interest received		4,518,231	5,470,720
Classes of payments			
Payments to suppliers for goods and services		(102,343,111)	(13,095,740)
Other payments for operating activities		(44,495,710)	(61,106,221)
Payments to employees		(12,798,743)	(10,655,355)
Payments of interest for rights of use		(128,616)	(62,486)
Interest paid		(37,641,934)	(34,714,969)
Net cash flows provided by operating activities		**22,091,174**	**103,024,947**
Cash Flows Provided by (Used in) Investing Activities			
Additions of property, plant and equipment and Intangible		(94,652,946)	(29,972,699)
Sales of property, plant and equipment		-	26,300
Loans to related parties	(7.1)	(34,798,213)	(47,092,869)
Receivables from related parties	(7.1)	76,963,059	-
Net cash flows used in investing activities		**(52,488,100)**	**(77,039,268)**
Cash Flows Provided by (Used in) Financing Activities			
Loan from banks		83,605,000	-
Payment for rights of use		(654,637)	(759,126)
Dividends paid	(20.3)	(43,852,484)	-
Net cash flows provided by (used in) financing activities		**39,097,879**	**(759,126)**
Net Increase (Decrease) in Cash and Cash Equivalents		**8,700,953**	**25,226,553**
Effect of changes in the exchanges rate		642,206	(261,590)
Net Increase (Decrease) in Cash and Cash Equivalents		**9,343,159**	**24,964,963**
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)	**117,985,521**	**129,024,237**

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

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 June 30, 2020, were approved by the Board at its meeting N°204 held on August 12, 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 June 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. Management was also required to exercise judgment in applying Transelec's accounting policies. Areas involving a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for these consolidated financial statements are described in Note 4.

The information contained in these 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

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

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		Country of origin	Functional currency
		06-30-2020	12-31-2019		
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)

2.3.2 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	January 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.

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.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3.2 Enhancements and Modifications (continued)

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	
	June 30, 2020	December 31, 2019
Unidad de Fomento	28,696.42	28,309.94
US$	821.23	748.74
Euro	922.73	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	June 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 17).

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

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

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

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

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

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 does not have any Net Investment Hedge transaction on its records.

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

6) Embedded derivatives

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

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when, and only when:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial instruments (continued)

8) Compensation of financial assets and liabilities

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

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

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

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

2.10 Inventory

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

2.11 Paid-in capital

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

2.12 Income tax and deferred taxes

The result for income tax for the year is determined as the sum of the current tax arising from the application of the tax rate on taxable income, after allowed deductions, plus the change in assets and liabilities for deferred tax and tax credits, both for tax losses and other deductions. Differences between the book value and tax base of assets and liabilities generate deferred tax asset and liability balances, which are calculated using tax rates expected to be in effect when the assets and liabilities are realized.

Current taxes and changes in deferred tax assets and liabilities not from business combinations are recorded in income or in equity accounts in the statement of financial position, depending on where the gains or losses originating them were recorded. Deferred tax assets and tax credits are recognized only when it is likely that there are future taxable profits sufficient enough against which the deductible temporary differences and the carry forward of unused tax credit can be utilized.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.12 Income tax and deferred taxes (continued)

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

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

2.13 Employee benefits

2.13.1 Staff severance indemnity

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

This benefit is recorded at nominal value.

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

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

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

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

2.13.2 Profit sharing

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.14 Provisions

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

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

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

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

2.15 Classification of current and non-current balances

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

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

2.16 Revenue recognition

The regulatory framework that governs electrical transmission activity in Chile comes from the by - Law of the Electric Services dated 1982 (DFL (M) No. 1/82), and subsequent amendments thereto, including Law 19.940 (called also the "Short Law") enacted on March 13, 2004, Law 20,018 ("Short Law II"), enacted on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Sources of Energy), enacted on April 1, 2008. These are complemented by the by - Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto. On July 11, 2016, the new Transmission Law was enacted, which creates an Independent Coordinating entity of the National Electrical System (NES), called National Electrical Coordinator (CEN, according to the Spanish acronym), which groups the previous DEC SIC and CDEC SING; in addition, it establishes a new Electrical Transmission System in which the trunk transmission system, the subtransmission system and additional systems now form part of National, Zone and Committed Transmission System, respectively. To the remuneration received from the transmitter, a variable discount rate will be applied with a minimum of 7% and a maximum of 10% after taxes. The las enters into effect immediately and gradually until its full application as of 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Revenue recognition (continued)

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

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

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

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

2.17 Leases

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

2.17.1 The Company as lessor

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.17 Leases (continued)

2.17.1 The Company as lessor (continued)

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

2.17.2 The Company as lessee

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.

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.

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 (continued)

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)

2.17.3 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.

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 attributable to owners of the parent.

As of June 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).

3 - RISK MANAGEMENT POLICY

3.1 Financial risk

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

3.1.1 Market risk

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

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

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

3.1.1.1 Interest rate risk

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

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

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

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

3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

The table below compares the debts of the Company and shows that most of the debt of the Company as of June 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 August 3, 2020). 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)	
				June 30, 2020	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	1.8002%	Floating (*)	100,000	-
Revolving Credit Facility	UF	0.35%	Floating (**)	-	-

(*) The floating rate 1.8002% of the Revolving credit facility breaks down in 3M LIBOR plus a margin of 1.50%. As of June 30, 2020, the Company has drawn this line in the amount of US$ 100m.

(**) The floating rate 0.35% of the Revolving credit facility breaks down in TAB UF 180 plus a margin of 0.25%. At June 30, 2020, the Company has not drawn this line.

(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 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	(13,403,800)	(22,168)	(26,015)	(18,322)
Series H Bond	(3,000,815)	(4,963)	(5,825)	(4,102)
Series K Bond	(1,598,861)	(2,645)	(3,103)	(2,186)
Series M Bond	(1,471,298)	(2,433)	(2,855)	(2,011)
Series M1 Bond	(1,860,208)	(3,076)	(3,610)	(2,543)
Series N Bond	(2,874,091)	(4,753)	(5,578)	(3,928)
Series Q Bond	(3,073,544)	(5,084)	(5,966)	(4,202)
Total	**(27,282,617)**	**(45,122)**	**(52,952)**	**(37,294)**

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

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

	Liabilities		Assets	
	June 30, 2020 ThCh$	December 31, 2019 ThCh$	June 30, 2020 ThCh$	December 31, 2019 ThCh$
U.S. dollar (amounts associated with balance sheet items)	931,582	774,341	931,320	773,997
Chilean peso	1,873,604	1,596,539	1,873,866	1,596,884

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

3.1.1.2.1 Sensivity analysis

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

(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$)	86,591	(117)	117	-	-	-
Leasing (US$)	34,001	(46)	46	-	-	-
Forwards (assets) (US$)	10,617	-	-	62	-	-
Senior Notes (US$)	(849,040)	1,149	(1,149)	-	-	-
Swaps	587,331	(795)	795	108,755	(147)	147
Intercompany loan (US$)	212,721	(288)	288	-	-	-
Other (US$)	(82,542)	112	(112)	-	-	-
Total	(321)	15	(15)	108,817	(147)	147

3.1.2 Credit risk

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

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

Revenues	**For the period ended June 30, 2020 ThCh$**	**For the period ended June 30, 2019 ThCh$**
Enel Group	47,662,166	66,552,441
CGE Group	25,285,936	32,403,089
AES Gener Group	19,260,729	29,681,964
Colbún Group	13,498,076	29,949,305
Engie (E-CL) Grouo	11,107,058	10,448,793
Others	54,372,641	4,851,400
Total	**171,186,606**	**173,886,992**
% of concentration of top customers	**68.24%**	**97.21%**

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$150 million (dollar tranche) and UF 2.5 million (UF tranche)
(b) Cost for unused amount (Commitment Fee): 0.4375% (dollar tranche) and 0.15% (UF tranche)
(c) The margin or spread per amount used: 1.25% (dollar tranche) and 0.15% (UF tranche)

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 June 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$
June 30, 2020	151,388,458	137,692,179	674,930,580	844,776,953	493,825,951	2,302,614,121
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.

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

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

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

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

NOTE 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 June 2020, the liquidity position of the Company is solid and, moreover, there is a revolving credit line available which 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 a reduction on collectability lower than 20% that is lower than the reduction expected. We expect a new bill of law regarding the Basic Services Interruption Law as it is on its last steps in the Chilean Congress. This bill 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. Additionally, for those clients within the 60% more vulnerable population may choose to postpone the debt from March 18, 2020 to the 90 days after the Law is enacted to be reprogrammed in up to 12 monthly and correlative installments without fines, interests or any other associated expenses.

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.

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

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.

5 - CASH AND CASH EQUIVALENTS

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

	Balance as of	
Cash and Cash Equivalents	**June 30, 2020 ThCh$**	**December 31, 2019 ThCh$**
Bank and cash balances	9,754,411	1,680,122
Short term deposits	77,710,855	3,404,498
Reverse repurchase agreements and mutual funds	30,520,255	103,557,742
Total	**117,985,521**	**108,642,362**

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

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

5 - CASH AND CASH EQUIVALENTS (continued)

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

Detail of Cash and Cash Equivalents	Currency	Balance as of June 30, 2020 ThCh$	Balance as of December 31, 2019 ThCh$
Amount of cash and cash equivalents	U.S. dollars	86,600,991	4,021,429
Amount of cash and cash equivalents	Euros	11,212	252,235
Amount of cash and cash equivalents	Chilean pesos	31,373,318	104,368,698
Total		**117,985,521**	**108,642,362**

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

6 - TRADE AND OTHER RECEIVABLES

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

	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Trade receivables	158,641,970	86,831,886
Miscellaneous receivables	218,575	212,192
Total trade and other receivables	**158,860,545**	**87,044,078**

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

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

	Balance as of June 30, 2020 ThCh$	Balance as of December 31, 2019 ThCh$
Maturing in less than 30 days	71,113,686	56,760,654
Maturing in more than 30 days up to 1 year	87,746,859	30,283,424
Total	**158,860,545**	**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

Tax ID Number	Company	Country	Description	Start Date	Maturity Date	Relation	Currency	Balance as of			
								Current		Non-current	
								June 30, 2020 ThCh$	December 31, 2019 ThCh$	June 30, 2020 ThCh$	December 31, 2019 ThCh$
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan Mercantile current Account	Not defined	Not defined	Parent Company	CH$	4,301,925	13,955,738	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	08-31-2017	08-31-2020	Parent Company	CH$	1,962,894	1,773,786	833,755	27,212,850
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	09-21- 2015/ 11-28-2017	09-21-2025/ 11-28-2027	Parent Company	UF	-	-	21,947,098	21,651,517
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Loan	06-30-2015/ 11-28-2017	06-30-2025/ 11-28-2027	Parent Company	US$	-	-	212,720,845	193,943,969
76.248.725-K	CYT Operaciones SPA	Chile	Accounts receivable	Not defined	Not defined	Indirect	CH$	153,664	5,802,554	-	-
20604938300	Conelsur SV SAC	Peru	Accounts receivable	Not defined	Not defined	Indirect	CH$	329,067	120,358		
76.524.463-3	Transelec Concesiones S.A	Chile	Accounts receivable	Not defined	Not defined	Indirect	CH$	649,534	353,236	-	-
	Total							**7,397,084**	**22,005,672**	**235,501,698**	**242,808,336**

The company does not maintain accounts payable balances to unconsolidated related companies as of June 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	June 30, 2020		June 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	-	47,017,611	-
76.560.200-9	Transelec Holdings Rentas Ltda	Chile	Parent Company	Amounts collected	70,439,681	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Dividend payable	-	-	32,871,712	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Interest earned	4,737,708	4,737,708	4,259,252	4,259,252
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Exchange difference	18,746,579	18,746,579	4,026,833	4,026,833
76.560.200-9	Transelec Holdings Rentas Ltda.	Chile	Parent Company	Indexed to UF	295,581	295,581	260,556	260,556
76.559.580-0	Rentas Eléctricas I Limitada	Chile	Indirect	Dividend payable	-	-	3,288	-
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	-	-	75,258	-
76.248.725-K	CYT Operaciones SpA	Chile	Indirect	Amounts charged	6,132,250	-	-	-

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 as Chairman of the Board.

Currently, the Board of Directors is composed of nine Regular Directors, with 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 Board of Directors and management (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.

	June 30, 2020 ThCh$	June 30, 2019 ThCh$
Scott Lawrence (President)*	-	-
Rui Han*	-	-
Richard Cacchione*	-	-
Brenda Eaton (President in 2019)*	14,963	26,018
Mario Alejandro Valcarce Durán	36,017	27,688
Patricia Angelina Nuñez Figueroa	36,017	27,688
Blas Tomic Errázuriz	36,017	27,688
Juan Ramon Benabarre Benaiges	36,017	27,688
Andrea Butelmann Peisajoff	6,390	-
Alejandro Jadresic Marinovic	-	27,688

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

7.3 Board expenses

During the period between January 01 and June 30, 2020 there have been UF 220 expenses related to consulting for the Board, referring to In Company Program training given by the PUC Corporate Governance Center.

During the period between January 01 and June 30, 2019, no expenses were 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 three 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 June 30, 2020 and 2019:

	June 30, 2020 ThCh$	June 30, 2019 ThCh$
Mario Alejandro Valcarce Duran	7,487	6,253
Patricia Angelina Nuñez Figueroa	7,487	6,253
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 Electrical Development

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

(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	
	June 30, 2020 ThCh$	June 30, 2019 ThCh$
Salaries	994,419	978,389
Short-term employee benefits	414,647	470,460
Long-term employee benefits	620,570	232,116
Total compensation received by key management personnel	**2,029,636**	**1,680,965**

8 - OTHER FINANCIAL ASSETS, LEASES

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

	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Finance lease receivables current	1,298,572	1,150,194
Forward Contracts (See note 16)	62,269	73,384
Sub-total Other financial assets current	**1,360,841**	**1,223,578**
Finance lease receivables non-current	32,702,724	30,342,702
Swap Contracts (See note 16)	108,755,177	40,976,656
Other financial assets	41,752	41,752
Sub-total Other financial assets non-current	**141,499,653**	**71,361,110**
Total	**142,860,494**	**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:

	June 30, 2020		
Period in years	**Present Value ThCh$**	**Interest receivable ThCh$**	**Gross investment ThCh$**
Less than 1	1,298,572	3,790,423	5,088,995
1-5	5,541,777	14,303,316	19,845,093
Over 5	27,160,947	43,968,692	71,129,639
Total	**34,001,296**	**62,062,431**	**96,063,727**

	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	
	June 30, 2020 ThCh$	**December 31, 2019 ThCh$**
Opening balance	**31,492,896**	**29,954,109**
Additions	130,545	203,497
Amortization	(642,854)	(1,053,041)
Translation difference	3,020,709	2,388,331
Ending balance	**34,001,296**	**31,492,896**

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

9 - INTANGIBLE ASSETS

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

Intangible assets, net	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Rights of way (*)	177,084,349	176,327,213
Software	4,614,925	5,875,156
Total intangible assets	**181,699,274**	**182,202,369**

(*) As of June 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	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Rights of way	177,084,349	176,327,213
Software	19,693,180	19,465,387
Total intangible assets	**196,777,529**	**195,792,600**

Accumulated amortization and impairment	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Software	(15,078,255)	(13,590,231)
Total accumulated amortization	**(15,078,255)**	**(13,590,231)**

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

9 - INTANGIBLE ASSETS (continued)

The composition and movements of intangible assets as of June 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	227,793	984,929
Retirements	-	-	-
Amortization	-	(1,488,024)	(1,488,024)
Ending balance of intangible assets as of June 30, 2020	**177,084,349**	**4,614,925**	**181,699,274**

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 June 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 June 30, 2020 and December 31, 2019 is as follows:

Detail	June 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 during the period ended June 30, 2020 and December 31, 2019 are:

	June 30, 2020 ThCh$
Opening balance as of January 1, 2020	343,059,078
Changes:	
Increase (decrease) for Exchange difference	-
Ending balances as of June 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	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Land	20,998,917	20,983,646
Buildings and infrastructure	884,924,477	896,902,191
Work in progress	218,765,257	135,552,321
Machinery and equipment	470,641,527	478,838,192
Other property, plant and equipment	5,981,005	5,932,186
Assets for Rights of Way Leasing	4,368,811	5,126,832
Property, plant and equipment, net	**1,605,679,994**	**1,543,335,368**

Property, plant and equipment, gross	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Land	20,998,917	20,983,646
Buildings and infrastructure	1,210,629,620	1,210,139,071
Work in progress	218,765,257	135,552,321
Machinery and equipment	729,752,622	726,472,407
Other property, plant and equipment	5,981,005	5,932,186
Assets for Rights of use	6,721,268	6,721,268
Total property, plant and equipment, gross	**2,192,848,689**	**2,105,800,899**

Total accumulated depreciation of property, plant and equipment, net	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Buildings and infrastructure	(325,705,143)	(313,236,880)
Machinery and equipment Assets from Rights of use	(259,111,095)	(247,634,215)
Assets from Rights of use	(2,352,457)	(1,594,436)
Total accumulated depreciation of property, plant and equipment	**(587,168,695)**	**(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 June 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	-	-	-	87,516,715	105,874	-	87.622.589
	Retirements	-	(2,327)	(102,366)	(52,688)	-	-	(157.381)
	Transfer to operating assets	15,271	496,939	3,795,936	(4,251,091)	(57,055)	-	-
	Depreciation	-	(12,472,326)	(11,890,235)	-	-	(758,021)	(25.120.582)
Closing balance as of June 30, 2020		**20,998,917**	**884,924,477**	**470,641,527**	**218,765,257**	**5,981,005**	**4,368,811**	**1,605,679,994**

		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 June 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$ 170,348,303 and ThCh$204,714,968, respectively.

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

	June 30 , 2020	December 31, 2019
Capitalization rate (Annual basis)	4.93%	4.71%
Capitalized interest costs (ThCh$)	2,965,721	2,147,489

Work in progress balances amounts to ThCh$218,765,257 and ThCh$135,552,321 as of June 30, 2020 and December, 2019 respectively.

11.4 – Lease right of use

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

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	5.322,615	608,565	6,032,968
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	-	-	-	-
Amortization Expense	(7,813)	(598,067)	(152,141)	(758,021)
Closing balance as of June 30, 2020	**78,349**	**4,290,462**	-	**4,368,811**

As of June 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 June 30, 2020 and December 31, 2019 is as follows:

	Balance	
	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Income Tax Provision First Category	6,612,048	153,399
Total	**6,612,048**	**153,399**

13 - DEFERRED TAXES

13.1 Detail of deferred tax liabilities

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

Temporary differences	Net deferred taxes	
	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Depreciable fixed assets	(176,665,232)	(167,226,971)
Financial expenses	(131,130)	(210,162)
Leased assets	(7,032,883)	(5,573,603)
Materials and spare parts	170,079	141,951
Tax losses	694,037	16,974,715
Staff severance indemnities provision	(81,790)	(76,642)
Deferred income	1,390,163	1,443,835
Obsolescence provision	1,082,703	1,082,703
Work in progress	1,792,688	1,236,783
Vacation provisions	524,973	514,547
Intangible assets	(3,625,684)	(4,614,934)
Adjustment of effective interest rate of bonds	(2,844,777)	(2,709,734)
Land	1,909,336	1,804,089
Provision Tariff Review	7,760,624	-
Goodwill	787,757	864,830
Net deferred tax assets/(liabilities)	**(174,269,136)**	**(156,348,593)**
Reflected in the statement financial position as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	(174,269,136)	(156,348,593)
Net deferred tax assets/(liabilities)	**(174,269,136)**	**(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$2,570,507 and ThCh$62,869,317 as of June 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 June 30, 2020 and December 31, 2019 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2019	**-**	104,804,361
Increase (decrease)	-	51,544,232
Balance as of December 31, 2019	**-**	**156,348,593**
Increase (decrease)	-	17,920,543
Balance as of June 30, 2020	**-**	**174,269,136**

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 June 30, 2020 and December 31, 2019 is as follows:

Interest bearing loans	June 30, 2020		December 31, 2019	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	20,611,048	1,615,202,618	19,415,009	1,529,919,065
Total bonds payable	**20,611,048**	**1,615,202,618**	**19,415,009**	**1,529,919,065**
Bank borrowings	82,542,369	-	-	-
Swap contract (Note 16)	4,022,881	-	4,070,487	-
Total Banks borrowings	**86,565,250**	**-**	**4,070,487**	**-**
Right of use liabilities	1,199,885	3,227,952	1,406,557	3,787,988
Total Right of use liabilities	**1,199,885**	**3,227,952**	**1,406,557**	**3,787,988**
Total Other Financial Liabilities	**108,376,183**	**1,618,430,570**	**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 June 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	June 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	385,401,078	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	87,855,545	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	46,597,714	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	42,293,700	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	53,475,104	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	82,574,733	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	88,935,096	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	250,002,372	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	311,299,843	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	287,378,481	261,772,146
											Total	**1,635,813,666**	**1,549,334,074**

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$1,851,289,317 and ThCh$1,754,552,977 as of June 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 June 30 , 2020 ThCh$	Maturity 1 to 3 years ThCh$	Maturity 3 to 5 years ThCh$	Maturity more than 5 years ThCh$	Total Non-current June 30, 2020 ThCh$
76.555.400-4	Transelec S.A	480	-	668,335	668,335	-	-	384,732,743	384,732,743
76.555.400-4	Transelec S.A	599	1,695,924	-	1,695,924	-	-	86,159,621	86,159,621
76.555.400-4	Transelec S.A	599	699,310	-	699,310	-	-	45,898,404	45,898,404
76.555.400-4	Transelec S.A	599	-	73,058	73,058	-	-	42,220,642	42,220,642
76.555.400-4	Transelec S.A	599	-	92,792	92,792	-	-	53,382,311	53,382,311
76.555.400-4	Transelec S.A	599	-	143,677	143,677	-	-	82,431,056	82,431,056
76.555.400-4	Transelec S.A	744	-	424,976	424,976	-	-	88,510,121	88,510,121
76.555.400-4	Transelec S.A	1st issuance	5,091,898	-	5,091,898	-	244,910,473	-	244,910,473
76.555.400-4	Transelec S.A	2nd issuance	6,297,517	-	6,297,517	-	305,002,326	-	305,002,326
76.555.400-4	Transelec S.A	3rd issuance	5,423,561	-	5,423,561	-	-	281,954,921	281,954,921
		Total	**19,208,210**	**1,402,838**	**20,611,048**	**-**	**549,912,799**	**1,065,289,819**	**1,615,202,618**

			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	Final term	Balance 06/30/2020 ThCh$	Balance 12/31/2019 ThCh$
76.555.400-4	Transelec S.A.	Chile	DNB Bank ASA	Noruega	USD	Bullet	2,44%	2,44%	08-03-2020	82,542,369	-
									Total	**82,542,369**	**-**

Debtor taxpayer ID number	Debtor Name	Creditor name	Current: Maturity Less than 90 days ThCh$	Current: Maturity More than 90 days ThCh$	Current: Total current as of 06/30/2020 ThCh$	Non current: Maturity 1 and up to 3 years ThCh$	Non current: Maturity 3 and up to 53 years ThCh$	Non current: Maturity More tan 5 years ThCh$	Non current: Total non-current as of a 06/30/2020 ThCh$
76.555.400-4	Transelec S.A.	DNB Bank ASA	82,542,369	-	82,542,369	-	-	-	-
		Total	**82,542,369**	**-**	**82,542,369**	**-**	**-**	**-**	**-**

(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 as of June 30, 2020 and December 31, 2019 and the movements during the periods are detailed below:

Movement Lease liabilities	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	-	-	-	-
Interest expenses	(956)	(54,581)	(498)	(56,035)
Payments	(4,827)	(501,312)	(148,499)	(654,638)
Deferred interest	(956)	(54,581)	(498)	(56,035)
Closing balance as of June 30, 2020	**78,026**	**4,349,811**	**-**	**4,427,837**

Movement Lease liabilities	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 June 30, 2020		Balance as of December 31, 2019	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Right of Use Liabilities	1,273,694	3,350,135	1,439,238	4,007,334
Total Right of Use Liabilities	**1,273,694**	**3,350,135**	**1,439,238**	**4,007,334**
Right of Use deferred interest	(73,809)	(122,183)	(32,681)	(219,346)
Total Right of Use deferred interest	**(73,809)**	**(122,183)**	**(32,681)**	**(219,346)**
Total Right of Use financial liabilities	**1,199,885**	**3,227,952**	**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.

Right of use	Current			Non-current			
	Maturity Less than 90 days	Maturity More than 90 days	Total Current as of June 30, 2020	Maturity 1 and up to 3 years	Maturity 3 and up to 5 years	Maturity More than 5 years	Total Non-current as of June 30, 2020
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Land	6,947	7,914	14,861	47,211	15,954	-	63,165
Buildings	295,137	889,887	1,185,024	2,927,559	210,265	26,963	3,164,787
Total Right of Use financial liabilities	**302,084**	**897,801**	**1,199,885**	**2,974,770**	**226,219**	**26,963**	**3,227,952**

Right of use	Current			Non-current			
	Maturity Less than 90 days	Maturity More than 90 days	Total Current as of December 31, 2019	Maturity 1 and up to 3 years	Maturity 3 and up to 5 years	Maturity More than 5 years	Total Non-current as of December 31, 2019
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	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$))

14.4 Other aspects

As of June 30, 2020, Transelec had available a credit line of US$250 million, which as of March 27, 2020 registered a use of US$ 100 million, leaving a balance available of US$ 150 million.

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 June 30, 2020 and December 31, 2019, are detailed as follows:

Trade and other payables	Current June 30, 2020 ThCh$	 December 31, 2019 ThCh$
Trade and other payables	24,402,503	29,227,990
Other accounts payable	3,910,033	1,895,917
Total	**28,312,536**	**31,123,907**

The average payment period for suppliers in the periods ended 2020 and 2019 was 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

	June 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	-	108,755,177	4,022,881	-	-	40,976,656	4,070,487	-
Forward (non-hedging))	62,269	-	-	-	73,384	-	-	-
Total	**62,269**	**108,755,177**	**4,022,881**	**-**	**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 June 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$	June 30, 2020 Total ThCh$
Currency hedge Swap	104,732,296	(4,022,881)	-	-	-	-	108,755,177	104,732,296
Forward	62,269	62,269	-	-	-	-	-	62,269

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 June 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 June 30, 2020 and December 2019

Financial instrumental measured at fair value	June 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	104,732,296	-	104,732,296	-
Cash flows derivatives (non-hedging)	62,269	-	62,269	-
Total, net	**104,794,565**	**-**	**104,794,565**	**-**

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	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
		For profit or loss	For other comprehensive income	Hedge	No Hedge	
June 30, 2020	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalents	-	117,985,521	-	-	-	117,985,521
Other financial assets, current	1,298,572	-	-	-	62,269	1,360,841
Trade and other receivables	158,860,545	-	-	-	-	158,860,545
Other financial assets, non-current	32,702,724	41,752	-	108,755,177	-	141,499,653
Receivables from related parties, current	7,397,084	-	-	-	-	7,397,084
Receivables from related parties, non-current	235,501,698	-	-	-	-	235,501,698
Total	**435,760,623**	**118,027,273**	**-**	**108,755,177**	**62,269**	**662,605,342**

	Financial Assets to Amortized Cost	Financial Assets to Fair Value		Derivative Instruments		Total
		For profit or loss	For other comprehensive income	Hedge	No Hedge	
December 31, 2019	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**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
		For Profit or Loss	For other comprehensive income		For Profit or Loss	
June 30, 2020	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other financial liabilities, current	104,353,302	-	-	4,022,881	-	108,376,183
Trade and other payables	28,312,536	-	-	-	-	28,312,536
Other financial liabilities, non-current	1,618,430,570	-	-	-	-	1,618,430,570
Total	**1,751,096,408**	**-**	**-**	**4,022,881**	**-**	**1,755,119,289**

	Financial Liabilities to Amortized Cost	Financial Liabilities to Fair Value		Derivatives Instruments		Total
		For Profit or Loss	For other comprehensive income		For Profit or Loss	
December 31, 2019	ThCh$	ThCh$	ThCh$	ThCh$	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 June 30, 2020 and December 31, 2019, is as follows:

Detail	Current		Non-current	
	June 30, 2020 ThCh$	December 31, 2019 ThCh$	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Staff severance indemnities	1,567,949	365,539	3,824,707	5,821,598
Accrued vacations	1,944,346	1,905,730	-	-
Profit sharing benefits	2,209,870	3,677,000	-	-
Other provisions	205,447	205,447	-	-
Total	**5,927,612**	**6,153,716**	**3,824,707**	**5,821,598**

18.2 Provision movements

The movement of these obligations in the period ended as of June 30, 2020 and December 31, 2019 is as follows:

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, 2020	**6,187,137**	**3,677,000**	**1,905,730**	**205,447**	**11,975,314**
Movements in provisions:					
Provisions during the year	193,671	3,536,124	684,312	-	4,414,107
Payments	(988,152)	(5,003,254)	(645,696)	-	(6,637,102)
Ending balance as of June 30, 2020	**5,392,656**	**2,209,870**	**1,944,346**	**205,447**	**9,752,319**

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:

As of June 30, 2020

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities (nota 19)	1,567,949	306,403	1,001,964	2,516,340
Accrued vacations	1,944,346	-	-	-
Profit sharing benefits	2,209,870	-	-	-
Other provisions	205,447	-	-	-
Total	**5,927,612**	**306,403**	**1,001,964**	**2,516,340**

As of December 31, 2019

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities (nota 18)	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.

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

18 - PROVISIONS (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 June 30, 2020 the Company has established a provision for these and other contingents liabilities totaling to ThCh$ 1,478,214 (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 June 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 June 30, 2020, this provision amounts to ThCh$ 2,191,182.

19 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

19.1 Detail of account

Employee benefit obligations	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Staff severance indemnity provision – current	1,567,949	365,539
Staff severance indemnity provision non – current	3,824,707	5,821,598
Total Employee benefit obligations Current and Non-current	**5,392,656**	**6,187,137**

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

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

19.2 Detail of obligations to employees

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

	Staff severance indemnity	
	June 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	190,885	550,637
Liquidations obligation defined benefit plan	(985,366)	(484,057)
Present value of defined benefit obligations ending balance	**5,392,656**	**6,187,137**

19.3 Balance of obligations to employees

	Staff severance indemnity	
	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Present value of defined benefit obligations, ending balance	**5,392,656**	**6,187,137**
Present obligation with defined benefit plan funds	5,392,656	6,187,137
Balance of defined benefit obligations, ending balance	**5,392,656**	**6,187,137**

19.4 Expenses recognized in income statement

	Staff severance indemnity		
	January 1, 2020 to June 30, 2020 ThCh$,	January 1, 2019 to December 31, 2019 ThCh$	Income statement line item where recognized
Current service cost of defined benefit plan	116,619	178,066	Cost of sales and Administrative expenses
Interest cost of defined benefit plan	74,266	379,683	Cost of sales and Administrative expenses
Total expense recognized in income statement	**190,885**	**557,749**	

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

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

19.5 Actuarial hypothesis

Detail	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Discount rate used	(0.23%)	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 June 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	(230,439)	253,442	242,645	(225,626)	247,379	(229,714)

(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 June 30, 2020.

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

	June 30, 2020 ThCh$	December 31, 2019 ThCh$
During the upcoming 12 month	1,567,949	365,539
Between 2 to 5 years	1,308,367	1,536,000
Between 5 to 10 years	2,129,390	2,005,839
More than 10 years	386,950	2,279,759
Total Payments Expected	**5,392,656**	**6,187,137**

20 - EQUITY

20.1 Subscribed and paid capital

As of June 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 June 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 June 30, 2020, and until the issuance date of theses Financial Statements, the company has not agreed or distributed provisional dividends charged to the results for the period 2020.

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

20 – EQUITY (continued)

20.3 Dividends (continued)

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.

20.4 Other reserves

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

Description	June 30, 2020 ThCh$	December 31, 2019 ThCh$
Net investment hedge	148,379	296,756
Cash flow hedge (Exchange rate)	(39,609,453)	(55,576,519)
Actuarial calculation exchange differences	555,285	555,285
Deferred taxes	10,504,563	14,775,609
Total	**(28,401,226)**	**(39,948,869)**

The movements of other reserves as of June 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)	(148,377)	15,967,066	-	15,818,689
Deferred tax	40,062	(4,311,108)	-	(4,271,046)
Closing balance as of June 30, 2020	**108,317**	**(28,914,901)**	**405,358**	**(28,401,226)**

	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$430,446,300 as of June 30, 20202. 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 June 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**	**June 30, 2020 MCh$**	**December 31, 2019 MCh$**
A	Other financial liabilities, current	108,376	24,892
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,618,431	1,533,707
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,726,807**	**1,558,599**
G	Debt with guarantees (1)	-	-
DT=E+G	**Total debt**	**1,726,807**	**1,558,599**
H	Non-controlling interest	-	-
P	Equity attributable to owners of the parent	868,369	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**	**2,620,146**	**2,430,519**
DT/CT	**Total debt / Total capitalization ratio**	**0.66**	**0.64**

Covenant 2	**Minimum equity** **Greater than or equal to UF 15 million/ Greater or equal to ThCh$ 350,000**	**June 30, 2020 MCh$**	**December 31, 2019 MCh$**
P	Equity attributable to owners of the parent	868,369	846,950
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	**Equity (in ThCh$)**	**893,339**	**871,920**
UF	UF value	28,696,42	28,309,94
(I+P)/UF	**Equity (in UF millions)**	**31.13**	**30.80**

Covenant 3	**Restricted payments test** **Funds from operations (FNO) / Financial costs > 1.5**	**June 30, 2020 MCh$**	**December 31, 2019 MCh$**
FO	Cash flow from operations	138,798	219,732
CF	Financial costs	75,816	73,454
IG	Income tax expense	48,555	51,144
FNO=FO+CF+IG	**Funds from operations**	**263,169**	**344,330**
FNO/CF	**Funds from operations / Financial costs**	**3.47**	**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 0.70	June 30, 2020 MCh$	December 31, 2019 MCh$
A	Other financial liabilities, current	108,376	24,892
B	Payables to related parties, current	-	-
C	Other financial liabilities, non-current	1,618,431	1,533,707
D	Payables to related parties, non-current	-	-
E=A+B+C+D	**Covenants debt**	**1,726,807**	**1,558,599**
F	Debt with guarantees	-	-
G=E+F	**Total debt**	**1,726,807**	**1,558,599**
H	Cash and cash equivalents	(117,986)	(108,642)
DN=G-H	**Net debt**	**1,608,821**	**1,449,957**
I	Operating revenues	375,891	378,591
J	Cost of sales	(93,055)	(88,115)
K	Administrative expenses	(22,002)	(23,154)
L	Depreciation and amortization	56,533	57,396
N	Other gains	2,059	3,041
O	Finance lease amortization	1,191	1,053
EA=I+J+K+L+N+O	**Adjusted EBITDA**	**320,617**	**328,812**
(I+P)/UF	**Net debt /Adjusted EBITDA**	**5.02**	**4.41**

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 six and three months periods ended June 30, 2020 and 2019, is as follows:

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Regulated revenues	156,154,077	139,240,892	78,501,314	71,308,637
Contract revenue	41,777,994	32,817,333	23,498,147	16,598,069
Leasing revenues	1,997,585	1,828,767	959,866	811,412
Provision Tariff Review	(28,743,050)	-	(28,743,050)	-
Total revenues	**171,186,606**	**173,886,992**	**74,216,277**	**88,718,118**

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Regulated Revenues:	**156,154,077**	**139,240,892**	**78,501,314**	**71,308,637**
National Transmission System	112,198,886	99,953,392	56,069,540	51,187,685
Zonal Transmission System	41,308,227	37,125,994	21,102,038	18,849,615
Dedicated Transmission System	2,157,452	1,695,960	1,085,537	1,040,495
Complementary services	489,512	465,546	244,199	230,842
Total	**41,777,994**	**32,817,333**	**23,498,147**	**16,598,069**
Contractual income				
Transmission facilities	34,044,136	29,804,400	19,032,408	15,163,869
Engineering and Construction Services	4,742,875	-	3,274,704	-
Others	2,990,983	3,012,933	1,191,035	1,434,200
Leasing revenues	**1,997,585**	**1,828,767**	**959,866**	**811,412**
Provision Tariff Review	**(28,743,050)**	**-**	**(28,743,050)**	**-**
Total	**171,186,606**	**173,886,992**	**74,216,277**	**88,718,118**
Transferred services by a long time	171,186,606	173,886,992	74,216,277	88,718,118
Total Revenues	**171,186,606**	**173,886,992**	**74,216,277**	**88,718,118**

(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 and therefore a provision has been accounted for ThCh$28.743.050 (US$35m app.).

21.2 Other operating income

The following table details operating income for the six and three months periods ended June 30, 2020 and 2019, is as follows:

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Financial income (Note 22.4)	6,471,025	7,455,243	3,409,434	4,426,080
Other gains (losses), net	489,516	1,471,326	145,791	1,107,911
Total other operating income	**6,960,541**	**8,926,569**	**3,555,225**	**5,533,991**

(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 months periods ended June 30, 2020 and 2019, is as follows:

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Personnel expenses (Note 22.2)	11,875,892	10,890,312	6,156,565	5,674,281
Operating expenses	11,488,837	8,172,102	5,715,655	4,041,310
Maintenance expenses	4,870,517	4,201,856	2,583,891	2,459,004
Depreciation and write-offs (Note 22.3)	26,765,987	27,628,770	13,325,408	14,109,335
Other	857,793	1,178,174	536,795	637,563
Total	**55,859,026**	**52,071,214**	**28,318,314**	**26,921,493**

22.2 Personnel expenses

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

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Salaries and wages	10,816,974	9,923,368	5,447,369	4,948,725
Short-term employee benefits	566,016	608,925	236,386	288,562
Staff severance indemnity	335,299	296,483	99,841	133,617
Other long-term benefits	699,119	667,694	341,241	338,837
Other personnel expenses	4,009,420	3,567,900	2,301,516	2,108,642
Expenses capitalized on construction in progress	(4,550,936)	(4,174,058)	(2,269,788)	(2,144,102)
Total	**11,875,892**	**10,890,312**	**6,156,565**	**5,674,281**

(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 six and three months periods ended June 30, 2020 and 2019, is as follows:

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Depreciation	24,362,561	24,997,652	12,187,043	12,558,482
Amortization (Intangible)	1,488,024	1,419,508	747,150	749,633
Amortization (Rights of use)	758,021	784,927	340,975	392,463
Losses from damages [1]	157,381	426,683	50,240	408,757
Total	**26,765,987**	**27,628,770**	**13,325,408**	**14,109,335**

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

22.4 Financial results

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

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Financial income:	**6,471,025**	**7,455,243**	**3,409,434**	**4,426,080**
Commercial interest earned	529,684	1,372,525	501,339	1,338,953
Bank interest earned	1,203,633	1,823,467	628,986	1,183,805
Interest earned from related parties	4,737,708	4,259,251	2,279,109	1,903,322
Financial expenses:	**(38,283,643)**	**(35,921,688)**	**(19,285,027)**	**(18,063,948)**
Interest on bonds	(33,051,326)	(31,305,743)	(16,473,996)	(15,782,672)
Interest rate Swap	(4,332,198)	(4,329,297)	(2,166,099)	(2,166,099)
Other expenses	(900,119)	(286,648)	(644,932)	(115,177)
Gain (loss) from indexation of UF	**(10,385,125)**	**(9,042,455)**	**(2,666,384)**	**(9,041,252)**
Foreign exchange gains (losses), net	**428,495**	**772,533**	**351,841**	**588,687**
Obligations with public	(73,613,089)	15,070,863	31,808,242	(1,605,046)
Intercompany Loan	18,746,579	(4,026,833)	(8,083,331)	140,237
Financial Instruments	52,027,934	(10,491,462)	(21,906,456)	194,137
Other	3,267,071	219,965	(1,466,614)	1,859,359
Total financial result, net	**(41,769,248)**	**(36,736,367)**	**(18,190,136)**	**(22,090,433)**

(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 six and three months periods ended June 30, 2020 and 2019

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Current tax expense	6,674,811	44,494	6,657,907	(432)
Current tax expense, net, total	**6,674,811**	**44,494**	**6,657,907**	**(432)**
Deferred tax expense relating to origination and reversal of temporary differences	13,649,497	22,868,693	801,499	10,124,839
Deferred tax expense, net, total	**13,649,497**	**22,868,693**	**801,499**	**10,124,839**
Effect of change in tax situation of the entity or its shareholders				
Income tax expense	**20,324,308**	**22,913,187**	**7,459,406**	**10,124,407**

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Tax rate using statutory rate	19,992,919	23,368,699	7,520,477	11,019,808
Price-level restatement of capital	(108,971)	(21,004)	54,682	(21,004)
Price-level restatement of tax loss	546,478	-	(10,828)	-
Others differences	(106,118)	(434,508)	(104,925)	(874,397)
Total adjustments to tax expense using statutory rate	331,389	(455,512)	(61,071)	(895,401)
Tax expense using effective tax rate	**20,324,308**	**22,913,187**	**7,459,406**	**10,124,407**

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

23 - INCOME TAX RESULT (continued)

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$	04.01.2020 06.30.2020 ThCh$	04.01.2019 06.30.2019 ThCh$
Statutory Tax Rate	27.00%	27.00%	27.00%	27.00%
Price-level restatement of capital	(0.15%)	(0.02%)	0.20%	(0.05%)
Price-level restatement of tax loss	0.74%	-	(0.04%)	-
Others differences	(0.14%)	(0.51%)	(0.38%)	(2.14%)
Total adjustments to tax expense using statutory rate	0.45%	(0.53%)	(0.22%)	(2.19%)
Effective tax rate	**27.45%**	**26.47%**	**26.78%**	**24.81%**

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 14 A).

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 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$
Profit attributable to equity holders of parent (ThCh$)	53,723,540	63,637,550
Earnings available to common shareholders, basic (ThCh$)	53,723,540	63,637,550
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	53,724	63,638

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

	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$
Transmission services	171,186,606	173,886,992

Information about sales and principal customers

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

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

As of June 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$40,842,463 (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.

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

27 - DISTRIBUTION OF PERSONNEL

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

	June 30, 2020				
	Manager and Executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**16**	**423**	**126**	**565**	**563**

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

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 three-month ended June 30, 2020 and 2019, the Company has made the following environmental disbursements:

Company making disbursement	Project	01.01.2020 06.30.2020 ThCh$	01.01.2019 06.30.2019 ThCh$
Transelec S.A.	Environmental management, elaboration of DIA and EIA and the follow up of environmental matters (includes environmental permissions for sectors)	450,669	629,966
Total		**450,669**	**629,966**

(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	June 30, 2020		December 31, 2019	
			Maturity less than 90 days	Maturity more than 91 to 1 year	Maturity less than 90 days	Maturity more than 91 to 1 year
			ThCh$	ThCh$	ThCh$	ThCh$
Cash and cash equivalents	Dollars	CH$	86,600,991	-	4,021,429	-
	Other Currency	CH$	11,212	-	252,235	-

Current Liabilities	Foreign Currency	Functional Currency	June 30, 2020		December 31, 2019	
			Maturity less than 90 days	Maturity more than 91 to 1 year	Maturity less than 90 days	Maturity more than 91 to 1 year
			ThCh$	ThCh$	ThCh$	ThCh$
Other financial liabilities, current	Dollars	CH$	99,355,345	-	19,386,228	-

			June 30, 2020			December 31, 2019		
			1 to 3 year	3 to 5 year	More than 5 year	1 to 3 year	3 to 5 year	More than 5 year
Non-Current Liabilities	Foreign Currency	Functional Currency	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other financial liabilities, non-current	Dollars	CH$	-	549,912,799	281,954,921	-	223,101,284	534,642,710

30. SUBSEQUENT EVENTS

On July 31st, 2020 the Company hired a new Revolving Credit Facility (RCF) for an amount of US$250m at Libor – 3 month plus a margin of 150 basis point with a maturity date of July 31st, 2021 which replaces the previous RCF. In the same date the former RCF was totally paid for an amount of US$100m and then the Company proceeds to drawn the same US$100m of the new RCF.

Since June 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
June 30, 2020

SUMMARY

As of June 30, 2020, revenues reached MCh$171,187 showing a decrease of 1.6% compared to the same period of 2019 (MCh$173,887). The decrease is mainly explained to a lower income provision associated with the effect that would have 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), nevertheless, it will have a retroactive effect on the company's incomes as of January 1st, 2020. Additionally, it should be noted that the Company's revenues also consider the effects of higher revenues associated with: (i) the entry into operation of new projects and (ii) the indexation adjustment effect that is applied to our sales.

As of June 30, 2020, Transelec obtained an EBITDA[1] of MCh$143,232, a 5.4% lower than the one obtained in the same period of 2019 (MCh$151,421), with an EBITDA Margin[2] of 83.7%. The EBITDA decrease is mainly due to the drop in income explained above.

The loss in Non-Operating Income as of June 2020 was MCh$41,367, representing a rise of 17.4% compared to the same period of 2019 (MCh$35,233). This rise is mostly explained by higher Financial Costs and by the loss in indexed assets and liabilities.

Net Income recorded by the Company as of June 30, 2020, was MCh$53,637, which is 15.7% less compared to the same period of 2019, in which a Net Income of MCh$63,638 was registered.

In 2020, the Company incorporated US$25.8 million of new facilities, which correspond to the commissioning of four expansions of the national segment. In addition, in the last twelve months period ended in June 2020, facilities for US$ 56.0 million were incorporated.

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

[2] EBITDA Margin= EBITDA/Revenues

Relevant events of the period:

- In January 2020, the international risk rating agency Fitch Ratings ratified Transelec's rating in BBB, Moody's, on the other hand, did so in March 2020, ratifying the classification in Baa1. The local risk rating agency Feller ratified the classification in AA- during January 2020.

- On January 17th, the Superintendency of Electricity and Fuels (SEC) notified a penalty to Transelec for 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, but because the tariff study to determine the remuneration of the transmission in the period 2020 – 2023 (valuation process) is delayed, the regulator (CNE) through resolution 815, has determined to stabilize the transmission rates until the rate study is complete (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 (Covid-19).

- On April 24th, 2020, the Ordinary Shareholder's Meeting agreed to distribute a final dividend for the results of the 2019 period, in the amount of MCh$43,852,484, which was paid in May 2020.

- The Board of Directors decided not to distribute dividends associated with the first quarter 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 and will be recovered when the new decree comes into force (the part of the CET of free customers, will be received in the second half of 2020, according to the resolution of June 2020).

- The tariff studies for the National Interconnected System for the period 2020-2013, which regulate 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 ot 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. In order to begin provisioning the new rate in advance, the Company has made an estimate of its impact, considering the best information available at this date, and has proceeded to make a provision of less income as of June 30, 2020 (US$ 35 million).

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

1- INCOME STATEMENT ANALYSIS

ITEMS	June 2020 MCh$	June 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Revenues	**171,187**	**173,887**	**-2,700**	**-1.6%**
Toll sales	163,417	170,845	-7,428	-4.3%
Services	7,770	3,042	4,728	155.4%
Operation Costs and Expenses	**-55,859**	**-52,102**	**-3,757**	**-7.2%**
Sales Costs	-20,228	-14,569	-5,659	-38.8%
Administrative Expenses	-8,860	-9,905	1,045	10.6%
Depreciation and Amortization	-26,772	-27,629	857	3.1%
Operating Income	**115,328**	**121,785**	**-6,457**	**-5.3%**
Financial Income	6,471	7,455	-984	-13.2%
Financial Costs	-38,371	-35,922	-2,449	-6.8%
Foreign exchange differences	428	773	-345	-44.5%
Gain (loss) for indexed assets and liabilities	-10,385	-9,042	-1,343	-14.8%
Other income (Losses)	490	1,503	-1,013	-67.4%
Non-Operating Income	**-41,367**	**-35,233**	**-6,134**	**-17.4%**
Income before Taxes	**73,961**	**86,552**	**-12,591**	**-14.5%**
Income Tax	-20,324	-22,913	2,589	11.3%
Net Income	**53,637**	**63,638**	**-10,001**	**-15.7%**
EBITDA[1]	**143,232**	**151,421**	**-8,189**	**-5.4%**
EBITDA Margin[2]	**83.7%**	**87.1%**		

[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$171,187 decreasing a 1.6% compared to the same period of 2019 (MCh$173,887). 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 is expected to be issued the second semester of 2021, nevertheless, 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 June 2020, reached MCh$163,417, 4.3% lower than the obtained in the same period of 2019 (MCh$170,845). The Services revenues as of June 30, 2020 reached MCh$7,770, a 155.4% higher than the same period of 2019 (MCh$3,042), 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 entirely offset by macroeconomic effects for MCh$21,948, mainly associated with exchange rate, income from exceptional services with third parties, and new revenues in 2020 of projects commissioned in last 12 months for MCh$2,267.

Total Transelec Operational Costs and Expenses as of June 30, 2020 were MCh$55,859, a 7.2% higher than the comparison period in 2019 that reached MCh$52,102. Total Costs and Expenses are composed by the following main items.

Cost of sales during the analysis period totaled MCh$20,228, a 38.8% higher than the same period of 2019 (MCh$14,569). The increase is mainly explained by provision for fines, costs for exceptional services with third parties (amount also presented as income) advances in maintenance (preventative) associated with the health emergency and higher insurance premiums.

Administrative Expenses amounted to MCh$8,860 in June 2020, 10.6% lower than those obtained in the same period in 2019 (MCh$9,905). The decrease is mainly explained by higher payments for consultancies in 2019 and lower travel expenses in 2020 due to the health emergency.

Total Depreciation and Amortization as of June 30, 2020 reached MCh$26.772, a 3,1% lower than the same period in 2019 (MCh$27,629). The decrease is mainly explained by lower depreciation associated with the review of useful life carried out in 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 of the first half of the year 2020 was a loss of MCh$41,367, a 17.4% higher than the same period of 2019 (MCh$35,233). It is mainly explained by higher Financial Costs and higher losses for indexed assets and liabilities.

Financial Costs registered as of June 2020 reached MCh$38,371, increasing by 6.8% compared to the same period of 2019 (MCh35,922). The increase in mainly due to higher interest payments on USD and UF bonds, as the average exchange rate for the first half of 2020 increased by 20.34% compared to the first half of 2019, and the average UF value for 2020 increased by 3.32% compared to the previous year.

The loss for Indexed Assets and Liabilities was MCh$10,385 as of June 2020. The loss in the same period of 2019 was MCh$9.042. 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 half of the year 2020 corresponds to 1.37% compared to 1.22% for the first half of the year 2019.

Other Income, as of June 2020, were MCh$490, 67.4% lower than the same period of 2019 (MCh$1.503). The difference is mainly explained by regularizations with suppliers that occurred in the previous period.

The Financial Income registered to June 2020 amounted to MCh$6,471, decreasing by 13.2% compared to the same period of 2019 (MCh$7,455). The drop is mainly due to the lower colocation rates in the financial market.

The exchange differences as of June 2020 reached MCh$428, while during the first half of 2019, the balance was MCh$773. The Foreign Exchange Differences keep controlled, associated with the foreign currency hedging policy.

c) Income tax

Income Tax as of June 30, 2020 was MCh$20,324, decreasing by 11.3% in relation to the same period of 2019 (MCh$22,913). The decrease is mainly due to lower earnings before Taxes.

2. BALANCE SHEET ANALYSIS

ITEMS	June 2020 MCh$	December 2019 MCh$	Variation 2020/2019 MCh$	Variation 2020/2019 %
Current assets	301,814	222,198	79,616	35.8%
Non-current assets	2,518,012	2,390,537	127,475	5.3%
Total Assets	**2,819,826**	**2,612,735**	**207,091**	**7.9%**
Current liabilities	149,982	64,758	85,224	131.6%
Non current liabilities	1,801,475	1,701,027	100,448	5.9%
Equity	868,369	846,950	21,419	2.5%
Total Liabilities & Equity	**2,819,826**	**2,612,735**	**207,091**	**7.9%**

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

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 liability acquired by using 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	June 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	1,210,630	1,210,139	491	0.0%
Work in progress	218,765	135,552	83,213	61.4%
Machinery and equipment	729,753	726,472	3,281	0.5%
Other fixed assets	5,981	5,932	49	0.8%
Right of use	6,721	6,721	0	0.0%
Depreciation (less)	-587,169	-562,466	-24,703	-4.4%
Total	**2,192,849**	**2,105,801**	**87,048**	**4.1%**

Current Debt

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) (unpaid capital) June 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	1.8002%	Floating	03-Aug-20	100.00	-
Revolving Credit Facility[1]	UF	0.35%	Fixed	03-Aug-20	-	-

[1] Revolving Credit Facility: USD Tranche MM US$150: The floating rate of 1.8002% breaks down in 3 months Libor rate plus a margin of 1.25%. At June 30, 2020, the Company maintain drew this line for an amount of US$ 100.00 million. The difference does not pay an availability commission because the drawn period is over. The line was renegotiated in July 2020 for a year and amount of US $250 million.

[2] Revolving Credit Facility: UF Tranche MM UF$2.5: The floating rate of 0.35% breaks down in TAB UF 180 rate plus a margin of 0.25%. At June 30, 2020, the Company did not utilize this line which does not pay an availability commission because the drawn period is over.

Although increases in inflation may have an impact on the costs of debt denominated in UF and therefore on the Company's finance expenses, these impacts are slightly lessened by Revenues indexed to inflation.

3. CASH FLOWS ANALYSIS

ITEMS	June 2020 MM$	June 2019 MM$	Variation 2020/2019 MM$	Variation 2020/2019 %
Cash flows provided by (used in) operating activities	22,091	103,025	-80,934	-78.6%
Cash flows provided by (used in) investing activities	-52,488	-77,039	24,551	31.9%
Cash flows provided by (used in) financing activities	39,098	-759	39,857	N/A
Net increase (decrease) of cash and cash equivalent	**8,701**	**25,227**	**-16,526**	**-65.5%**
Foreign exchanges variations effects on cash and cash equivalent	642	-262	904	N/A
Net increase (decrease) of cash and cash equivalent	**9,343**	**24,965**	**-15,622**	**-62.6%**
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	**117,986**	**129,024**	**-11,038**	**-8.6%**

As of June 30, 2020, cash flow from activities of the operation reached MCh$22,091, which decreased by 78.6% compared to the same period of 2019 (MCh$103,025). The decrease is mainly due to higher payments to suppliers associated with the CET, and the updating of the Company's payment policy that defined payments to 7 days, as a result of the social crisis.

During the same period, the cash flow used in investment activities was MCh$52,488, a 31.9% lower than the amount allocated as of June 30, 2019 (MCh$77,039).The decrease is mainly explained by the fact that during 2019 there was no collection from related entities.

As of June 2020, the cash flow from financing activities was MCh$39,098 which mainly corresponds to the committed credit line for US$100 million compensated in part by the payment of dividends charged to the previous year's profit. As of June 2019, the cashflow used in financing activities was MCh$759, which corresponds to amortizations of rights of use.

It should also be noted that, in order to ensure the immediate availability of funds to cover working capital needs, ss of June 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$150,000,000	03-Aug-2020	Working Capital
Scotiabank and Banco Estado	UF$2,500,000	03-Aug-2020	Working Capital

4. INDICATORS

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

Covenants	Debt Contract	Limit	June 2020	December 2019
Capitalization Ratio[1]	All local Bonds	< 0.70	0.66	0.64
Shareholder's Equity[1] MMUF	D, H, K, M and N local Bonds	> 15.00	31.13	30.80
Shareholder's Equity[1] MCh$	Q local Bond and Revolving Credit Facility	> 350,000	893,339	871,920
Net Debt/Ebitda	Revolving Credit Facility	<= 7,0x	5.02	4.41

Test	Bonds	Limit	June 2020	December 2019
Distribution Test[2] FNO[3]/Financial Expenses	D, H, K, M and N local Series	> 1.50	3.47	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 June 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		June 2020	December 2019	Variation 2020/2019
Profitability[1]				
Shareholders' Equity profitability[2]	(%)	15.0%	16.6%	-160 pbs
Assets profitability[3]	(%)	4.6%	5.4%	-80 pbs
Operating assets profitability[4]	(%)	6.0%	6.7%	-70 pbs
Earnings per share[5]	($)	130,611	140,612	-7.1%
Liquidity & Indebtedness				
Current Ratio	(times)	2.01	3.43	-41.4%
Acid-Test Ratio	(times)	2.01	3.43	-41.4%
Debt to Equity	(times)	2.25	2.08	8.2%
Short term debt/Total debt	(%)	7.7%	3.7%	400 pbs
Log term debt/Total debt	(%)	92.3%	96.3%	-400 pbs
Financial expenses coverage	(times)	3.73	4.48	-16.7%

[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 the face of the state of catastrophe due to COVID19, a series of initiatives have been presented in the Chamber of Deputies and the Senate that seek to prohibit the cut of basic services due to default and postpone payment for these services to the most vulnerable clients over time. May this exceptional situation last. In the case of the Senate initiative, it also seeks to make the benefit applicable to an even broader universe than the House proposal, since it not only focuses on the most vulnerable 40% of the population, but also extends it to anyone who cannot pay for the service. In the case of the electricity sector, these initiatives directly affect 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 companies. transmitters.

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:

	June 2020		December 2019	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	931,320	931,582	773,997	774,341
Chilean peso	1,873,866	1,873,604	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
Average of the period	**812.89**	**822.49**	**675.48**	**675.97**

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

6.7. Credit Risk

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

BILLING	June 2020 MM$	June 2020 %	June 2019 MM$	June 2019 %
Enel Group	47,662	27.8%	66,552	38.3%
CGE Group	25,286	14.8%	32,403	18.6%
AES Gener Group	19,261	11.3%	29,682	17.1%
Colbún Group	13,498	7.9%	29,949	17.2%
Engie Group	11,107	6.5%	10,449	6.0%
Others	54,373	31.8%	4,851	2.8%
Total	**171,187**		**173,887**	
% Concentration	**68.24%**		**97.21%**	

As of June 30, 2020, the Company has five main clients which represent individually between 6.5% and 27.8% of total revenues. These are Enel Group (MCh$47,662), CGE Group (MCh$25,286), AES Gener Group (MCh$19,261), Colbún Group (MCh$13,498) and Engie Group (MCh$11,107). The total sum of these main customers corresponds to a 68.24% 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$66,552, MCh$32,403, MCh$29,682, MCh$29,949 and MCh$10,449 respectively, with a percentage of total incomes of 97,21%.

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

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

6.8. Liquidity Risk

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

a) Risk associated to Company's Management

In order to guarantee that Transelec is able to quickly react financially to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed line of credit for working capital of approximately US$237 million. On March 27, 2020 Transelec used the line on US$100.00 million due to the COVID19 contingency leaving unused an amount equivalent to ThCh$112,802,550. This committed line of credit was contracted on July 9, 2012, being renegotiated in 2014 and 2017. The last renovation was on August 03, 2017 maintains the total amount, but it includes a local tranche and a USD tranche with other improvements. Is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi, EDC DnB NOR and Banco Estado. This line does not include any material clause of adverse change.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of June 30, 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
June 30, 2020	151,388	137,692	674,931	844,777	493,826	2,302,614
December 31, 2019	65,254	130,509	344,742	1,108,425	495,527	2,144,457

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

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

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

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

6.9. Interest Rate Risks

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

The Company's assets are primarily fixed and long-lived intangible assets. Consequently, financial liabilities 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
Average of the period	**28,553.77**	**28,583.84**	**27,636.10**	**27,666.15**

6.10. Other Risks

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

Subsequent Events:

On July 31, 2020, the Company entered into 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, which replaces the previous committed line, whose maturity was on August 3, 2020. Based on the above, the Company paid the total drawn balance from the previous line (US$100 million), drawing at the same time the same amount from the renewed line.

Since June 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 compliance 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 January 14th, 2020, that Mr. Juan Agustín Laso Salvatore announced his resignation from the position of director to the Chairman of the Transelec S.A Board of Directors to be effective on March 11th, 2020.

2) On same date, the Board of Directors of Transelec S.A. appointed as substitute Director of Mr. Juan Agustín Laso Salvadore, Mrs. Andrea Butelmann to be effective on March 11th, 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 on March 11th, 2019:

   At a meeting held on March 11th, 2020, the Transelec S.A. Board of Directors agreed to announce the notice of a shareholders meeting to be held on April 24th, 2020 in 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, the Ordinary Shareholders Meeting was held on March 11th, 2019., in which the following issues were approved:

   1. Approve the Annual Report, General Balance Sheet, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2019.
   2. Approve the distribution as definitive dividend corresponding to the 2019 fiscal year the amounts already distributed as provisory dividends during 2019 plus a final distribution amounting a total CLP 43,8520,483,903 for a total of CLP 140,070,483,903
   3. Approve renewal of the Directory members which states as follow: 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; 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.
   4. Approve Board of Directors and Audit Committee salaries.
   5. Approve Appointment of Deloitte as External Auditors for 2020 exercise.
   6. Approve appointment of Diario Financiero as The newspaper to be used to announce shareholder meetings.
   7. It was informed Agreements reached by the Board of Directors regarding issues contained in Articles 146 and following of the Corporations Law

5) In compliance with the provisions of Article 9 and the second paragraph of Stock Market Law Nº 18,045 Article 10, and what is stated in NCG N°30, Transelec S.A. Board of Directors, in Ordinary Sesion N°199 named Mr. Scott Lawrence as Chairman of the Board of Directors.