TRANSELEC S.A. AND SUBISIDIARY

RATIO ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMETNS

AS OF DECEMBER 31, 2011

INTRODUCTION

During 2011, Transelec S.A. and subsidiary obtained net earnings of MCh$46,840 (MCh$55,825 in 2010), equivalent to a decrease of 16.1% compared to the prior year. Revenues amounted to MCh$193,152, representing an increase of 9% compared to the revenues recorded in 2010 (MCh$177,253). EBITDA for the annual period amounted to MCh$153,790, with an EBITDA margin on revenues of 79.6% (82% in 2010). On the other hand, non-operating income and taxes for the period 2011 corresponded to a charge of MCh$54,212 (MCh$38,673 in 2010) and MCh$8,352 (MCh$5,955 in 2010), respectively. This increase in non-operating income losses is mainly explained by higher financial costs (MCh$31,417 in 2011 compared to MCh$29,151 recorded in 2010), and by higher losses generated by the adjustment units during 2011 (MCh$27,401), a concept that during the same period in 2010 was equivalent to a loss of only MCh$14,004.

In January 2011, Transelec issued local bonds for an aggregate amount of UF7 million (series L, for UF2.5 million at 3.65% annual, series M, for UF1.5 million at 4.05% annual and series N, for UF 3.0 million at 3.95% annual) with the purpose of having the funds necessary to make the payment prior to maturity of the Yankee bonds, whose last coupon was due on April 15, 2011. Additionally, during September another UF1.9 million were placed in series M (at 4.05% annual).

Also, local banks granted in March a Line of Credit committed in the amount of UF3 million, which is intended to finance disbursements related to the company's investment plan.

Transelec S.A. and its subsidiary Transelec Norte S.A. have prepared their financial statements as of December 31, 2011 in conformity with International Financial Reporting Standards (IFRS) and correspond to the comprehensive, explicit and non-reserved adoption of the abovementioned international standard. The figures of this ratio analysis are expressed in millions of Chilean pesos (MCh$) as the Chilean peso is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

Items	December 2011 MCh$	December 2010 MCh$	Variation 2011/2010 %
Operating Revenues	193.152	177.253	9,0%
Toll sales	181.329	169.650	6,9%
Work and services	11.823	7.603	55,5%
Operating costs	-73.831	-68.582	7,7%
Fixed costs	-32.053	-24.491	30,9%
Depreciation	-41.778	-44.091	-5,2%
Administraton and sales expenses	-9.917	-8.218	20,7%
Fixed costs	-9.219	-7.835	17,7%
Depreciation	-698	-383	82,4%
Operating Income	**109.404**	**100.453**	**8,9%**
Interest from Leasing	268	472	-43,2%
Other Financial Income	3.788	1.869	102,7%
Financial Costs	-31.417	-29.151	7,8%
Foreign exchange differences, net	-1.093	1.501	-172,8%
Gain (loss) for indexed assets and liabilities	-27.401	-14.004	95,7%
Other income	1.643	640	156,6%
Non-Operating Income	**-54.212**	**-38.673**	**40,2%**
Income before Income Taxes	**55.191**	**61.780**	**-10,7%**
Income tax	-8.352	-5.955	40,3%
Net Income	**46.840**	**55.825**	**-16,1%**
EBITDA	**153.790**	**146.039**	**5,3%**

EBITDA=Earnings for the period +abs(Income taxes)+abs(Depreciation)+abs(Non-operating income)+abs(Other Earnings)+Lease Interest Income.

a) Operating income

During 2011, operating revenues amounted to MCh$193,152 (MCh$177,253 in 2010), representing a 9% increase. Note that the operating revenues is mainly originated from the commercialization of the transmission capacity of the facilities, but also includes sales of services related to the main activity. During 2011, engineering and other services were provided equivalent to 6.12% of the total operating revenues; during the same period in 2010, these services only amounted to 4.29% of the total revenues.

Operating costs during 2011 amounted to MCh$73,831 (MCh$68,582 in 2010). These operating costs are mainly from the maintenance and operation of the facilities. Percentage-wise, the costs are broken down basically in 56.6% for the depreciation of the goods of PP&E (64.3% in 2010), while the remaining 43.4% (35.7% in 2010) corresponds to personnel, supplies and service costs.

Administrative and selling expenses amounted to MCh$9,917 (MCh$8,218 at the same date in 2010) and are mainly comprised of 93% (95% in 2010) of personnel, engagement, supplies and service expenses and 7% of depreciation (5% in 2010).

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b) Non-operating income

Non-operating income for 2011 had a negative impact on net earnings by MCh$54,212 (Mch$38,673 in 2010) and was generated, among other reasons, from interest expenses in the amount of MCh$31,417 (Mch$29,151 in 2010). This increase in interest expense is mainly due to the fact that the interests accrued in 2010 were partially offset by the reversal of the difference between the book value of series B1 and B2 bonds, amortized in March 2010, resulting in a credit for such reversal of MCh$6,455 during 2010. Another significant entry that negatively affected non-operating income during 2011 was the income per adjustment units, which was recorded as a charge of MCh$27,401, while in 2010 it was recorded as a charge for only MCh$14,004.

2. BALANCE SHEET ANALYSIS

The increase in current assets between December 2011 and December 2010 is mainly due to the placement of series M bonds in the amount of UF1.9 million on September 23, 2011.

Items	December 2011 MCh$	December 2010 MCh$	Variation 2011/2010 %
Current assets	154,709	79,312	95.1%
Non-current assets	1,786,269	1,676,933	6.5%
Total Assets	**1,940,978**	**1,756,245**	**10.5%**
Current liabilities	108,733	183,111	-40.6%
Non current liabilities	911,203	653,617	39.4%
Equity	921,042	919,517	0.2%
Total liabilities & Equity	**1,940,978**	**1,756,244**	**10.5%**

The decrease of current liabilities in 2011 compared to December 2010 corresponds to the recognition of the maturity of the Yankee bond in current liabilities in 2010 in the amount of US$245 million and its related swap in April 2011.

VALUE OF THE MAIN PP&E IN OPERATION

Assets	December 2011 MCh$	December 2010 MCh$	Variation 2011/2010 %
Land	20,669	19,949	4%
Building, Infraestucture, works in progress	903,866	851,299	6%
Machinery and equipment	438,028	390,316	12%
Other fixed assets	1,853	1,891	-2%
Depreciation (less)	-211,371	-168,902	25%
Total	**1,153,045**	**1,094,553**	**5%**

CURRENT DEBT

Debt	Currency or index	Interest rate	Type of rate	Maturity Date	Amount in original currency (million) Unpaid capital December 2011	December 2010
Yankee bond	US$	7.88%	Fixed	15-Abr-11	-.-	245
Series C bond	UF	3.50%	Fixed	01-Sep-16	6.0	6.0
Series D bond	UF	4.25%	Fixed	15-Dic-27	13.5	13.5
Series E bond	UF	3.90%	Fixed	01-Ago-14	3.3	3.3
Series F bond	CLP	5.70%	Fixed	01-Ago-14	33,600.0	33,600.0
Series H bond	UF	4.80%	Fixed	01-Ago-31	3.0	3.0
Series I bond	UF	3.50%	Fixed	01-Sep-14	1.5	1.5
Series K bond	UF	4.60%	Fixed	01-Sep-31	1.6	1.6
Series L bond	UF	3.65%	Fixed	15-Dic-15	2.5	-.-
Series M bond	UF	4.05%	Fixed	15-Jun-32	3.4	-.-
Series N bond	UF	3.95%	Fixed	15-Dic-38	3.0	-.-

3. MAIN CASH FLOWS DURING THE YEAR

Items	December 2011 MCh$	December 2010 MCh$	Variation 2011/2010 %
Cash flows provided by (used in) operating activities	139,243	118,463	17.5%
Cash flows provided by (used in) investing activities	-101,579	-102,137	-0.5%
Cash flows provided by (used in) financing activities	-8,947	-118,727	-92.5%
Net increase (decrease) of cash and cash equivalent	**28,716**	**-102,401**	**-128.0%**
Cash and cash equivalent at the begining of the period	35,495	137,896	-74.3%
Cash and cash equivalent at the end of the period	**64,212**	**35,495**	**80.9%**

During 2011, the net cash flows used in financing activities was negative and amounted to MCh$8,947, and include, among others, the refinancing of the Yankee Bond and dividend payments for MCh$45,866. During 2010, cash flows used in financing activities amounted to MCh$118,727, due mainly to the amortization of series B bonds for UF3.04 million, plus dividend payments for MCh$55,129.

In 2011, investing activities generated a cash outflow in the amount of MCh$101,579, originated mainly by investments in PP&E. During the same period in 2010, the cash flow for investing activities was negative in the amount of MCh$ 102,137, also due to the net incorporation of PP&E.

The final balance of cash and cash equivalents as of December 31, 2011 amounted to MCh$64,212 considering an initial balance of MCh$35,495. As of December 31, 2010, the final balance of cash and cash equivalents amounted to MCh$35,495, considering an initial balance of MCh$137,896.

Note that, with the purpose of assuring the availability of funds to cover working capital needs, the company has the following lines of credit in the banks detailed below:

Bank	Amount (up to)	Maturity	Type of Credit
Scotiabank Sudamericano	US$15,000,000	15-11-2012	Working Capital
DnBNnor	US$30,000,000	28-02-2012	Working Capital
Scotiabank Sudamericano	US$15,000,000	30-03-2012	Working Capital

Additionally, in March 2011, local banks Scotiabank-Sudamericano and Corpbanca granted Transelec a line of credit in the amount of UF3 million, which will allow covering the disbursements related to the investment in transmission assets. This line is available for 1 year to make withdrawals and the funds withdrawn can be amortized in a maximum of 7 years.

4. INDICATORS

Bonds	Limit	Covenant	December 2011	December 2010	Status
All local Series	FNO/Financial Expenses > 1,5	Distribution Test (**)	5,70	5,22	OK
	< 0,7	Capitalization Ratio (***)	0,49	0,45	OK
	> ThUF15.000	Shareholder's Equity (in UF)	42.433	44.020	OK

(*)Capitalization Ratio= Total Debt /(Total Debt+Minority Interest+Stockholders' equity+goodwill accumulated depreciation
(**) FNO= Operating activities funds + abs(interest expense) + abs(tax expense)

INDICATORS	December 2011	December 2010	Variation 2011/2010
Profitability			
Shareholders' Equity profitability *	5.09%	6.07%	-16.2%
Assets profitability *	2.41%	3.18%	-24.2%
Operating assets profitability *	3.60%	4.52%	-20.4%
Earnings per share ($) *	46,839.62073	55,825.05215	-16.1%
Liquidity & Indebtedness			
Current Ratio	1.42	0.43	230.2%
Acid-Test Ratio	1.42	0.43	228.6%
Debt to Equity	1.11	0.91	22.0%
% Short term debt	10.66	21.88	-51.3%
% Log term debt	89.34	78.12	14.4%
Financial expenses coverage	4.90	5.01	-2.3%

The increase in the Company's liquidity level is explained by the expiration of the Yankee bonds and their related swap (classified in current liabilities in December 2010) and its substitution for the placement of series L, M and N in January 2011 (classified in non-current liabilities), plus the additional placement of series M in September 2011.

5. THE MARKET

Transelec S.A. carries out its activities in the electricity market, in which three sectors are identified: generation, transmission and distribution. The electric power generation sector comprises those companies involved in the generation of electricity, which will be subsequently used throughout the country by the final consumers. The distribution sector's mission is to carry electricity to the physical location where each of the final consumers will make use of such electricity. Finally, the transmission sector's basic objective is the transportation of the electricity from its production location (in the power stations), to the "points of entry" of the networks of the distribution companies or large final consumers.

The business of Transelec is mainly focused on the commercialization of the electricity transportation and transformation capacity of its facilities, according to established quality standards. The transmission system of Transelec S.A. and its subsidiary is located between Arica and the Chiloé Island, and it includes a majority participation of the trunk electrical transmission lines and substations of the Central Interconnected System (SIC in Spanish) and the Greater North Interconnected System (SING in Spanish). This transmission system transports the electricity to the areas where approximately 99% of the Chilean population lives. The Company owns all of the electricity transportation lines of 500kV, approximately 45% of the lines of 220 kV and most of the lines of 154 kV.

The legal framework governing the electrical transmission business in Chile is contained in DFL N°4/2006, which sets the Consolidated, Coordinated and Systemized Text of Decree Law No. 1 of Mining of 1982, General Law on Electric Services. (DFL(M) Nº 1/82) and its subsequent modifications that include Law 19.940 (Short Law I), published on March 13, 2004, law 20.018 (Short Law II), published on May 19, 2005 and law 20.257 (Generation with Non-conventional Renewable Energy Sources), published on April 1, 2008. These standards are complemented with the Regulations of the General Law on Electric Services of 1997 (Supreme Decree Nº 327/97 of the Ministry of Mining) and their modifications, the Regulation that establishes the Structure, Functioning and Financing of the Dispatch and Load Centers (Supreme Decree N° 291/2007), and the Technical Standard of Security and Service Quality (R.M.EXTA N°40 of May 16, 2005) and its subsequent modifications.

Law 19.940, also referred to as Short Law I, modified the General Law on Electric Services of 1982 in issues related to the electricity transmission activity and established the subdivision of the transmission network into three types of systems: trunk transmission, sub-transmission and additional transmission. It also establishes that the transportation of electricity – whether by trunk transmission or sub-transmission systems – is of a public service nature and is subject to the application of regulated tariffs.

Finally, Law 19.940 considers that the new payment regime for the use of the trunk facilities is effective as of March 13, 2004 and determines a transitional period which was in force until the first decree of trunk transmission was released. In this way, during the years 2004, 2005 2006 and 2007, the collection and payment for the use of trunk transmission facilities were made provisionally in accordance with legal and regulatory standards in effect until the publication of Short Law I. On January 15, 2008, decree no. 207 from the Ministry of Economy, Development and Reconstruction was published, setting the new Investment Value (VI), Annual Investment Value (AVI), Operation, Maintenance and Administration Costs (COMA) and Annual Transmission Value per Segment (VATT) of the trunk facilities for the period from March 14, 2004 to December 31, 2010, as well as the indexation formulas applicable in such period. The new tariffs for the trunk transmission system began being applied in April 2008 and during 2008 trunk income was recalculated for the period from March 13, 2004 to December 31, 2007. The determination of trunk facilities and their Annual Transmission Value per Segment (VATT), is updated every four years by means of a study managed through an international bidding. During 2010, the second Trunk Transmission Study was conducted which will allow setting the tariffs for the period 2011-2014. Decree 61, published on November 17, 2011 contains the tariffs that will be retroactively applicable as of January 1, 2011. It is expected that the application of the new tariffs and the resettlement for 2011 will be carried out during the first semester of 2012.

On the other hand, Decree No.320 of the Ministry of Economy, Development and Reconstruction, which establishes the tariffs for the sub-transmission facilities, was published in the Official Gazette on January 9, 2009; the new tariffs became effective on January 14, 2009, and their validity is until October 31, 2010. The new sub-transmission tariffs that will be applicable for the period November 2010 – October 2014 will be established by the Ministry of Energy based on studies of the valuation of sub-transmission facilities; these studies started in 2010. To the date of issuance of this document, the decree that will establish the sub-transmission tariffs for the abovementioned period is still not available; meanwhile, the tariffs under decree 320/2009 are being provisionally applied. The difference between the provisional invoicing and the amounts corresponding to the values finally established shall be resettled.

6. MARKET RISK FACTORS

Due to the nature of the electrical market and the legislation and standards that regulate this sector, the Company is not exposed to significant risks in developing its main business. However, the following risk factors should be mentioned and considered:

Regulatory Framework

Electric transmission tariffs are established by law and include adjustments in order to guarantee a real annual profitability to the operator. The nature of the industry allows for the revenues from the transmitters to be stable over time. Additionally, these are complemented with the revenues obtained from the existence of private contracts with large clients.

However, the fact that these tariffs are reviewed every four years in the Trunk Transmission Studies may subject the Company to new tariffs that may be adverse or less attractive in terms of the investments incurred.

There is no guarantee that other regulatory changes will not negatively affect the Company, whether they affect the Company itself or its clients or creditors, thus compromising the revenues of Transelec.

Operating Risks

Although the Company's management believes it has adequate risk coverage, in accordance 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, labor accidents and equipment failure. Any of these events could negatively affect the Company's financial statements.

Application of Environmental Standards and/or Policies

The operations of Transelec are subject to Law No. 19.300, on Chilean environment ("Environmental Law"), enacted in 1994, which was modified in 2010. The Environmental Law states that all those who develop high voltage transmission line projects and substations or their modifications, should be subject to the Environmental Impact Evaluation System ("SEIA") and perform Environmental Impact Studies (EIA) or Environmental Impact Statements (DIA) and present them to the new Environmental Evaluation Service.

As stated above, the environmental law has been modified and this situation has resulted in changes in the environmental institutional structure as new environmental management instruments have been created and the existing ones have been modified; therefore, Transelec shall adjust to these new environmental requirements. According to recent modifications, among other matters, a new institutional scheme was created comprised of: (i) the Ministry of Environmental Affairs; (ii) the Minister Council for Sustainability; (iii) the Environmental Evaluation Service; and (iv) the Superintendence of Environmental Affairs; these institutions are in charge of the regulation, evaluation and inspection of the activities involving environmental impacts. These new institutions replaced the National Commission of Environmental Affairs ("CONAMA") and the Regional Commissions of Environmental Affairs and are fully operative except for: (i) the inspection and penalizing capacity of the Superintendence of Environmental Affairs, which is subject to the creation of the Environmental Courts; and (ii) new requirements for the Environmental Impact Studies and Statements and new powers to the environmental institutions, which will become effective through a Regulation that has not yet been reviewed by the National Comptroller's Office.

Notwithstanding that Transelec meets the environmental requirements of the environmental law, it is not possible to assure that these filings (EIA o DIA) before the environmental authority will be approved by government authorities or that the laws and regulations will not change or will be interpreted in a way that may adversely affect the company's operations and plans, as the new institutional structure is just in progress.

Delays in the Construction of New Transmission Facilities

The success of the program for extending the trunk transmission network and building new facilities will depend on numerous factors, including financing cost and availability. Although Transelec has experience in large-scale construction projects, construction of new facilities could be negatively affected by factors commonly associated with projects including delays in obtaining regulatory authorizations, scarcity of equipment, materials or labor, etc. Any of these factors could cause delays in the partial or total completion of the capital investment program, and could increase the costs of the projects.

Technological Changes

Transelec is compensated for the investments it makes in electrical transmission facilities through an annual valuation of the existing facilities (AVI); this valuation is made every four years at current market prices. Any significant technological changes in the equipment of the facilities of Transelec could lower this valuation, which could in turn prevent full recovery of the investments made.

Foreign Exchange Risk

Transelec's exposure to foreign exchange risk is due to the following:

- Its subsidiary Transelec Norte is a company whose functional currency is the U.S. Dollar.
- Transelec makes several transactions in U.S. Dollars (construction contracts, imports and others).
- Transelec maintains a U.S. dollar forward contract to cover the risk of future revenues denominated in U.S. dollars. Transelec also has a forward contract with a related company; which allows financing the assets of its subsidiary that are US Dollar-denominated.

The exposure to foreign exchange risk is managed through a policy that considers the full hedging of the exposure net of balance, which is made through different instruments such as: U.S. dollar positions, forward contracts and cross currency swaps.

The amounts of assets and liabilities denominated in U.S. dollars and Chilean pesos, in the periods indicated below, are detailed as follows:

	December 2011		December 2010	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	26,772	3,917	98,453	100,717
Dollar (amounts associated with income statement items)	-.-	30,111	-.-	26,677
Chilean peso	1,921,662	954,826	1,665,610	733,826

(*) The indexation polynomials of the company's revenues should be temporarily applied because, in the short-term, they will differ from the long-term indexation. In order for the short-term indexation to be consistent with the long-term indexation, the company periodically (every six months) sells a percentage of its half-year revenues denominated in U.S. dollars, by means of revenue protection forwards. These forwards are considered as the hedging of revenues and therefore, their changes of value, while not made, are recorded in Other Equity Reserves. After they are realized, they are classified as operating income.

EXCHANGE RATES (Observed exchange rates)

MONTH	Average 2011 (Ch$)	Last day 2011 (Ch$)	Average 2010 (Ch$)	Last day 2010 (Ch$)
January	489.44	483.32	500.66	531.75
February	475.69	475.63	532.56	529.69
March	479.65	482.08	523.16	526.29
April	471.32	460.04	520.62	520.99
May	467.73	467.31	533.21	529.23
June	469.41	471.13	536.67	543.09
July	462.94	455.91	531.72	522.36
August	466.79	465.66	509.32	499.26
September	483.69	515.14	493.93	485.23
October	511.74	492.04	484.04	491.76
November	508.44	524.25	482.32	486.39
December	517.17	521.46	474.78	468.37
Average of the period	**483.67**	**484.50**	**510.25**	**511.20**

Biannual application indexation formulas that are incorporated into toll contracts and sub-transmission fees, as well as those of monthly application for regulated trunk income, take into account variations in the value of the facilities and of operating, maintenance and administration costs. In general, those indexations formulas take into consideration variations in the international prices of equipment, materials and local labor.

Credit Risk

Credit risk corresponding to accounts receivable from electricity transmission activities is historically very low due to the limited number of customers, their risk classification and the short collection term (less than 30 days).

However, the revenues are highly concentrated on the main clients, who are detailed in the table below:

Billing	Dec-11 MM$	Dec-10 MM$
Endesa Group	70,857	74,129
AES Gener Group	19,553	2,025
Colbún Group	38,596	23,982
Others	64,145	77,117
Total	**193,151**	**177,253**
% Concentration	**66.79%**	**56.49%**

The revenues from these companies will generate a large part of Transelec's future cash flows and a substantial change in the assets, financial condition and/or operating income could negatively affect the Company.

In regards to the credit risk associated with financial assets (time deposits, fixed income mutual funds and agreements) held by the company, the Treasury's policy establishes limits to the exposure to a specific institution; such limits depend on the risk classification and capital of each institution. Additionally, investments in mutual funds must also have a risk classification.

Liquidity Risk

a) Risk related to the Company's management

Liquidity risk is the risk that the Company cannot meet the demand for cash or payment on a maturing debt. Liquidity risk also includes the risk of not being able to settle assets in a timely manner at a reasonable price.

To guarantee its ability to react quickly to investing opportunities as well as paying obligations on maturity dates, apart from its cash surpluses and short-term accounts receivable, the Company holds Committed Lines of Credit for Working Capital in the amount of US$60 million. As of December 31st, 2011, these lines have not been used and it is expected that they will be renewed upon maturity. These lines of credit have been in force during 2011 and are still in force as of December 31, 2011.

Additionally, as of March 2011, the Company has a line of credit in the amount of UF 3 million, which will allow hedging the disbursements associated with the investment in transmission assets.

The Company is exposed to risks associated with indebtedness, including the risk of refinancing maturing debt. These risks are mitigated through the use of a long-term debt and the structure of extended maturities over time.

The following table outlines capital amortizations for the Company's financial liabilities according to their maturity, as of the closing of December 2011 and 2010.

In million pesos	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than	Total
December 31, 2011	-.-	196,346	133,764	-.-	546,204	876,314
December 31, 2010	123,346	-.-	136,356	125,200	384,298	769,201

b) Risk related to the resettlement of revenues from tariffs of the trunk transmission system

In virtue of DFL N°4/20.018 of the Ministry of Economy, Development and Reconstruction, in articles 81, 101, 104 and 106, and supplementary provisions, Transelec is entitled to provisionally receive the actual revenues from tariffs of the trunk system generated in each period. In order for Transelec to collect its remuneration, which is established in subsection one, article No.101 of the aforementioned DFL N°4/20.018, it resettles, on a monthly basis, the revenues from tariffs provisionally received in conformity with the payment schemes prepared by the corresponding CDEC (Centro de Despacho Económico de Carga) through the collection or payment of the different companies that own generation means.

The Company may face the risk of not collecting, on a timely basis, the revenues from some of the companies that own generation means established in the payment schemes of the CDEC, which may temporarily affect the Company's liquidity position. In this sense and in the Company's opinion, the activity performed by Transelec in regard to the aforementioned collection does not refer to the collection of its own balances receivable but relate to the collection of amounts and payments to third parties of loans and debt obligations of others and which, except for expected revenue from tariffs, belong to the generating companies.

Interest Rate Risks

The Company's assets are primarily fixed, intangible and long-term. As a result, financial liabilities used for financing them consist mainly of long-term liabilities at a fixed rate. Debts are recorded in the balance sheet at their amortized cost.

The objective of managing this risk is to achieve equilibrium in the debt structure, reduce the impact on interest expenses as a result of fluctuations in interest rates thus reducing volatility in the income account.

Although increases in Chilean inflation may have an impact on the costs associated with UF-denominated debt, and in turn, on the Company's non-operating income, these impacts are mitigated by the Company's revenues which are also partially adjusted according to the local inflation variation through the indexation polynomials.

On the other hand, mercantile current accounts that the Company holds with related companies are denominated in Chilean pesos and U.S. dollars and comprise a fixed interest rate. Therefore, the Company is not exposed to a risk that could affect its results due to a change in market interest rates.