TRANSELEC S.A. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012

Ch$:	**Chilean pesos**
ThCh$:	**Thousands of Chilean pesos**
UF:	**Unidades de Fomento**
US$:	**U.S. dollars**
ThUS$:	**Thousands of U.S. dollars**

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TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Financial Position
As of March 31, 2012 and December 31, 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	03/31/2012 ThCh$	31/12/2011 ThCh$
CURRENT ASSETS			
Cash and cash equivalents	5	62,961,997	64,211,994
Other financial assets		446,960	473,555
Other non-financial assets		14,942,704	14,819,816
Trade and other receivables	6	62,798,998	69,370,796
Receivables from related parties	7	7,477,317	4,172,013
Inventory	8	39,193	38,111
Current tax assets		778,964	1,622,778
TOTAL CURRENT ASSETS		149,446,133	154,709,063
NON-CURRENT ASSETS			
Other financial assets		9,988,184	10,741,295
Other non-financial assets		35,071,616	42,733,849
Receivables from related parties	7	68,625,713	67,896,855
Intangible assets other than goodwill	10	148,411,864	149,263,862
Goodwill	10	338,897,614	338,897,614
Property, plant and equipment	11	1,161,407,134	1,153,045,235
Deferred tax assets	12	21,839,853	23,689,884
TOTAL NON-CURRENT ASSETS		1.784,241,978	1.786,268,594
TOTAL ASSETS		**1,933,688,111**	**1,940,977,657**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Financial Position
As of March 31, 2012 and December 31, 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	Note	03/31/2012 ThCh$	12/31/2011 ThCh$
CURRENT LIABILITIES			
Other financial liabilities	13	9,034,060	7,902,761
Trade and other payables	14	65,635,330	90,936,736
Payable to related parties	7	-	3,870,835
Current provisions for employee benefits	16	3,366,258	5,119,683
Other non-financial liabilities		2,073,186	902,527
TOTAL CURRENT LIABILITIES		80,108,834	108,732,542
NON-CURRENT LIABILITIES			
Other financial liabilities	13	870, 949,342	861, 758,340
Payable to related parties	7	37,526,890	39, 970,247
Deferred tax liabilities	12	3, 151,327	3, 502,644
Non-current provisions for employee benefits	16	3,491,272	3,491,272
Other non-financial liabilities		2,652,626	2,480,793
TOTAL NON-CURRENT LIABILITIES		917,771,457	911,203,296
TOTAL LIABILITIES		997,880,291	1,019,935,838
EQUITY			
Paid-in capital	18	857,944,548	857,944,548
Retained earnings		76,083,381	61,938,528
Other reserves	18	1,776,400	1,155,110
Total equity attributable to owners of the parent		935,804,329	921,038,186
Non-controlling interest		3,491	3,633
Total Equity		935,807,820	921,041,819
TOTAL EQUITY AND LIABILITIES		**1,933,688,111**	**1,940,977,657**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income
For the three months periods ended March 31, 2012 and 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Consolidated income statement by function	Note	03/31/2012 ThCh$	03/31/2011 ThCh$
Operating revenues	19	54,015,391	45,543,491
Cost of sales	20	(21,384,764)	(16,806,027)
GROSS MARGIN		32,630,627	28,737,464
Administrative expenses	20	(2,376,085)	(1,900,774)
Other gains (losses), net	19	377,460	265,767
Financial income	19	1,245,010	837,281
Financial costs	20	(8,906,823)	(9,170,299)
Foreign exchange differences, net	20	618,084	(490,947)
Gain (loss) for indexed assets and liabilities	20	(8,221,504)	(3,418,005)
Profit Before Income Taxes		**15,366,769**	**14,860,487**
Income tax expense	21	(1,386,147)	(2,272,760)
Profit from continuing operations		13,980,622	12,587,727
Profit (loss) from discontinued operations		-	-
Profit (loss)		**13,980,622**	**12,587,727**
PROFIT (LOSS) ATTRIBUTABLE TO			
Profit attributable to owners of parent		13,980,544	12,587,720
Profit (loss) attributable to non-controlling interest		78	7
PROFIT		**13,980,622**	**12,587,727**
EARNINGS PER SHARE			
Basic earnings per share			
Basic earnings per share from continuing operations	($/s)	13,980.622	12,587.727
Basic earnings (loss) per share from discontinued operations	($/s)	-	-
Basic earnings per share	($/s)	**13,980.622**	**12,587.727**
Diluted earnings per share		-	-
Diluted earnings per share from continuing operations	($/s)	13,980.622	12,587.727
Diluted earnings (loss) per share from discontinued operations		-	-
Diluted earnings per share ($/s)		**13,980.622**	**12,587.727**

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Consolidated Statement of Comprehensive Income
For the three months periods ended March 31, 2012 and 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	03/31/2012 ThCh$	03/31/2011 ThCh$
PROFIT (LOSS)	**13,980,622**	**12,587,727**
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	(334,300)	137,072
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	1,082,842	(477,559)
Income taxes related to components of other comprehensive Income		
Income taxes related to foreign currency translation differences	(127,252)	60,764
OTHER COMPREHENSIVE INCOME	**621,290**	**(279,723)**
Total comprehensive income	**14,601,912**	**12,308,004**
Comprehensive income attributable to owners of the parent	14,601,834	12,307,997
Comprehensive income attributable to non controlling Interest	78	7
Total comprehensive income	**14,601,912**	**12,308,004**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Changes in Equity
For the three months periods ended March 31, 2012 and 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Issued capital	Reserve for foreign translation differences	Reserve for cash flow hedges	Other Reserves	Retained Earnings	Equity attributable to owners of parent	Non controlling interest	Total equity
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2012	**857,944,548**	**1,292,225**	**(137,115)**	**1,155,110**	**61,938,528**	**921,038,186**	**3,633**	**921,041,819**
Increase (decrease) for changes in accounting policies	-	-	-	-	-	-	-	-
Increase (decrease) for changes correction of miscalculations	-	-	-	-	-	-	-	-
Opening balance restated	**857,944,548**	**1,292,225**	**(137,115)**	**1,155,110**	**61,938,528**	**921,038,186**	**3,633**	**921,041,819**
Changes in equity:								
Comprehensive income	-	-	-	-	-	-	-	-
Profit	-	-	-	-	13,980,544	13,980,544	78	13,980,622
Other comprehensive income	-	(277,469)	(898,759)	621,290	-	621,290	-	621,290
Total comprehensive income	**-**	**(277,469)**	**(898,759)**	**621,290**	**13,980,544**	**14,601,834**	**78**	**14,601,912**
Dividends	-	-	-	-	-	-	-	-
Increase (decrease) from transfers other changes	-	-	-	-	164,309	164,309	(220)	164,089
Total changes in equity	**-**	**(277,469)**	**(898,759)**	**621,290**	**14,144,853**	**14,766,143**	**(142)**	**14,766,001**
Closing balance as of March 31, 2012	**857,944,548**	**1,014,756**	**761,644**	**1,776,400**	**76,083,381**	**935,804,329**	**3,491**	**935,807,820**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Changes in Equity
For the three months periods ended March 31, 2012 and 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Issued capital	Reserve for foreign translation differences	Reserve for cash flow hedges	Other various reserves	Other reserves	Retained Earnings	Equity attributable to owners of parent	Non controlling interest	Total Equity
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2011	**838,211,823**	**(141,789)**	**344,694**	**19,732,725**	**19,935,630**	**61,365,952**	**919,513,405**	**3,201**	**919,516,606**
Increase (decrease) for changes in accounting policies	-	-	-	-	-	-	-	-	-
Increase (decrease) for changes correction of miscalculations	-	-	-	-	-	-	-	-	-
Opening balance restated	**838,211,823**	**(141,789)**	**344,694**	**19,732,725**	**19,935,630**	**61,365,952**	**919,513,405**	**3,201**	**919,516,606**
Changes in equity:									
Comprehensive income	-	-	-	-	-	-	-	-	-
Profit	-	-	-	-	-	12,587,720	12,587,720	7	12,587,727
Other comprehensive income	-	143,419	(423,142)	-	(279,723)	-	(279,723)	-	(279,723)
Total comprehensive income	**-**	**143,419**	**(423,142)**	**-**	**(279,723)**	**12,587,720**	**12,307,997**	**7**	**12,308,004**
Dividens	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers other changes	-	-	-	-	-	(166,123)	(166,123)	77	(166,046)
Total changes in equity	**-**	**143,419**	**(423,142)**	**-**	**(279,723)**	**12,421,597**	**12,141,874**	**84**	**12,141,958**
Closing balance as of March 31, 2011	**838,211,823**	**1,630**	**(78,448)**	**19,732,725**	**19,655,907**	**73,787,549**	**931,655,279**	**3,285**	**931,658,564**

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the three months periods ended March 31, 2012 and 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	03/31/2012 ThCh$	03/31/2011 ThCh$
Cash Flows Provided by (Used in) Operating Activities			
Profit		**13,980,622**	**12,587,727**
Adjustments for reconciliation of net income :			
Adjustments for income tax expense		1,386,147	2,272,760
Adjustments for decreases (increases) in trade receivables		6,571,797	8,027,006
Adjustments for decreases (increases) in trade payables		(25,301,406)	(4,438,047)
Adjustments for depreciation and amortization expenses		11,322,669	10,781,130
Adjustments for provisions		(1,753,425)	(1,636,943)
Adjustments for unrealized foreign currency translation gains (losses)		(1,374,861)	(20,552)
Adjustments non-controlling interest		(78)	(7)
Adjustments for other non-cash items	(27)	19,861,604	14,667,018
Total adjustments for reconciliation of income		**10,712,447**	**29,652,365**
Interests paid		(7,707,179)	(7,416,927)
Income taxes paid		-	-
Net cash flows provided by operating activities		**16,985,890**	**34,823,165**
Cash Flows Used in Investing Activities			
Additions of property, plant and equipment		(10,106,189)	(6,040,338)
Cash advances and loans to third		(5,259,835)	(18,174,058)
Cash flows provided by (used in) investing activities		**(15,366,024)**	**(24,214,396)**
Cash Flows Provided by (Used in) Financing Activities			
Proceeds from long term loans		-	146,934,648
Loans with related parties		(2,869,863)	-
Other payments- issue of bonds		-	(1,159,209)
Net cash flows provided by (used in) financing activities		**(2,869,863)**	**145,775,439**
Net Increase (Decrease) in Cash and Cash Equivalents		(1,249,997)	156,384,208
Cash and Cash Equivalents, Opening Balance		64,211,994	35,495,497
Cash and Cash Equivalents, Closing Balance		**62,961,997**	**191,879,705**

NOTE 1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. On March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation. 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 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 as number 974 in the Securities Registry of the Chilean Superintendency of Securities and Insurance (SVS) and is subject to the supervision of the Superintendency of Securities and Insurance. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

The Company is domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile. Its only subsidiary, Transelec Norte S.A., is a corporation domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile. The subsidiary is registered in the Securities Register of the Superintendency of Securities and Insurance (SVS) under No. 939.

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 Holdings Ltd. These interim consolidated financial statements were approved by the Board of Directors in Ordinary Meeting No.80 held on May 23, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing these financial statements consolidated are detailed below. These policies have been based on IFRS in effect as of March 31, 2012 and applied uniformly for periods presented.

2.1 Basis of preparation of the consolidated financial statements

These financial statements have been prepared in accordance with IFRS, issued by the International Accounting Standards Board (IASB).The figures in these financial statements and their notes are expressed in thousands of Chilean pesos, which is the functional currency of the Company.

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

In preparing these financial statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. 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 financial statements are described in Note 4.

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

2.2 New standards and interpretations issued but not yet effective

Below is a summary of new standards, interpretations and improvements to IFRS issued by the IASB that are not yet effective as of on 31 March 2012:

IFRS 7 - Financial Instruments: Disclosures

In October 2010, the IASB issued a series of modifications to help financial statement users to assess their exposure to transfers of financial assets, analyze the impact of risks on the financial position of the entity and promote transparency, especially on transactions involving the securitization of financial assets. Entities are required to apply the changes to annual periods beginning on or after July 1, 2011.

The Company is currently evaluating the potential impact that those modifications will have on its consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 New standards and interpretations issued but not yet effective (continued)

IFRS 9 - Financial Instruments Financial liabilities

On October 28, 2010, the IASB included in IFRS 9 the accounting treatment of financial liabilities, maintaining the classification and measurement criteria existing in IAS 39 for all liabilities except those for which the fair value option was used. Entities whose liabilities are valued using the fair value option should determine the amount of variation attributable to credit risk and recorded in equity if it does not produce an accounting mismatch. Entities are required to apply the changes to annual periods beginning on or after January 1, 2013.

The Company is currently evaluating the potential impact that the adoption of IFRS 9 will have on its financial

Financial Instruments: Recognition and Measurement

In November 2009, the IASB issued IFRS 9, "Financial Instruments", the first phase in its project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 introduces new requirements for classifying and measuring financial assets that are in the scope of IAS 39. This new regulation requires that all financial assets are classified according to the business model of the entity for the management of financial assets and cash flow characteristics of contractual financial asset. A financial asset is measured at amortized cost if they meet two criteria: (a) the purpose of the business model is to maintain a financial asset to receive contractual cash flows, and (b) cash flows represent contractual payments principal and interest. If a financial asset does not meet the above conditions it will be measured at fair value. Additionally, the standard allows a financial asset that meets the criteria to be valued at amortized cost may be designated at fair value through profit or loss under the fair value option, provided that it significantly reduces or eliminates an accounting mismatch. Also, the IFRS 9 eliminates the requirement to separate embedded derivatives primary financial asset. It therefore requires a hybrid contract is classified in its entirety on amortized cost or fair value.

The IFRS 9 requires that the entity makes reclassifications of financial assets when the entity changes its business model.

Under IFRS 9 all equity investments are measured at fair value. However, the Administration has the option to apply directly the changes in fair value in equity under "Valuation accounts." This designation is available for the initial recognition of an instrument and is irrevocable. The unrealized gains recorded in "Valuation Accounts” from changes in fair value should not be included in the income statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 New standards and interpretations issued but not yet effective (continued)

The IFRS 9 is effective for annual periods beginning on or after January 1, 2013, allowing early adoption before that date. IFRS 9 should be applied retroactively, however, if adopted before January 1, 2012, does not require restating comparative periods.

The Company is currently evaluating the potential impact that the adoption of IFRS 9 will have on its financial statements.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation - Special Purpose Entities*. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities'). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 "Joint arrangement"

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 uses some of the terms that were used IAS 31, but with different meanings. For example, whereas IAS 31identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.2 New standards and interpretations issued but not yet effective (continued)

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

IFRS 13 "Fair Value Measurement"

IFRS 13 is a single source that describes how to measure fair value under IFRS, when fair value is required or permitted to be used, but does not change when an entity is required to use fair value.

The standard changed the definition of Fair value- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date (an exit price). In addition the standard includes some new disclosure requirements.

IAS 12 "Income Taxes"

IAS12 introduces a rebuttable presumption that deferred taxes on investment properties measured at fair value will be recognized on the basis of sales (sales basis), unless the entity has a business model that may indicate that investment in property will be consumed during the business. If consumed, a consumer base should be adopted. It also introduces requirement that deferred taxes on non depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sales base. Its application is mandatory for annual periods beginning on or after July 2012.

2.3 Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which Transelec has the power to direct its financial and operating policies, in which case the Company generally holds a share of more than half of the voting rights. When evaluating whether the Company controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible should be considered.

Subsidiaries are consolidated from the date on which control is acquired and are excluded from consolidation from the date that control ceases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.3 Basis of consolidation (continued)

At the date of acquisition, the assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity are recorded at fair value. In the event that there is a positive difference between the acquisition cost and the fair value of the assets and liabilities of the acquired entity, including contingent liabilities, corresponding to the parent's share, this difference is recorded as goodwill. In the event that the difference is negative, it is recorded with a credit to income.

The value of non-controlling interest in equity and the results of the consolidated subsidiary are presented, respectively, under the headings "Profit (loss) attributable to non-controlling interest" in the consolidated statement of comprehensive income.

All balances and transactions between consolidated companies have been eliminated upon consolidation.

These consolidated financial statements include the balances of the Company and its only subsidiary, Transelec Norte S.A. The Company's interest in that subsidiary was 99.99% as of March 31, 2012 and December 31, 2011.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The Company's functional currency is the Chilean peso, while the functional currency of its subsidiary Transelec Norte is the US dollar. These 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. Any valuation differences are recorded as exchange differences in the income statement. 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 and net investment hedges.

Transelec has established a cash flow hedge policy for part of its revenues indexed to U.S. dollars. It also has a net investment hedge for its net investment in subsidiary Transelec Norte.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.4 Foreign currency translation (continued)

2.4.3 Subsidiary conversion with functional currency other than the Chilean Peso

The conversion of the financial statements of the subsidiary with functional currency other than the Chilean peso is performed as follows:

a) For assets and liabilities, the prevailing exchange rate on the closing date of the financial statements is used.

b) For items in the income statement, the average exchange rate for the period is used.

Foreign currency translation produced in the conversion of the financial statements is registered under the heading "Reserve for foreign currency translation differences" within Equity (see Note 18).

2.4.4 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	Pesos per unit	
	March 31, 2012	December 31, 2011
Unidad de Fomento	22,533.51	22,294.03
US$	487.44	519.20
Euro	649.83	672.97

2.5 Segments reporting

The Company manages its operations based on one sole operating segment: transmission of electricity.

2.6 Property, plant and equipment

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.6 Property, plant and equipment (continued)

b) Borrowing costs incurred during the construction year 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 in accounting. On a annual basis, Transelec S.A. and subsidiary review their estimate of these future disbursements, 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 for 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 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)

2.7 Intangible assets

2.7.1 Goodwill

The goodwill represents the difference between the acquisition cost and the fair value of the net assets acquired in a business combination. Goodwill is not amortized; instead, at each year end, the company estimates whether any impairment has reduced its recoverable value to an amount less than the carrying amount and, if appropriate, adjusts for impairment.

For impairment testing purposes, goodwill acquired in a business combination is allocated from the date of acquisition to the cash generating units that are expected to benefit from this combination.

During the years covered by those financial statements, there were 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 on an annual basis.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.8 Impairment of non-financial assets (continued)

In order to assess impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Impairment losses from continuing operations are recognized in the income statement in the expenses categories in accordance with the function of the impaired assets. 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. Reversals are included in the income statement.

Impairment of goodwill is not reversed.

2.9 Financial assets

Upon initial recognition, Transelec and its subsidiary classify their financial assets, excluding equity method investments and investments held for sale, into four categories:

- **Trade and other receivables, including Receivables from related parties:** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method.

- **Investments held to maturity:** non derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold and is capable of holding until their maturity. After initial recognition these assets are valued at its amortized cost as defined in the preceding paragraph.

During the years covered by these financial statements, the Company had no financial assets in this category.

- **Financial assets at fair value through profit or loss:** This includes the trading portfolio and those financial assets that have been designated as such upon initial recognition and those are managed and evaluated using fair value criteria. They are valued at its fair value in the statement of consolidated financial position, with changes in value recorded directly in income when they occur.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial assets (continued)

- **Available-for-sale investments:** These are financial assets specifically designated as available for sale or that do not fit within any of the three preceding categories and consist almost entirely of financial investments in shares/equity instruments. These investments are recorded in the statement of consolidated financial position at fair value when it can be reliably determined. In the case of interests in unlisted companies, normally the market value cannot be reliably determined and, thus, when this occurs, they are valued at acquisition cost or a lower amount if evidence of impairment exists. Changes in fair value, net of taxes, are recorded with a charge or credit to an Equity Reserve known as "Available-for-sale financial assets" until the investment is disposed of, at which time the amount accumulated in this account for that investment is fully charged to the income statement. Should the fair value be lower than the acquisition cost, if there is objective evidence that the asset has been more than temporarily impaired, the difference is recorded directly in the income statement.

Purchases and sales of financial assets are accounted for using their trade date.

A financial asset is derecognized when:

(a) the rights to receive cash flows from the asset have expired; or
(b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either **(i)** the Company has transferred substantially all the risks and rewards of the asset, or **(ii)** the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, for example delayed payments.

In the case of financial assets valued at amortized cost, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of the future estimated cash flows. The carrying amount is reduced using a provision account and the loss is recognized in the income statement. If in a later period the amount of the expected loss increases or decreases as a consequence of an event occurred after the recognition of the impairment, the impairment loss previously recognized is increased or reduced adjusting the provision account. If the write off is later recovered, this reversal is recognized in the income statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.9 Financial assets (continued)

In the case of financial assets classified at available-for-sale, in order to determine if the assets have been impaired, it will be considered if a significant or prolonged decrease in fair value of the assets below cost has occurred. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is reclassified from equity and recognized in the income statement. Impairment losses recognized in the income statement for equity instruments are not reversed in the income statement.

2.10 Financial instruments and hedge activities

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

Derivatives are initially recognized at fair value as of the date the derivative contract is signed and are subsequently re-measured at fair value as of each year end. Any gains or losses from variations in these fair values are recognized in the statement of comprehensive income unless the derivative is designated as a hedge instrument, in which case recognition of the gain or loss depends on the nature of the hedge relationship.
The types of hedges are as follows:

- Fair value hedge.
- Cash flow hedge.
- Hedges for a net investment in a foreign entity (net investment hedge).

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.

2.10.1 Fair value hedges

Changes in the fair value of derivates 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.10 Financial instruments and hedge activities (continued)

2.10.2 Cash flow hedges

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.

2.10.3 Net investment hedges

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. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”. The Company applies this policy for the hedge of its investment in the subsidiary Transelec Norte S.A., which is not a foreign operation but has a different functional currency than the Parent Company (US Dollars).

2.10.4 Derivatives not recorded as hedge accounting

Certain derivatives are not recorded as hedge accounting and are recognized as instruments at fair value through profit or loss. Changes in the fair value of any derivative instrument recorded like this are recognized immediately in the income statement within “Financial expense/income”.

2.10.5 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.

As of the years presented in these financial statements, the Company did not identify any contracts that met the conditions for embedded derivatives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.11 Inventory

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

2.12 Cash and cash equivalents

Cash and cash equivalents presented in the statement of consolidated financial position includes cash, 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.

2.13 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.

2.14 Financial liabilities

All financial liabilities are initially recognized at its fair value. In the case of loans they also include the direct transactions costs.

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Loans, bonds payable and financial liabilities of a similar nature are initially recognized at fair value, net of costs incurred in the transaction.

Subsequently, they are valued at amortized cost and any difference between the funds obtained (net of costs to obtain them) and repayment value are recognized in the income statement over the life of the debt using the effective interest rate method.

2.15 Income tax and deferred taxes

Income tax expense or benefit for the year is determined as the sum of current taxes of the Company and its subsidiary and results from applying the tax rate to the taxable base for the year, after allowable deductions have been made, plus any changes in deferred tax assets and liabilities and tax credits, both for tax losses and 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.15 Income tax and deferred taxes (continued)

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, based 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 tax gains sufficient enough to recover deductions for temporary differences and make use of tax losses.

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

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

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

2.16 Employee benefits

2.16.1 Employee vacation

The Company recognizes personnel vacation expenses on an accrual basis. This benefit is provided to all personnel and is a fixed amount based on each employee's particular contract. This benefit is recorded at nominal value.

2.16.2 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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.16 Employee benefits (continued)

2.16.2 Staff severance indemnity

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 that arise from adjustments based on experience and changes in actuarial assumptions are charged in full in the income statement in the period in which they arise. The methodology is pursuant to paragraph 93 of IAS 19, which allows more accelerated recognition than “the corridor” approach defined in paragraphs 92 and 93 of the same standard.

Past service costs are recognized immediately in the income statement.

2.16.3 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.

2.17 Provisions

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

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

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

As of the date of issuance of these financial statements, Transelec and subsidiary have no obligation to establish provision for environmental restoration and similar expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.18 Classification of current and non-current balances

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

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

2.19 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. 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.

The Company's revenues correspond mainly to remuneration from the use of its electricity transmission facilities. This remuneration is earned in part from arrangements subject to the tariff regulation and in part from contractual arrangements with the users of the transmission facilities. The total remuneration for the use of the transmission facilities for both regulated and contractual arrangements includes in general two components: **i)** the AVNR, which is the annuity of the New Replacement Value (VNR), 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 COyM, which corresponds to the cost required to operate, maintain and administrate the corresponding transmission facilities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.20 Leases

Leases in which substantially all risks and benefits inherent to the property are transferred to the lessee are classified as finance leases. Other leases that do not meet this criterion are classified as operating leases.

Operative leasing installments are recognized in the income statement on a straight-line basis.

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.

2.20.1 Lessor

Finance leases in which Transelec is the lessor are valued at the present value of the lease payments at an effective rate, which implies including expenses associated with the agreement's origin.

For lease agreements with past due lease payments, a provision should be established for the amount of the delayed payments.

2.20.2 Lessee

Finance leases in which Transelec 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.

Operating lease payments are expensed on a straight-line basis over the term of the lease unless another type of systematic basis of distribution is deemed more representative.

2.21 Distribution of dividends

Dividends payable to the Company's shareholders are recognized as a liability in the financial statements in the period in which they are approved by the Company's shareholders or when the liability is constituted according to the legal regulations in force.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

2.21 Distribution of dividends (continued)

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 September 30, 2010, the policy used for the determination of distributable net profit was approved. This policy does not consider adjustments to the profit.

On the Company's Board meeting No. 57 held on September 30, 2010, also the option for treatment of first adoption of IFRS adjustments was approved. Net balances resulting from first adoption adjustments have been determined and recorded in terms of the option referred to above and in accordance with requirements of Circular No. 1945 and No. 1983 of the SVS.

NOTE 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 forward 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.

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk

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

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

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

The following table presents the Company's debt as of March 31, 2012 and December 31, 2011. The table indicates that all of the Company's debt is at fixed rates. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

Deb	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand)	
				March 31, 2012	December 31, 2011
Bono Series C	UF	3.50%	Fixed	6,000	6,000
Bono Series D	UF	4.25%	Fixed	13,500	13,500
Bono Series E	UF	3.90%	Fixed	3,300	3,300
Bono Series F	CLP	5.70%	Fixed	33,600,000	33,600,000
Bono Series H	UF	4.80%	Fixed	3,000	3,000
Bono Series I	UF	3.50%	Fixed	1,500	1,500
Bono Series K	UF	4.60%	Fixed	1,600	1,600
Bono Series L	UF	3.65%	Fixed	2,500	2,500
Bono Series M	UF	4.05%	Fixed	3,400	3,400
Bono Series N	UF	3,95%	Fixed	3,000	3,000

NOTE 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 Company has mercantile current accounts with related companies denominated in US dollars that have a variable interest rate. Given the fact that the Company's net assets with variable interest rates are an insignificant portion of its total assets, the Company believes that its income is not exposed to significant risk from changes in market interest rates.

However, increases in inflation could impact the cost of UF-denominated debt and, therefore, the Company's financial expenses. These impacts are to some extent offset by the mechanism of indexation of the Company's revenues, which are also adjusted for inflation using indexation formulas.

3.1.1.2 Exchange rate risk

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

- The revenues of its subsidiary Transelec Norte are denominated in U.S. dollars.

- Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).

- Transelec maintains a portion of its debt denominated in U.S. dollars in order to finance the dollar-denominated assets of its subsidiary, among other uses. Exchange rate exposure is managed using an approved policy that involves:

a) Fully hedging 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 as of yearend:

	Liabilities		Assets	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	Million Ch$	Million Ch$	Million Ch$	Million Ch$
U.S. dollar (amounts associated with balance sheet entries)	(7,138.01)	3,917.01	(2,877.78)	26,772.03
U.S. dollar (amounts associated with income statement entries)	14,184.50	30,110.93	-	-
Chilean peso	945,822.56	954,826.35	1,898,258.99	1,921,661.84

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)

b) Polynomials indexing of the Company´s revenues contain formulas for setting these revenues in the short term, differ from the long-term indexing. In order that the short-term indexing is consistent with long-term indexing, the Company, periodically (every six months) sell a percentage of their semi-annual fixed dollar income using currency forwards. These forwards are considered as cash flow hedges and therefore changes in fair value, while not realized are included in other comprehensive income.

3.1.1.2.1 Sensitivity analysis

The following chart shows the sensitivity analysis of various items to a 10% increase or decrease in exchange rates (US Dollar) and their effect on income or equity. This exchange rate sensitivity (10%) is used to internally report the Company's foreign exchange risk to key management personnel and represents management's valuation of the possible change in 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 10% implies a weakening of the Chilean peso with respect to the foreign currency, which negatively impacts the income statement or in other comprehensive income.

	Position	Net income (gain)/loss		Position	OCI (gain)/loss	
	Million$	Million $		Million$	Million $	
Item (Currency)	**Long /(Short)**	**Change (-10%)**	**Change (+10%)**	**Long /(Short)**	**Change (-10%)**	**Change (+10%)**
Receivables (US$)	3,542	322	(354)	-	-	-
Payables (US$)	(4,485)	(408)	449	-	-	-
Cash (US$)	19,389	1,763	(1,939)	-	-	-
Forwards (assets) (US$)	(6,337)	(576)	634	(57,323)	(5,211)	5,732
Forwards (income)	-	-	-	(14,185)	(1,290)	1,418
Bonds (US$)	-	-	-	-	-	-
Intercompany loan (US$)	(37,527)	(372)	375	-	-	-
Net investment	-	-	-	66,114	6,010	(6,611)
Other (US$)	6,610	601	(661)	-	-	-
Total	**(18,808)**	**1,330**	**(1,496)**	**(5,394)**	**(491)**	**539**

NOTE 3 - RISK MANAGEMENT POLICY (continued)

3.1 Financial risk (continued)

3.1.2 Credit risk

Credit risk for receivables from electricity transmission activity is historically very limited given the reduced number of customers and their risk ratings, and the short length of time of collection (less than 30 days).

However, Company's revenues and consequently receivables are highly concentrated in some main clients, as shown below:

Revenues	For the period 3 months ended March 31, 2012 TCh$	For the period 3 months ended March 31, 2011 TCh$
Endesa Group	22,807,293	20,074,574
AES Gener	8,808,168	5,427,317
Colbún Group	7,396,835	4,642,656
Others	15,003,095	15,398,944
Total	**54,015,391**	**45,543,491**
% Concentration	72.22%	66.19%

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

The Company believes no allowance for doubtful accounts is necessary as of the end of years presented.

In terms of the Company's credit risk associated with other financial assets (time deposits, fixed-return mutual funds and reverse repurchase agreements, net asset position from derivative contracts), the 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.

3.1.3 Liquidity risk

a) Risk associated to Company's management

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.

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)

In order to guarantee that Transelec is able to quickly react to investment opportunities and pay its obligations by maturity dates, in addition to its cash balances and short-term receivables, the Company has committed lines of credit for working capital (US$ 30 million, equivalent to ThCh$ 14.623). To date, these lines have not been used and are expected to be renewed upon maturity. These credit lines were in effect during the entire year 2011 and continue to be in effect as March 31, 2012. Transelec is currently in negotiation with banks to grant new lines (revolving) committed up to US$ 200 million, equivalent to ThCh$ 97,488, Management the Company expects to close these negotiations June 2012.

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

The following table presents the capital amortizations corresponding to the Company's financial liabilities, according to their maturity date, as of March 31, 2012 and December 31, 2011.

In thousand of Chilean pesos Year	Less than 1 Years	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
March 31, 2012	-	141,760,848	191,534,835	-	552,070,995	885,366,678
December 31, 2011	-	196,346,419	133,764,180	-	546,203,735	876,314,334

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 trunk transmission system 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 CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies owner of generation facilities.

Transelec could face the risk of not opportunely collect the IT that some of the companies owners of generation facilities should pay as set up in the repayment schedule of CDEC, which may temporarily affect the liquidity situation of the company . In this sense, and in the opinion of the company, the clearing house work being done by Transelec in respect of the above-mentioned collection consists not in the collection of values for its own benefit, but in the mere collection and payment to third parties of credits and debts that belong to the generating companies.

NOTE 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 a material adjustment to the balances of assets and liabilities 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 assumptions used to calculate the actuarial liabilities and obligations to employees;
- Future tax results for the purposes of determining the recoverability of deferred tax assets.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of March 31, 2012 and December 31, 2011, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of	
	March 31, 2012 ThCh$	December 31, 2011 ThCh$
Bank and cash balances	2,235,088	646,549
Short-term deposits	47,275,958	54,481,751
Reverse repurchase agreements and mutual funds	13,450,951	9,083,694
Total	**62,961,997**	**64,211,994**

Cash and cash equivalents included in the statement of financial position as of March 31, 2012 and December 31, 2011 does not differ from those presented in the statement of cash flows.

NOTE 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 March 31, 2012 ThCh$	Balance as of December 31, 2011 ThCh$
Amount of cash and cash equivalents	U.S. dollars	9,595,631	8,805,706
Amount of cash and cash equivalents	Euros	22,411	19,301
Amount of cash and cash equivalents	Chilean pesos	53,343,955	55,386,987
Total		**62,961,997**	**64,211,994**

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

NOTE 6 - TRADE AND OTHER RECEIVABLES

As of March 31, 2012 and December 31, 2011, this account is detailed as follows:

Item	Balance as of March 31, 2012 Current ThCh$	Balance as of December 31, 2011 Current ThCh$
Trade receivables	62,261,842	68,911,384
Miscellaneous receivables	537,156	459,412
Total trade and other receivables	**62,798,998**	**69,370,796**

NOTE 6 - TRADE AND OTHER RECEIVABLES (continued)

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of March 31, 2012 and December 31, 2011, the aging of trade and other receivables is as follows:

	Balance as of	
	March 31, 2012 ThCh$	**December 31, 2011 ThCh$**
Maturing in less than 30 days	15,589,563	47,437,475
Maturing in more than 30 days up to 1 year	47,209,435	21,933,321
Total	**62,798,998**	**69,370,796**

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

On September 13, 2011 the company Campanario Generation SA was declared insolvent and has ceased to pay Transelec SA to September 30, 2011 the amount of ThCh$ 6,345,762 for tolls and fare revenue. Under the statutory and regulatory history held by the Company, estimated that there is any evidence to prove that the accounts receivable outstanding relating to tariff income, evidencing a deterioration of the same. Therefore Transelec S.A. has recorded a provision for uncollectible worth of ThCh$ 1,026,284 for receivables on items other than fare revenue and the date of presentation of these financial statements, there is no certainty that the Company may recover that amount.

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 Balances and transactions with related parties

Transactions between the Company and its subsidiary consist of customary transactions in terms of their objective and conditions. These transactions have been eliminated in the consolidation process and are not presented in this Note.

Balances of receivables and payables between the company and its unconsolidated related companies are detailed as follows:

Receivables to related parties

						Balance as of			
						Current		Non-Current	
Taxpayer ID Number	Company	Description	Term of transaction	Relationship	Currency	March 31, 2012 ThCh$	December 31, 2011 ThCh$	March 31, 2012 ThCh$	December31, 2011 ThCh$
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Mercantile current account	6 month	Parent company	US$	1,377,270	1,460,395	-	-
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Mercantile current account	6 month	Parent company	UF	2,492,363	1,811,618	-	-
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Loan	6 month	Parent company	UF	-	-	68,625,713	67,896,855
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Mercantile current account	N/A	Parent company	CLP	3,607,684	900,000	-	-

Payable to related parties

						Balance as of			
						Current		Non-Current	
Taxpayer ID Number	Company	Description	Term of Transaction	Relationship	Currency	March 31, 2012 ThCh$	December 31, 2011 ThCh$	March 31, 2012 ThCh$	December31, 2011 ThCh$
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Loan	5 years and 7 months	Parent company	US$	-	3,870,835	37,526,890	39,970,247

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

7.1 Balances and transactions with related parties (continued)

a) Most significant transactions and their effect on income

Transactions with unconsolidated related parties had the following effects on the income statement for the periods December 31, 2011 and 2010:

Taxpayer ID Number	Company Transaction	Relationship	Description of	March 31, 2012 ThCh$		December 31, 2011 ThCh$	
				Amount	Effect on Income	Amount	Effect on income
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans granted	-	-	62,720,714	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans paid	-	-	12,290,720	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest earned	663,334	663,334	1,890,985	1,890,985
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest paid	-	-	97,295	-

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

NOTE 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 of Transelec 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. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on August 24, 2010. The current Chairman of the Board was elected at Board meeting dated November 16, 2011.

7.2.1 Board of Directors' compensation

As established in Article No. 33 of Law No. 18,046 on Corporations, on the Second Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2011, shareholders established annual gross compensation for the Company's Directors of the equivalent of US$ 70,000, regardless of the number of sessions actually attended or held. Allowances are paid on a quarterly basis. Directors Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived their respective allowances for 2011 and this waiver is maintained for 2012 year.

Accordingly, the following compensation was received by directors during the periods 2012 and 2011:

	March 31, 2012	March 31, 2011
	ThCh$	ThCh$
Blas Tomic Errázuriz	9,086	8,190
José Ramón Valente Vias	9,086	8,190
Alejandro Jadresic Marinovic	9,086	8,190
Mario Valcarce Duran	9,086	8,190
Bruno Philippi Irarrazabal	9,086	8,190

As established in article 8 of its by-laws, the Directors of the Company's subsidiary, Transelec Norte, S.A. do not receive compensation for their services.

7.3 Board expenses

During the periods 2012 and 2011, no payments were made for Board expenses.

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

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 financial statements and internal systems. Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company. Committee members are appointed by the Board of Directors. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman-from among its members-and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Audit Committee held two meetings in 2012 and two meetings for the periods 2011.

As of March 31, 2012, the Audit Committee members included Chairman José Ramón Valente Vías, Directors Patrick Charbonneau, Mario Valcarce Duran and Brenda Eaton and Secretary Fernando Abara Elías. The Committee members are entitled to receive compensation as determined by shareholders at the Ordinary Shareholders' Meeting.

On the Quarter Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2011, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

The following compensation was received by members of the Audit Committee during period 2012 and 2011:

	March 31, 2012	March 31, 2011
	ThCh$	ThCh$
José Ramón Valente	5,192	4,680
Mario Alejandro Valcarce Duran	5,192	-

7.5 Compensation of key management that are not Directors

Members of Key Management

Andrés Kuhlmann Jahn	Chief Executive Officer
Eric Ahumada Gomez	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
Fernando Abara Elías	Vice-President of Legal Matters
Rodrigo Lopéz Vergara	Vice-President of Operations
Claudio Vera Acuña	Corporate Affairs Manager
Juan Carlos Araneda Tapia	Business Development Manager

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

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.

Compensation of key management personnel by concept for the periods 2012 and 2011 is detailed as follows:

	March 31, 2012	March 31, 2011
Salaries	354,506	341,999
Short-term employee benefits	136,572	126,964
Long-term employee benefits	84,212	53,238
Total compensation received by key management personnel	**575,290**	**522,201**

NOTE 8 - INVENTORY

As of March 31, 2012 and December 31, 2011 this account is detailed as follows:

Classes of inventory	Balance as of	
	March 31, 2012	December 31, 2011
	ThCh$	ThCh$
Safety equipment	39,193	38,111
Total	**39,193**	**38,111**

NOTE 9 - FINANCIAL LEASES

9.1 Finance lease receivables

	Balance as of	
	March 31, 2012	December 31, 2011
	ThCh$	ThCh$
Current finance leases receivables	446,960	473,555
Non-current finance leases receivables	9,709,336	10,462,445
Total	**10,156,296**	**10,936,000**

NOTE 9 - FINANCIAL LEASES (continued)

9.1 Finance lease receivables (continued)

Within current and non-current other assets receivable, the Company includes assets that have been constructed at the express request of the lessee. Therefore, all risks and benefits have been transferred when the asset is commissioned.

March 31, 2012			
Period in Years	**Nominal Value**	**Interest receivable**	**Present value**
	ThCh$	**ThCh$**	**ThCh$**
Less than 1	446,988	370,795	817,783
1-5	1,948,308	1,185,175	3,133,483
Over 5	7,761,000	3,105,182	10,866,182
Total	**10,156,296**	**4,661,152**	**14,817,448**

December 31, 2011			
Period in years	**Nominal value**	**Interest receivable**	**Present value**
	ThCh$	**ThCh$**	**ThCh$**
Less than 1	473,555	397,513	871,068
1-5	1,969,704	1,274,312	3,244,016
Over 5	8,492,741	3,392,847	11,885,588
Total	**10,936,000**	**5,064,672**	**16,000,672**

9.2 Operating leases payable

The Company has operating leases contract in which it acts as lessee. Payments under those contracts are recognized in administrative expenses as follows:

	March 31, 2012	**March 31, 2011**
	ThCh$	**ThCh$**
Real estate lease	131,866	159,939
Other leases	142,381	145,820
Total operating leases	**274,247**	**305,759**

The following table details the amounts payable based on the maturity of each agreement.

	Up to 1 year	**1 to 5 years**	**More than 5 Years**
	ThCh$	**ThCh$**	**ThCh$**
Real estate lease	527,464	2,109,856	-
Other leases	569,524	2,278,096	-
Total operating leases	**1,096,988**	**4,387,952**	**-**

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of March 31, 2012 December 31, and 2011:

Intangible assets, net	**March 31, 2012**	**December 31, 2011**
	ThCh$	**ThCh$**
Rights of way	147,482,682	148,448,704
Software	929,182	815,158
Goodwill	338,897,614	338,897,614
Total intangible assets, net	**487,309,478**	**488,161,476**

Intangible assets, gross	**March 31, 2012**	**December 31, 2011**
	ThCh$	**ThCh$**
Rights of way	147,482,682	148,448,704
Software	3,967,719	3,782,694
Goodwill	338,897,614	338,897,614
Total intangible assets	**490,348,015**	**491,129,012**

Accumulated amortization and impairment	**March 31, 2012**	**December 31, 2011**
	ThCh$	**ThCh$**
Software	(3,038,537)	(2,967,536)
Total accumulated amortization	**(3,038,537)**	**(2,967,536)**

NOTE 10 - INTANGIBLE ASSETS (continued)

The composition and movements of intangible assets during the period 2012 and 2011 have been:

Period 2012

Movements in intangible assets	Rights of way	Software	Goodwill	Net intangible assets
	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2012	**148,448,704**	**815,158**	**338,897,614**	**488,161,476**
Movements in identifiable intangible assets				
Additions	-	191,186	-	191,186
Amortization	-	(71,001)	-	(71,001)
Translation difference	(345,426)	(6,161)	-	(351,587)
Reclassification	(620,596)	-	-	(620,596)
Ending balance of intangible assets as of March 31 , 2012	**147,482,682**	**929,182**	**338,897,614**	**487,309,478**

Year 2011

Movements in intangible assets	Rights of way	Software	Goodwill	Net intangible assets
	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as of January 1, 2011	**139,817,492**	**955,400**	**338,897,614**	**479,670,506**
Movements in identifiable intangible assets				
Additions	8,085,483	287,648	-	8,373,131
Transfer to receivables for financial leasing	(11,021)	-	-	(11,021)
Amortization	-	(434,923)	-	(434,923)
Translation adjustment	36,194	7,033	-	43,227
Increase (decrease)	520,556	-	-	520,556
Ending balance of intangible assets as of December 31, 2011	**148,448,704**	**815,158**	**338,897,614**	**488,161,476**

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of March 31, 2012 and December 31, 2011 to be recovered.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	**March 31, 2012**	**December 31, 2011**
	ThCh$	**ThCh$**
Land	20,694,694	20,668,591
Buildings and infrastructure	792,718,578	780,897,957
Machinery and equipment	346,025,730	349,626,007
Other property, plant and equipment	1,968,132	1,852,680
Property, plant and equipment, net	**1,161,407,134**	**1,153,045,235**

Property, plant and equipment, gross	**March 31, 2012**	**December 31 2011**
	ThCh$	**ThCh$**
Land	20,694,694	20,668,591
Buildings and infrastructure	921,648,161	903,866,114
Machinery and equipment	438,794,696	438,028,430
Other property, plant and equipment	1,968,132	1,852,680
Total property, plant and equipment, gross/	**1,383,095,683**	**1,364,415,815**

Total accumulated depreciation and impairment, property, plant and equipment, net	**March 31, 2012**	**December 31 2011**
	ThCh$	**ThCh$**
Buildings and infrastructure	(128,929,583)	(122,968,157)
Machinery and equipment	(92,758,966)	(88,402,423)
Total accumulated depreciation and impairment, property, plant and equipment	**(221,688,549)**	**(211,370,580)**

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 Reconciliation of changes in property, plant and equipment

Period 2012		Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
Opening balance January 1, 2012		**20,668,591**	**780,897,957**	**349,626,007**	**1,852,680**	**1,153,045,235**
Movement	Additions	120,003	13,396,357	1,542,607	115,871	**15,174,838**
	Withdraw	-	(52,385)	(6,918)	-	**(59,303)**
	Depreciation expense	-	(6,636,914)	(4,567,516)	-	**(11,204,430)**
	Translation adjustment	(93,900)	(3,169,515)	(568,450)	(419)	**(3,832,284)**
	Other increases (decreases)	-	8,283,078	-	-	**8,283,078**
Ending balance as of March 31, 2012		**20,694,694**	**792,718,957**	**346,025,730**	**1,968,132**	**1,161,407,134**

Year 2011		Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
Opening balance January 1, 2011		**19,949,131**	**752,861,802**	**319,851,833**	**1,890,717**	**1,094,553,483**
Movement	Additions	568,115	42,538,782	50,094,208	5,192	**93,206,297**
	Withdraw	-	(1,732,191)	(1,542,834)	(43,473)	**(3,318,498)**
	Transfer to receivables for financial leasing	-	(2,198,812)	-	-	**(2,198,812)**
	Depreciation expense	-	(22,269,924)	(19,771,293)	-	**(42,041,217)**
	Translation adjustment	151,345	5,533,538	944,093	244	**6,679,220**
	Other increases (decreases)	-	6,164,762	-	-	**6,164,762**
Ending balance as of December 31, 2011		**20,668,591**	**780,897,957**	**349,626,007**	**1,852,680**	**1,153,045,235**

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 Additional information on property, plant and equipment

Transelec has taken out insurance policies to cover possible risks related to its tangible assets as well as possible claims related to its activities that may arise. These policies are understood to sufficiently cover the risks to which the Company is exposed.

As of March 31, 2012 and December 31, 2011, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totalling ThUS$ 129,329,655 ThUS$177,909,784, respectively.

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

	March 31, 2011	December 31, 2011
Capitalization rate (Annual basis) (%)	8.35%	6.17%
Capitalized interest costs (ThCh$)	826,165	1,318,255

Work in progress balances amounts to ThCh$ 91,257,186 ThCh$ 153,273,262 and as of March 31, 2012, and 2011, respectively.

NOTE 12 - DEFERRED TAXES

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of March 31, 2012 and December 31, 2011, is detailed as follows:

	Deferred tax assets			Deferred tax liabilities	
Temporal differences	**March 31, 2012**	**December 31, 2011**		**March 31, 2012**	**December 31, 2011**
	ThCh$	**ThCh$**		**ThCh$**	**ThCh$**
Depreciable fixed assets	22,676,481	25,825,245		1,950,755	2,199,478
Forwards contracts	(766,966)	686,126		-	-
Prepaid bond expenses	(1,138,007)	(1,163,314)		-	-
Leased assets	(743,794)	(442,412)		1,314,730	1,425,706
Materials and spare parts	346,030	339,182		-	-
Tax losses	9,029,004	7,295,460		-	-
Staff severance indemnities provision	(28,364)	(63,367)		-	-
Deferred income	455,276	426,019		-	-
Investment value provision	8,157	8,157		-	-
Lawsuit provision	43,936	37,794		(24,372)	(26,341)
Obsolescence provision	9,250	14,256		-	-
Assets under construction	960,884	844,357		-	-
Vacation provisions	156,163	128,221		-	-
Intangible assets	(8,221,084)	(9,285,626)		(220,263)	139,797
Adjustment of effective interest rate of bonds	(1,343,049)	(1,349,402)		-	-
Land	221,469	214,721		130,477	(235,996)
Allowance for Doubtful Receivables	174,467	174,467		-	-
Total	**21,839,853**	**23,689,884**		**3,151,327**	**3,502,644**

NOTE 12 - DEFERRED TAXES (continued)

12.2 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the consolidated statement of financial position for the periods 2012 and 2011 are as follows:

Deferred tax movements	**Asset**	**Liability**
	ThCh$	**ThCh$**
Balance as of January 1, 2011	**30,931,637**	**3,249,021**
Increase (decrease)	(7,241,753)	(101,748)
Translation adjustment	-	355,371
Balance as of December 31, 2011	**23,689,884**	**3,502,644**
Increase (decrease)	(1,850,031)	(117,753)
Translation adjustment	-	(233,564)
Balance as of March 31, 2012	**21,839,853**	**3,151,327**

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.

NOTE 13 - FINANCIAL LIABILITIES

13.1 Other financial liabilities

The current and non-current portion of this account as of March 31, 2012 and December 31, 2011 is as follows:

Interest bearing loans	**March 31, 2012**		**December 31, 2011**	
	Current	**Non- current**	**Current**	**Non- current**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**
Bonds payable	9,034,060	870,949,342	7,737,562	861,758,340
Total bonds payable	**9,034,060**	**870,949,342**	**7,737,562**	**861,758,340**
Forward contract	-	-	165,199	-
Total	**9,034,060**	**870,949,342**	**7,902,761**	**861,758,340**

NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities

The detail of other financial liabilities is as follows:

Instrument registration number	Series	Nominal amount placed outstanding	Indexation unit	Nominal interest are	Effective interest rate	Final maturity	Periodicity		Par value		Placement in Chile or abroad
							Interest payments	Principal payments	March 31, 2012	December 31, 2011	
									ThCh$	ThCh$	
481	C	6,000,000	UF	3.50%	4.03%	09.01.2016	Semiannually	At the end	450,855	1,731,578	Chile
480	D	13,500,000	UF	4.25%	4.37%	12.15.2027	Semiannually	At the end	4,349,213	1,104,929	Chile
598	E	3,300,000	UF	3.90%	3.82%	08.01.2014	Semiannually	At the end	466,754	1,160,326	Chile
598	F	33,600,000,000	CLP	5.70%	5.79%	08.01.2014	Semiannually	At the end	315,838	794,901	Chile
599	H	3,000,000	UF	4.80%	4.79%	08.01.2031	Semiannually	At the end	530,133	1,318,974	Chile
598	I	1,500,000	UF	3.50%	3.79%	09.01.2014	Semiannually	At the end	107,774	414,171	Chile
599	K	1,600,000	UF	4.60%	4.61%	09.01.2031	Semiannually	At the end	139,984	539,172	Chile
598	L	2,500,000	UF	3.65%	3.92%	12.15.2015	Semiannually	At the end	721,758	181,769	Chile
599	M	1,500,000	UF	4.05%	4.26%	06.15.2032	Semiannually	At the end	461,289	116,222	Chile
599	M-1	1,900,000	UF	4.05%	4.23%	06.15.2032	Semiannually	At the end	585,408	147,493	Chile
599	N	3,000,000	UF	3.95%	4.29%	12.15.2038	Semiannually	At the end	905,054	228,027	Chile
Total – short – term portion									**9,034,060**	**7,737,562**	
Forward contracts									-	165,199	
Total current									**9,034,060**	**7,902,761**	

NOTE 13 - FINANCIAL LIABILITIES (continued)

13.2 Detail of other financial liabilities (continued)

Instrument registration number	Series	Nominal amount placed outstanding	Indexation unit	Nominal interest are	Effective interest rate	Final maturity	Periodicity		Par value		Placement in Chile or abroad
							Interest payments	Principal payments	March 31, 2012	December 31, 2011	
									ThCh$	ThCh$	
481	C	6,000,000	UF	3.50%	4.03%	09.09.2016	Semiannually	At the end	132,322,998	130,646,110	Chile
480	D	13,500,000	UF	4.25%	4.37%	12.15.2027	Semiannually	At the end	299,570,021	296,386,272	Chile
598	E	3,300,000	UF	3.90%	3.82%	08.01.2014	Semiannually	At the end	74,501,170	73,735,682	Chile
598	F	33,600,000,000	CLP	5.70%	5.79%	08.01.2014	Semiannually	At the end	32,951,191	33,523,950	Chile
599	H	3,000,000	UF	4.80%	4.79%	08.01.2031	Semiannually	At the end	66,816,030	66,915,067	Chile
598	I	1,500,000	UF	3.50%	3.79%	09.01.2014	Semiannually	At the end	34,151,875	33,171,042	Chile
599	K	1,600,000	UF	4.60%	4.61%	09.01.2031	Semiannually	At the end	36,832,102	35,635,957	Chile
598	L	2,500,000	UF	3.65%	3.92%	12.15.2015	Semiannually	At the end	55,692,986	55,101,096	Chile
599	M	1,500,000	UF	4.05%	4.26%	06.15.2032	Semiannually	At the end	32,797,871	32,449,304	Chile
599	M-1	1,900,000	UF	4.05%	4.23%	06.15.2032	Semiannually	At the end	41,433,296	40,992,954	Chile
599	N	3,000,000	UF	3.95%	4.29%	12.15.2038	Semiannually	At the end	63,879,802	63,200,906	Chile
Total long term									**870,949,342**	**861,758,340**	

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$ 884,494,964 and ThCh$ 873,531,935 as of March 31, 2012 and December 31, 2011, respectively.

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.

NOTE 13 - FINANCIAL LIABILITIES (continued)

13.3 Hedge debt

As of March 31, 2012 and December 31, 2011, this account is detailed as follows:

	March 31, 2012	December 31, 2011
Exchange rate differences recorded in equity	7,082	130,034
Cash flow hedge	754,562	(137,115)
Net investment hedge	1,014,756	1,162,191
Balance of reserves at the end of the year	**1,776,400**	**1,155,110**

13.4 Other aspects

As of March 31, 2012, Transelec had short-term and long-term lines of credit available for ThCh$14,623,200, while it had short-term lines available for ThCh$98,034,090 as of December 31, 2011.

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

NOTE 14 - TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2011 and 2010 are detailed as follows:

	Current		Non- current	
Trade and other payables	**March 31, 2012**	**December 31, 2011**	**March 31, 2012**	**December 31, 2011**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**
Trade and other payables	65,653,330	90,936,736	-	-
Total	**65,653,330**	**90,936,736**	**-**	**-**

The average payment period for suppliers in 2012 was 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

NOTE 15 - 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.
- Non-hedge derivatives: Those that do not meet the requirements established by IFRS and thus do not qualify for hedge accounting.

15.1 Hedge assets and liabilities

	March 31, 2012				December 31, 2011			
	Asset		Liability		Asset		Liability	
	Current	Non - current	Current	Non - current	Current	Non - current	Current	Non – current
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash flow Hedge	-	-	917,643	-	-	-	165,199	-
Hedge Investment	-	-	2,824,093	-	-	-	3,026,289	-
Non-hedge Forwards	-	-	769,826	-	-	-	844,546	-
Total	**-**	**-**	**4,511,562**	**-**	**-**	**-**	**4,036,034**	**-**

15.2 Other Information

The following table details Transelec's derivatives as of March 31, 2012 and December 31, 2011, including their fair values as well as their notional and contractual values by maturity:

		Fair value							March 31, 2012
Financial derivatives	**Fair value**	**Before 1 year**	**2011**	**2012**	**2013**	**2014**	**2015**	**Subsequent years**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash flow Hedge	917,643	917,643	-	-	-	-	-	-	917,643
Hedge Forwards	2,824,093	2,824,093	-	-	-	-	-	-	2,824,093
Non-hedge Forwards	769,826	769,826	-	-	-	-	-	-	769,826

		Fair value							December 31, 2011
Financial derivatives	**Fair value**	**Before 1 year**	**2011**	**2012**	**2013**	**2014**	**2015**	**Subsequent years**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash flow Hedge	165,199	165,199	-	-	-	-	-	-	165,199
Hedge Forwards	3,026,289	3,026,289	-	-	-	-	-	-	3,026,289
Non-hedge Forwards	844,546	844,546	-	-	-	-	-	-	844,546

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, March 31, 2012 and December 31, 2011, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

NOTE 15 - DERIVATIVE INSTRUMENTS (continued)

15.2 Other Information (continued)

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

15.3 Fair value hierarchies

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

The following table details financial assets and liabilities measured at fair value as of March 31, 2012.

Financial instruments measured at fair value	Fair value measured at the end of the reporting period using			
	March 31, 2012	Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
Financial asset				
Non hedge derivative	13,737	-	13,737	-
Total	**13,737**	**-**	**13,737**	**-**
Financial liabilities				
Cash flow derivate	917,643	-	917,643	-
Non hedge Forward	783,563	-	783,563	-
Hedge derivate	2,824,093	-	2,824,093	-
Total	**4,525,299**	**-**	**4,525,299**	**-**

The following table details financial assets and liabilities measured at fair value as of December 31, 2011.

Financial instrumental measured at fair value	Fair value measured at the end of the reporting period using			
	December 31, 2011	Level 1 ThCh	Level 2 ThCh$	Level 3 ThCh$
Financial asset				
Cash flow derivate	165,199	-	165,199	-
Hedge derivate	3,026,289	-	3,026,289	
Non hedge Forward	844,546	-	844,546	-
Total	**4,036,034**	**-**	**4,036,034**	**-**

NOTE 16 - PROVISIONS

16.1 Detail of provisions

As of March 31, 2012 and December 31, 2011 this account is detailed as follows:

Detail	Current		Non-current	
	March 31, 2012 ThCh$	December 31, 2011 ThCh$	March 31, 2012 ThCh$	December 31, 2011 ThCh$
Staff severance indemnities	355,382	375,151	3,481,232	3,481,742
Accrued vacations	918,607	1,300,932	-	-
Profit sharing benefits	1,638,114	3,004,270	9,530	9,530
Other provisions	454,155	439,330	-	-
Total	**3,366,258**	**5,119,683**	**3,491,272**	**3,491,272**

16.2 Provision movements

In period 2012 and 2011, provision movements are detailed as follows:

Movements in provisions	Staff severance indemnities	Profit sharing benefits	Accrued vacations	Other Provision	Total
Beginning balance as of January 1, 2012	**3,856,383**	**3,014,310**	**1,300,932**	**439,330**	**8,610,955**
Movements in provisions:					
Provisions during the year	115,692	1,031,786	196,670	14,825	1,358,973
Payments	(134,951)	(2,398,452)	(578,995)	-	(3,112,398)
Ending balance as of March 31, 2012	**3,837,124**	**1,647,644**	**918,607**	**454,155**	**6,857,530**

Movements in provisions	Staff severance indemnities	Profit sharing benefits	Accrued vacations	Other Provisions	Total
Beginning balance as of January 1, 2011	**3,928,161**	**2,794,087**	**898,556**	**363,758**	**7,984,562**
Movements in provisions:					
Provisions during the year	637,340	683,253	1,123,802	75,572	2,519,967
Payments	(709,118)	(463,030)	(721,426)	-	(1,893,574)
Ending balance as of December 31, 2011	**3,856,383**	**3,014,310**	**1,300,932**	**439,330**	**8,610,955**

NOTE 16 - PROVISIONS (continued)

16.2 Provision movements (continued)

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

As of March 31, 2012

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	355,382	424,978	525,176	2,541,588
Accrued vacations	918,607	-	-	-
Profit sharing benefits	1,638,114	9,530	-	-
Other provisions	454,155	-	-	-
Total	**3,366,258**	**434,508**	**515,176**	**2,541,588**

As of December 31, 2011

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	375,151	424,978	525,176	2,541,588
Accrued vacations	1,300,931	-	-	-
Profit sharing benefits	3,004,272	9,530	-	-
Other provisions	439,330	-	-	-
Total	**5,119,683**	**434,508**	**515,176**	**2,541,588**

16.3 Lawsuits and arbitration proceedings

TRANSELEC S.A.

1. Charges presented by the Superintendency of Electricity and Fuels (SEC) for failure on January 13, 2003. Fine applied: UTA 560 (five hundred sixty annual tax units), equivalent to ThCh$ 264,849 as of March 31, 2012. Current situation: the fine was upheld in all courts and proceedings. The Court of Appeals ordered the Company to write a check payable to the Treasury of the Republic in the amount of 25% of the fine, the amount deposited to file the claim. Additionally, the Court wrote to the SEC to report availability of funds. Outcome: the fine is final and enforced and in the process of rerception by the Treasury

2. Charges presented by the Superintendency of Electricity and Fuels (SEC) for generalized failure on November 7, 2003. Fine applied: UTA 1,120 (one thousand, one hundred twenty annual tax units), equivalent to ThCh$ 529,697 as of March 31, 2012. Current situation: Legal claim brought before the Court of Appeals of Santiago. Probable outcome: given the court's historical behavior in similar cases, we believe that the most likely scenario is that the full fine will be upheld.

NOTE 16 - PROVISIONS (continued)

16.3 Lawsuits and arbitration proceedings (continued)

3. Charges presented by the Superintendency of Electricity and Fuels (SEC) for failure on December 4, 2006. Fine applied: UTA 100 (one hundred annual tax units), equivalent to ThCh$ 47,294 as of March 31, 2012. Current situation: the Company filed an appeal before the Santiago Court of Appeals for overturning the previous motion to annul, which was rejected. A complaint was then filed before the Santiago Court of Appeals, which has not been ruled on as of March 31, 2012. Probable outcome: given the court's historical behavior in similar cases, we believe that the most likely scenario is that the full fine will be upheld.

4. Charges presented by the Superintendency of Electricity and Fuels (SEC) for failure on June 28, 2010 (Alto Jahuel Substation). Fine applied: UTA 100 (one hundred annual tax units), equivalent to ThCh$ 47,294 as of March 31, 2012. Current situation: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals, which has not been ruled on as of March 31, 2012. Probable outcome: given the court's historical behavior in similar cases, we believe that the most likely scenario is that the full fine will be upheld.

5. Charges presented by the Superintendency of Electricity and Fuels (SEC) for failure on March 14, 2010. Fine applied: UTA 1,645 (one thousand, six hundred forty-five annual tax units), equivalent to ThCh$ 777,993 as of March 31, 2012. Current situation: Transelec filed a motion for reconsideration with the SEC against the ruling that imposed the fine, which has not been ruled on as of March 31, 2012. Probable outcome: given the court's historical behavior in similar cases, we believe that the most likely scenario is that the fine will be upheld.

6. Regarding the delay in commissioning the Rodeo-Chena project, and in accordance with the bidding terms and conditions, which stipulate a fine of US$30,000 per day of delay with a maximum of 60 days, and given that on various occasions authorities have rejected the Company's arguments that this delay should qualify as *force majeure*, a provision has been established for this fine of US$2,113,500.

   As of March 31, 2012, the Company maintains a provision for these contingent liabilities amounting to ThCh$ 3,108,646. This estimate considers that there are similar cases in the Court of Appeals and that both the Court of Appeals and the Supreme Court in these cases have confirmed the decisions of the SEC. In addition, there are cases being appealed before the SEC for which this organization has tended to maintain the fine imposed, at least to some extent.

NOTE 16 - PROVISIONS (continued)

16.3 Lawsuits and arbitration proceedings (continued)

7. As of March 31, 2012, the company Campanario Generación S.A. has not fulfilled its obligation to pay invoices issued by Transelec for the injection and withdrawal balances issued by the CDEC-SIC in June, July, August and September 2011. On August 3, 2011, Transelec notified the SEC of this company's failure to comply with its obligation so it could adopt legally appropriate measures.

   In order to collect the funds owed by Campanario Generación S.A., on August 12, 2011, Transelec S.A. filed a preparatory invoice notification measure against that company before the 5th Civil Court of Santiago for unpaid invoices totaling ThCh$ 14,431,099.

   On September 13, 2011, Campanario Generación S.A. was declared bankrupt by the 6th Civil Court of Santiago.

   Via exempt resolution 2,288 dated August 26, 2011, the SEC ordered the CDEC-SIC to exclude that company from the Energy and Capacity Balances it prepares to calculate rate income.

   A new procedure should be prepared by the CDEC-SIC for this mechanism, as instructed by the National Energy Commission in ruling 437 dated September 13, 2011.

TRANSELEC NORTE S.A. (Subsidiary)

Charges presented by the Superintendency of Electricity and Fuels (SEC) for failure on January 12, 2009. Fine applied: UTA 300 (three hundred annual tax units), equivalent to ThCh$ 141,883 as of March 31, 2012. Current situation: the use of claims brought against the sanction resolution was rejected by the Court of Appeal confirmed the fine against the company. Result: the fine is final and enforceable and payment process and perception of the Treasury of the Republic.

As of March 31, 2012, Transelec Norte S.A. has established a provision for this contingent obligation of ThUS$ 291.08, equivalent to ThCh$ 141,883 as of March 31, 2012.

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

17.1 Detail of account

Post-employment and other benefit obligations	March, 31 2012 ThCh$	December 31, 2011 ThCh$
Staff severance indemnity provision – current	355,382	375,151
Staff severance indemnity provision non - current	3,481,742	3,481,742
Total current and non-current obligations for post-employment benefits	**3,837,124**	**3,856,893**

17.2 Detail of post-employment and other similar obligations

As of March 31, 2012 and December 31, 2011, this account is detailed as follows:

Post-employment and other benefits obligations	Staff severance indemnity	
	March 31, 2012 ThCh$	December 31, 2011 ThCh$
Present value of defined benefit plan obligations opening balance	3,856,893	3,928,161
Current service cost of defined benefit plan obligations	50,130	277,610
Interest cost of defined benefit plan obligations	65,052	360,240
Payments	(134,951)	(709,118)
Present value of defined benefit obligations ending balance	**3,837,124**	**3,856,893**

17.3 Balance of post-employment and other similar obligations

	Staff severance indemnity	
	March 31, 2012 ThCh$	December 31, 2011 ThCh$
Present value of defined benefit obligations, ending balance	**3,837,124**	**3,856,893**
Present obligation with defined benefit plan funds	3,837,124	3,856,893
Fair value of defined benefit plan assets, ending balance	**-**	**-**
Net actuarial gains/losses not recognized in balance sheet	-	-
Balance of defined benefit obligations, ending balance	**3,837,124**	**3,856,893**

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS (continued)

17.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2012 to March 31, 2012 ThCh$	**January 1, 2011 to March 31, 2011 ThCh$$**	
Current service cost of defined benefit plan	50,130	18,071	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	65,052	25,191	Cost of sales Administrative and sales expenses
Total expense recognized in income statement	**115,182**	**43,262**	

17.5 Actuarial hypothesis

Detail	**March 31, 2012 ThCh$**	**December 31, 2011 ThCh$**
Discount rate used	3.2%	3.2%
Inflation rate	4%	4%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

Assumptions for future mortality rates are based on actuarial data consulting provided in accordance with published statistics and historical experience.

NOTE 18 - EQUITY

18.1 Subscribed and paid capital

As of March 31, 2012, and December 31, 2011, authorized, subscribed and paid share capital amounts to ThCh$857,944,548

18.2 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.

NOTE 18 - EQUITY (continued)

18.3 Dividends

At the Ordinary Shareholder´s Meeting held on April 28, 2011 shareholders approved distribution of a final dividend for the year 2010 of $19,815,903,600 equivalent to $19,815.903600 per share, to be paid beginning May 27, 2011. At March 31, 2012, this dividend was fully paid.

On May 28, 2011, the distribution of interim dividend from the year 2011 was approved for Ch$12,550,000,000 equivalent to Ch$ 12,550 per share. At March 31, 2012, the dividend was paid in full.

On November 16, 2011, the distribution of interim dividend from the year 2011 was approved for Ch$13,500,000,000 equivalent to Ch$ 13,500 per share. At March 31, 2012, the dividend was paid in full.

18.4 Other reserves

Other reserves as of March 31, 2012 and December 31, 2011, are detailed as follows:

Description	**March 31, 2012 ThCh$**	**December 31, 2011 ThCh$**
Translation adjustment	8,532	130,034
Hedge Forwards	1,222,598	1,426,863
Cash flow hedge	909,111	(165,198)
Deferred taxes	(363,841)	(263,589)
Total	**1,776,400**	**1,155,110**

18.5 Capital management

Capital management refers to the Company's administration 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 sound 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.

NOTE 18 - EQUITY (continued)

18.5 Capital management (continued)

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

- Maintain individual and consolidated indebtedness levels (Total Equity/Total Capitalization and Total Debt/Total Capital) no greater than 0.7 based on the definitions of these terms in the respective prospectuses.
- Maintain minimum individual and consolidated equity of fifteen million UF equivalents to ThCh$ 338,002,650 as of March 31, 2012.

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

NOTE 19 - INCOME

19.1 Revenue

The following table details revenue for the three month periods ended March 31, 2012 and 2011:

Revenue	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Regulated revenues	23,388,664	19,207,621
Contractual revenues	30,626,727	26,335,870
Total revenues	**54,015,391**	**45,543,491**

19.2 Other operating income

The following table details operating income for the three month periods ended March 31, 2012 and 2011:

Other operating income	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Financial income	1,245,010	837,281
Other income	377,640	265,767
Total other operating income	**1,622,650**	**1,103,048**

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS

20.1 Expenses by nature

Detail	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Personnel expenses	3,552,888	3,106,824
Operating expenses	7,004,840	3,955,075
Maintenance expenses	927,956	263,599
Depreciation	11,322,669	10,657,625
Other	952,496	723,678
Total	**23,760,849**	**18,706,801**

20.2 Personnel expenses

As of March 31, 2012 and 2011, this account is detailed as follows:

Detail	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Salaries and wages	3,841,340	3,291,516
Short-term employee benefits	206,545	139,759
Staff severance indemnity	123,555	43,134
Other long-term benefits	211,170	232,928
Other personnel expenses	1,034,876	942,853
Expenses capitalized on construction in progress	(1,864,598)	(1,543,366)
Total	**3,552,888**	**3,106,824**

20.3 Depreciation and amortization

The following table details depreciation and amortization for the periods ended March 31, 2012 and 2011:

Detail	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Depreciation	11,204,430	10,538,941
Amortization	71,001	118,683
Losses from damages	47,238	123,506
Total	**11,322,669**	**10,781,130**

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS (continued)

20.4 Financial results

The Company's financial result for the periods ended March 31, 2012 and 2011 is detailed as follows:

Detail	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Financial income:	**1,245,010**	**837,281**
Commercial interest earned	640,922	183,564
Bank interest earned	604,088	586,821
Other income	-	66,896
Financial expenses:	**(8,906,823)**	**(9,170,299)**
Bond expenses	(8,792,832)	(9,151,087)
Other expenses	(113,991)	(19,212)
Gain (loss) from indexation of UF	**(8,221,504)**	**(3,418,005)**
Foreign exchange gains (losses), net	**618,084**	**(490,947)**
Positive	782,741	582,911
Negative	(164,657)	(1,073,858)
Total financial result, net	**(15,265,233)**	**(12,241,970)**

NOTE 21 - 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 Consolidated Income Statement for the periods 2012 and 2011:

Income tax expense (income)	**March 31, 2012 ThCh$**	**March 31, 2011 ThCh$**
Current tax expense	252,003	87,207
Tax benefit arising from previously unrecognized tax assets used to reduce current tax expenses	-	-
Adjustments to current tax of prior period	-	-
Other current tax expenses	-	-
Current tax expense, net, total	**252,003**	**87,207**
Deferred tax expense relating to origination and reversal of temporary differences	1,134,144	2,185,553
Other deferred tax expense	-	-
Deferred tax expense, net, total	**1,134,144**	**2,185,553**
Effect of change in tax situation of the entity or its shareholders	**-**	**-**
Income tax expense	**1,386,147**	**2,272,760**

NOTE 21 - INCOME TAX RESULT (continued)

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense

Using Effective Rate	March 31, 2012 ThCh$	March 31, 2011 ThCh$
Tax expense at statutory rate	(2,842,852)	(2,972,097)
Price level restatement of equity	1,360,864	839,384
Effect of change in income tax rate	105,554	214,500
Other differences	(9,713)	(354,547)
Total adjustments to tax expense using statutory rate	**1,456,705**	**699,337**
Tax Expense at effective Rate	**(1,386,147)**	**(2,272,760)**

	March 31, 2012 ThCh$	March 31, 2011 ThCh$
Statutory Tax Rate	18.50%	20.00%
Other Increase (Decrease) in Statutory Tax Rate	(9.48)%	(4.71)%
Adjustments to Statutory Tax Rate, Total	**(9.48)%**	**(4.71)%**
Effective Tax Rate	**9.02%**	**15.29%**

The tax rate used for the periods 2012 and 2011 reconciliations corresponds to the 18.5% and 20%, respectively, corporate tax rate that entities should pay on taxable profits based on current tax regulations.

NOTE 22 - 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	March 31, 2012 ThCh$	March 31, 2011 ThCh$
Profit attributable to equity holders of parent	13,980,622	12,587,727
Earnings available to common shareholders, basic	13,980,622	12,587,727
Total basic shares	1,000,000	1,000,000
Basic earnings per share	13,980.622	12,587.727

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

NOTE 23 - SEGMENT REPORTING

The Company and its subsidiary engage 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 kilometres 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 trunk transmission system, the subtransmission system and 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 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 trunk system segment.

The annual 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 additional systems 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 additional systems is to enable generators to inject their production into the electricity system and to allow large customers to make withdrawals.

The law distinguishes between the different systems in order to ensure that tariffs are appropriate for each case. Nevertheless, facilities of a given voltage (220 KV, for example) are identical, whether trunk, subtransmission or 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 trunk, subtransmission or additional. Precisely the same happens with operating costs: operations are executed by the corresponding CDEC regardless of whether that 220 KV facility is trunk, subtransmission or additional. Thus, for Transelec this classification into trunk, 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.

NOTE 23 - SEGMENT REPORTING (continued)

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

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

Information about products and services

	March 31, 2012 ThCh$	March 31, 2011 ThCh$
Regulated revenues	23,388,664	19,207,621
Contractual revenues	30,626,727	26,335,870
Total revenues	**54,015,391**	**45,543,491**

Information about sales and principal customers

	March 31, 2012		March 31, 2011	
	ThCh$	%	ThCh$	%
Endesa Group	22,807,293	42.22%	20,074,574	44.08%
AES Gener Group	8,808,168	16.31%	5,427,317	11.92%
Colbun Group	7,396,835	13.69%	4,642,656	10.19%
Other	6,023,663	11.15%	8,836,314	19.40%
Gastacama Chile S.A.	873,975	1.62%	1,327,845	2.92%
Energía Austral Ltda.	2,129,909	3.94%	1,563,909	3.43%
Transnet Group	404,278	0.75%	466,595	1.02%
Arauco Group	155,081	0.29%	319,873	0.70%
Pacific Hydro- La Higuera	4,847,983	8.98%	2,212,996	4.86%
Group (Panguipulli-Puyehue)	231,783	0.43%	218,685	0.48%
Compañía Barrick Chile Generación	336,423	0.62%	452,727	1.00%
Total Revenues	**54,015,391**	**100.00%**	**177,252,534**	**100.00%**

NOTE 24 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

As of March 31, 2012, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$ 49,384,478 (ThCh$ 27,589,642 as of March 31, 2011), In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favour of the Company.

NOTE 25 - DISTRIBUTION OF PERSONNEL

As of March 31, 2012 and December 31, 2011, personnel employed by Transelec S.A. are detailed as follows:

	December 31, 2011				Average of the year
	Manager and executives	Professionals and technical personnel	Other employees	Total	
Total	**12**	**325**	**173**	**510**	**508.7**

	December 31, 2011				Average of the year
	Manager and executives	Professionals and technical personnel	Other employees	Total	
Total	**12**	**321**	**174**	**507**	**487.7**

NOTE 26 - ENVIRONMENT

In accordance with environmental policies and their sustainability policies, Transelec S.A. and its subsidiary have submitted their projects and modifications to projects to the environmental authority through the Environmental Evaluation System (SEIA). For this, various studies were undertaken which have supported the presentation of environmental documents. These documents, whether a Declaration of Environmental Impact (DIA) or Environmental Impact Study (EIA), are presented before the Evaluation Service in compliance with Law 19,300, Law 20,417 and regulations established by the SEIA. For projects which have already begun, follow-up has been undertaken on conditions and measures imposed by the environmental authority in the respective environmental qualification resolutions.

During the three month periods ended March 31, 2012 and 2011, the Company has made the following disbursements related to environmental matters:

Company making disbursement	Project	March 31, 2012 ThCh$	March 31, 2011 ThCh$
Transelec S.A.	Environmental impact studies	105,029	109,217
Total		**105,029**	**109,217**

NOTE 27 - CASH FLOWS

The detail of “Other non cash items” in the Cash flow statements is as follows:

	March 31, 2012 ThCh$	**March 31, 2011 ThCh$**
Bonds indexation	17,368,514	14,030,889
Fair Value adjustments of swap	(769,812)	46,751
Other adjustments	3,262,902	589,378
Total	**19,861,604**	**14,667,018**

NOTE 28 - SUBSEQUENT EVENTS

Transelec S. A.

On April 27, 2012, held its regular meeting of shareholders of the company, which was agreed:

1) Approve the Annual Report, Balance Sheet, Financial Statements and Report of the External Auditors for the period ended December 31, 2011.

2) The distribution of Ch$ 20,789,620,729 as the definitive dividend for 2011 was approved. This dividend will be paid beginning May 28, 2012 to shareholders registered in the respective record as of May 18, 2012. It was also agreed to distribute a dividend under any retained earnings for 2008 of Ch$ 41,148,907,284, payable in three installments during 2012. The first, totaling Ch$ 13,000,000,000, will be paid at the same opportunity as the definitive dividend for 2011. For the other two installments, the Board is empowered to set the date and amount to be distributed at each opportunity.

3) Informed dividend policy for the year 2012.

4) It was agreed to renew the Board members, which is composed as follows: Mr. Richard Legault as director and Mr. Jeffrey Blidner as his respective alternate director, Mr Bruce Hogg as director and Mr. Daniel Fetter as his respective alternate director, Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective alternate director, Mrs. Brenda Eaton as director and Mr. Richard Dinneny as his respective alternate director, Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Luco Munita as their respective alternate director, Mr. Mario Valcarce Duran as director and Mr. Juan José Eyzaguirre Lira as his respective alternate director, Mr. Blas Tomic Errazuriz as a director r and Mr. Federico Grebe Lira as their respective alternate director, Mr. Jose Ramon Valente Way as director and Mr. John Paul Bambach Salvatore as their respective alternate director, and Mr. Alexander Jadresic Marinovic as director and the Irarrázabal Juan Covarrubias as their respective alternate director.

5) The remuneration of Directors and the Audit Committee was decided.

NOTE 28 - SUBSEQUENT EVENTS (continued)

6) Approval of the appointment of Ernst & Young as external auditors of the company for the year 2012.

7) Designate the Journal “Diario Financiero” to publish calls to general meetings of shareholders.

TRANSELEC NORTE S.A. (Subsidiary)

On April 27, 2012, held its regular meeting of shareholders of the company, which was agreed:

1) Approve the Annual Report, Balance Sheet, Financial Statements and Report of the External Auditors for the period ended December 31, 2011.

2) Distribute as final dividend for the year 2011, the sum of $ 3,673,247, which will be paid from May 28, 2012 to registered shareholders, from May 18, 2012.

3) Informed dividend policy for the year 2012.

4) It was agreed to renew the Board members, which is composed as follows: Mr. Richard Legault as director and Mr. Jeffrey Blidner as his respective alternate director, Mr Bruce Hogg as director and Mr. Daniel Fetter as his respective alternate director, Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective alternate director, Mrs. Brenda Eaton as director and Mr. Richard Dinneny as his respective alternate director, Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Luco Munita as their respective alternate director, Mr. Mario Valcarce Duran as director and Mr. Juan José Eyzaguirre Lira as his respective alternate director, Mr. Blas Tomic Errazuriz as a director r and Mr. Federico Grebe Lira as their respective alternate director, Mr. Jose Ramon Valente Way as director and Mr. John Paul Bambach Salvatore as their respective alternate director, and Mr. Alexander Jadresic Marinovic as director and the Irarrázabal Juan Covarrubias as their respective alternate director.

5) Approval of the appointment of Ernst & Young as external auditors of the company for the year 2012

6) Designate the journal “Diario Financiero” to publish calls to general meetings of shareholders.

Between March 31, 2012 and the presentation date of these financial statements, the Company is not aware of any other significant events of a financial or accounting nature that could affect the Company’s equity or the interpretation of these financial statements.