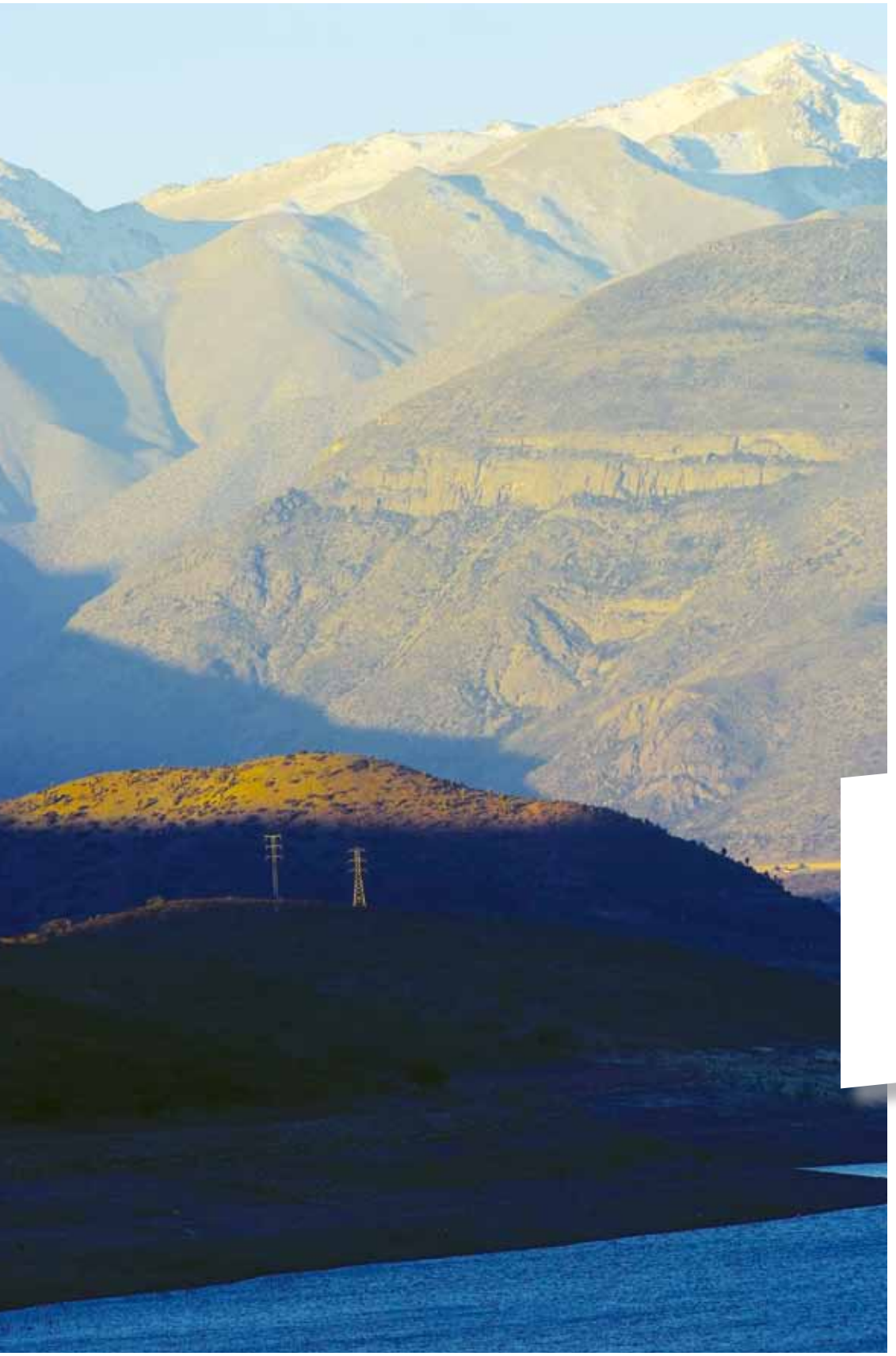


transelec®

Uniting Chile with Energy®

TRANSELEC S.A.

2011

ANNUAL REPORT

01.
COMPANY INFORMATION

IDENTITY

Name:	Transelec S.A.
National Securities Registration:	Number 974
Legal Domicile:	Santiago, while not restricting the establishment of agencies, branches or offices in other parts of the country or overseas.
Tax list number:	76.555.400-4
Address:	Avenida Apoquindo Nº 3721, 6th Floor, Las Condes
Phone:	(56-2) 467 7000
Fax:	(56-2) 650 8517
E-mail:	transelec@transelec.cl
Webpage:	www.transelec.cl

SHARE OWNERSHIP

Transelec capital is divided into 1,000,000 nominative ordinary shares with no nominal value. Transelec Holding Rentas Limitada owns 999,900 shares and Rentas Eléctricas I Limitada owns 100 shares.

THE COMPANY

Transelec is the leading supplier in high voltage power transmission systems in Chile and the only company that operates 500 kV and 200 kV power lines and substations throughout the country. Likewise, Transelec facilities shape the two main national interconnected power grids, in the Far North (SING) and in the area ranging from Tal Tal as far as Isla de Chiloé (SIC). Transelec´s power transmission system features a total 8,525 kilometers of single and double circuit power lines, as well as 54 substations. The company owns 92% of all power lines belonging to the trunk system in the SIC power grid and 78% of all power lines in the SING power grid.

Throughout its corporate history, Transelec has gained extensive experience in each of the links making up the power transmission service value chain: ranging from project evaluation, basic and conceptual engineering, systematic study execution and power transmission and connection solution design to project management and construction, commissioning consultancy, operation, maintenance and management of new facilities.

Transelec currently contributes its extensive experience and know-how regarding the execution of power projects to a wide range of clients from the power, mining and industrial sectors throughout Chile. These clients have put their trust in the support and excellence of integral power transmission solutions provided by the company.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

MESSRS. SHAREHOLDERS:
On behalf of the Transelec S.A. Board of Directors, it is with great pleasure that we present the company's Annual Report corresponding to the 2011 fiscal year for the consideration of Transelec shareholders.

2011 was an intense year for the electricity industry. The most relevant milestones include publication of Decree N°61 for updated valuation of the trunk system, delivery of a Technical Report containing subtransmission tariffs and the issuing of a new trunk system expansion plan amounting to approximately US$ 900 million.

In this scenario, 2011 was a year for Transelec to review its systems and operating practices in order to further advance work started after the 27 February 2010 earthquake, clearly for the purpose of maintaining reliability levels and transporting power consumed by nearly 98% of the country safely and continuously. In addition, work continued on a series of projects in the trunk system, subtransmission and additional systems in order to strengthen the system and support the country's growth.

Accomplishment of this year include the completion of the construction of the 220 kV Nogales-Polpaico power line, including a 220 kV diagonal at the Nogales substation and two 220 kV bays at the Polpaico substation. Construction work on the 220 kV Charrúa-Lagunillas power line continued at the same time. The project was originally designed as part of the subtransmission system, but the latest Trunk Transmission Study (TTS) determined that the project would be a trunk system facility. This power line will enable transmission of part of the power generated by new power plants located in the Coronel zone and support growing demand in the Concepción zone.

Some projects such as construction of the Lagunillas 220/154 kV Lagunillas substation, construction of a new 110/23 kV El Salado substation and the 110 kV Diego de Almagro-Nueva El Salado-Chañaral power line have been highlighted in the subtransmission system.

Transelec reaffirmed its interest in the additional transmission market and its desire to become a strategic partner for the execution of energy developments required by the market. This was understood by Metro S.A., which signed an agreement with Transelec for the development of a power transmission system to supply increased consumption in the future. The project consists of a 220 kV power line between the Neptuno substation and Metro facilities. Project commissioning has been scheduled for 2014. In addition, a second circuit for the 220 kV Bocamina – Lagunillas – Hualpén power line was completed for connecting the SIC power grid to the new Bocamina 2 thermoelectric power plant.

In the mining sector, which is highly relevant for the country and has positive development perspectives, construction of a 220 kV power transmission system started in 2011 for the SCM Minera Lumina Copper Chile Caserones Mine project (owned by the Japanese firm Lumina Copper). Commissioning is scheduled for August 2012. The project features a new 220 kV Maitencillo-Caserones power line, which includes the construction of a GIS substation with two 220 kV bays at the Maitencillo substation.

In turn, the 220 kV Pan de Azúcar-Carmen de Andacollo power line was commissioned for our customer Minera Carmen de Andacollo, which included the construction of a 220 KV bay at the Pan de Azúcar substation.

In addition, last year Transelec finished construction of a project to increase power transmission capacity for the 500 kV system between the Ancoa, Alto Jahuel and Polpaico substations. This meant that a CER device was commissioned at the Polpaico substation and a STATCOM device was commissioned at the Cerro Navia substation. These were recognized as facilities in the TTS trunk system.

Transelec completed several financing activities throughout 2011, including the issuing of local bonds for an aggregate amount of UF 7 million.

Transelec liquidity is currently high thanks to positive results in 2011. This will enable the company to finance its upcoming investment plans in new transmission assets. In addition, the company is backed by a firm commitment from its shareholders.

Chilean transmission market has undergone significant changes over the years and we have consequently implemented a series of initiatives and programs that are in tune with our Strategic Plan to ensure growth with sustainable profitability in alignment with our mission to continue delivering the best service to Chile and its inhabitants.

RICHARD LEGAULT
CHAIRMAN OF
THE BOARD OF DIRECTORS

OUR HISTORY
TRANSELEC: UNITING CHILE WITH ENERGY

1943

Corfo created Empresa Nacional de Electricidad (Endesa) in order to execute a national electrification plan featuring construction of new power generation units and especially a network of regional power lines to connect these units.

1954

There were four independent regional systems in Chile: La Serena-Punitaqui, La Ligua-Talca, Chillán-Victoria and Valdivia-Puerto Montt. Only some isolated cities throughout the rest of the country had their own power plants at the time.

1955

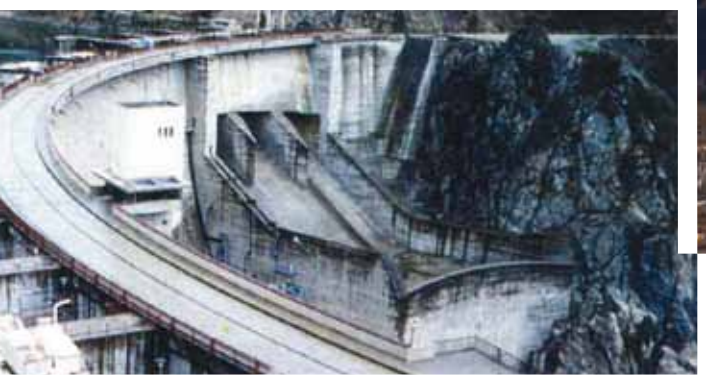
The Central Interconnected System (SIC) was created by connecting the recently built Cipreses Power Plant by means of the 154 kV Cipreses-Santiago and Charrúa-Itahue power lines to consumption centers in Santiago and Concepción.

1965

A submarine cable was laid across Canal de Chacao (now an aerial cable), supplying power for Isla Grande de Chiloé. Another important milestone was construction of the first 220 kV power line, Rapel-Cerro Navia. This connected the Rapel power plant to growing electricity demand from the central zone in 1966.

1974

The 220 kV kV system expanded westward, supplying Concepción, and northward in order to transport power to Santiago. In addition, the SIC expanded northward with the construction of 110 kV systems and the Maitencillo-Cardones and Pan de Azúcar-Maitencillo power lines.



1978

Interconnection with Chile's Near North was intensified with power lines connecting San Isidro (presently Quillota) and Cardones. In the early 80s, the SIC was extended to Diego de Almagro in order to connect the El Salvador mine, while 220 kV power lines were laid as far as Puerto Montt in southern Chile.

1986

The extra high voltage era started with the commissioning of the first 500 kV power lines (Ancoa-Alto Jahuel 1 and 2) required in order to inject power generated by the Colbún-Machicura complex into the SIC.

1993

Endesa transformed its power transmission division into the subsidiary Compañía Nacional de Transmisión Eléctrica S.A., followed by the creation of Transelec S.A., designed to plan, operate and maintain the system, providing services to different user power companies in the SIC. The aerial crossing of Canal de Chacao was commissioned this same year, consisting of two 179-meter towers and power lines spanning a length of 2,680 meters.

1996

Transelec laid its first 220 kV power line between Charrúa and Ancoa to connect the Pangue power plant (460 MW), which was later expanded in order to connect the Ralco power plant.

2000

All Transelec shares were purchased by the Canadian company Hydro-Québec.

2003

Transelec entered the SING power grid after purchasing 924 kilometers of 220 kV power lines.

2004

The largest power transmission development in history was completed: powering up the system between Charrúa and Alto Jahuel to 500 kV, which enabled connection of the Ralco power plant (690 MW).

2006

The Canadian consortium led by Brookfield Asset Management purchased a 100% stake in Transelec, contributing its solid financial strength at the service of Chile's growth requirements.

2008

Energization of the Alto Jahuel-Polpaico 500 kV double circuit power line brought northbound network saturation to an end and was largely responsible for creation of a 500 kV ring surrounding Santiago, one of the key developments for the system's future.

2009

The Nogales substation was commissioned, which will enable efficient expansion of the system from Chile's 5th Region northward.

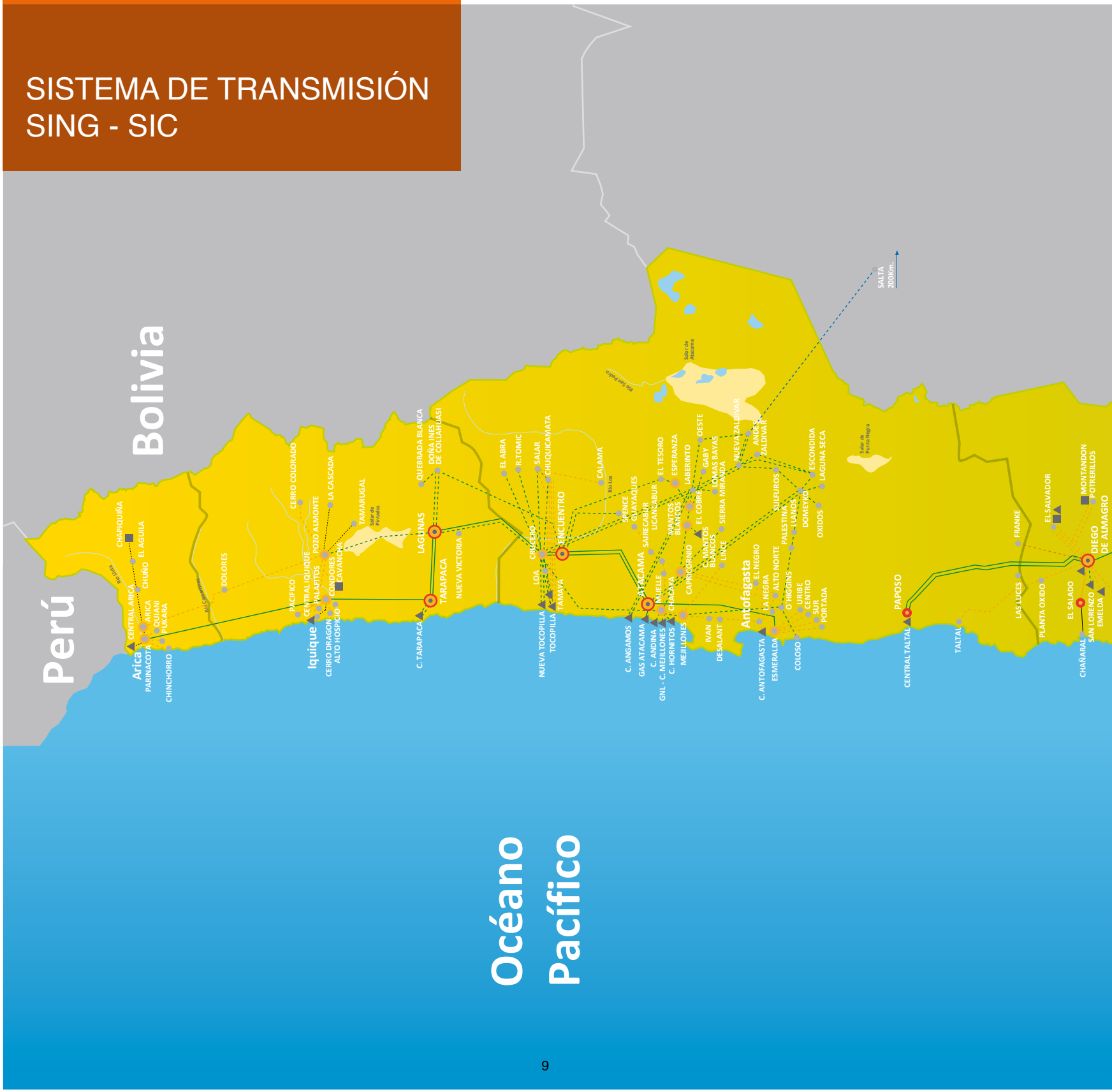
2010

Transelec purchased the Punta Colorada substation from Barrick Gold in order to consolidate service provision to the mining sector and purchased the Tinguririca Substation from Hidroeléctrica La Higuera. The company also commissioned the Las Palmas substation, which is the core wind power contribution to the SIC power grid.

2011

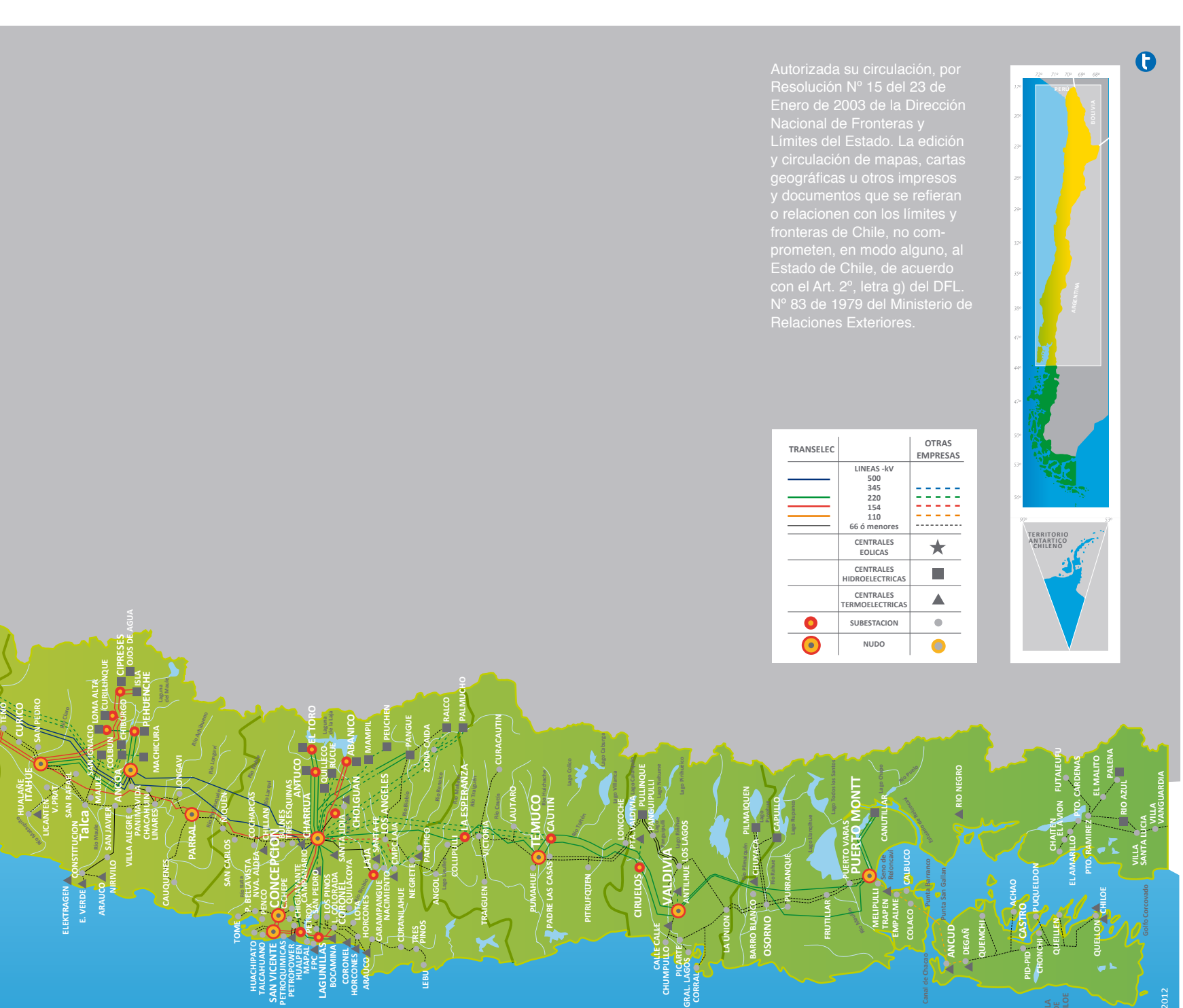
Transelec signed a contract with Minera Lumina Copper Chile for execution of the Caserones project, one of the most important projects in the mining industry. The company also commissioned the Nogales-Polpaico project (Nogales substation, Nogales power line diagonal, bays at the Polpaico station and the Nogales-Polpaico power line). In addition, sixteen new projects were undertaken, such as Maitencillo-Caserones power line (including expansion of the Maitencillo GIS substation), as well as the Neptuno substation and its connection to the SIC power grid.

SISTEMA DE TRANSMISIÓN SING - SIC




Isla San Félix
Isla San Ambrosio
Isla Sala y Gómez
Isla de Pascua
MANTO VERDE
CARRERA PINTO
MINERA MANTOS DE ORO
CHAMONATE
CALDERA
HERNAN FUENTES
PAIPOTE
TIERRA AMARILLA
GEN. DEL PACIFICO
COPIAPO
CENIZAS
MAGNETITA
PLANTAS
CARDONES
LA CANDELARIA
CERRILLOS
T. AMARILLA
KAZAN
LOS LOROS
Río Copiapó
MINA EL REFUGIO
CASTILLA
CHUSCHAMPIS
LOS COLORADOS
GUACOLDA
HUASCO
PELLETS
AGROSUPER
VALLENAR
MAITENCILLO
ALGARROBO
DOS AMIGOS
ALTO DEL CARMEN
PAJONALES
INCAHUASI
BARRIK
PUNTA COLORADA
ROMERAL
ROMERAL
EL INDIO
La Serena
COQUIMBO
LAS COMPAÑIAS
Río Elqui
GUAYACAN
MARQUESA
VICUÑA
PAN DE AZUCAR
ANDACOLLO
CM. ANDACOLLO
EL PEÑON
MONTE PATRIA
LOS MOLLES
OVALLE
Río Limarí
MONTE REDONDO
PUNITAQUI
TOTORAL
CANELA
LAS PALMAS
EL SAUCE
COMBARBALA
Argentina
Río Illapel
ILLAPEL
LOS PELAMBRES
LOS ESPINOS
CHOAPA
LOS VILOS
OLIVOS
Río Petorca
Río de la Ligua
QUINQUIMO
CABILDO
C.VIEJAS
NUEVA VENTANAS
VENTANAS
NOGALES
COLMITO
CALERA
QUINTERO
Río Aconcagua
Río Colorado
NEHUENCO
SAN ISIDRO
SAN LUIS
LOS QUILOS
ACONCAGUA
CHACABUQUITO
AGUA SANTA
SALADILLO
Valparaiso
QUILLOTA
LAGUNA VERDE
SAN PEDRO
LOS VIENTOS
LAS VEGAS
EL MANZANO
DISPUTADA
POLPAICO
LAMPA
EL SALTO
CERRO NAVIA
ALFALFAL
CASA BLANCA
N. RENCA
Archipiélago Juan Fernández
SAN ANTONIO
CHENA
SANTIAGO
ALTO MELIPILLA
EL MONTE
BUIN
BUIN
LOS ALMENDROS
LOS MORROS
ALTO JAHUEL
PUNTILLA
MELIPILLA
Río Maipo
I. de MAIPO
FLORIDA
MANDINGA
MAIPO
MAITENES
PAINE
CAENSA
LOS BAJOS
HOSPITAL
QUELTEHUES
QUELENTARO
LAS ARAÑAS
VOLCAN
PORTEZUELO
GRANEROS
CANDELARIA
MINERO
RAPEL
RANCAGUA
COLON
MINERA VALLE CENTRAL
Embalse Rapel
LOS LIRIOS
PANGAL
P. de CORTES
COYA
Río Cachapoal
TILCOCO
CHACAYES
RENGO
SAUZAL
SAUZALITO
SAN VICENTE DE TAGUA TAGUA
MARCHIHUE
LA RONDA
MALLOA
PELEQUEN
SAN FERNANDO
Río Tinguiririca
PANIAHUE
NANCAGUA
TINGUIRIRICA
LA HIGUERA
CONFLUENCIA
QUINTA
Río Teno

Autorizada su circulación, por Resolución Nº 15 del 23 de Enero de 2003 de la Dirección Nacional de Fronteras y Límites del Estado. La edición y circulación de mapas, cartas geográficas u otros impresos y documentos que se refieran o relacionen con los límites y fronteras de Chile, no comprometen, en modo alguno, al Estado de Chile, de acuerdo con el Art. 2º, letra g) del DFL. Nº 83 de 1979 del Ministerio de Relaciones Exteriores.



02.
CORPORATE GOVERNANCE

BOARD OF DIRECTORS

According to its articles of incorporation, the Board of Directors is made up of nine members elected by the shareholders at the respective shareholders meeting, who hold these positions for two years and are eligible for reelection. There will be one alternate director for each director elected. The Chairman of the Board of Directors is elected by directors chosen at the shareholders meeting.

In conformity with the law and its By-laws, the Board of Directors shall meet at least once a month. Throughout the 2011 fiscal year, Transelec S.A. corporation held twelve shareholders meetings and one special Board of Directors meeting.

The Board of Directors is currently made up by Messrs. Richard Legault, Bruce Hogg, Patrick Charbonneau, Brenda Eaton, Bruno Philippi Irarrázabal, Mario Valcarce Durán, Blas Tomic Errázuriz, José Ramón Valente Vias and Alejandro Jadresic Marinovic, and their respective alternate directors Messrs. Jeffrey Blidner, Daniel Fetter, Paul Dufresne, Richard Dinneny, Enrique Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

BOARD OF DIRECTORS COMPENSATION

It was agreed at the fourth Transelec S.A.'s shareholders meeting held 28 April 20011, that directors would be compensated for their services, amounting to a gross annual sum of USD 70,000 regardless of the number of sessions held or attended by these directors. These sums are to be paid on a quarterly basis.

Directors Richard Legault, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived payment corresponding to the 2011 fiscal year. Compensation paid to directors throughout the 2011 fiscal year is thus listed as follows:

Blas Tomic	CLP	33,904,150
Bruno Philippi	CLP	33,904,150
Mario Valcarce	CLP	33,904,150
José Ramón Valente	CLP	33,904,150
Alejandro Jadresic	CLP	33,904,150

As for the Transelec S.A. subsidiary Transelec Norte S.A., directors are not compensated for their services in accordance with the provisions of Article 8 of the subsidiary's By-laws.

BOARD OF DIRECTORS EXPENSES

No payment associated to directors' expenses was made throughout the fiscal year.

AUDIT COMMITTEE

Creation of an Audit Committee different from that established in the Corporations Law was approved in April 2007. The Audit Committee's duties include reviewing the company's auditor reports, balance sheets, other financial statements and internal systems, among others. Transelec's Audit Committee is made up of four directors elected by the Board of Directors. These directors serve a term of two years and are eligible for reelection. The Committee will appoint 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 Committee held four meetings in 2011.

As of 31 December 2011, the Audit Committee was made up of President José Ramón Valente Vías, Directors Patrick Charbonneau, Brenda Eaton and Mario Valcarce Durán, as well as Secretary Fernando Abara Elías.

Committee members have the right to compensation for their services in conformity with agreements reached at the shareholders meeting.

It was agreed at the fourth Transelec S.A.'s shareholders meeting held 28 April 2011, that each member of the Committee would be paid the gross annual sum of USD 10,000 regardless of the number of sessions held or attended by these members.

Compensation for services rendered by members of the Audit Committee throughout the 2011 fiscal year is listed as follows:

Mario Valcarce	CLP	4,680,100
José Ramón Valente	CLP	4,680,100

BOARD OF DIRECTORS

CHAIRMAN
Richard Legault
Bachelor of Accounting
Universite du Quebec
Canadian

DIRECTOR
Bruce Hogg
Master's Degree in Commerce, University of Alberta
Master's Degree in Law, University of Toronto
Canadian

DIRECTOR
Patrick Charbonneau
Chartered Financial Analyst
Bachelor of Business Administration, Bishop's University
Canadian

DIRECTOR
Brenda Eaton
Economist
Master's Degree in Economics, University of Victoria
Canadian

DIRECTOR
Mario Valcarce Durán
Commercial Engineer
Pontificia Universidad Católica de Valparaíso
Tax ID Number 5.850.972-8

DIRECTOR
Bruno Philippi Irarrázabal
Civil Engineer
M. Sc. Operation Research
Ph. D. Engineering Economic System
Stanford University
Tax ID Number 4.818.243-7

DIRECTOR
Blas Tomic Errázuriz
Civil Industrial Engineer
Ph.D. in Economic Development, Sussex University
Tax ID Number 5.390.891-8

DIRECTOR
José Ramón Valente Vías
Commercial Engineer
MBA, University of Chicago
Tax ID Number 8.533.255-4

DIRECTOR
Alejandro Jadresic Marinovic
Civil Industrial Engineer
PH.D. in Economics, Harvard University
Tax ID Number 7.746.199-K

SECRETARY OF THE BOARD OF DIRECTORS
Fernando Abara

MANAGEMENT TEAM

As of 31 December 2011, Transelec's management group is made up of leading executives in each area of expertise with outstanding track records in the sector:

Andrés Kuhlmann Jahn
GENERAL MANAGER
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax ID Number 6.554.568-3

Eric Ahumada Gómez
VICE PRESIDENT OF BUSINESS DEVELOPMENT
Civil Electrical Engineer,
Universidad de Chile
Tax ID Number 9.899.120-4

Francisco Castro Crichton
VICE PRESIDENT OF FINANCE
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax ID Number 9.963.957-1

Rodrigo López Vergara
VICE PRESIDENT OF OPERATIONS
Civil Electrical Engineer
Universidad de Chile
MBA Universidad Adolfo Ibáñez
Tax ID Number 7.518.088-8

Alexandros Semertzakis Pandolfi
VICE PRESIDENT OF ENGINEERING AND PROJECT DEVELOPMENT
Civil Engineer
Universidad de Santiago
Post-graduate Diploma in Administration, Universidad Adolfo Ibáñez
Tax ID Number 7.053.358-8

Claudio Aravena Vallejo
VICE PRESIDENT OF HUMAN RESOURCES
Commercial Engineer,
Pontificia Universidad Católica de Chile
Post-graduate Diploma in Administration and Human Resources Management,
Pontificia Universidad Católica
Tax ID Number 9.580.875-1

Fernando Abara Elías
VICE PRESIDENT OF LEGAL AFFAIRS AND GENERAL COUNSEL
Lawyer
Universidad Católica de Valparaíso
MBA, Universidad Gabriela Mistral
Tax ID Number 8.003.772-4

Claudio Vera Acuña
CORPORATE AFFAIRS MANAGER
Journalist
Pontificia Universidad Católica de Chile
Tax ID Number 10.963.893-5

03.
OUR PEOPLE

HUMAN RESOURCES

One of the fundamental pillars that Transelec's strategic plan rests on is the company's collaborators. High quality standards and complexity in the industry, as well as the company's future challenges mean that Transelec seeks to recruit and hold on to the best professionals the market has to offer at different performance levels.

Transelec consequently has employee benefit, worker compensation and bonus plan policies allowing the company to be competitive in terms of attracting and retaining talent.

The company implements and conducts training programs in order to maintain its present high professional quality standards, developing the concept of Knowledge Management, which is crucial for the meeting of high technical standards. This is clearly evidenced by development of the E-class program together with Universidad Adolfo Ibáñez. This program aims to standardize know-how for the company's professionals, based on a shared plan for all workers and focusing on customer orientation, leadership, effective communication and project evaluation.

After completing the shared plan, our professionals can take another two courses and apply for the Graduate Diploma in Project Direction or the Graduate Diploma in Operations Management. The program executed in conjunction with Universidad Adolfo Ibañez in 2011 features 23,100 training hours.

Special emphasis has been placed throughout 2011 on the creation of spaces to improve workers' quality of life. This includes educational, cultural and recreational programs designed to support worker's integral development, firmly convinced that this directly contributes to productivity. Along these same lines, the Gimnasia de Pausa program started this year. The program was hosted at the Central Office, Antofagasta, Iquique, Cerro Navia, Alto Jahuel, Itahue, Concepción and Temuco. In addition, nutritional and kinesthiological evaluations were provided for our collaborators at some substations.

Economic support provided by the company to the Transelec Sports Club continued in 2011 using the one-plus-one model in order to conduct activities of all kinds proposed by Club management.

OUR CURRENT EMPLOYEES AND IMPORTANT MILESTONES

Transelec employed 507 workers as of 31 December 2011 (not including project personnel). Over 96% of these workers are technically or professionally specialized in what they do. This means that workers are a fundamental component for the company to be able to maintain its stringent technical standards and continue to provide quality service required by society.

75.15% of the company's workers are employed in the operations, engineering and project development divisions.

LABOR RELATIONS

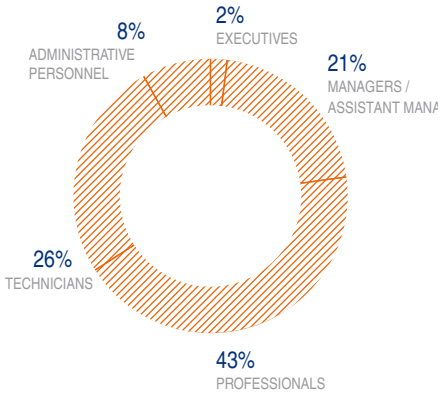
Good labor relations with the company's two unions continued throughout 2011. This was achieved by means of constantly open communication channels, evidenced

by the fact that no lawsuits related to union matters have been filed.

KNOWLEDGE MANAGEMENT

Total training time in 2011 came to 45,938 hours, or 4.2% of the overall hours worked throughout this period. In all, 90% of Transelec's workers attended training programs related to operating divisions, management support, innovation, post-graduate degrees and post-graduate diplomas, languages and information technology, among others.

The company's Knowledge Management strategic initiative was further developed in 2011. Several talks related to the company's activities were transmitted as videoconferences to workers throughout Chile's different regions, substantially increasing productivity and cutting costs. In addition, the teacher training, innovation and library programs were continued in order to gain, develop and share knowledge within the organization.



We wish to highlight that important collaboration agreements were signed with the Universidad de Chile.

Public Health Faculty and Universidad de la Frontera in 2011. Other agreements had already been signed in 2010 with Universidad de Chile, Universidad Católica de Valparaíso, Universidad Técnica Federico Santa María and Universidad de Concepción. Agreements were also signed some years before with

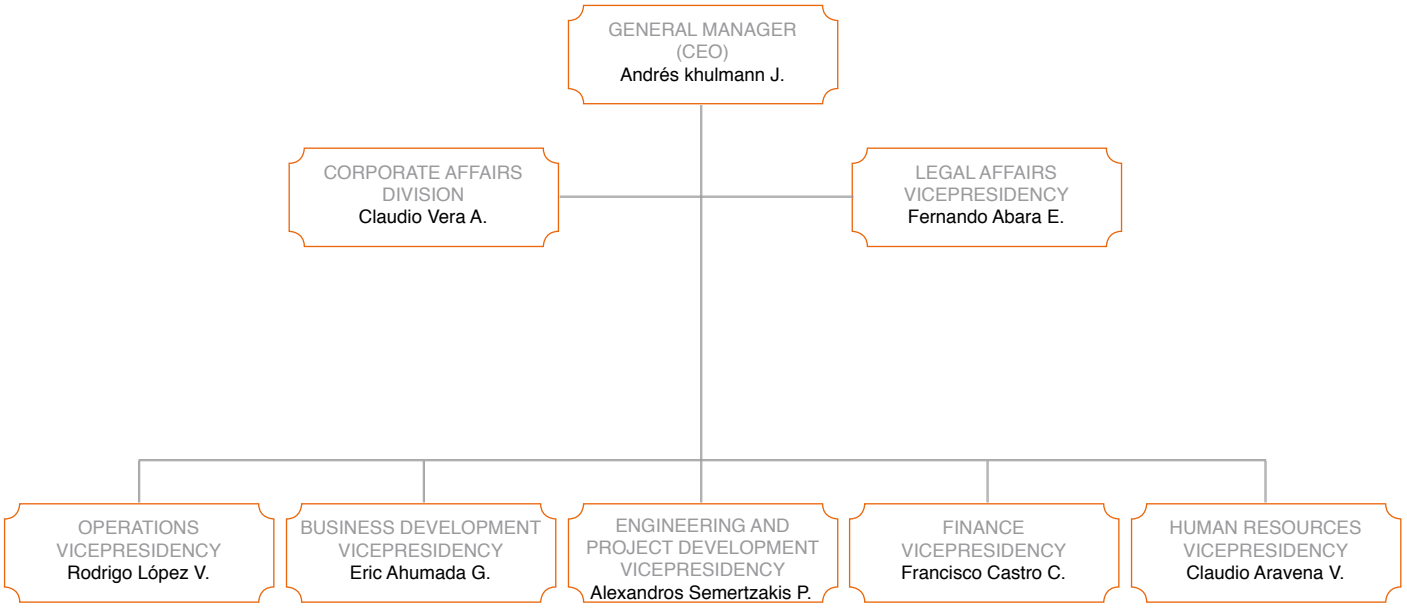
Universidad Católica and Universidad de Santiago within the framework of the RET (Transmission Studies Network) initiative launched at the end of 2009, which makes up an integral part of the Knowledge Management program.

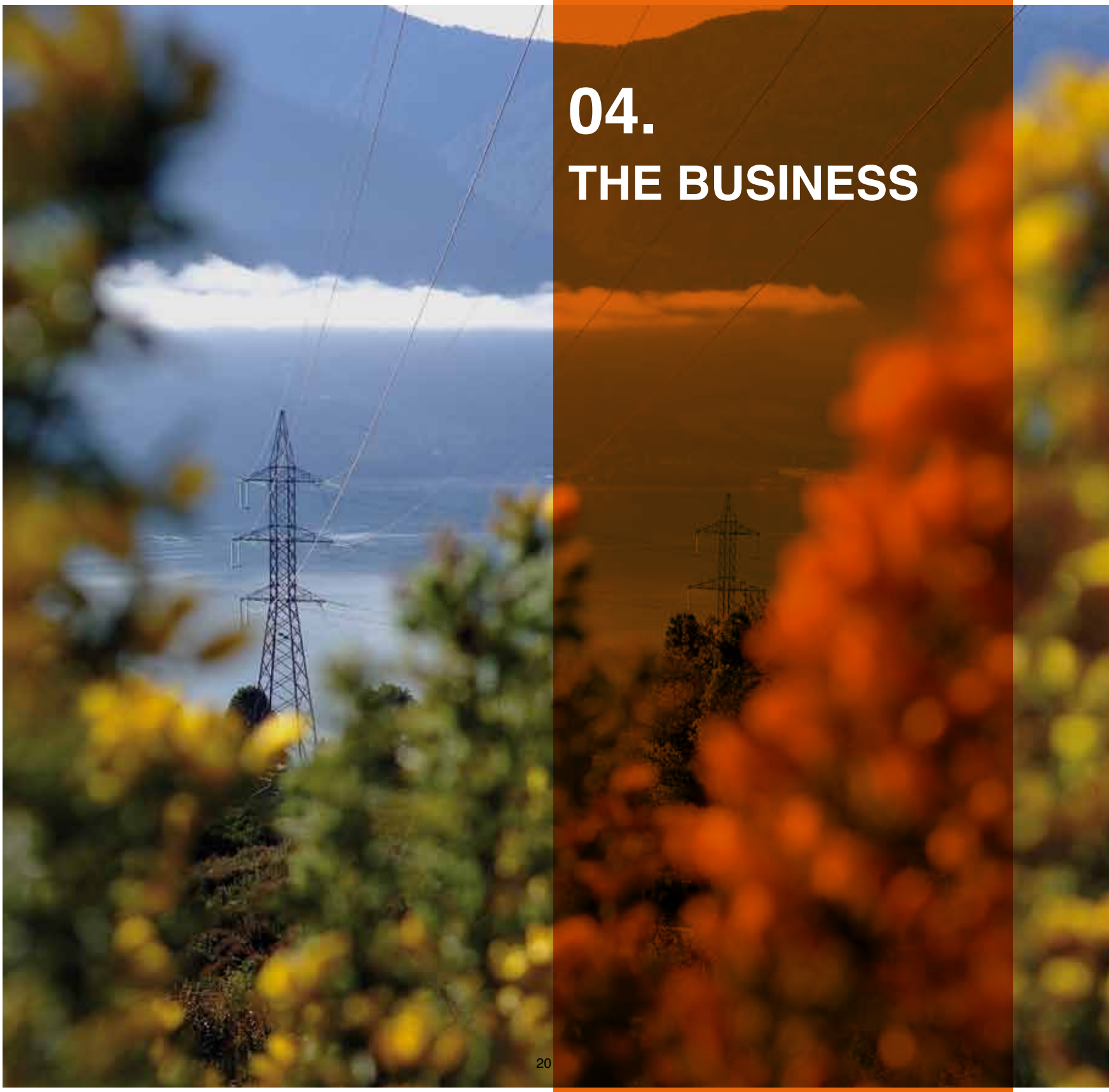
VICE PRESIDENT AND MANAGER SALARIES

Transelec paid executive salaries amounting to CLP 2,126,380,000 throughout the 2011 fiscal year. This amount includes salaries paid to executives employed as of 31 December 2011 and executives who retired in 2011.

BONUS PLANS

Transelec has an annual bonus plan for its executives that is directly related to the meeting of goals and their personal contribution to the company's results.





04.
THE BUSINESS

THE REGULATORY SCENARIO

Transelec's business is power transmission. The legal framework regulating the power transmission business in Chile defines power transmission systems, classifying power transmission facilities into three categories (Trunk Transmission Systems, Subtransmission Systems and Additional Systems) and establishes an open access layout for the first two systems and for additional power lines making use of rights of way and those that use national public goods for their layout, specifying that these respective facilities can be used by third parties under non-discriminatory technical and economic conditions. In addition, this framework establishes criteria and procedures for determining compensation power transmission facilities owners are entitled to.

Trunk facilities are defined as the set of economically efficient power lines and substations required in order to supply all demand stemming from different power generation availability scenarios.

Subtransmission systems are made up of facilities interconnected to the electrical system available for the exclusive supply of groups of regulated or end consumers located in distribution companies' concession areas.

In turn, additional systems are made up of power lines and transmission equipment mainly designed for supplying electrical energy to non-regulated customers or for evacuating production of a power plant or a limited group of power plants.

2011 was an unusually busy year. The most important milestones in the regulatory scenario include publication of Ministry of Energy Decree N°61 - 2011 that establishes trunk facilities and their valuation, delivery of a subtransmission tariff technical report, the issuing of a new trunk work expansion plan amounting to approximately US$ 900 million, collapse of the Campanario Generación payment channel that affected both power transmitters and generators, causing the first bankruptcy of a business in the CDEC-SIC power grid.

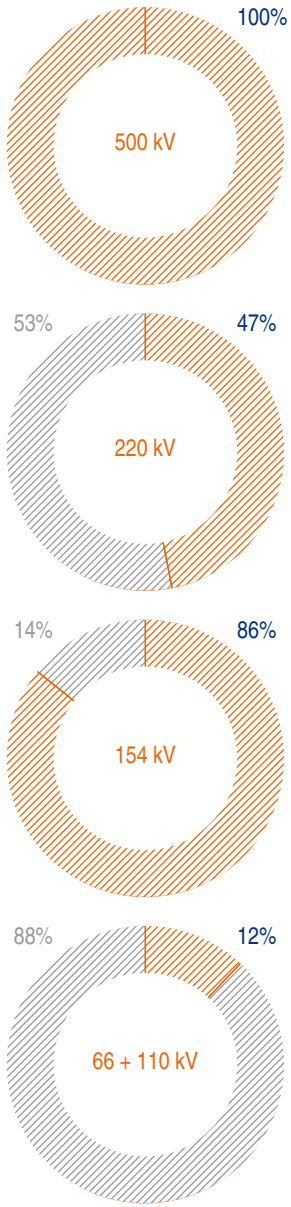
TRUNK TRANSMISSION

Transelec revenue in this segment consists of the "annual transmission value by segment" (VATT), which is calculated based on the "annual investment value" (AIV), plus "operating, maintenance and administration costs" (OMAC) for each of the segments that make up the current trunk system. VATT is determined every four years by a consultant that performs a study known as the Trunk Transmission Study (TTS). During the four-year period between two consecutive TTSs, both the AIV and the OMAC of each segment are indexed using formulas designed to maintain the real value of the AIV and the OMAC during this period. Both indexing formulas and application frequency are determined in the TTS.

In addition, the consultant establishes expansion plans for the trunk system in said TTS, together with reference investment values. These expansion plans feature investment that must be classified as new projects or as expansions.

MARKET SHARE

(share per kilometer of power lines)



The facility owner, who shall be required to execute a project construction bid, shall execute current facility expansion. In the case of new projects, exploitation and execution rights are auctioned by the respective Economic Load Dispatch Center (CDEC) by means of an international tender and awarded to the proposer presenting the lowest VATT for the project bid.

The CDEC analyzes consistency of the expansion plan and trunk system facilities contained in the ETT on an annual basis, together with effective system developments in terms of power generation, transmission and demand performance. The National Energy Commission (CNE) subsequently determines the expansion plan for the following 12 months.

Final TTS results for the 2011-2014 period were delivered in 2011, setting VATT for the segments considered to be part of the trunk system according to the publication of Ministry of Energy Decree N° 61-2011. VATT for Transelec and Transelec Norte identified by this process came to a respective US$ 186.8 million and US$ 14.1 million, appraised as of December 2009.

MARKET SHARE

Transelec owns 100% of the 500 kV power lines and has a 47% stake in the 220 kV power lines. The company therefore has an 86% market share for 154 kV power lines and a 12% share for 110 kV and 66 kV power lines.

TRUNK SYSTEM PROJECTS

A. NEW PROJECTS

Transelec finished construction of the 220 kV Nogales-Polpaico power line, including a 220 kV diagonal at the Nogales substation and two 220 kV bays at the Polpaico substation. The project featured the construction and operation of a new 220 kV double circuit power transmission line between the Nogales and Polpaico substations in Chile's 5th Region, both of which are owned by Transelec. This was done in order to ensure that this can eventually be transformable into a 500 kV simple circuit power line without modifying any structures, in accordance with the provisions of Ministry of Economy SD N°118.

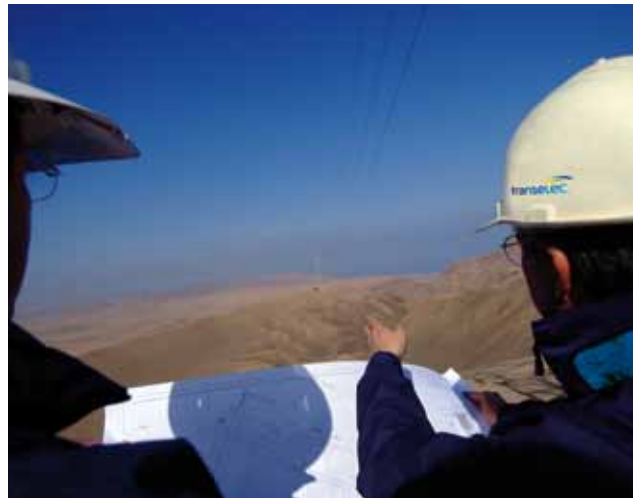
The power transmission line features a strip 60 m wide and 82.6 km long, with nominal capacity amounting to 1,500 MVA per circuit (for 220 kV power lines) and 3,400 MVA in a 500 kV circuit. The overall investment for this project came to US$146.6 million and the project was built in order to expand transmission capacity for this segment and improve dispatch from the power plants located in the Ventanas zone and from Los Vilos northward.

Construction work for the 220 Charrúa-Lagunillas power line continued at the same time. The project was originally conceived as part of the subtransmission system, but was classified as a trunk system facility in the last TTS. This power line will allow transmission of part of the power generated by the new power plants located in the Coronel zone and support growing demand in the Concepción zone. The budget for this 78-km power line comes to US$ 44 million.

B. EXPANSION

Transelec finished construction of the 220 kV transfer busbar at the Cardones substation and it was commissioned 19 April 2011 for an investment amounting to US$ 3.7 million.

Projects associated to the replacement of conductors with high capacity conductors for the 220 kV Alto Jahuel-Chena power line segment (circuit 1), installation of a second 500/220 kV-750 MVA autotransformer at the Polpaico substation



and 50 MVAr capacitor banks at the Alto Jahuel and Cerro Navia substations were completed. These were commissioned 8 October, 4 September and 4 April with a respective final investment amounting to US$ 4.1, 25.6 and 5.1 million.

Similarly, the company started construction for the following trunk system expansion works associated to Decrees 243/2010, 115/2011, 116/2011 and 143/2011:

- Expansion of the Ancoa substation, which features expansion of the 500 kV yard, extending the main 500 kV busbars and transfer busbars at the substation.
  The contract was awarded to Elecnor 3 January 2011 and features investment amounting to US$ 11.5 million.

- Circuit breaker replacement at the 220 kV Charrúa substation, featuring the replacement of circuit breakers at the J9 and JCE1 bays, busbar connection disconnectors, ground disconnectors, current transformers and wave traps.
  The contract was awarded to CME 3 January 2011 and features investment amounting to US$ 2.3 million.

- Circuit breaker replacement at the 220 kV Ancoa substation, featuring replacement of the 500kV circuit breaker for the auto-transformer bank N°2, 52KT2 bay.
  The contract was awarded to CME 3 January and features investment amounting to US$1.5 million.

- Auto-transformer bank at the 500/220 kV 750 MVA Charrúa substation, featuring expansion of the 500 kV yard, extending the main busbars and transfer busbars, as well as the supply, assembly and commissioning of the auto-transformer bank.
  The contract was awarded to Hyosung 4 January 2011 and features investment amounting to US$ 35.4 million.

- Expansion of the Alto Jahuel substation, extending the main 500 kV busbars and transfer busbars in three positions: one for a future busbar sec-

tionizer, another for a new 500 kV bay and the third for the Ancoa 3 power line bay. This project will enable connection of the first circuit of the new 2x500 kV Ancoa - Alto Jahuel power line owned by Elecnor.
The contract was awarded to Elecnor 25 August 2011 and features investment amounting to US$ 9 million.

- Normalization of the 220 kV Chena substation, featuring construction of a 220 kV power line with GIS equipment, a layout for two power line bays, busbars and accessories for interconnecting bars from the Chena substation (Chilectra), together with works for the complete sectioning of the 2x220 kV Alto Jahuel–Cerro Navia power line with a tap-off toward the substation, direct current auxiliaries, as well as control, protection and telecommunications systems.
The contract was awarded to Siemens 1 September 2011 and features investment amounting to US$ 16.9 million.

- 220 kV Rahue sectioning substation featuring sectioning of circuit N°1 of the 2x220 kV Valdivia - Puerto Montt power line, completion of circuit N°2 as an express line for the 2x220 kV Valdivia–Puerto Montt power line, as well as main busbar N°1 and a transfer busbar, two 220 kV power line bays, a coupling bay and a bay for installation of the circuit N°2 express line at the 220 kV Rahue sectioning substation.
The contract was awarded to HMV Ingenieros Ltda. and Energy Intenational 1 September 2011 and features investment amounting to US$ 9.7 million.

- Circuit breaker replacement at the Alto Jahuel and Polpaico substations, as well as a 50 kA short-circuit current.
The contract was awarded to Siemens 1 September 2011 and features investment amounting to US$ 5 million.

- 220 kV transfer busbar at the Carrera Pinto substation, featuring incorporation of a 220 kV transfer busbar for the trunk bays with the corresponding coupling bay at the current Carrera Pinto substation. The project includes expansion of the 220 kV yard platform, expansion of the grounding grid and perimeter fencing, extension of the main busbar, expansion of security systems, as well as control, protection and telecommunications systems, among other works that incorporate transfer busbars.
The contract was awarded to Consorcio Cobra 26 August 2011 and features investment amounting to US$ 7.4 million.

- A 220kV transfer busbar at the Los Vilos substation, consisting of the installation of two new independent 220 kV transfer busbars, one for each main busbar section at the Los Vilos substation. This requires installation of the respective coupling bays and

connection of the current trunk bays corresponding to the Las Palmas 1 and 2 and Nogales 1 and 2 power lines to the new busbars for transfer. This will be done in order to meet the provisions of Article 3-29 of the new Technical Standard for the Safety and Quality of Service (NTSyCS) and thus normalize the Los Vilos substation.
The contract was awarded to Consorcio Cobra 1 September 2011 and features investment amounting to US$ 10.4 million.

- Incorporation of a 220kV transfer busbar at the Valdivia substation, consisting of the construction of a transfer busbar, its respective coupling bay and installation of the maneuvering equipment required in order to enable the transfer of bays Puerto Montt 1, Puerto Montt 2, Cautín and Ciruelos at the Valdivia substation.
The contract was awarded to EFACEC 1 September 2011 and features investment amounting to US$ 7.2 million.

- A 500kV transfer busbar at the Polpaico substation, consisting of the design and installation of six 500 kV unipolar disconnectors for the reactor bay of the Ancoa power line in order to replace these with the reserve reactor.
The contract was awarded to Consorcio Cobra 26 August 2011 and features investment amounting to US$ 1.7 million.

- A 500 kV transfer busbar at the Alto Jahuel substation, consisting of the design and installation of 3 500kV unipolar disconnectors at the reactor bay of the Ancoa 1 and 3 power lines and 500 kV unipolar disconnectors at the reactor bay of the Polpaico power line in order to replace these with the reserve reactor.
The contract was awarded to Consorcio Cobra 26 August 2011 and features investment amounting to US$ 1.8 million.

- CCEE bank at the 220 kV Pan de Azúcar substation, consisting of the design and installation of a 75 MVAR static capacitor bank connected to the 220 kV busbar. This considers necessary adjustments to be made to control, protection, telecommunications and measurement systems.
The contract was awarded to Agrosonda 1 September 2011 and features investment amounting to US$ 3.8 million.

- The2x220 kV Charrúa-Lagunillas power line (laying the first circuit), which includes a new 78 km 2x220 kV power line connecting the Charrúa substation and the new Lagunillas substation, as well as a 220 kV bay at the Charrúa substation.

MAIN TRANSELEC PROJECTS IN 2011. TRUNK TRANSMISSION SYSTEM

VALUES IN US$ THOUSAND

PROJECT TYPE	PROJECT	REAL INVESTMENT (US$ THOUSAND)	STATUS	COMMISSIONING DATE
Studies	Project studies			
New Projects	2x220 kV Nogales Polpaico power line	132.4	In Service	11.05.2011
	Laying of the 1st circuit for the 2 x 220 kV Charrúa Lagunillas power line	44	In Service	02.27.2012
Expansion Projects	STATCOM equipment at Cerro Navia Substation	27.2	In Service	03.26.2011
	CER equipment at Polpaico substation	18.9	In Service	08.06.2011
	Alto Jahuel - Chena segment conductor replacement	4.1	In Service	10.08.2011
	Auto-transformer Bank 2, 500/220/66 kV 750 MVA, Polpaico substation	25.6	In Service	09.04.2011
	Expansion of 220 kV busbar, Cerro Navia substation	3.1	In Service	01.11.2011
	220 kV transfer busbars, Cardones substation	3.5	In Service	03.16.2011 and 04.19.2011
	50 MVAr capacitor banks at Cerro Navia and Alto Jahuel substations	5.1	In Service	31.03.2011 and 2.4.2011
	Conductors replaced with high capacity conductors for 2x220 kV Alto Jahuel – Cerro Navia power line, Chena-Cerro Navia segment	4.1	Underway	04.30.2012
	Construction of works related to sectioning of the 1x500 kV Ancoa-Polpaico power line.	24.6	Underway	02.28.2013
	Installation of flow control equipment at 2x220 kV Polpaico-Cerro Navia power line	31	Underway	04.14.2012
	Expansion of 500 kV yard at Ancoa substation	11.5	Underway	07.03.2012
	MAIS equipment redundancy	1.4	Underway	01.22.2012
	Replacement of circuit breakers at 220 kV Alto Jahuel and Polpaico substations	5	Underway	05.01.2013
	Circuit breaker replacement at 220 kV Charrúa substation	2.3	Underway	06.18.2012
	Circuit breaker replacement at 500 kV Ancoa substation	1.5	Underway	08.03.2012
	750 MVA auto-transformer bank at 500/220 kV Charrúa substation	35.4	Underway	07.04.2013
	500 kV yard expansion at Alto Jahuel substation	9	Underway	02.25.2013
	Normalization of 220 kV Chena substation	17.8	Underway	09.01.2013
	Construction of 220 kV Rahue sectioning substation	10	Underway	09.01.2013
Expansion Plan	2010 - 2011 expansion plan projects	37.4	Tendered	------
Project Carryover	Miscellaneous project carryover			
Total		454.9		

SUBTRANSMISSION

The National Energy Commission delivered a technical report listing its substransmission tariffs and respective indexing formulas for the 2011-2014 period to the Ministry of Energy in August 2011. This report included background information from subtransmission studies and specifications from the corresponding Honorable Panel of Experts. A Decree establishing subtransmission tariffs and their respective indexing formula for the aforementioned period is expected to be published at the end of the first quarter in 2012.

Transelec put the following subtransmission projects in service throughout Chile in 2011.

- Construction of the 220/154 kV-390 MVA Lagunillas substation and 220 kV bays at the Hualpén substation, with an investment value of US$54.2 million, commissioned 15 August 2011.

- Construction of a new 110/23 kV-15 MVA El Salado substation as part of the Diego de Almagro-Chañaral power line project, with an investment value of US$4.1 million, commissioned 17 April 2011.

- 1x110 kV Diego de Almagro-Nueva El Salado-Chañaral power line, with an investment value of US$7.7 millones, commissioned 17 April 2011.

- 220/110 kV transformation capacity increase at the Diego de Almagro, Cardones and Maitencillo substations for an investment value of US$3.2 million, with a transformer commissioned at Maitencillo 1 September 2011.

- Cerro Navia substation, installation of a 220/110 kV- 400MVA autotransformer bank with a backup unit, commissioned 21 November 2011.

MAIN TRANSELEC PROJECTS UNDERWAY, SUBTRANSMISSION SYSTEM

VALUES IN US$ THOUSAND

PROJECT TYPE	PROJECT	REAL INVESTMENT 2011 (US$ THOUSAND)	STATUS	DATE COMMISSIONED
Studies	Miscellaneous		---	---
	Lagunillas and Hualpén substations	54.2	In service	8/15/2011
	El Salado substation	4.1	In service	4/17/2011
	SIC North Maitencillo substation	3.2	In service	9/1/2011
	1x110 kV Diego de Almagro - Nueva El Salado - Chañaral power line substations	7.7	In service	4/17/2011
	2x154 kV Tinguiririca-Rancagua-Alto Jahuel power line, conductor replacement at Malloa Tilcoco segment	3.011	In service	12/30/2011
	Sufficiency Works Subtotal	72		
Replacement after the expiry of service life	Installation of 220/110 kV – 440 MVA auto-transformer bank with a backup unit at Cerro Navia substation (4)	10.10	In service	11/21/2011
	Replacement after Service Life Works Subtotal	10.10		
Project Carryover	Miscellaneous project carryover		In service	
Total Subtransmis-sion Projects		82.311		

(*) Projects commissioned in 2010 or before with outstanding payment made in 2011.

ADDITIONAL SYSTEMS

Additional power transmission systems are made up of power transmission facilities essentially and mainly designed to supply electrical energy to users that are not subject to price regulation (i.e. large industries, mining, etc.) and of facilities designed to allow power companies to inject production into the electrical system. Power transmission by means of these systems is regulated by private contracts between parties.

The additional systems market is not without extensive environmental and concession processes currently faced by power transmission projects. It has been observed that estimated deadlines greatly differ from real conditions.

Even so, Transelec has confirmed its interest in developing the additional power transmission market and establishing the company as a strategic partner for the execution of energy development required by the market. This was understood by Metro S.A., which signed an agreement with the company in order to develop a power transmission system to meet our

customer's increasing power consumption requirements in the future. The Neptuno Substation Project features construction of a ring bus configuration GIS substation, the installation of two 220/20.4 kV, 55/80 MVA power transformers and construction of a 2x220 kV power line to connect this substation to the SIC power grid. Commissioning is scheduled for 2014 considering an investment of US$ 21 million.

In the mining market, construction started on a power transmission system for the Caserones Mine Project belonging to SCM Minera Lumina Copper Chile (owned by the Japanese firm Lumina Copper). The system had been 30% completed at the end of 2011 and commissioning is scheduled for August 2012.

The Caserones Mine is a mining mega-project located in Chile's 3rd Region, 160 km southeast of Copiapó. It is a US$ 2 billion investment with electricity demand amounting to 190 MW.

Completion of this project is undoubtedly an essential step for Transelec's entry into the national copper sector.

TRANSELEC HAS CONFIRMED ITS INTEREST IN DEVELOPING THE ADDITIONAL POWER TRANSMISSION MARKET AND ESTABLISHING THE COMPANY AS A STRATEGIC PARTNER FOR THE EXECUTION OF ENERGY DEVELOPMENT REQUIRED BY THE MARKET.

COMMISSIONING

Durante 2011, Transelec completed construction of the 500 kV System Transmission Capacity Increase between the Ancoa substation and the Alto Jahuel and Polpaico substations for its customer Endesa. This required commissioning of CER equipment at the Polpaico substation and STATCOM equipment at the Cerro Navia substation. These were respectively commissioned 20 August and 23 March 2011. These new facilities were recognized as part of the Trunk System in the TTS concluded in 2010.

Overall project investment, including the compensator bank at the Polpaico substation commissioned in 2010, comes to US$ 43 million.

In turn, the 220 kV Pan de Azúcar-Carmen de Andacollo power line project was commissioned 30 May 2011 for the customer Minera Carmen de Andacollo. This included construction of a 220 kV bay at the Pan de Azúcar substation with an investment value of US$ 36.6 million.

Finally, a second circuit was installed at the 220 kV Bocaminas II- Lagunillas-Hualpén power line 21 December with an investment value of US$ 10.2 million. This project is part of the investment agreement with Endesa.

MAIN TRANSELEC PROJECTS UNDERWAY, ADDITIONAL SYSTEMS

VALUES IN US$ THOUSAND

PROJECT TYPE	PROJECTS	REAL INVESTMENT IN 2011 (US$ THOUSAND)	STATUS	DATE COMMISSIONED
Studies and Services	Miscellaneous		-	
Investment Agreement with Endesa	Statcom equipment at Cerro Navia substation	24.8	Completed	3/23/2011
	Las Palmas substation	21.4	Completed	4/6/2011
	220 kV bay at Pan de Azúcar substation	1.6	Completed	5/30/2011
	1x220 kV Pan de Azúcar-Carmen de Andacollo power line	15.2	Completed	5/30/2011
	CER equipment at Polpaico substation	15	Completed	8/20/2011
	Bocamina II Lagunillas - Hualpén power line	10.2	Completed	12/21/2011
Other Customers	220/20.4 kV Neptuno substation	19.1	Underway	
	2x220 kV power line. Neptuno connected to SIC		Underway	
	220 kVs Maitecillo-Caserones power line and Maitencillo substation expansion	119	Underway	8/31/2012
Project Carryover	Miscellaneous projects			
Total Additional Systems Projects		226.3		

OUR CUSTOMERS

2011 was a year of crosswise evaluations at Transelec. With the assistance of an international company, changes have been made to the way we face new business opportunities and this change of perspective is evidenced in a new initiative by the Business Development Vicepresidency: market orientation.

Transelec has understood recent changes and has established strategies to relate to each of the regulated and additional systems segments as a proactive response to development of the national energy market, seeking for a differentiated value proposal. Adjustments made to the company's structure have focused interest on customers' needs in response to concerns perceived from the interaction with them.

As in former years, the company has assessed stakeholder satisfaction, identifying perception and positive or negative encouragement by its customers. Results obtained evidence that changes made are completely in line with our customers' expectations and directly focus on bridging the gaps identified.

As part of the company's commitment as the provider of a public service that is critically important for the country's development, Transelec is looking for new business models to facilitate the connection of non-conventional renewable energies. Chilean legislation does not presently provide systems to properly encourage the development of these energies and we therefore hope that the new law will facilitate these projects, which are considered to be a fundamental part of the energy development pillars established by the government.

CUSTOMER SERVICE POLICY

Our fundamental pillars are based on customer service and confidence in our knowledge as system specialists.

Our policy is to interpret and understand our customers' needs, executing their projects in conformity with the best quality, safety and environmental parameters and

understanding that each customer needs individual treatment. This is a total commitment that continues over the years, establishing a satisfactory long-term relationship for everyone involved.

Our commitment is to work closer and closer to our customers (ongoing customer service and consulting) and to provide all of our extensive and specialized knowledge regarding power transmission, keeping in mind the final goal of always meeting their expectations

Keeping this objective in mind, we have decided to incorporate the concept of consultative selling into the development of new business. Total commitment for project execution and support throughout the contract period clearly evidences the quality of our services and our proposal for differential market value, which have all been validated by our customers over the years. Our specialized supply enables us to develop the best power transmission solutions in the market. Our experts study market trends and projections on an ongoing basis, enabling us to always apply the results of our experience to solutions for all of our customers.

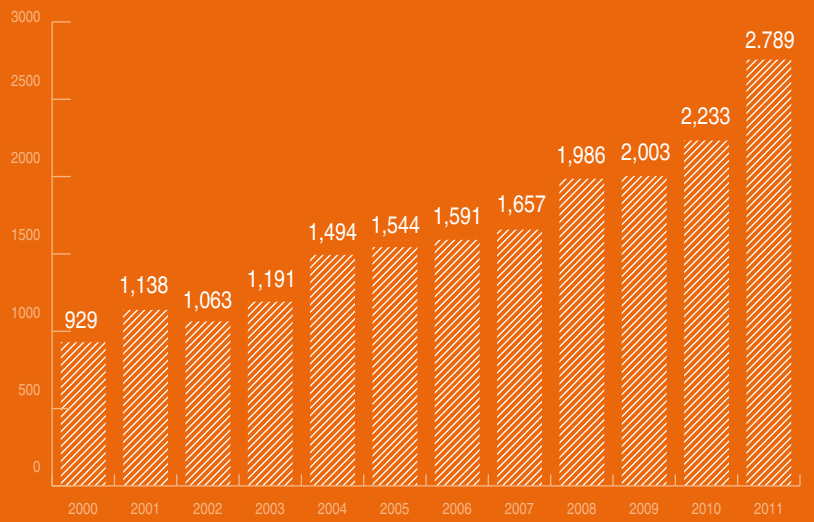
VI

The current regulation framework establishes calculation and publication mechanisms for the valuation of power transmission company investment at market prices, information that is used for setting service tariffs.

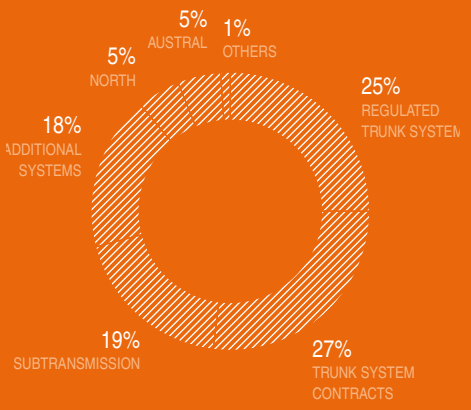
Valuation of Transelec power transmission facilities as of 31 December 2011 comes to US$ 2.950 million. Transelec Norte facilities account for US$ 161,21 million of this total.

VI TRANSELEC

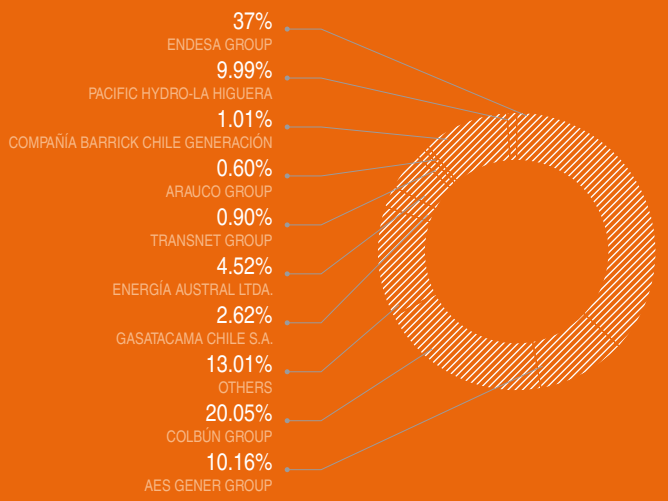
(values in US$ million as of 31 December of each year)



REVENUE DISTRIBUTION BY SYSTEM



REVENUE DISTRIBUTION BY CUSTOMER



05.
THE OPERATION

Transelec's commitment as an important collaborator in the country's growth and development means that its essential objective is to supply power with high safety and quality service standards. The company operates its facilities in close coordination with different stakeholders every day, providing immediate and accurate answers to contingencies that arise in order to ensure ongoing service over the long term.

Transelec consequently employs highly specialized personnel and contractors trained on an ongoing basis. These people prepare and execute maintenance programs and procedures for the operation of transmission systems meeting high standards, many of which have been adopted by current Chilean legislation. In addition, the company has state-of-the-art telecommunications, control and protection equipment for network operation and safety.

Work started on the MEGA project in 2011. This project was designed to move from excellence maintenance in order to extend the service life of assets toward asset management, which aims to manage assets by realizing that these have a set life cycle. This project is part of the change process established in the 360 Excellence Plan as one of its three fundamental pillars.

The Vicepresidency of Operations has focused a lot of its efforts on this project, which aims to provide continuous improvement in order to face the challenges of new times.

The first phase of the project executed over the second half of 2011 was about network service processes, an area specializing in the execution of maintenance tasks. These processes were analyzed, designed and documented by a team made up of personnel from the zone divisions with extensive experience, as well as support provided by the UMS Group consulting company. These processes are presently being implemented and a change management plan was designed for this purpose.

The second phase is about processes in the asset management area. This area determines what, where and when maintenance tasks are executed. Phases three and four are respectively related to information technology tools to support management and continuous improvement mechanisms.

Operation, maintenance and replacement of equipment or systems at Transelec facilities generally advanced in accordance with annual programs. There are still some corrections and adaptations to be made due to work stemming from the effects of the 27 February 2010 earthquake.

The annual compliance index for preventive maintenance activity execution came to 88.5%, an index that compares work progress with scheduling executed at the start of each year. This year's index also included basic preventive maintenance, pruning and cutting along easement strips and the execution of extraordinary maintenance scheduled.

Different activities executed in 2011 include the awarding of equipment procurement contracts for the different zone divisions corresponding to the 2011-2013 period, highlighting the supply of circuit breakers, instrument transformers, lightning rods, transformer disconnects and battery banks.

The company developed its strategy for replacing control and protection assets. The strategy's criticality evaluation determined that 381 protection systems had to replaced over a term of six years and 36 differential busbar protection devices had to be replaced over a term of eight years. The replacement plan for control and protection assets will increase the reliability of protection systems, reducing the failure rate and increasing compliance

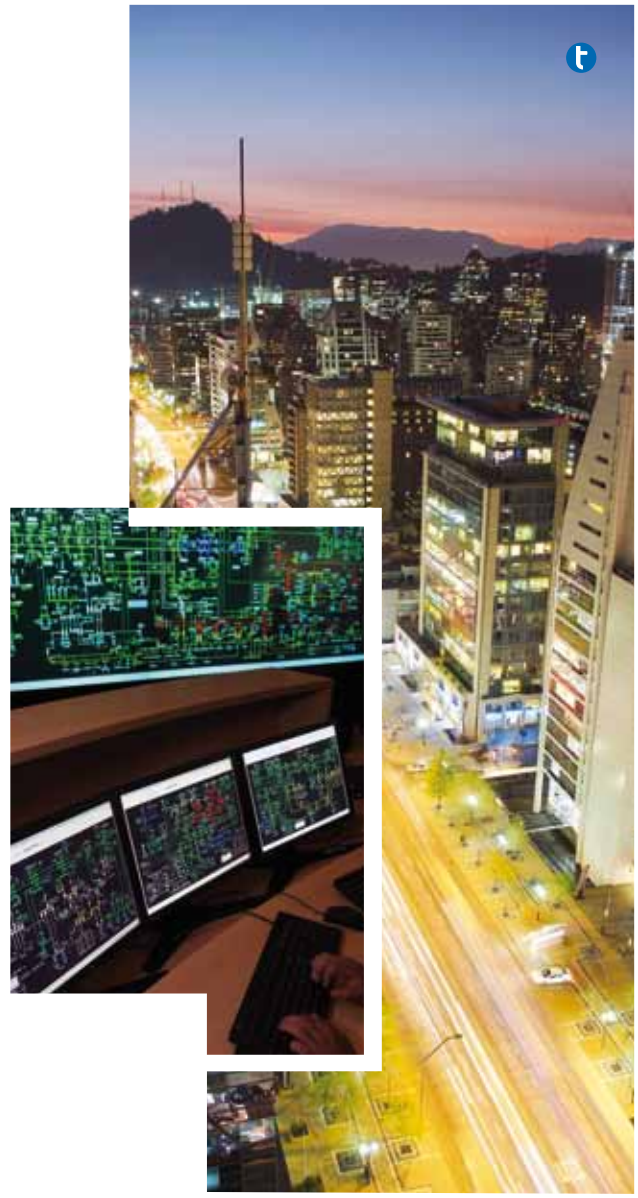
to current technical safety and service quality standards.

Technical specifications and minimum requirements for equipment and facilities were developed in 2011 in order to standardize criteria in the telecommunications area with the Engineering Vicepresidency for application in new projects. The microwave network supervision system was implemented throughout 100% of the trunk system. This system will reduce failure repair time and will soon expand to the access network and to equipment that is not presently supervised. In addition, a strategy to replace and update teleprotection equipment corresponding to the trunk transmission system was executed in order to enhance system security. Finally, microwave projects were executed in the Far North Zone. These will replace OPGW fiber optic cables that are currently out of service.

In addition, the SCADA/EMS System Renovation Project was started in 2011.

The consulting company KEMA Inc. was hired for this purpose and commissioned to prepare the functional and technical baselines for an international tender of this project. The suppliers ABB, AREVA, GE, OSII and SIEMENS were called to bid. The company awarded the contract for supply and future support over the coming five years in the Evergreen modality was the supplier Open System International from Minneapolis, USA. The supplier will work through its representative and integrator in Chile TECNET from the Ibermática group. This supplier shall be required to deliver the system to the operation over a term of 17 months.

Certification of Real-time Operation of the Electrical System was renewed in 2011 in accordance with ISO 9001 quality standards, incorporating the Far North COZ. This process includes ongoing supervision of the electrical system, analysis of facility operation status, decision-making, coordination and execution of maneuvers required in order to keep facility conditions within pre-established safety ranges.



By means of this Quality Management System certification, Transelec commits to continuously improve power supply safety by means of proper power transmission system operation.

The company gained ISO 9001 certification of the “Energy Measures Management” process in 2011. TRANSELEC thus evidenced its commitment to the concept of quality control in the company’s critical processes, such as invoicing and the energy balance for customers and regulators.

Moreover, work on the plan for mitigating the effects caused by the presence of corrosive sulphur in power transformer oil continued throughout 2011. Another six 500 kV devices and three 220 kV devices, in addition to the fifty-four devices already subjected to corrective measures in former years, were subjected to the insulating oil passivation process. This plan will

continue in 2012 with the treatment of another three devices to be subjected to this process since the passivation element shows reduced concentration. This was detected by ongoing follow-up and control of the effectiveness of mitigation actions implemented.

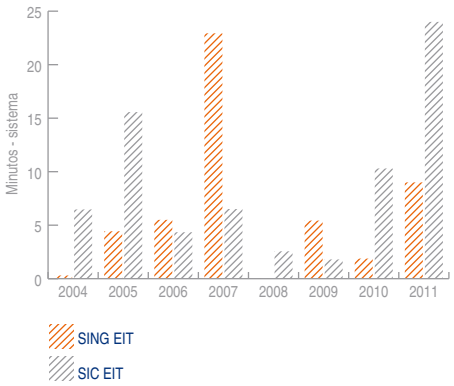
Investment, improvements and modernization such as those indicated above, as well as the application of thorough operational procedures, aim to reduce Equivalent Interruption Time (EIT), an indicator that measures service safety, to a level within the expected parameters. EIT, which represents total power not supplied to free and regulated customers over a twelve-month period, stems from unavailability at power withdrawal points for the Transelec power transmission system and is expressed as “equivalent interruption minutes” during the maximum system demand hour.

30 disconnections attributed to Transelec’s own facilities were reported in the SIC power grid in 2011. These led to power supply shortages amounting to EIT of 24.4 minutes-system. The event causing the greatest impact was the failure of a 220 kV circuit breaker at the Ancoa substation, which led to the disconnection of a 220 kV busbar and the separation of 220 and 500 kV busbars at the same substation due to the disconnection of the 220/500 kV transformer. Due to the appearance of a subharmonic resonance phenomenon in the 500 kV system between the series compensation and reactors, both 500 kV Ancoa – Alto Jahuel and Ancoa Polpaico power lines were subsequently disconnected, leading to loss of service in an extensive area of the SIC power grid between the regions of Valparaíso and Maule, which accounts for 65% of SIC consumption. Service recovery was delayed by the congestion of information in the SCADA control system (integrated platform) and the lack of backup personnel at the Central Zone substations. Notwithstanding, due to the existence of a SCADA backup system for the main SCADA (Alto Jahuel Control Center), service recovery at Transelec facilities was achieved within normal timeframes.

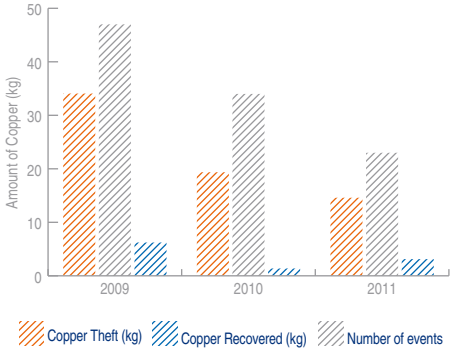
As for service quality reported for Transelec Norte facilities in the SING power grid, EIT amounted to 8.7 minutes-system, practically due to the overall service loss due to a failure that was not detected by the protection systems in a 220 kV power line operated by third parties. Service recovery was partially delayed by the failure of control equipment at the Lagunas substation owned by Transelec Norte.

Due to TRANSELEC failures in the month of July 2010, the Vice Presidency of Operations conducted an internal analysis and diagnosis, followed by proposal of an

EIT



COPPER



Action Plan to improve network operation and internal processes. The Action Plan considers the following measures:

Implementation of the N-1 criteria in transformers and busbars.

Internal risk management improvement.

Implementation of a Risk Management System in the CDEC.

As for participation at Load Economic Dispatch Centers, a Transelec executive has been serving as the CDEC-SIC Chairman of the Board of Directors since November. The company has two representatives and two deputy representatives in the CDEC-SIC, as well as three directors and two replacement directors representing the landowner segments at power transmission facilities in the CDEC-SING.

With regard to cable theft that has been seriously compromising TRANSELEC power lines that use copper conductors since 2007, the number of events in 2011 came to 23, with criminals removing a total 14.6 metric tons of material. Copper conductor theft is still a problem but it has been gradually going down year after year thanks to efforts put forth by company in coordination with political and police authorities, as well as authorities from the Public Ministry and other companies

in order to prevent this theft. In any case, conductor theft is a structural factor based on current copper prices and the inherent nature of the junk business, which is hard to eliminate and creates a market for selling stolen material.

More specifically, criminal activity increased substantially over the first quarter of 2011. However, two policemen were killed by a band of criminals in a police raid in late March. The leader of the band was also killed. In addition, copper prices dropped in the middle of the year and criminal activity went down considerably over the second half of the year, with the total number of kilograms of copper stolen in 2011 down 25% compared to 2010.

06.
FINANCE

MAIN ACTIVITIES IN THE FINANCIAL AREA

Throughout 2011, Transelec completed several financing initiatives in the financial sector. We wish to highlight the following: i) In January 2011, Transelec issued local bonds amounting to a total UF 7 million (the L series, UF 2.5 million at an annual 3.65%, the M series, UF 1.5 million at an annual 4.05% and the N series, UF 3.0 million at an annual 3.95%) in order to repay existing debt, whose last coupon matured 15 April 2011. ii) In March 2011, in order to finance expenditure corresponding to the company's investment program, Transelec, the Scotiabank-Sudamericano and Corpbanca banks agreed to a credit line amounting to UF 3,000,000, which has not been used to date. iii) In September 2011, Transelec issued the remaining UF 1.9 million corresponding to the M series at an annual 4.05%. These funds were used for corporate activities.

DEBT AS OF 31 DECEMBER 2010

SERIE	DATE OF ISSUE	INTEREST RATE	MATURITY	CURRENT AMOUNT	CURRENCY
Serie D	14-Dic-2006	4,25%	15-Dic-2027	13.500.000	UF
Serie C	21-Mar-2007	3,50%	01-Sep-2016	6.000.000	UF
Serie E	13-Ago-2009	3,90%	01-Ago-2014	3.300.000	UF
Serie F	13-Ago-2009	5,70%	01-Ago-2014	33.600.000.000	CLP
Serie H	13-Ago-2009	4,80%	01-Ago-2031	3.000.000	UF
Serie I	03-Dic-2009	3,50%	01-Sep-2014	1.500.000	UF
Serie K	04-Dic-2009	4,60%	01-Sep-2031	1.600.000	UF
Serie L	19-Ene-2011	3,65%	15-Dic-2015	2.500.000	UF
Serie M	19-Ene-2011	4,05%	15-Jun-2032	3.400.000	UF
Serie N	19-Ene-2011	3,95%	15-Dic-2038	3.000.000	UF

UF: Unidad de Fomento (readjustable unit set by the Central Bank of Chile, Law 18,840)
All bonds are bullet bonds (principal paid upon maturity of the last coupon).

DEBT SERVICING RESERVE

Starting in December 2006, Transelec has a Debt Reservicing Reserve required for bond issuing contracts corresponding to the C, D, E, F, H, I, K, L, M and N series. This reserve comes to the amount of interest and amortization for the principal -with the exception of final payment- corresponding to a six-month period for the aforementioned bonds.

AVAILABLE CREDIT LINES

In order to ensure the availability of funds in order to cover the requirements of working capital, fixed assets investment project financing (underway and upcoming projects), procurement of power lines and possible debt refinancing, the company has committed to the following credit lines, which have not been used as of the end of the 2011 fiscal year and are completely available according to the following conditions:

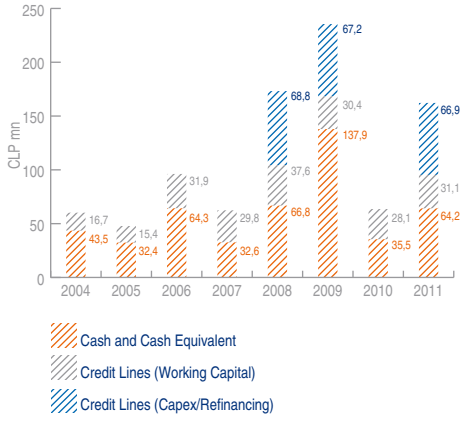
BANK	AMOUNT (UP TO)	MATURITY	LOAN TYPE
Scotiabank	US$ 15,000,000	11-15-2012	Working Capital
DnBNor	US$ 30,000,000	02-28-2012	Working Capital
Scotiabank	US$ 15,000,000	03-31-2012	Working Capital
Scotiabank y Corpbanca	UF 3,000,000	03-31-2012	Project Financing and Refinancing

PERFORMANCE INDICATORS

LIQUIDITY

Due to positive results in 2011, Transelec features high liquidity, which together with a) availability of currently committed credit lines, b) the issuing of a committed credit line amounting to UF 3 million and c) partial reinvestment of its own cash generation allows the company to finance its upcoming investment plans in new power transmission assets, backed by the firm commitment of the company's shareholders.

LIQUIDITY



Note: historical values as of 31 December each year.

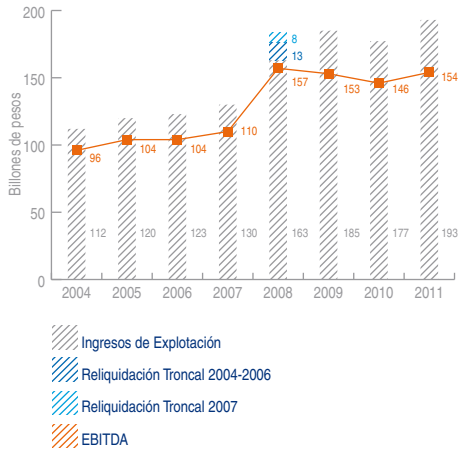
2011 OPERATING RESULTS

The company has two main sources of revenue generation: a) regulated revenue from services provided by assets belonging to the Trunk Transmission and Subtransmission systems, and b) contractual revenue stipulated in bilateral contracts which feature additional power transmission assets, as defined by Short Law I, among others.

The company's properly protected revenue structure, market conditions, legislation, current regulatory framework and the quality and solvency of its customers have allowed the company to report stable long-term results, despite the global financial crisis triggered in the second half of 2008.

We wish to highlight that operating revenue reported in 2008 included non-recurring revenue, which basically corresponds to the results of Trunk Transmission System toll reliquidation for the March 2004 - December 2007 period, according to the provisions of Decree 207 dated 15 January 2008 amounting to a total CLP 20.97 billion. This figure is expressed in currency as of 31 December 2008.

EVOLUCIÓN DE INGRESOS Y EBITDA



Note 1: Information used for 2004 and 2005 comes from the corresponding HQI Transelec S.A. Consolidated Financial Statements as of 31 December each year.

Note 2: EBITDA, Revenue and Operating and Administrative Expenses information for 2006 corresponds to the line-by-line sum of HQI Transelec Chile S.A. results for the 1 January 2006 - 30 June 2006 period, duly updated according to the CPI as of December 2006, plus Transelec S.A. FECU results between 1 July 2006 and 31 December 2006. We wish to highlight that although Transelec started operations 6 June 2006, operating movements were only reported starting 1 July 2006.

Note 3: EBITDA = Profits before Tax - Exchange Rate Difference - Readjustment Unit Results - Least Investment Value Amortization* - Financial Costs - Financial Revenue - Depreciation + Intangible Amortization + Financial Leasing Interest.

Depreciation considers the concepts of losses due to obsolescence and withdrawal of fixed assets that were part of the company's non-operating results for the 2004-2009 period according to CHGAAP financial standards.

(*) Applies to the 2004-2009 period in which financial statements were presented using CHGAAP.

RISK FACTORS

In keeping with the characteristics of the Chilean electricity market and standards regulating this sector, Transelec S.A. is not exposed to substantial risk in the course of operating its main line of business. However, the following risk factors should be mentioned and taken into consideration:

THE REGULATORY FRAMEWORK

Legal standards regulating Chile's electricity transmission business were amended by the passing of Law 19,940, known as Short Law I, published 13 March 2004.

A second Trunk Transmission Study was completed in 2010

Decree 207 published 15 January 2008 established the Annual Transmission Value by Segment (VATT) and its indexing formulas for the four-year period between 2007 and 2010, as well as application conditions for establishing payment of transport services in trunk transmission systems. The provisions contained in Decree 61 establish a series of issues that allow trunk facility owners to collect VATT from their facilities. A second Trunk Transmission Study was conducted in 2010 in order to set tariffs and indexing formulas corresponding to the four-year period between 2011 and 2014. Decree 61 published 17 November 2011 lists tariffs that will be applicable retroactively as of 1 January 2011. The application of new tariffs and reliquidation corresponding to 2011 is scheduled for the first half of 2012. In addition, the provisions contained in Decree 61 establish a series of issues that allow trunk facility owners to collect VATT from their facilities.

In turn, Decree N° 320 by the Ministry of Economic Affairs, Development and Reconstruction published in the Official Gazette dated 9 January 2009 set subtransmission tariffs. These new tariffs were first applied 14 January 2009 and remained in force until 31 October 2010. New subtransmission tariffs for the November 2010 – October 2014 period will be set by the Ministry of Energy based on subtransmission facility valuation studies

started in 2010. Publication of a decree that will set subtransmission tariffs and their respective indexing formulas for the aforementioned period is expected toward the end of the first quarter in 2012. Tariffs set by means of decree 320/2009 will apply during the interim. The difference between what was provisionally invoiced and the final values established shall be reliquidated.

SINGLE CUSTOMER REVENUE CONCENTRATION

37% of Transelec's revenue comes from one single customer, Empresa Nacional de Electricidad S.A., Endesa and its power generation subsidiaries. Transmission tolls to be paid by Endesa and its subsidiaries Pangue and Pehuenche will generate most of Transelec's future cash flow and any substantial change made to Endesa's business model, financial status or operating income could negatively affect Transelec.

OPERATING RISKS

Despite the fact that its Administration believes Transelec to have proper risk coverage in conformity with industry practices, we cannot guarantee that current insurance policy coverage will be enough to cover certain operating risks, including forces of nature, damage to transmission facilities, accidents on the job and equipment failure.

LABOR CONFLICTS

Delays, suspensions or other labor conflicts affecting Transelec could have an adverse material effect on the corporation's business, financial conditions, operating income and expectations. Approximately 51% of Transelec's workforce belongs to one of its two trade unions. In addition, 32% of the company's personnel is covered by group agreements with these workers' unions. These agreements expire in 2012 y 2014. Although Transelec's Administration believes that current labor relations evidence mutual collaboration between the company and its workers, and there have been no strikes, delays or suspensions since the

company was founded, this is no guarantee that these events will not take place prior to or at the time the current group contracts expire. The Administration is not able to estimate the effect of these events on Transelec operations.

FINES STEMMING FROM TRANSMISSION SERVICE SUSPENSION

Transelec currently has legal procedures pending with the Superintendence of Electricity and Fuel (SEC) due to charges pressed by the Authority stemming from forced electricity transmission service disconnection. Some procedures have not yet been settled by the SEC and Transelec has requested reconsideration of the resolution in other cases, while charges are currently being pressed for others.

APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

Transelec operations are subject to Law N°19,300 on General Environmental Guidelines ("Environmental Law"), passed in 1994, which was recently amended in 2010. The Environmental Law requires companies developing high-voltage power lines and electrical substations to observe the regulations of the Environmental Impact Evaluation System (SEIA) and to present Environmental Impact Studies (EIS) or Environmental Impact Declarations (EID) to the new Environmental Evaluation Service as required for any upcoming project or activity likely to generate environmental impacts.

As previously indicated, the environmental law was amended and this has entailed changes to environmental institutionality, creating new environmental management instruments or changing existing instruments. Transelec must therefore adjust to these new environmental requirements. According to recent amendments, among other issues, a new institutional framework was created and this is made up of the following: (i) the Ministry of the Environment; (ii) the Council of Ministers for Sustainability; (iii) the Environmental Evaluation Service; and (iv) the Environmental Superintendence, institutions commissioned to regulate, evaluate and enforce activities and projects generating environmental impacts. These new institutions replaced the National Environmental Commission ("CONAMA") and the Regional Environmental Commissions and are totally operational, with the exception of: (i) enforcement and sanction capacity of the Environmental Superintendence, which specifically depends on the upcoming creation of Environmental Courts; and (ii) new requirements for Environmental Impact Studies and Environmental Impact Declarations, as well as new powers for environmental institutions, which shall become operational by means of a regulation that has not yet been reviewed by the General Comptrollership of the Republic.

Even if Transelec observes environmental law requirements, this will not ensure that presentations (EIS and EID) to the environmental authorities will be approved by government authorities, or that public opposition will not lead to delays or modi-

fications to the projects proposed, or that laws and regulations will not change or be interpreted in such a way as to negatively affect the company's operations and plans, since this new institutionality has just been implemented.

CONSTRUCTION DELAYS FOR NEW TRANSMISSION FACILITIES

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

EXCHANGE RATE RISK

Depending on market fundamentals, specific financial characteristics of its business and other considerations, when necessary Transelec has conducted hedging operations such as cross currency swaps or currency forwards in order to cover the risk of UF-US dollar ratio variation for its bonds expressed in US dollars. In addition, these operations allow the company to set the underlying portion in Chilean pesos contained in its revenue that will be invoiced according to US dollar-Chilean peso parity.

However, we cannot guarantee that Tran-

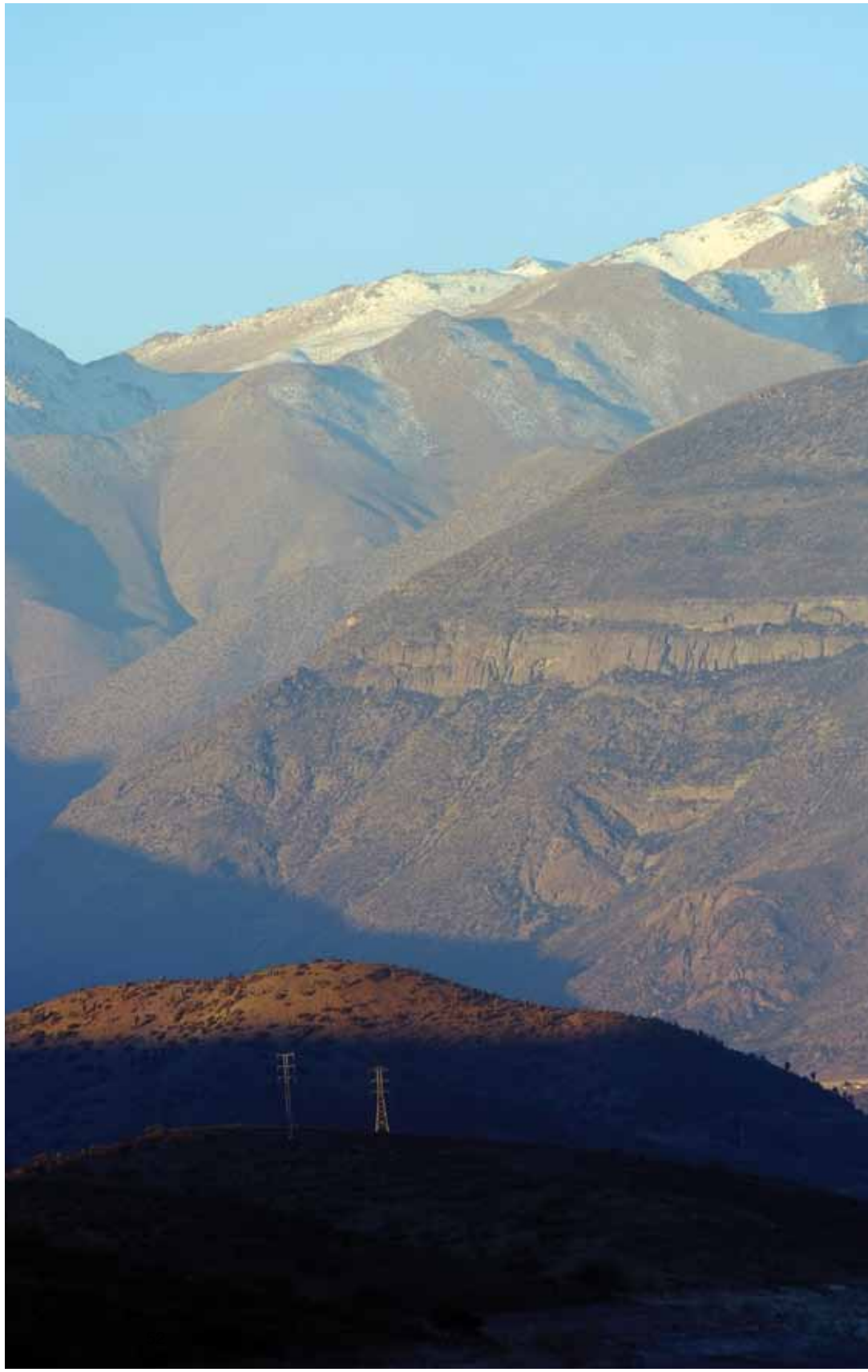
selec will be totally protected by the fact that it holds exchange rate hedging contracts. In addition, cross currency swaps and forwards bear credit risk for the counterpart, cash requirements at maturity dates and other associated risks

TECHNOLOGICAL CHANGES

Compensation from Transelec electricity transmission facility investment is made by an annual existing facility assessment (EFA) fee at market prices, which are regularly recalculated according to the process established in current standards. If important technological advances are made for equipment at Transelec facilities, this assessment could be lower and thus prevent overall recovery of investments made.

CREDIT RISK

Credit risk corresponding to accounts receivable stemming from power transmission activity has historically been very low because of the limited number of customers, their risk rating and short collection time (less than 30 days).



However, revenue is highly concentrated in a few power generation customers that will produce most of Transelec's future cash flow. Any substantial change to the these power generation companies' goods, financial status and/or operating results could negatively affect the Corporation.

In addition, specific insolvency problems for some members of the CDEC-SIC power grid were observed in 2011 and these somewhat affected the collection of tariff revenue for the power transmission system.

As for credit risk associated to financial assets (term deposits, fixed income mutual funds and covenants) held by the company, Treasury policy sets limits for the exposure of a specific institution depending on each institution's risk rating and capital. In addition, only mutual funds that have risk ratings qualify.

DUE TO POSITIVE RESULTS IN 2011, TRANSELEC FEATURES HIGH LIQUIDITY, ALLOWS THE COMPANY TO FINANCE ITS UPCOMING INVESTMENT PLANS IN NEW POWER TRANSMISSION ASSETS, BACKED BY THE FIRM COMMITMENT OF THE COMPANY'S SHAREHOLDERS.

LIQUIDITY RISK

Liquidity risk is the risk of the company not being able to satisfy a monetary commitment in cash or make debt payment upon maturity. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner or at a reasonable price.

In order to ensure that the company is able to react quickly to investment opportunities and to pay its obligations upon maturity. Transelec had committed credit lines for the purpose of working capital amounting to US$ 60 million as of 31 December 2011, in addition to its cash surpluses and short-term accounts receivable. These credit lines have never been used yet.

In addition, as of March 2011, the Company has a committed credit line amounting to UF 3 million. This credit line will be used to cover expenditure associated to transmission asset investment.

The Company is exposed to risks associated to its debt, including the risk of refinancing debt upon maturity. These risks are mitigated by the use of long-term debt and structure of debt maturity over time.

RISK ASSOCIATED TO THE LIQUIDATION OF TARIFF REVENUE FROM THE TRUNK TRANSMISSION SYSTEM

In virtue of Ministry of Economic Affairs, Development and Reconstruction SD N°4/20,018 articles 81, 101, 104 and 106, as well as their complementary provisions, Transelec is entitled to temporarily receive tariff revenue from the trunk system produced in each period. Transelec reliquidates tariff revenue temporarily collected in conformity with payment charts prepared by the respective CDEC (Economic Load Dispatch Center) by collecting from or paying the different companies owning power generation assets in order to collect payment established in subsection 1, Article N°101 of the aforementioned SD N°4/20,018.

The Corporation could face the risk of not collecting revenue in a timely manner from any of the companies owning power generation assets established in CDEC payment charts, which could temporarily affect the Corporation's liquidity status. In this sense and in the Corporation's opinion, work executed by Transelec regarding the aforementioned collection does not consist of managing how it charges due payment but rather the mere collection and transfer of absolutely external appraised surplus and deficit revenue to third parties, with the exception of estimated tariff revenue.

The Campanario Generación S.A. corporation declared bankruptcy 13 September 2011. In virtue of the legal and regulatory information held by the Corporation, it is believed that there is no indication to claim that accounts receivable related to tariff revenue evidence any deterioration of the same. Transelec S.A. has consequently registered a bad debt provision amounting to CLP1,026,284,000 corresponding to accounts payable for different concepts from tariff revenue. There was no certainty of the Corporation recovering this amount at the time these financial statements were presented.

INTEREST RATE RISK

Company assets are mainly long lasting fixed assets and intangibles. Consequently, financial liabilities used to finance these assets mainly consist of long-term liabilities at a fixed rate. Debt is reported in the balance sheet at its amortized cost.

Management of this risk aims to create a balanced debt structure and reduce impacts on financial costs due to fluctuat-

ing interest rates, reducing volatility of the results account.

Although higher inflation in Chile could affect debt costs expressed in UF and consequently affect the company's non-operating results, these impacts will be mitigated by the company's revenue, which is also partially adjusted according to local inflation variation by means of indexing polynomials.

In addition, commercial current accounts that the Corporation holds with related companies are expressed in Chilean pesos and in US dollars and feature a fixed interest rate. The corporation thus believes that changes in market interest rates do not pose any risk that could affect its results.

RISK RATING

In their latest reports made available for the market, the following Risk Rating Agencies have reaffirmed the Investment Grade rating assigned to Transelec for the different lines of bonds issued and placed by the company.

LOCAL CLASSIFICATION

RISK RATING AGENCY	CURRENT RATING
Humphrey's	A+
Feller- Rate	A+
Fitch Ratings Chile	A+

In addition, the Company has also been rated by the following international risk rating agency:

INTERNATIONAL CLASSIFICATION

RISK RATING AGENCY	CURRENT RATING
Fitch Ratings	BBB-

INSURANCE

Transelec continued its policy of holding insurance policies to protect fixed asset goods and to cover other operating risks throughout the 2011 fiscal year. Coverage is provided by means of an industrial multi-risk policy that includes physical damage, machinery breakdown, earthquakes and the forces of nature. Coverage of physical risks for power lines was considered unnecessary, since good international practices and Chilean standards are observed for construction of the same and these standards are deemed to be stringent enough.

In addition, the company continues to hold civil responsibility, terrorism and sabotage insurance, with vehicles, national transport operations, equipment and material imports all covered as well. The company continues to hold insurance contracts for its workers.

Finally, a new “Civil Professional Liability” policy covering eventual claims stemming from Transelec collaborator management was incorporated this year.

THE COMPANY’S PROFIT SHARING POLICY FOR 2011

For 2011, the company’s profit sharing policy establishes for any given year that its Board of Directors recommends sharing the highest possible amount, considering Transelec’s financial status, commitments signed by the company when issuing bonds in the national and international markets, and the impact of IFRS implementation. More specifically, dividends to be paid shall be equal to distributable earnings, which are subject to limits regarding dividends. Distributable earnings means the total consolidated distributable earnings for the respective fiscal year, after tax and extraordinary items, in addition to non-distributed accumulated earnings, minus losses from former periods. Limits regarding dividends with regard to a given fiscal year mean that no dividends may be declared if these mean that the company will not be able to meet its financial commitments. If the Board of Directors were to see fit, it would be entitled to declare temporary dividends for a given fiscal year to be distributed depending on conditions at that time. Overall

payment of temporary dividends shall not exceed 75% of the company's consolidated liquid earnings estimated for the fiscal year in course in Transelec's Annual Business Plan.

PROFITS SHARED IN 2011

It was agreed at a Transelec S.A. shareholders meeting meeting held 28 April 2011 that the remainder of a cash dividend paid in 2010 amounting to CLP19,815,903,600 would be distributed

In addition, it was agreed at a Transelec S.A. Board of Directors meeting held 18 May 2011 that a first provisional dividend amounting to CLP12,550,000,000 would be distributed and charged to earnings from the 2011 fiscal year.

Lastly, at a Transelec S.A. Board of Directors meeting held 16 November 2011, it was agreed that a provisional dividend amounting to CLP13,500,000,000 would be distributed and charged to 2011 fiscal year earnings.

DIVIDENDS PAID EACH YEAR (PROVISIONAL AND FINAL)

YEAR	HISTORICAL VALUE CLP MN
2006	2,339
2007	34,955
2008	20,934
2009	28,118
2010	55,129
2011	45,866

(*): Values as of December of each year.

PROFITS SHARED

(charged from each fiscal year)

YEAR	CLP MN (*)%	PROFITS FROM THE FISCAL YEAR
2006	14,849	100%
2007	31,774	100%
2008	12,510	22%
2009	47,238	100%
2010	55,825	100%
2011(**)	26,050	55%

(*): Values as of December each year.
(**): Only corresponds to provisional dividends paid in 2011, since final dividends to be paid from the 2011 fiscal year had not yet been reported as of 31 December 2011. These will be agreed to at the shareholders meeting to be held in 2012.

CONSOLIDATED RELEVANT FACTS

TRANSELEC S.A.

1) On January 19th 2011, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market and General Rules No 30 and No 210 of such Superintendence, the following relevant fact was reported:

   On that same date, Transelec S.A. placed the L, M and N series of bonds in the local market, to be charged to the 10- and 30-year lines, registered in the SVS under numbers 598 and 599, respectively

2) The following relevant fact was reported 17 March 2011 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law No 18,045 on the Securities Market:
   At a meeting held March 16th 2011, the Transelec S.A. Board of Directors agreed to schedule a regular shareholders meeting to be held April 28th 2011 at 9:00 am, at the company's headquarters located at Av. Apoquindo 3721, sixth floor, Las Condes.

   This meeting aimed to inform the shareholders and request their approval for the following matters:
   1) Annual Report, General Balance, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2010.
   2) Final profit sharing.
   3) Profit sharing policy and information about payment procedures.
   4) Board of Directors and Audit Committee fees.
   5) Appointment of external auditors.
   6) Newspaper used to publish a notice of shareholders' meeting.
   7) Other matters of interest for the company and within the shareholders' competency.

3) The following relevant fact was reported 29 April 2011 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law Nº 18,045:

   The regular shareholders meeting was held 28 April 2011 and the following matters were agreed:
   1) Approval of the Annual Report, General Balance, Financial Statements and the External Auditors Report corresponding to the period finishing 31 December 2010.
   2) Approval of the amount of CLP19,815,903,600 as the final dividend for 2010. This dividend is to be paid starting 27 May 2011 to shareholders registered in the corresponding list 20 May 2011.
   3) Board of Directors and Audit Committee fees were set.
   4) Approval of the appointment of Ernst & Young as the company's external auditors for the 2011 fiscal year.
   5) Diario Financiero was approved as the newspaper to be used for publishing notices of general shareholders' meetings

4) The following relevant fact was reported 19 May 2011 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on the Securities Market:
At a meeting held 18 May 2011, the Transelec S.A. Board of Directors agreed to distribute a provisional dividend amounting to CLP12,550,000,000 to be charged to the 2011 fiscal year, in accordance with the provisions of the Dividend Policy approved by the company's Board of Directors and reported at the regular shareholders meeting held in April 2011.

5) The following relevant fact was reported 23 May 2011 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on the Securities Market:

The shareholders agreed to call a special shareholders meeting to be held Tuesday 24 May 2011 at 9:00 AM, at the company's headquarters located at Av. Apoquindo 3721, sixth floor, Las Condes.

The purpose of the meeting is to inform the shareholders and request their approval for the following matter:

Increasing the company's share capital by CLP19,732,724,601, corresponding to the restatement of share capital corresponding to the 2009 fiscal year, in accordance with the Chilean Securities and Insurance Superintendence Circular N°456 dated 20 June 2008, which is accounted for under the line "Other Reserves" in the Equity section.

6) The following relevant fact was reported 25 May 2011 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on the Securities Market:

The company's shareholders meeting was held 24 May 2011 and the following matter was agreed:

Increasing the company's share capital by CLP19,732,724,601, corresponding to the restatement of share capital corresponding to the 2009 fiscal year, in accordance with the Chilean Securities and Insurance Superintendence Circular N°456 dated 20 June 2008, which is accounted for under the line "Other Reserves" in the Equity section.

7) The following relevant fact was reported 23 September 2011 in accordance with the provisions of Article 9 and subsection 10 of Law Nº 18,045 on the Securities Market:

The company privately issued off-exchange bonds 23 September 2011 in favor of Corpbanca S.A. for the remainder of the M series bonds, which were originally issued 19 January 2011.

8) The following relevant fact was reported 17 November 2011 in accordance with Article 9 and subsection 2

of Article 10 of Law N° 18,045 on the Securities Market:

The company's Board of Directors acknowledged Mr. Jeffrey Blidner's early resignation from his position as director and Mr. Richard Legault's resignation from his position as deputy director for Mr. Blidnerat at a meeting held 16 November 2011.

At the same meeting, the company's Board of Directors agreed to appoint Mr. Richard Legault as director and the company's chairman, and to appoint Mr. Jeffrey Blidner as his respective deputy director.

9) The following essential fact was reported 17 November 2011 in accordance with Article 9 and subsection 2 of Article 10 of Law N° 18,045 on the Securities Market:

At a meeting held 16 November 2011, the company's Board of Directors agreed to distribute a provisional dividend amounting to CLP13,500,000,000 to be changed to the 2011 fiscal year. This was done in accordance with the provisions of the Dividend Policy approved by the company's Board of Directors and reported at the regular shareholders meeting held in April 2011.

TRANSELEC NORTE S.A.

1) The following relevant fact was reported 17 March 2011 in accordance with the provisions of Article 9 and subsection 2 of Law Nº 18,045 Article 10 on the Securities Market:

At a meeting held 16 March 2011, the Transelec Norte S.A. Board of Directors agreed to schedule a regular shareholders meeting to be held 28 April 2011 at 10:00 AM, at the company's headquarters located at Av. Apoquindo 3721, sixth floor, Las Condes.

The purpose of this meeting is to inform the shareholders and request their approval for the following matters:

1) Annual Report, General Balance, Financial Statements and External Auditors Report corresponding to the period ending 31 December 2010.
2) Final profit sharing.
3) Profit sharing policy and information about payment procedures.
4) Appointment of external auditors.
5) Newspaper used to publish a notice of shareholders meeting.
6) Other matters of interest for the company and within the shareholders' competency.

2) The following relevant fact was reported 29 April 2011 in accordance with the provisions of Article 9 and subsection 2 of Law Nº 18,045 Article 10 on the Securities Market:

The company's regular shareholders meeting was held 28 April 2011 and the following matters were agreed:

1) Approval of the Annual Report, General Balance, Financial Statements and the External Auditors Report for the period finishing 31 December 2010.
2) Approval of the amount of US$ 2,885,478.70 as the final dividend for 2010. This dividend is to be paid starting 27 May 2011 to shareholders registered in the corresponding list 20 May 2011.
3) The company's 2011 profit sharing policy was reported.
4) Approval of the appointment of Ernst & Young as the company's external auditors for the 2011 fiscal year.
5) Diario Financiero was approved as the newspaper to be used for publishing notices of general shareholders meetings.

3) The following relevant fact was reported 17 November 2011 in accordance with Article 9 and subsection 2 of Article 10 of Law N° 18,045 on the Securities Market:

The Transelec Norte Board of Directors acknowledged Mr. Jeffrey Blidner's early resignation from his position as director and Mr. Richard Legault's resignation from his position as deputy director for Mr. Blidnerat at a session held 16 November 2011.

At the same session, the Transelec Board of Directors agreed to appoint Mr. Richard Legault as Director and Chairman of the company, and to appoint Mr. Jeffrey Blidner as his respective deputy director.

07.
LEGAL INCORPORATION AND AMENDMENTS

Transelec S.A. is an open stock corporation originally founded as a limited liability company with the firm name “Rentas Eléctricas III Limitada”, by public deed dated 6 June 2006 granted before the Santiago notary Ms. María Gloria Acharán Toledo. The extract corresponding to its incorporation is registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 22,031, Nº 15,264 corresponding to the year 2006, and was published in the Official Gazette Nº 38,485 dated 9 June 2006.

The assignment of rights and actions for the corporation was executed by means of public deed dated 15 June 2006 granted before the Santiago notary Ms. María Gloria Acharán Toledo, with the corporations Rentas Eléctricas I Limitada and Rentas Eléctricas II Limitada established as partners. In addition, the corporation’s share capital was increased and its administration was changed. The extract corresponding to this corporate modification is registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 25,168, Nº 17,510 corresponding to the year 2006, and was published in the Official Gazette Nº 38,501 dated 30 June 2006. The aforementioned amendment extract was corrected and registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 28,355, Nº 19,800 corresponding to the year 2006, and was published in the Official Gazette Nº 38,518 dated 20 July 2006.

By means of public deed dated 26 March 2007 granted before the Santiago notary Ms. María Gloria Acharán Toledo, the corporation became an open stock corporation with the firm name “Rentas Eléctricas III S.A.”. The extract corresponding to this corporate transformation is registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 12,696, Nº 9,344 corresponding to the year 2007, and was published in the Official Gazette Nº 38,727 dated 30 March 2007.

It was agreed at the company’s first special shareholders meeting held 24 April 2007 that the company would be founded as an open stock corporation by means of the voluntary registration of the company and its shares in the Securities Registry of the Superintendency of Securities and Insurance. The minutes of this first special shareholders meeting were executed as public deed dated 25 April 2007.

The corporation’s articles of incorporation were amended at the second special shareholders meeting held 30 June 2007. The firm name was changed to “Transelec S.A.” and a new Board of Directors was elected. The minutes of this second special shareholders meeting were executed as public deed dated 30 June 2007 at the Santiago notary Ms. María Gloria Acharán Toledo. An extract of this reform was registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 27,530, Nº 19,941 corresponding to the year 2007, and was published in the Official Gazette Nº 38,812 dated 13 July 2007.

In June 2007, Transelec S.A., tax list number N° 76.555.400-4, absorbed Transelec S.A., tax list number N° 76.555.430-6, as stated in public deed dated 30 June 2007, granted at the Santiago notary owned by Ms. María Gloria Acharán Toledo, an

extract of which was published in sheet 27,509, N° 19,936 corresponding to the year 2007, and was published in the Official Gazette N° 38,812 dated 13 July 2007.

It was agreed at the company's third special shareholders meeting held 4 April 2008 that according to the bargain and sale contract dated 30 June 2006 between HQ Puno Ltd. and Hydro-Québec International Transmisión Sudamérica S.A. and Rentas Eléctricas IV Limitada, and in the bargain and sale contract dated 27 June 2006 between IFC and Rentas Eléctricas IV Limitada, that the agreement regarding IV adjustment between Transelec and the Vendors should be corrected, authorizing Transelec management to proceed to pay IV adjustment, among other issues.

It was agreed at the company's fourth special shareholders meeting held 21 July 2008, that all members of the Board of Directors should be renovated, both regular and alternate directors . The following persons were elected for the positions of directors: Jeffrey Blidner, Bruno Guilmette, Scott Lawrence, Brenda Eaton, Felipe Lamarca Claro, Juan Andrés Fontaine Talavera, Blas Tomic Errázuriz, José Ramón Valente Vías and Alejandro Jadresic Marinovic. The following alternate directors were elected: Derek Pannell, Patrick Charbonneau, Graeme Bevans, Richard Dinneny, Enrique Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

It was agreed at the company's fifth special shareholders meeting held 16 October 2008 that all actions by Transelec representatives when negotiating and issuing the Committed Credit Facility with the Corpbanca and Scotiabank Sudamericano banks amounting to up to UF3,206,453 should be expressly ratified.

It was agreed at the company's sixth special shareholders meeting held 3 June 2009, that the agreement reached by the corporation's Board of Directors regarding approval for the issuing of a line of 10-year bonds and another line of 30-year bonds should be ratified by signing the respective bond issuing contracts and approving the company's debt by means of future issuing and placing of bonds deducted from both lines, amounting to up to UF20,000,000 each.

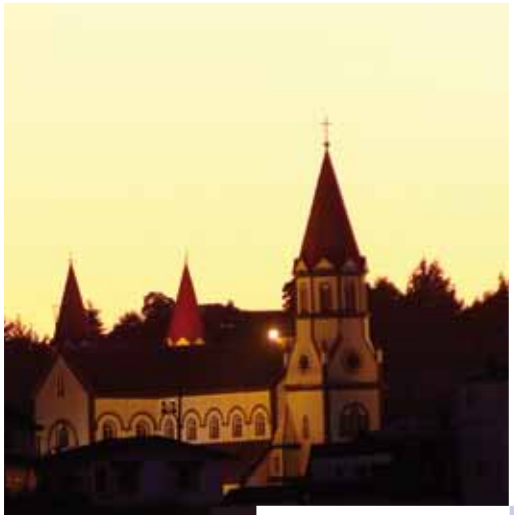
It was agreed at the company's seventh special shareholders meeting held 28 October 2009, that all members of Board of Directors should be renovated, both regular and alternate directors directors. The following persons were elected for the positions of directors: Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau, Brenda Eaton, Felipe Lamarca Claro, Juan Andrés Fontaine Talavera, Blas Tomic Errázuriz, José Ramón Valente Vías and Alejandro Jadresic Marinovic. The following alternate directors were elected: Thomas Keller, Graeme Bevans, Paul Dufresne, Richard Dinneny, Enri-

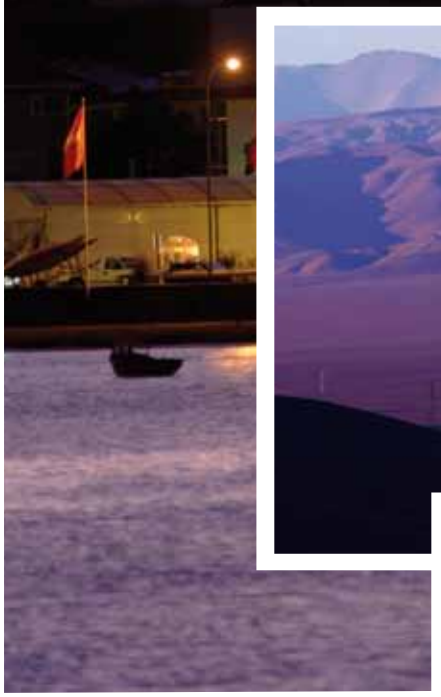
que Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

It was agreed at the eighth special shareholders meeting held 24 August 2010 that all members of the Board of Directors should be renovated, both regular and alternate members. The following persons were elected for the positions of directors: Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau, Brenda Eaton, Bruno Philippi Irarrázabal, Mario Valcarce Durán, Blas Tomic Errázuriz, José Ramón Valente Vias and Alejandro Jadresic Marinovic. The following alternate directors were elected: Richard Legault, Daniel Fetter, Paul Dufresne, Richard Dinneny, Enrique Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

It was agreed at the company's ninth special shareholders meeting held 21 October 2010 that Corporation debt should be approved, be it in UF, Chilean pesos or dollars of the United States of America, by taking out bank loans and/or issuing a combination of bonds and bank debt. This is to be executed by issuing bonds charged against registered lines of bonds currently in force, which will be issued under Law Number 18,045 of 1981 and its amendments and/or in the United States of America (as 144A or registered under the SEC) and/or by means of bank loans, as long as these do not exceed the equivalent amount of UF 10,000,000. In addition, the Board of Directors agreed to entitle the Corporation to set the amounts, characteristics, opportunities, terms and conditions specific to future issuing of bonds in the local market or in the United States, which in all cases shall be limited to the maximum authorized amounts and correspond to market conditions at the time these are issued.

It was agreed at the company's eleventh special shareholders meeting held 24 May 2011 that price level restatement corresponding to the 2009 fiscal year amounted to CLP 19,732,724,601. The company's By-laws were therefore modified and its share capital was increased. The minutes of this eleventh special shareholders meeting were executed as public deed dated 6 June 2011 at the Santiago notary Ms. María Gloria Acharán Toledo. An extract of this reform was registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 33,736, Nº 25,194 corresponding to the year 2011, and was published in the Official Gazette Nº 39,994 dated 24 June 2011.





THE CORPORATION'S HISTORICAL BACKGROUND

Transelec S.A., formerly known as Rentas Eléctricas III S.A., is the successor of the following companies whose incorporation, mergers or transformation are summarized as follows:

DISOLUTION BY ABSORPTION OF COMPAÑÍA NACIONAL DE TRANSMISIÓN ELÉCTRICA S.A. INTO HQI TRANSELEC CHILE S.A.

Compañía Nacional de Transmisión Eléctrica S.A. was dissolved in virtue of article 103 N° 2 of the Stock Corporations Law 18,046, since all of its shares were concentrated in the possession of HQI Transelec Chile S.A., the company succeeding the same. This dissolution was reported at Board of Directors session N° 113 on 30 January 2001 and executed as public deed at that same date at the Santiago notary Mr. Fernando Opazo Larraín. FIRM NAME CHANGED FROM HQI TRANSELEC CHILE S.A. TO TRANSELEC S.A. The firm name was changed from HQI TRANSELEC CHILE S.A., tax list number 77.498.870-K to TRANSELEC S.A., with the same tax list number, at the 8th special shareholders meeting for the HQI TRANSELEC CHILE S.A. corporation held 16 August 2006 and executed as public deed 23 August that same year at the Santiago notary owned by Mr. Iván Tamargo Barros, when the corporation's name was changed to TRANSELEC S.A.

DISSOLUTION BY ABSORPTION OF TRANSELEC S.A. INTO NUEVA TRANSELEC S.A.

Subsequently, at Transelec S.A. Board of Directors session number 101, held on 30 November 2006, the aforementioned corporation was declared to be dissolved by absorption, since the shares were in possession of Nueva Transelec S.A., tax list number 76.555.430-6, which was executed as public deed at the same date at the notary Mr. Iván Tamargo Barros. The extract was published in the Business Registry of the Real Estate Official Property Registry of Santiago sheet 49,292, N°

35,195 corresponding to the year 2006. This confirmed corporation dissolution and a note was made regarding the same in the margin of the company incorporation records. This was published in the Official Gazette dated 6 December 2006.

FIRM NAME CHANGED FROM NUEVA TRANSELEC S.A. TO TRANSELEC S.A.

It was agreed at the corporation's 3rd special shareholders meeting held 30 November 2006 that the firm name Nueva Transelec S.A. would be changed to Transelec S.A., tax list number 76.555.430-6. This was executed as public deed that same day at a notary Ms. María Gloria Acharán Toledo. An extract of the same was published in the Business Registry of the Real Estate Official Property Registry of Santiago in sheet 49,963, N° 35,710 corresponding to the year 2006. This confirmed the firm name change and a note was made regarding the same in the margin of the company's incorporation records. This was published in the Official Gazette dated 9 December 2006.

DISSOLUTION BY ABSORPTION OF TRANSELEC S.A. INTO RENTAS ELÉCTRICAS III S.A.

The minutes of the 16th Transelec S.A.'s special shareholders meeting held 6 June 2007 were executed as public deed dated 30 June 2007 granted at the Santiago notary Ms. María Gloria Acharán T., reporting dissolution by the absorption of Transelec S.A., tax list number 76.555.430-6 by Rentas Eléctricas III S.A., tax list number 76.555.400-4, since the latter had purchased all of the corporation's shares. The 16th Transelec S.A. special Board of Directors meeting was executed as public deed and registered in the Business Registry of the Real Estate Official Property Registry of Santiago in sheet 27,509, N° 19,936 corresponding to the year 2007 and was published in the Official Gazette dated 13 July 2007. The minutes of the 5th Rentas Eléctricas III S.A.'s special Board of Directors meeting held that same date announcing dissolution due to the absorption of Transelec S.A. tax list number 76.555.430-6, by Rentas Eléctricas III S.A., tax list number 76.555.400-4, since the same had purchased all of the corporation's shares, were executed as public deed dated 30 June 2007. Rentas Eléctricas III S.A. declares that it is the legal successor of Transelec S.A., assuming its rights and obligations and declaring to be jointly responsible for taxes owed or which may be owed.

08.
TRANSELEC NORTE S.A.

IDENTIFICATION

Name:	Transelec Norte S.A.
Corporate Registration:	Business Registry of the Real Estate Official Property Registry of Santiago, Sheet 14,386, Nº 11018, 2003.
Tax List Number:	99.521.950-6
Domicile:	Avenida Apoquindo Nº 3721, 6th Floor, Las Condes, Santiago
Legal Nature:	Open Stock Corporation
Subscribed Capital:	US$30,005,000
Paid-in Capital:	US$30,005,000

CORPORATE PURPOSE

The company's exclusive purpose is to exploit and develop electrical systems designed for the transport or transmission of electrical energy and owned by Transelec Norte or by third parties. For this purpose, the company shall be entitled to obtain, purchase and operate respective concessions and permits and to exercise all rights and authorities granted to power companies by current legislation. The corporate purpose includes commercialization of power line transport capacity, substation transformation and associated equipment in order for both domestic and foreign power plants to transmit electrical energy produced by the same and to reach their power consumption centers.

In keeping with the same, Transelec Norte provides consulting services to engineering and management divisions of companies related to its exclusive purpose. The company also performs other commercial and industrial activities related to the harnessing of electricity transmission infrastructure. In keeping with its corporate purpose, the corporation is entitled to act directly or by means of its subsidiaries or associated corporations in Chile and abroad. Transelec Norte performs electricity transmission activities, especially in the Far North Interconnected System, SING.

CAPITAL

Transelec Norte capital is divided into 750,125 shares. 750,050 of these were subscribed and paid in by Transelec S.A., amounting to 99.99% of the corporation's share capital, while 75 shares were subscribed and paid in by Transelec Holdings Rentas Limitada, amounting to 0.01% of the corporation's share capital.

Therefore, as of 31 December 2011, the corporation's overall paid share capital came to 30,005,000 dollars of the United States of America (USD).

BOARD OF DIRECTORS

The Transelec Norte Board of Directors is made up of nine Chilean and Canadian directors and their respective deputy directors, who shall remain in these positions for a period of two years and shall be eligible for reelection. The Chairman is appointed by the directors chosen at the shareholders meeting.

The Board of Directors is presently made up of Directors Richard Legault, Bruce Hogg, Patrick Charbonneau, Brenda Eaton, Bruno Philippi Irarrázabal, Mario Valcarce Durán, Blas Tomic Errázuriz, José Ramón Valente Vias and Alejandro Jadresic Marinovic, and by their respective Deputy Directors Jeffrey Blidner, Daniel Fetter, Paul Dufresne, Richard Dinneny, Enrique Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

CHAIRMAN

Richard Legault

DIRECTORS

Bruce Hogg
Patrick Charbonneau
Brenda Eaton
Mario Valcarce Duran
José Ramón Valente Vías
Bruno Philippi Irarrázabal
Blas Tomic Errázuriz
Alejandro Jadresic Marinovic

SECRETARY OF THE BOARD OF DIRECTORS

Fernando Abara

MANAGEMENT TEAM

As of 31 December 2011, the Transelec management group was made up of leading executives in each of their areas of expertise, featuring outstanding track records in the power sector:

MAIN EXECUTIVES

Andrés Kuhlmann Jahn
GENERAL MANAGER
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax ID number 6.554.568-3

Rodrigo López Vergara
VICE PRESIDENT OF OPERATIONS
Civil Electrical Engineer
MBA, Universidad Adolfo Ibáñez
Tax ID Number 7.518.088-8

Alexandros Semertzakis Pandolfi
VICE PRESIDENT OF ENGINEERING AND CONSTRUCTION
Civil Engineer
Universidad de Santiago
Postgraduate degree in Administration,
Universidad Adolfo Ibáñez
Tax ID number 7.053358-8

Fernando Abara Elías
VICE PRESIDENT OF LEGAL AFFAIRS AND PROSECUTOR
Attorney
Universidad Católica de Valparaíso
MBA, Universidad Gabriela Mistral
Tax ID number 8.003.772-4

COMMERCIAL RELATIONS WITH TRANSELEC S.A.

Transelec Norte signed a general services provision contract with Transelec S.A. for the operation and maintenance of Transelec Norte facilities. In addition, this contract features a series of administrative services including treasury, accounting, information technology, legal, tax and commercial consulting duties, among others.