2012

ANNUAL REPORT

transelec®

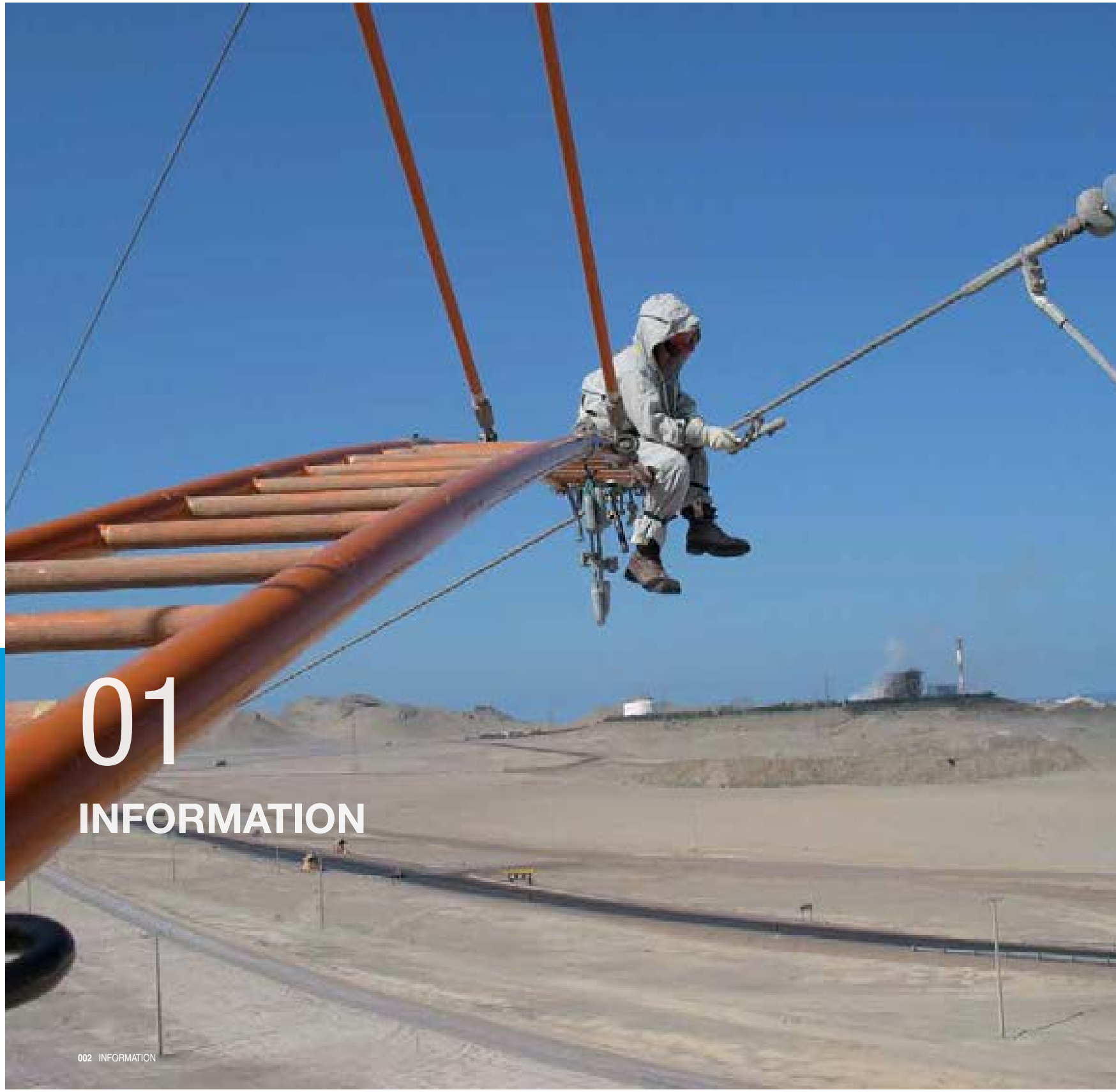
Uniting Chile with Energy®

INDEX

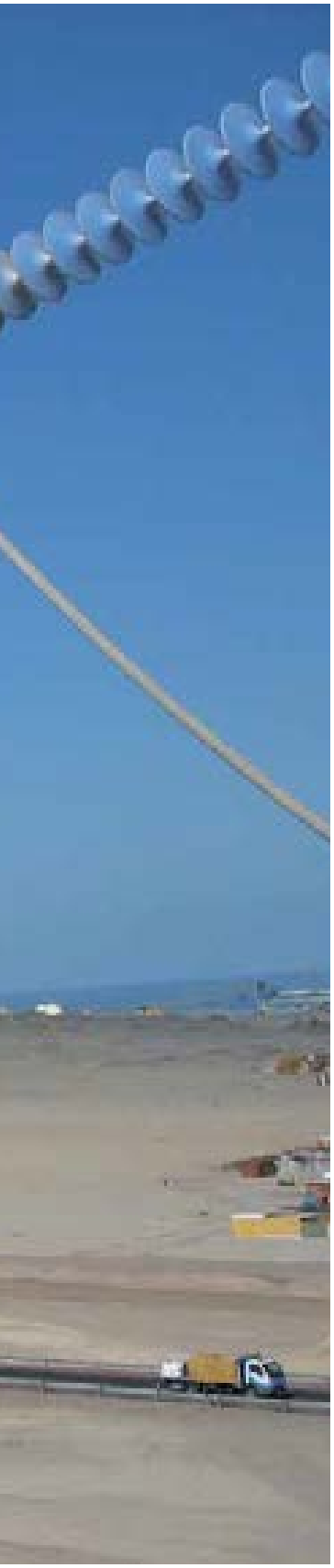
ANNUAL REPORT 2012

transelec®

Uniting Chile with Energy®



01
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 220 kV power lines and substations throughout Chile. 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 9,270 kilometers of single and double circuit power lines, as well as 54 substations. The company owns 85% of all power lines belonging to the trunk system in the SIC power grid and 100% 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 2012 fiscal year for the consideration of Transelec shareholders.

As you know, the power sector is a key priority for the country and Transelec has been very focussed in providing suitable and innovative solutions to properly address Chile's energy needs.

Transelec has been awarded a series of works and projects during the past fiscal year includingthe awarding of new trunk transmission works at the Lo Aguirre substation and installation of CER equipment at the Cardones substation. These are part of the international tendering program for the 2011 Trunk Transmission Upgrade Plan, curently being implemented. Both projects must be operational over the next few years. In addition, the 2012 Trunk Transmission Upgrade, whose results will be announced in 2013, entailed several upgrade works amounting to nearly US$ 100 million.

Furthermore, 350 MVA flow control equipment was installed last fiscal year. These are independent for each circuit of the 220 kV Polpaico – Cerro Navia power line, which means increased reliability and flexibility for transporting power to the Metropolitan Region. The inauguration of this project was attended by seniors officials including the Undersecretary of Energy.

One relevant milestone for the company was finishing construction of a 2x220 kV power transmission system for the "Caserones Mine" project located in Chile's Third Region. This system measured 184 kilometers long. Project execution was an important challenge for the company and its collaborators, considering tight deadlines, the substantial investment and high construction complexity, especially in high mountain areas. This achievement has led to important recognition by the customer and different stakeholders in the market, positioning Transelec as a leading expert agent in the development and execution of highly complex power transmission solutions.

Moreover, in keeping with commitments made by the company, in late 2012 upgrade work for the 154 kV Itahue-Charrúa power line (Itahue-Maule segment) was completed. This aimed to provide additional security for the power supply to this zone and thus prevent eventual power supply restrictions during the summer due to high temperatures. The important innovation consisted of increasing the height of 30 structures (towers) by 2 meters and replacing the insulation chain at another 38 towers, contributing a height differential of 0.56 meters to the power line. Most of this work was done with facilities in service (energized). This will ensure power supply for the sub-transmission system in the zone during the summer periods of 2013 and 2014.

Transelec started the SVC Plus project at the Diego de Almagro substation as part of an agreement signed with power companies from the sector. The objective here is to increase reliability by installing equipment featuring state-of-the-art technology, preventing overloads, disturbances and voltage collapses that could lead to total or partial loss of the power supply at segments between the Maitencillo – Cardones – Carrera Pinto and Diego de Almagro substations, all of which are located in the 3rd Atacama Region.

In addition, headway has been made on the project designed to create the new Transelec National Operation Center (CNOT) in 2012. This project considers centralizing operation of all the company's facilities into a new and modern center, including telecommand of these facilities. This project includes upgrading/replacing of the SCADA/EMS System used by the company in the SIC power grid. Factory tests were successfully completed during project development and system (hardware) from the USA is presently in Chile and is being assembled in order to start tests during the first months of 2013.

All projects, works and service facility maintenance were executed in strict conformity with procedures stemming from OHSAS 18001 certification, achieving high efficiency levels and ensuring a safe and reliable environment for the company's workers.

Development achieved by Transelec has placed the company in a solid market position, which allowed us to take out an unsecured revolving credit facility for a total amount of US$ 180 million, which was expanded to US$ 250 million, guaranteeing the required liquidity to execute Transelec's business and growth plan. In addition, the company started a bond lines registration process in 2012 amounting to up to UF 20 million. This was approved by the authority in February 2013.

The leadership, knowledge and reputation of professionals who work at Transelec meant that they were invited to presentations and meetings with regulatory authorities and stakeholders in order to technically analyze two key projects for the country, which are the Electricity Highway and Concessions.

As you can see, 2012 was an intensive year with a series of success stories for the company, providing innovative solutions in order to cover our customers' needs in keeping with our commitment to develop projects that are sustainable with their surroundings.

All of this would never have been possible without the work, dedication and professionalism of our collaborators. It is thanks to them that 2012 was a very good year for Transelec. This was evidenced by the fact that the company received the 2012 SOFOFA and CAPITAL Magazine Corporate Social Responsibility Award in the large corporations category. This was clearly special recognition for the efforts

put forth by each person who works at Transelec, highlighting the commitment, responsibility and excellence in their actions.

I wish to encourage you to, first work safely, and to continue to deliver innovative solutions for our customers and for Chile.

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

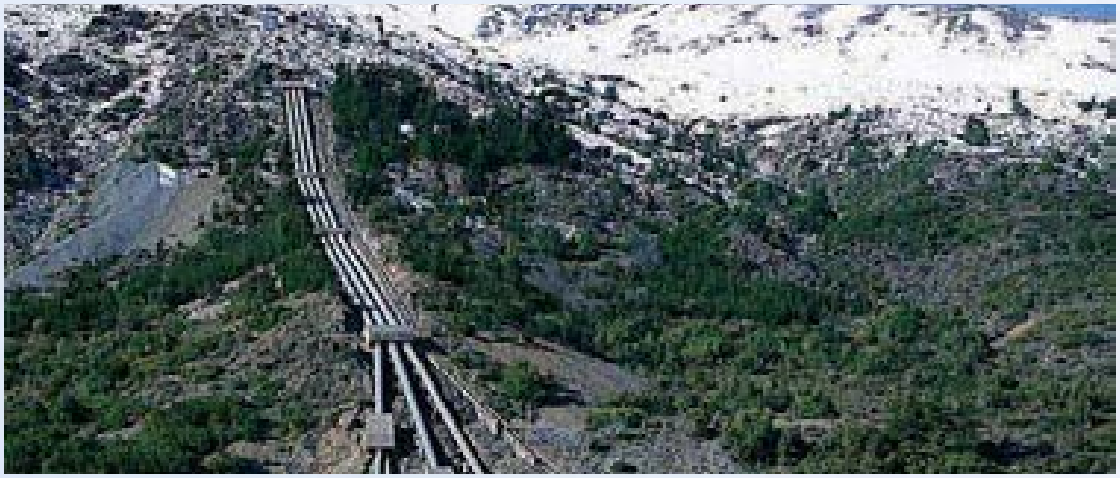
The 220 kV kV system expanded westward, supplying Concepción, and northward in order to transport power to Santiago. In addition, the SIC expanded northward with the construction of 110 kV systems and the Maitencillo-Cardones and Pan de Azúcar-Maitencillo power lines.

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 Chacao Canal 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

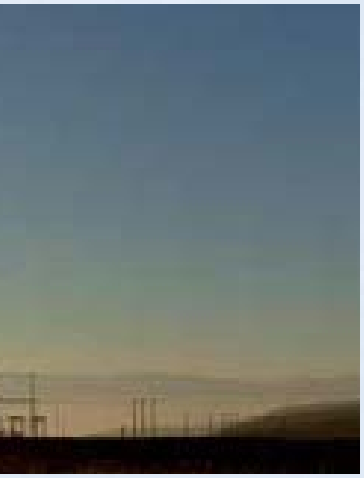
The largest power transmission development in history was completed: powering up the system between Charrúa and Alto Jahuel to 500 kV, which enabled connection of the Ralco power plant (690 MW).

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

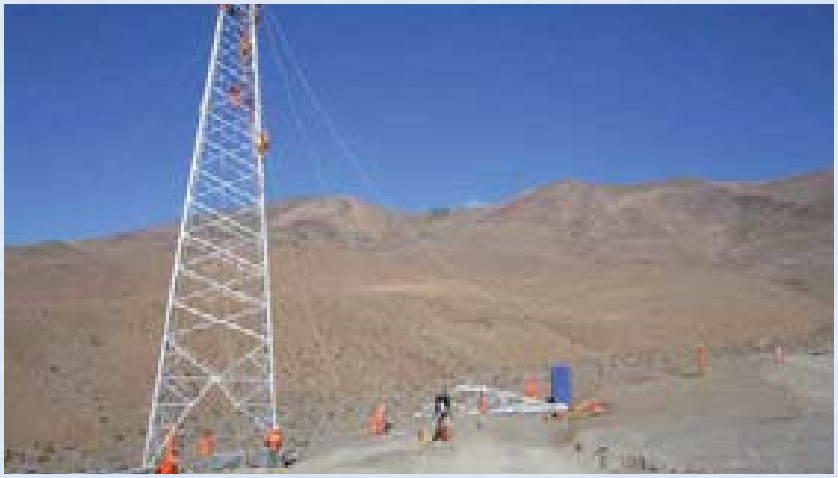
The Nogales substation was commissioned, which will enable efficient expansion of the system from Chile's 5th Region northward.

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.



2012

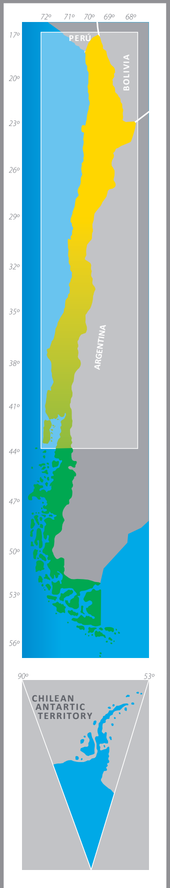
Transelec finished construcción of a transmission system for the "Caserones Mine" project located in Chile's Third Region, positioning the company as a successful agent in the development and execution of highly complex power transmission solutions for customers from the mining industry. In addition, the company purchased a 100% stake in Transam Chile, which includes the power companies Abenor, Araucana and Huepil. Transelec also purchased the 173-km Crucero-Lagunas power line in the SING power grid at a private tender conducted by E-CL.

The company was awarded new trunk transmission works for the Lo Aguirre susbstation and installation of CER equipment at the Cardones substation. In addition, 350 MVA flow control equipment were commissioned independently for each circuit of the 220 kV Polpaico – Cerro Navia power line, which provides increased flexibility for transporting power to the Metropolitan Region.

Lastly, the company was given the 2012 SOFOFA and CAPITAL Magazine Corporate Social Responsibility Award in the large corporations category.

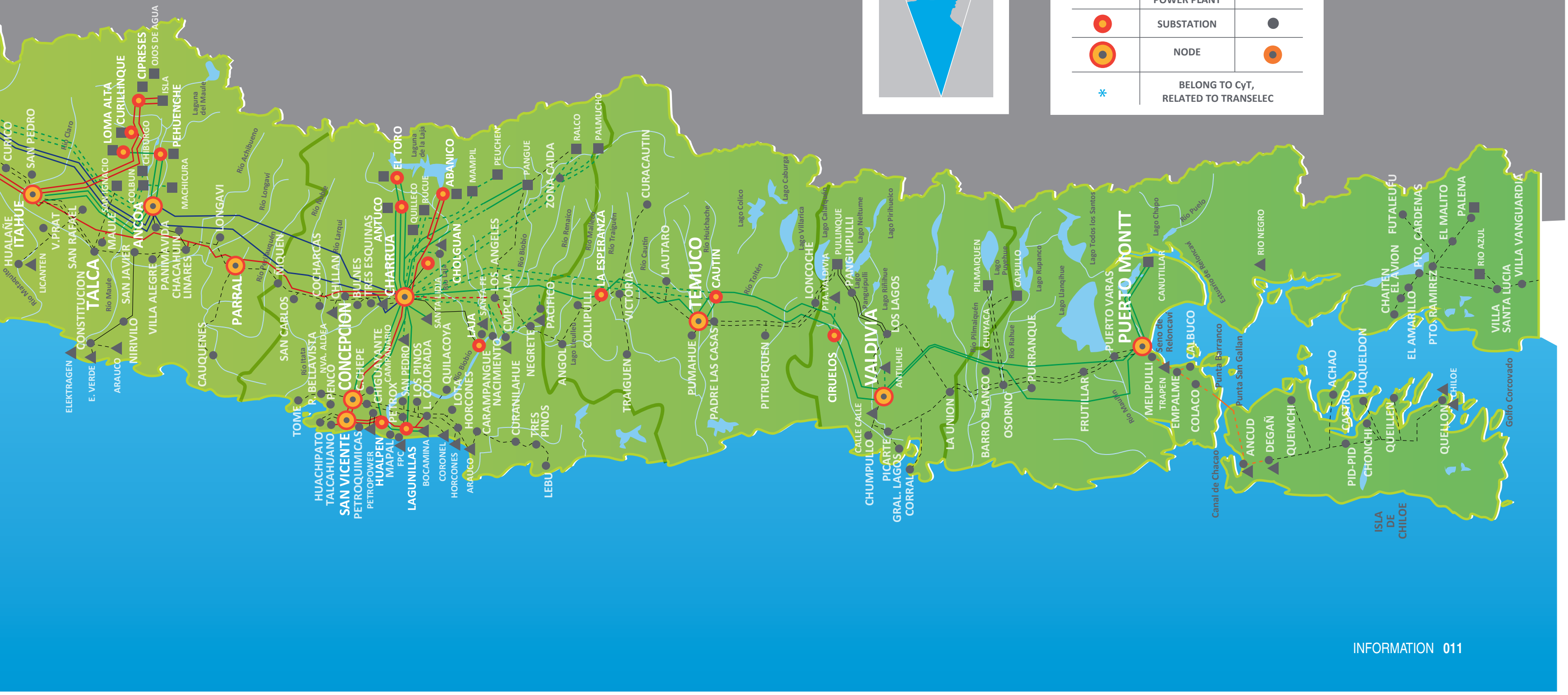
THE SING - SIC POWER TRANSMISSION SYSTEM


Isla San Félix
Isla San Ambrosio
Isla Sala y Gómez
Isla de Pascua
CARRERA PINTO
MINERA MANTOS DE ORO
CHAMONATE
CALDERA
HERNAN FUENTES
PAIPOTE
COPIAPO
CENIZAS
CARDONES (EX TIERRA AMARILLA)
TERMOPACIFICO
CARDONES
MAGNETITA
PLANTAS
LA CANDELARIA
CERRILLOS
T. AMARILLA
KAZAN
Río Copiapó
LOS LOROS
CASTILLA
MINA EL REFUGIO
CHUSCHAMPIS
LOS COLORADOS
GUACOLDA
HUASCO
PELLETS
AGROSUPER
MAITENCILLO
VALLENAR
ALGARROBO
DOS AMIGOS
ALTO DEL CARMEN
PAJONALES
INCAHUASI
BARRICK
PUNTA COLORADA
ROMERAL
ROMERAL
EL INDIO
LA SERENA
COQUIMBO
LAS COMPAÑIAS
Río Elqui
MARQUESA
GUAYACAN
VICUÑA
PAN DE AZUCAR
ANDACOLLO
CM. ANDACOLLO
EL PEÑON
MONTE PATRIA
LOS MOLLES
OVALLE
Río Limarí
MONTE REDONDO
PUNITAQUI
TOTORAL
LAS PALMAS
CANELA
EL SAUCE
COMBARBALA
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
QUINTERO
CALERA
Río Colorado
NEHUENCO
Río Aconcagua
SAN ISIDRO
SAN LUIS
LOS QUILOS
ACONCAGUA
AGUA SANTA
VALPARAISO
QUILLOTA
CHACABUQUITO
SALADILLO
LAGUNA VERDE
SAN PEDRO
LAS VEGAS
LOS VIENTOS
EL MANZANO
DISPUTADA
POLPAICO
LAMPA
EL SALTO
CERRO NAVIA
ALFALFAL
CASA BLANCA
Archipiélago Juan Fernández
N. RENCA
SAN ANTONIO
CHENA
SANTIAGO
LOS ALMENDROS
ALTO MELIPILLA
EL MONTE
BUIN
BUIN
LOS MORROS
PUNTILLA
MELIPILLA
I. DE MAIPO
ALTO JAHUEL
FLORIDA
Río Maipo
MAIPO
MANDINGA
PAINE
MAITENES
CAENSA
LOS BAJOS
HOSPITAL
QUELTEHUES
QUELENTARO
LAS ARAÑAS
VOLCAN
PORTEZUELO
GRANEROS
CANDELARIA
MINERO
COLON
RAPEL
RANCAGUA
MINERA VALLE CENTRAL
LOS LIRIOS
PANGAL
Embalse Rapel
P. DE CORTES
COYA
TILCOCO
CHACAYES
Río Cachapoal
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
TENO
Pacific Ocean

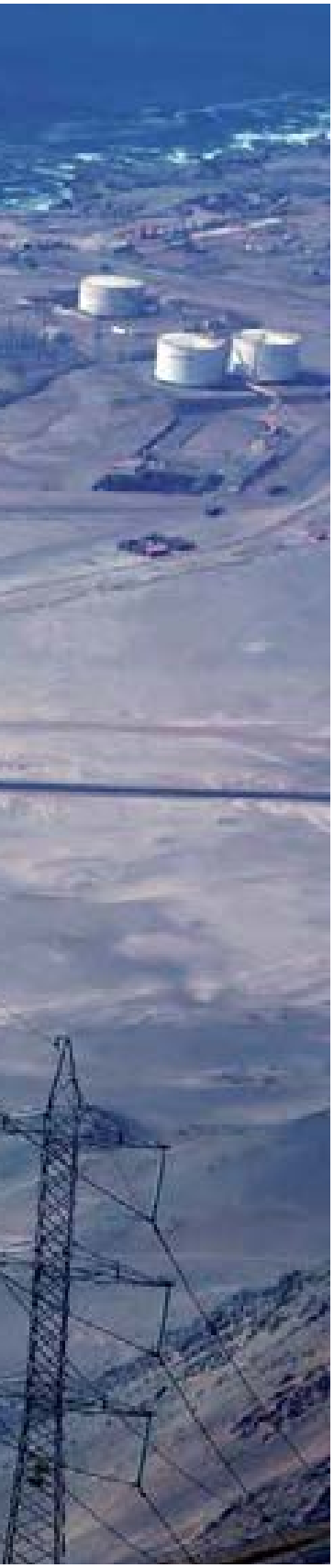


Circulation authorized by National State Borders and Boundaries Department Resolution Nº 15 dated 23 January 2003. Publication and circulation of maps, geographic charts, other printed copies or documents related or referring to Chile's borders and boundaries do not in any way compromise the Chilean State, in accordance with Article 2, letter g) of Ministry of Foreign Affairs SD Nº 83 dated 1979.

TRANSELEC		OTHER COMPANIES
	Lines - kV	
—	500	
	345	- - -
—	220	- - -
—	154	- - -
—	110	- - -
—	66 or less	- - -
	EOLIC POWER PLANT	★
	HYDRO POWER PLANT	■
	COAL POWER PLANT	▲
◉	SUBSTATION	●
◎	NODE	◉
*	BELONG TO CyT, RELATED TO TRANSELEC	



02
CORPORATE GOVERNMENT



BOARD OF DIRECTORS

According to the company's 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 2012 fiscal year, Transelec S.A. corporation held twelve shareholders meetings and two special Board of Directors meetings.

The Board of Directors is currently made up of Messrs. Richard Legault, Bruce Hogg, Patrick Charbonneau, Brenda Eaton, Bruno Philippi Irarrázabal, Mario Valcarce Durán, Blas Tomic Errázuriz, José Ramón Valente Vias y Alejandro Jadresic Marinovic, and their respective alternate directors Messrs. Benjamin Vaughan, Etienne Middleton, Paul Dufresne, Jerry Divoky, 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 fifth Transelec S.A. shareholders meeting held 27 April 2012, 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 2012 fiscal year. Compensation paid to directors throughout the 2012 fiscal year is thus listed as follows:

Blas Tomic	CLP31,220,438
Bruno Philippi	CLP31,220,438
Mario Valcarce	CLP31,220,438
José Ramón Valente	CLP31,220,438
Alejandro Jadresic	CLP31,220,438

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 appoints a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Committee held four meetings in 2012.

As of 31 December 2012, 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 Arturo Le Blanc Cerda.

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

It was agreed at the fifth Transelec S.A. shareholders meeting held 27 April 2012, 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 2012 fiscal year is listed as follows:

Mario Valcarce	CLP4,672,800
José Ramón Valente	CLP4,672,800

BOARD OF DIRECTORS

- CHAIRMAN

Richard Legault
Bachelor of Accounting
Universite du Quebec
Canadian

- DIRECTOR

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

- DIRECTOR

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

- DIRECTOR

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

- 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

Bruce Hogg
Bachelor of Commerce,
University of Alberta
Bachelor of Laws,
University of Toronto
Canadian

- 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

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

Arturo Le Blanc Cerda

MANAGEMENT TEAM

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
  Universidad de Chile
  MBA Universidad Adolfo Ibáñez
  Tax ID Number 7.518.088-8

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

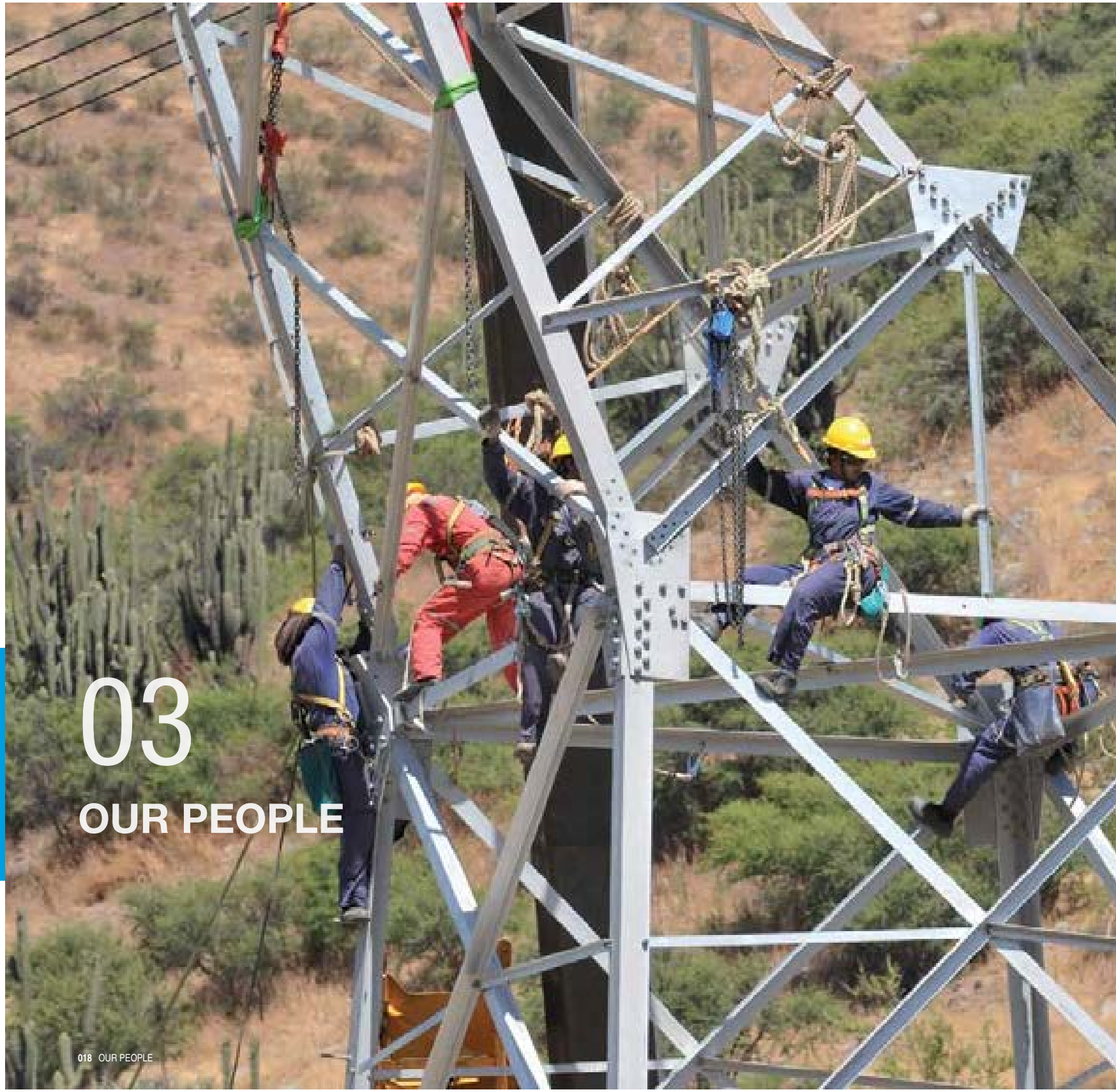
Francisco Castro Crichton
- VICE PRESIDENT OF FINANCE
  Civil Industrial Engineer
  Pontificia Universidad Católica de Chile
  Tax ID Number 9.963.957-1

Arturo Le Blanc Cerda
- VICE PRESIDENT OF LEGAL AFFAIRS AND GENERAL COUNSEL
  Lawyer
  Universidad de Chile
  LLM, Duke University
  Tax ID Number 10.601.441-8

Jorge Lagos Rodríguez
- CORPORATE AFFAIRS AND SUSTAINABILITY MANAGER
  Biologist,
  Pontificia Universidad Católica de Chile
  Master's Degree in Human Settlements and the Environment
  Pontificia Universidad Católica de Chile
  Tax ID Number 10.502.232-8

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

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



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 retain the best professionals the market has to offer at different performance levels.

In this context, Transelec has incentive plans, benefits and compensation policies that make the company competitive in terms of training and talent retention.

The company has also implemented and continued 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 in 2012. This program aims to standardize know-how for the company's professionals, based on a shared plan for all workers that focuses 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 2012 featured 22,950 training hours.

Special emphasis has been placed throughout 2012 on the creation of spaces to improve workers' quality of life. This includes educational, cultural and recreational programs designed to support workers' integral development, firmly convinced that this directly contributes to productivity. Along these same lines, the pause gymnastics program started in 2011 has continued and is currently applied throughout the entire company.

Economic support provided by the company to the Transelec Sports Club has continued, using the one-plus-one model to conduct activities of all kinds.

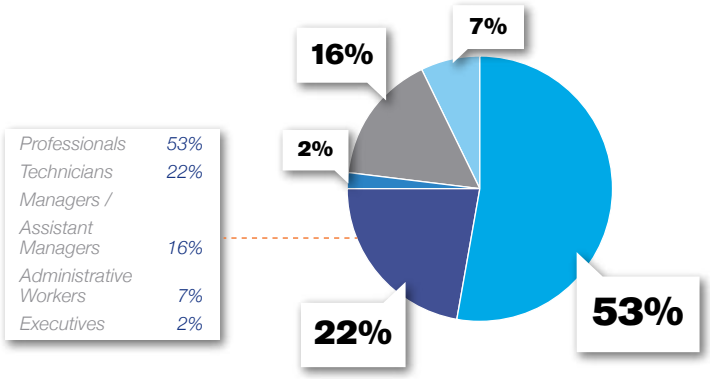
Family integration at the company was promoted in 2012 with the second 'open day', a day when parents working at the company can bring their children to visit the place where these parents spend most of the day contributing to the company and to society.

OUR EMPLOYEES AND IMPORTANT MILESTONES

Transelec employed 510 workers as of 31 December 2012.

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.

76.4% of the company's workers are employed in the operations, engineering and project development divisions.



Note: Project construction personnel was not included.

LABOR RELATIONS

A collective bargaining process was completed with the SINATRAN union in July 2012. 15% of all the company's workers belong to this union. This process was executed in compliance with standards established by the labor code and concluded with an agreement for the maximum legal period of four years, which satisfied all the parties involved.

This evidences good labor relations at the company, an essential condition of Transelec's Human Resources policies.

KNOWLEDGE MANAGEMENT

Total training time in 2012 came to 48,714 hours, which amounts to an average 8 hours of training per worker, or 4.4% of the overall working hours in one month.

In all, 85% of Transelec's workers attended training programs related to operating divisions, management support, innovation, safety, engineering, post-graduate degrees and post-graduate diplomas, languages and information technology.

The company's Knowledge Management strategic initiative was further developed in 2012. Several talks related to the company's activities were transmitted as videoconferences,

GENERAL MANAGER
(CEO)
Andrés Kuhlmann J.

CORPORATE AFFAIRS
AND SUSTAINABILITY
DIVISION
Jorge Lagos R.

OPERATIONS
VICEPRESIDENCY

Rodrigo Lopez V.

LEGAL
AFFAIRS
VICEPRESIDENCY
Arturo Le Blanc C.

BUSINESS
DEVELOPMENT
VICEPRESIDENCY
Eric Ahumada G.

HUMAN
RESOURCES
VICEPRESIDENCY
Claudio Aravena V.

ENGINEERING AND
PROJECT DEVELOPMENT
VICEPRESIDENCY
Alexandros Semertzakis P.

FINANCE
VICEPRESIDENCY

Francisco Castro C.

thus taking knowledge to workers throughout Chile's different regions.

In addition, four teacher training workshops were hosted in order to transfer company knowledge from people with extensive experience to younger professionals.

VICE PRESIDENT SALARIES

Transelec paid executive salaries amounting to CLP 2,948,379,000 in 2012. This amount includes salaries paid to executives employed as of 31 December 2012 and executives who retired in 2012.

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.
This model applies to assistant managers, managers, vice-presidents and some professionals.

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 free or regulated 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.

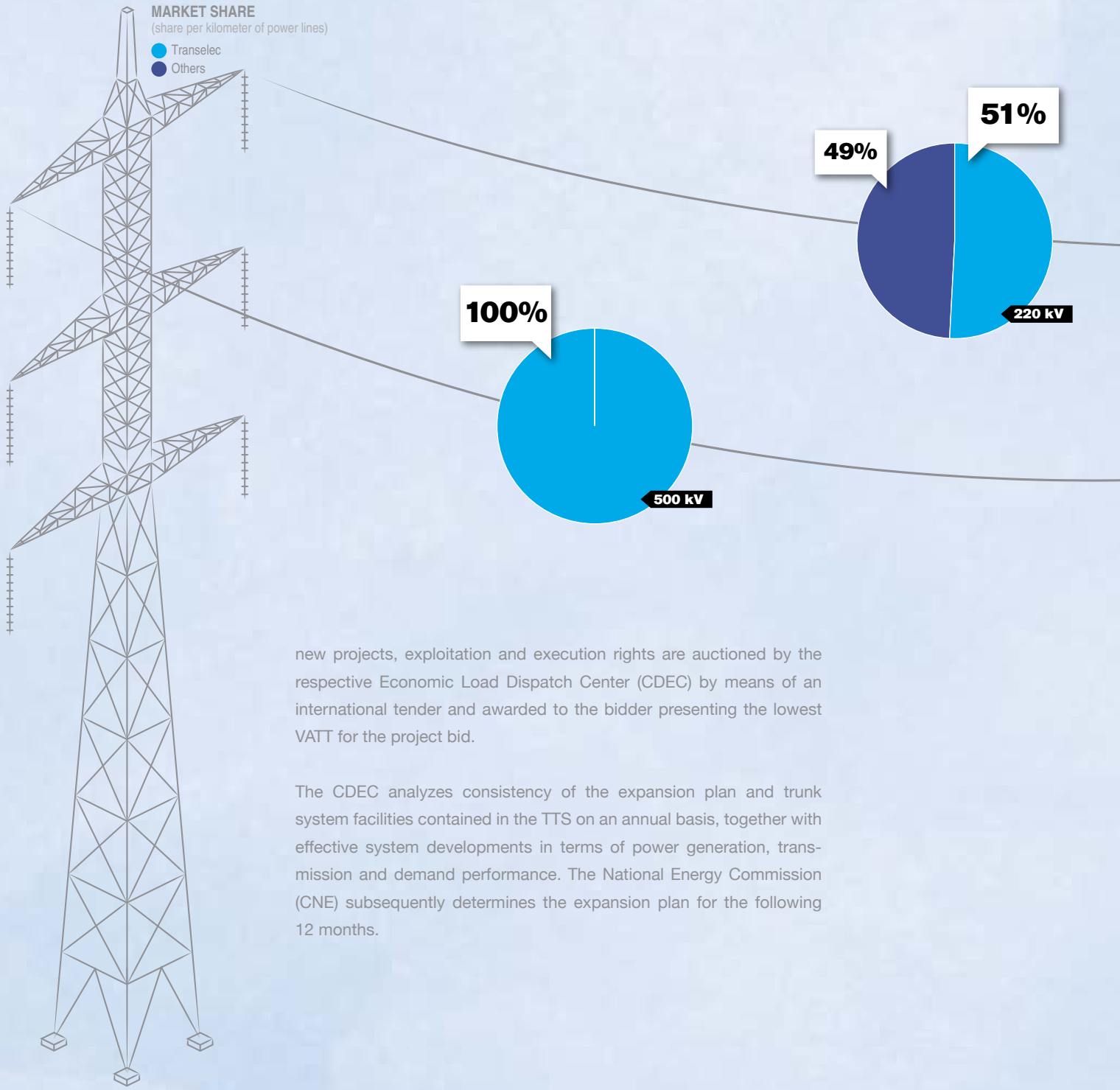
TRUNK TRANSMISSION

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 upgrades.

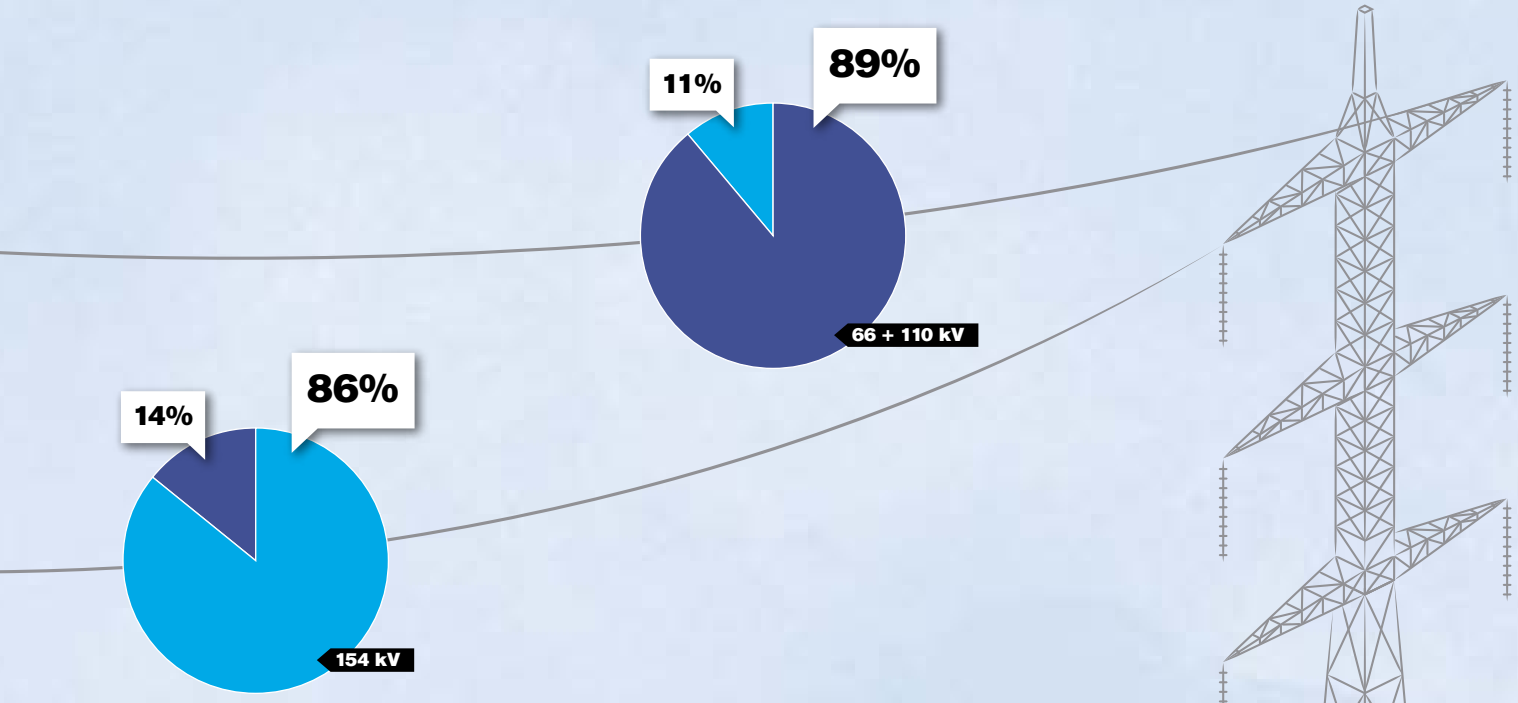
The facility owner, who shall be required to execute a project construction bid, shall execute current facility upgrades. In the case of

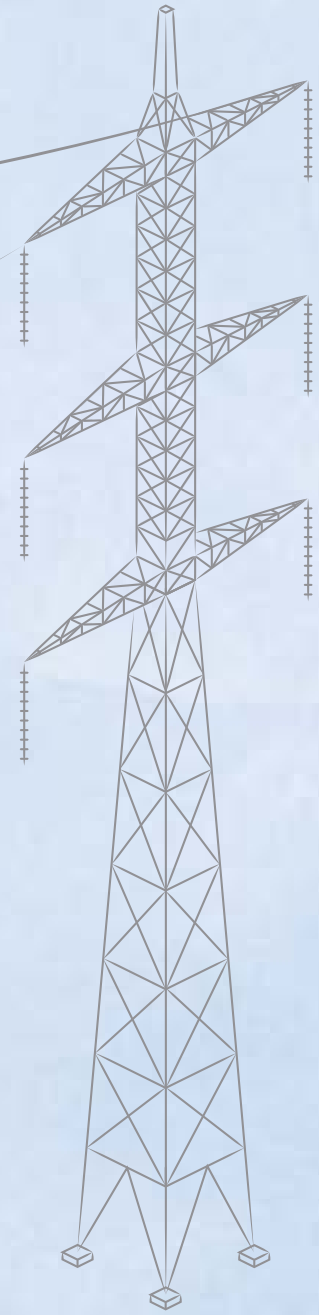
SHARE PER KILOMETER OF POWER LINES



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 bidder presenting the lowest VATT for the project bid.

The CDEC analyzes consistency of the expansion plan and trunk system facilities contained in the TTS 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.





MARKET SHARE

Transelec owns 100% of the 500 kV power lines that have been built and has a 51% stake in the 220 kV power lines. The company therefore has an 86% market share for 154 kV power lines and an 11% share for 110 kV and 66 kV power lines.

TRUNK TRANSMISSION PROJECTS

A. NEW PROJECTS

Transelec finished construction of the 220 kV Charrúa - Lagunillas power line 27 February. The project was originally conceived as part of the Subtransmission System, but it was classified as a facility belonging to the Trunk System in the 2011 TTS. This power line will enable evacuation of part of the power generated by the new power plants located in the Coronel zone and support growing demand in the Concepción

...ELEVEN TRUNK UPGRADE PROJECTS WERE COMPLETED IN 2012...

zone. Investment cost for the 78-kilometer power line amounted to US$ 44.0 million.

Similarly, the company started construction for the following projects in 2012:

- Decree 71/2012 was published in the Official Gazette 29 September 2012. This decree awarded execution and exploitation of the "Lo Aguirre Sectioning Substation, Stage I" to Transelec S.A. The Project is for construction of the Lo Aguirre 500/220kV Sectioning Substation, a bank of four 500/√3:220/√3 kV single-phase auto-transformers with a total 1,000 MVA, with space for an eventual second 500/220 kV transformation. For this purpose, sectioning of one of the circuits of the 500 kV Alto Jahuel - Polpaico power line and complete sectioning of the current 220 kV Rapel - Cerro Navia power line was considered. Total investment amounts to US$68.8 million and the construction period is 36 months, concluding 29 September 2015.

- Decree 79/2012 was published in the Official Gazette 29 September 2012. This decree awarded execution and exploitation of the "Installation of SRC at the Cardones Substation" project. The project is for installation of static reactive compensation equipment at the Cardones Substation, which is connected to the system by installing a 220 kV connection bay. SCR equipment capacity amounts to at least 100 MVAr capacitive and 60 MVAr inductive at 220 kV. This considers a GIS type 220 kV connection bay, an MT transformer bay and a 220 kV transformer/ MT.
Total investment comes to US$ 21.9 million and the construction period is 24 months, concluding 29 September 2014.

B. UPGRADES

Transelec finished construction of the following trunk expansion projects in 2012:

- "Replacement of conductors for the 2x220 kV Alto Jahuel – Cerro Navia power line, Chena – Cerro Navia section". The existing conductors along the power line were replaced by a special high transmission capacity conductor y baja flecha. Total investment came to US$ 4.1 million and the project was commissioned 09 March.

- "Installation of flow control equipment at the Cerro Navia Substation". Independent 350 MVA flow control equipment was installed for each circuit of the Polpaico – Cerro Navia power line. An auxiliary busbar and new bays were installed for the Polpaico – Cerro Navia power line, together with bypass disconnection equipment and protection system modifications.
Total investment came to US$ 31.0 million and the project was commissioned 09 May.

- "Circuit breaker replacement at the Charrúa Substation", which considered replacement of circuit breakers for the J9 and JCE1 bays at the Charrúa Substation. This also considered busbar disconnector replacement, grounding disconnectors, current transformers and a wave traps at these same bays. Total investment came to US$ 2.3 million and the project was commissioned 26 August.

- "Conductor replacement for the 2x220 kV Alto Jahuel – Cerro Navia power line, Alto Jahuel – Chena section". The existing conductors for the power line were replaced by a special high transmission capacity conductor. Total investment came to US$ 7.5 million and the project was commissioned 1 November.

- "MAIS Equipment Redundancy", consisting of the application of special protection system redundancy in order to ensure voltage stability at the Charrúa, Ancoa, Alto Jahuel and Polpaico substations.
Total investment came to US$ 1.4 million and the project was commissioned 20 November.

- "Ancoa Substation Upgrade" with the extension of 500 kV main and transfer busbars. This project enabled connection of the first circuit of the new 2 x 500 kV Ancoa - Alto Jahuel power line.
Total investment came to US$ 11.5 million and the project was commissioned 12 December.

- "Incorporation of maneuvering equipment for 500KV reactors at the Polpaico Substation". This project enabled the installation of 500 kV single-pole disconnectors at the reactor bay for the Ancoa power line, in order for these to be replaced by the reserve reactor, integration of equipment into the SCADA system and adjustments to the existing control, protection, telecommunications and measurement system.
Total investment came to US$ 1.8 million and the project was commissioned 16 December.

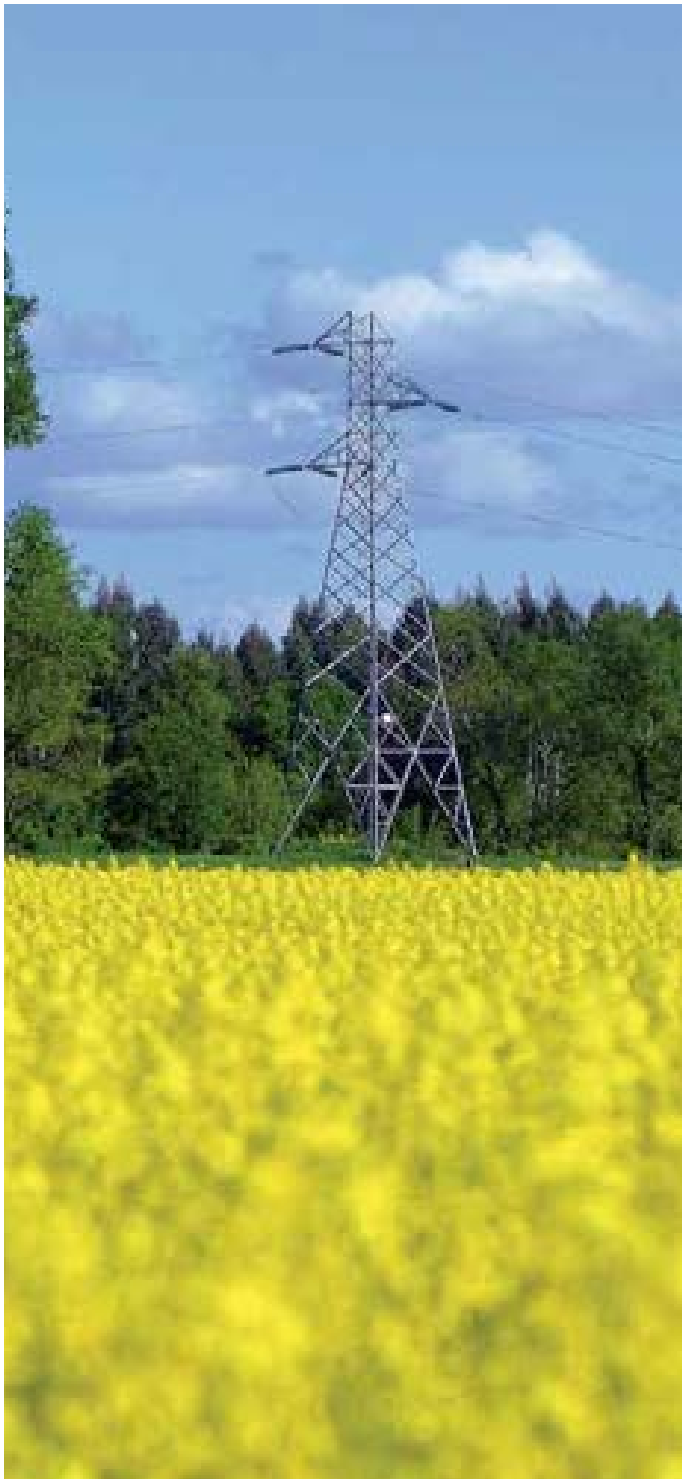
- "Conductor Replacement for the 154 kV Tinguiririca – Punta de Cortés power line". The existing conductor at the Tinguiririca – Punta de Cortés section of the 2x154 kV Itahue – Alto Jahuel power line was replaced and the insulation level was increased in order to power up the line to 220 kV.
Total investment came to US$ 10.1 million and the project was commissioned 23 December.

- "Incorporation of maneuvering equipment for 500KV reactors at the Alto Jahuel Substation". This project enabled the installation of 500 kV single-pole disconnectors at the reactor bays for the Ancoa 1 and Polpaico power lines, in order for these to be replaced by the reserve reactor, integration of equipment into the SCADA system and adjustments to the existing control, protection, telecommunications and measurement system.
Total investment came to US$ 1.8 million and the project was commissioned 23 December.

Similarly, the company started construction for the following trunk system upgrade projects associated to Decree 82/2012:

- "220 kV Sectioning Busbar at the Lagunas Substation", which considered construction work for a second section of the main 220 kV busbar with its respective busbar sectioning bay and the connection of two circuits of transmission line to this new busbar section. In addition, the project considered installation of current transformers and a second 220 kV disconnector to be installed at the bus coupler bay.
Total investment came to US$ 3.8 million and the project was awarded to the company HMV Chile 19 July.

- 1x220 kV Crucero - Laguna power line N°2 capacity upgrade, which considered the works required in order to increase thermal capacity of the existing 1x220 kV Crucero – Lagunas power line N°2 from 122 MVA to 183 MVA at 35°C at ambient temperature with sunlight. Suspension towers and anchoring towers for this power line will consequently be modified.
Total investment came to US$ 8.0 million and the project was awarded to the company Abengoa 20 July.



MAIN TRANSELEC PROJECTS IN 2012. TRUNK TRANSMISSION SYSTEM

IN US$ THOUSANDS

PROJECT TYPE	PROJECT	REAL INVESTMENT IN 2012 IN US$ THOUSANDS	STATUS	COMMISSIO-NING DATE
STUDIES	Project studies	38	---	---
NEW WORKS	Lo Aguirre Sectioning Substation, Stage I	5.446	Underway	29-09-15
	Installation of a CER at the Cardones Substation	1.244	Underway	29-09-14
WORKS RECLASSIFIED ACCORDING TO THE 2010 TTS	2 x 220 kV Charrúa Lagunillas transmission line, laying the first circuit	5.930	Underway	27-02-12
UPGRADE WORKS	Conductor replacement for the Alto Jahuel - Chena section	277	In Service	01-11-12
	Upgrade of the 500 kV switchyard at the Ancoa substation	591	In Partial Service	12-12-12
	MAIS equipment redundancy	1.349	In Service	20-11-12
	Circuit breaker replacement at the 220 kV Alto Jahuel and Polpaico substations	344	Underway	01-05-13
	Circuit breaker replacement at the 220 kV Charrúa substation	2.005	In Service	26-08-12
	Conductor replacement for the Chena-Cerro Navia section	1.586	In Service	09-03-12
	Installation of control flow equipment at the 220 kV Cerro Navia substation	9.342	In Service	09-05-12
	Sectioning at the Alto Jahuel substation	4.861	Underway	28-02-13
	2x500 kV power line, El Rodeo-Alto Jahuel section	5.057	Underway	30-12-13
	154 kV Tinguiririca-Punt de Cortés power line: conductor replacement.	3.899	In Service	23-12-12
	2x220 kV Punta de Cortés-Tuniche power line	238	Underway	30-12-13
	Circuit breaker replacement, 220 kV Ancoa substation	604	Underway	15-04-13
	Autotransformer bank at 500/220 kV Charrúa substation, 750 MVA	2.058	Underway	04-07-13
	Alto Jahuel substation upgrade	828	Underway	30-05-13
	220 kV Chena substation normalization	638	Underway	01-09-13
	220 kV Rahue 220 sectioning substation	614	Underway	01-09-13
	220kV busbar transfer, Carrera Pinto substation	242	Underway	26-08-13
	220kV busbar transfer, Los Vilos substation	274	Underway	01-01-14
	220kV busbar transfer, Valdivia substation	364	Underway	01-09-13
	Incorporation of maneuvering equipment, Polpaico substation	227	In Service	16-12-12
	Incorporation of Maneuvering Equipment at the 500 kV Alto Jahuel substation	214	In Service	23-12-12
	CCEE Bank, 220 kV Pan de Azucar substation	390	Underway	01-03-13
	Capacity increase at 1x220 kV Crucero-Lagunas power line N°2 (SING)	200	Underway	19-09-13
	220 kV sectioning busbar at Lagunas substation (SING)	176	Underway	19-05-14
CARRY OVER (*)		1.887	In Service	08-11-11
TOTAL TRUNK SYSTEM PROJECTS		50.925		

(*) Corresponding to payment made in 2012 for projects commissioned in 2011 or earlier.

SUBTRANSMISSION

In 2012 Transelec commissioned the "SIC North Project", a subtransmission project featuring works required in order to increase 220/110 kV transformation capacity at the Diego de Almagro, Maitencillo and Cardones substations. Total investment came to a respective US$ 7.3 million, US$ 3.9 million and US$ 4.0 million. The Diego de Almagro Substation was commissioned 5 December 2010, followed by the Maitencillo Substation 1 September 2011 and the Cardones Substation 7 November 2012.

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.

In this sector, Transelec started the SVC Plus project at the Diego de Almagro Substation. Two (2) SVC Plus modules were installed with reactive power amounting to +/- 50 MVAr,

MAIN TRANSELEC PROJECTS UNDERWAY, SUBTRANSMISSION SYSTEM

IN US$ THOUSANDS

PROJECT TYPE	PROJECT	REAL INVESTMENT IN 2012 IN US$ THOUSANDS	STATUS	COMMISSIONING DATE
STUDIES	Miscellaneous	38	---	---
SUFFICIENCY	SIC Norte Cardones Substation (**)	852	In service	07-11-12
	Sufficiency Works Subtotal	852		
REPLACEMENT AFTER SERVICE LIFE EXPIRY	Replacement after Service Life Expiry Total	-		
CARRY OVER (*)	Miscellaneous carry over	1.887	---	---
TOTAL SUBTRANSMISSION PROJECTS		2.778		

(*) Corresponding to payment made in 2012 for projects commissioned in 2011 or earlier.
(**) Commissioning date for the third stage.

SOFOFA-CAPITAL Corporate Social Responsibility Award

SOFOFA-CAPITAL Corporate Social Responsibility Award

operating in parallel with a 40 MVAr condenser bank. The main objective is to increase operating capacity, security and reliability for the Central Interconnected System (SIC) power grid, by installing high technology equipment to enable injection or absorption of reactive power into the Electrical System, preventing overloads, disturbances or voltage collapses that could cause a total blackout or partial power outages at sections between the Maitencillo – Cardones – Carrera Pinto and Diego de Almagro substations, all of which are located in Chile's 3rd Region of Atacama.
Total investment for the project came to US$ 24.9 million.

In addition, the company purchased a 100% stake in Transam Chile this year. This includes the Abenor (Crucero – El Abra power line), Araucana (Trupán – Santa Bárbara power line) and Huepil (Charrúa- Ralco power line) transmission lines for a total investment of US$ 46.3 million.

By means of a private tender hosted by E-CL, the company purchased the 173 Crucero-Lagunas power line located in the SING power grid for a total investment of US$ 24 million.

COMMISSIONING

In 2012 Transelec finished construction of the 184 km "2x220 kV Power Transmission System between the Maitencillo and Caserones substations" project and the "Maitencillo Substation Upgrade" using GIS technology.

The project was ready to be powered up as of 14 October. However, construction work by Minera Lumina Copper was still underway at the Caserones Substation and this prevented total energization. Commissioning was ultimately scheduled for the first quarter of 2013. Total investment for this project came to approximately US$ 187.2 million.

...THE COMPANY PURCHASED A 100% STAKE IN TRANSAM CHILE THIS YEAR...

This project was an important challenge for Transelec considering pressing deadlines, the overall investment considered and highly complex construction, especially at high mountain altitudes. This achievement led to several public recognitions by the customer and by market stakeholders.

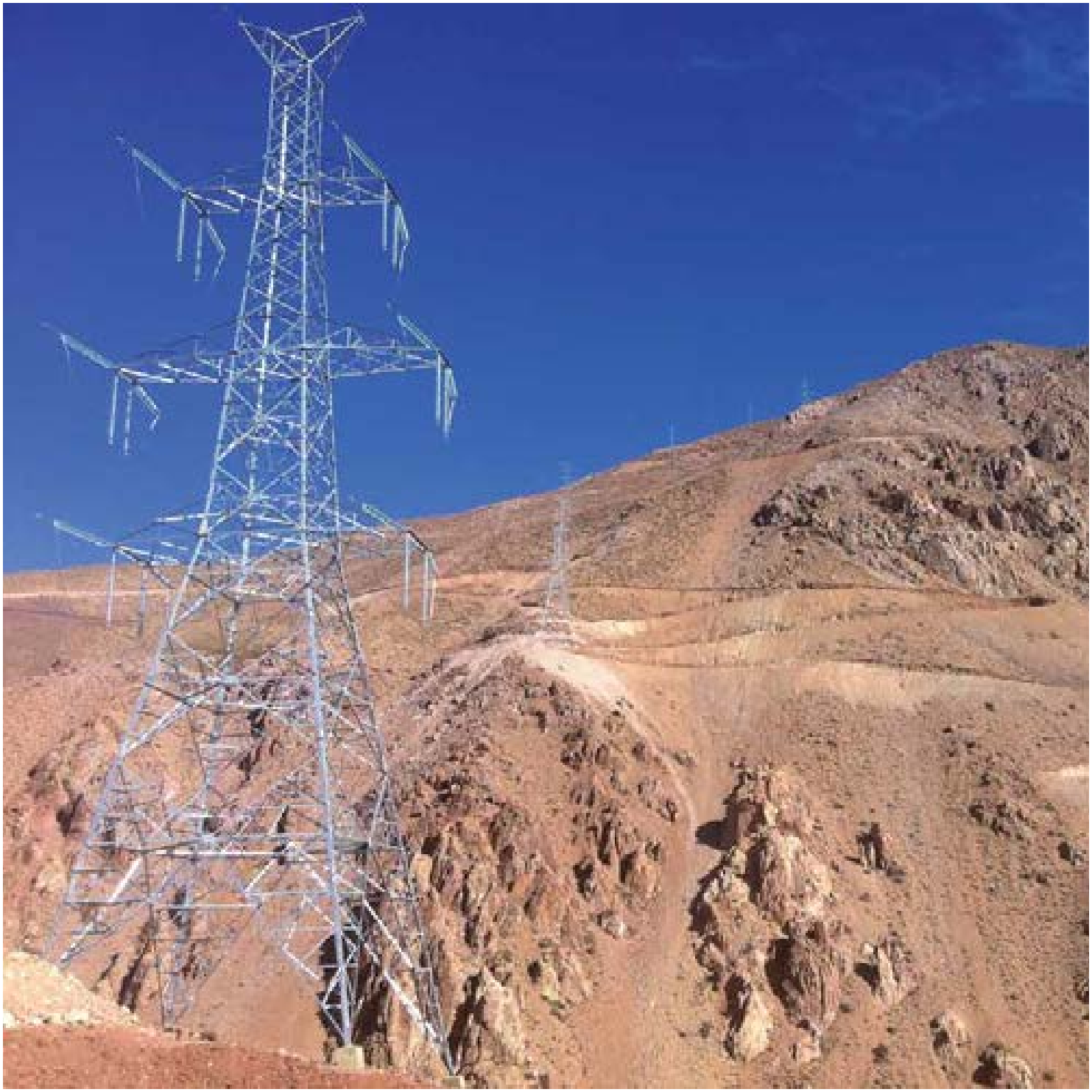
This project has positioned Transelec as a successful agent in the development and execution of highly complex transmission solutions for customers in the mining industry.

MAIN TRANSELEC PROJECTS UNDERWAY, ADDITIONAL SYSTEMS

IN US$ THOUSANDS

PROJECT TYPE	PROJECTS	REAL INVESTMENT IN 2012 IN THOUSANDS OF US$	STATUS	COMMISSIONING DATE
STUDIES AND SERVICES	Miscellaneous	432	---	---
INVESTMENT CONTRACT WITH ENDESA, AES GENER AND ELÉCTRICA GUACOLDA	SVC PLUS installation, Diego de Almagro substation	5.181	Underway	01-05-13
OTHER CUSTOMERS	220/20.4 kV Neptuno substation	476	Underway	01-12-14
	2x220 kV power line. Connection of Neptuno substation to the SIC	184	Underway	01-12-14
	220 kV Maitencillo-Caserones power line and upgrading the Maitencillo substation	155.169	In service	10-10-12
CARRY OVER (*)	Miscellaneous projects	9.174	---	---
TOTAL ADDITIONAL SYSTEM PROJECTS		170.616		

(*) Corresponding to payment made in 2012 for projects commissioned in 2011 or earlier.



OUR CUSTOMERS

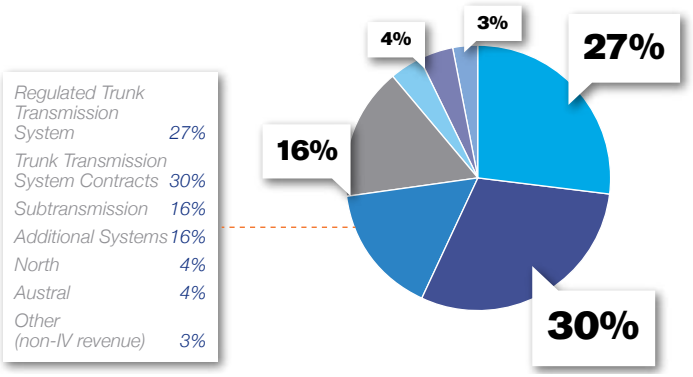
Several strategies for relating to each of the markets Transelec operates in (regulated and additional systems) came to fruition in 2012. Our customers were approached on several occasions in order to provide orientation from the first stage of their projects and provide support for specific requirements, providing daily alignment in pursuit of flexibility required to handle projects of different scales.

Stakeholder satisfaction surveys conducted annually by identifying perception and promotion by our customers showed very positive results in 2012, evidencing efforts put forth and commitments made in all Transelec areas. The Business Vice-presidency has put forth special customer orientation efforts, providing tailor-made solutions for each of the projects executed by our counterparts.

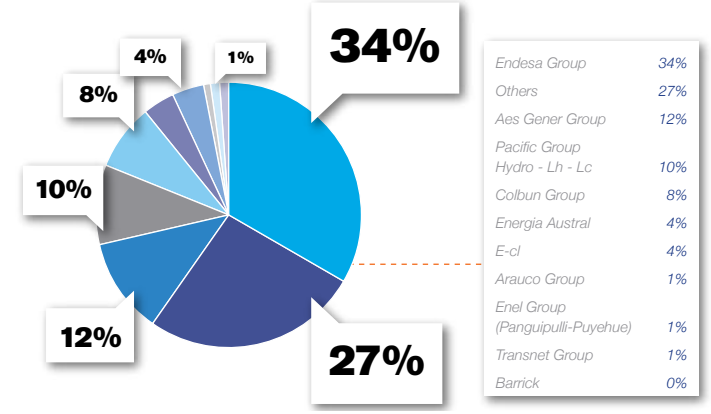
Transelec defines itself as a strategic partner for projects that require market leader expertise and expect to receive a power supply with added value by means of highly complex transmission solutions.

In October the 2x220 kV power transmission system developed for the Caserones Mine project in Chile's Third Region, 160 km southeast of Copiapó was commissioned. This integral power transmission solution marks Transelec's incorporation into the mining market, a challenge that was met over a short time period and with the difficulties of working up in the mountains at an altitude of over 4,000 masl. After commissioning, Caserones Project assets and contracts belonging to Transelec S.A. were sold and transferred to the related corporation CyT Operaciones SpA.

REVENUE DISTRIBUTION BY SYSTEM



REVENUE DISTRIBUTION BY CUSTOMER



As public service providers, we wish to be an active agent in system planning discussions, integration of new energies and connection of these energies to the system. We are and we wish to continue to be part of Chile's energy development, especially at a time when the energy scenario is going through major contingencies.

CUSTOMER SERVICE POLICY

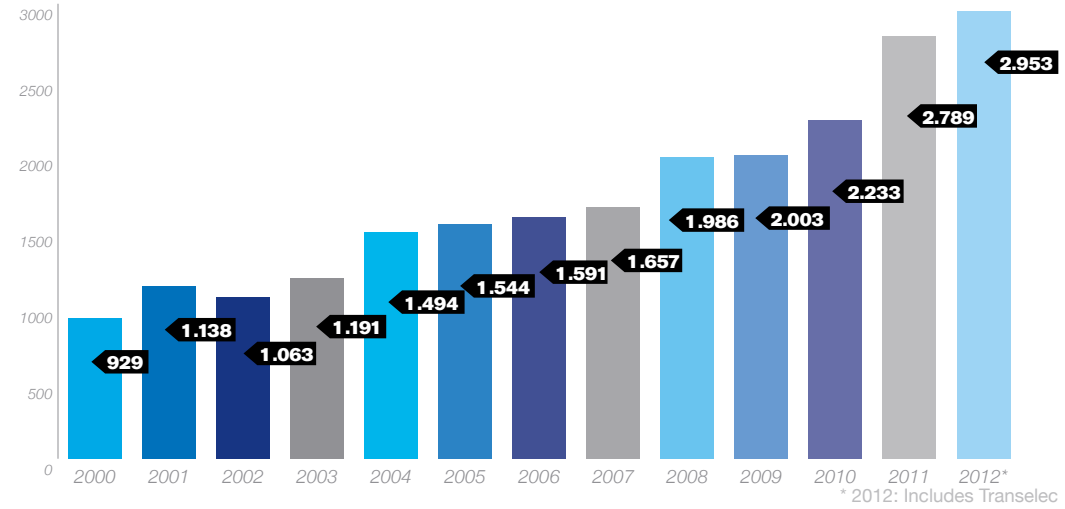
Our policy is to interpret and understand our customers' needs, identifying optimum technical and economic solutions for each project and executing their projects in conformity with the best quality, safety and environmental parameters. This is a commitment that establishes a long-term relationship over the years.

Our commitment is to work closer and closer to our customers (ongoing customer service and consulting) and especially to provide all of our extensive and specialized knowledge regarding power transmission, keeping in mind the final goal of always meeting their expectations. Customer service and their trust in our know-how as system specialists are the basis for creating close relationships with our customers and the market.

The development of new business has focused on unconditional support throughout the contract period for our services, generating a differentiated value proposal in the market, which has been validated over the years by our customers. Our specialized supply allows us to develop the best and most innovative power transmission solutions, especially for highly complex projects.

Transmission capacity restrictions and high energy prices affected several market stake-

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



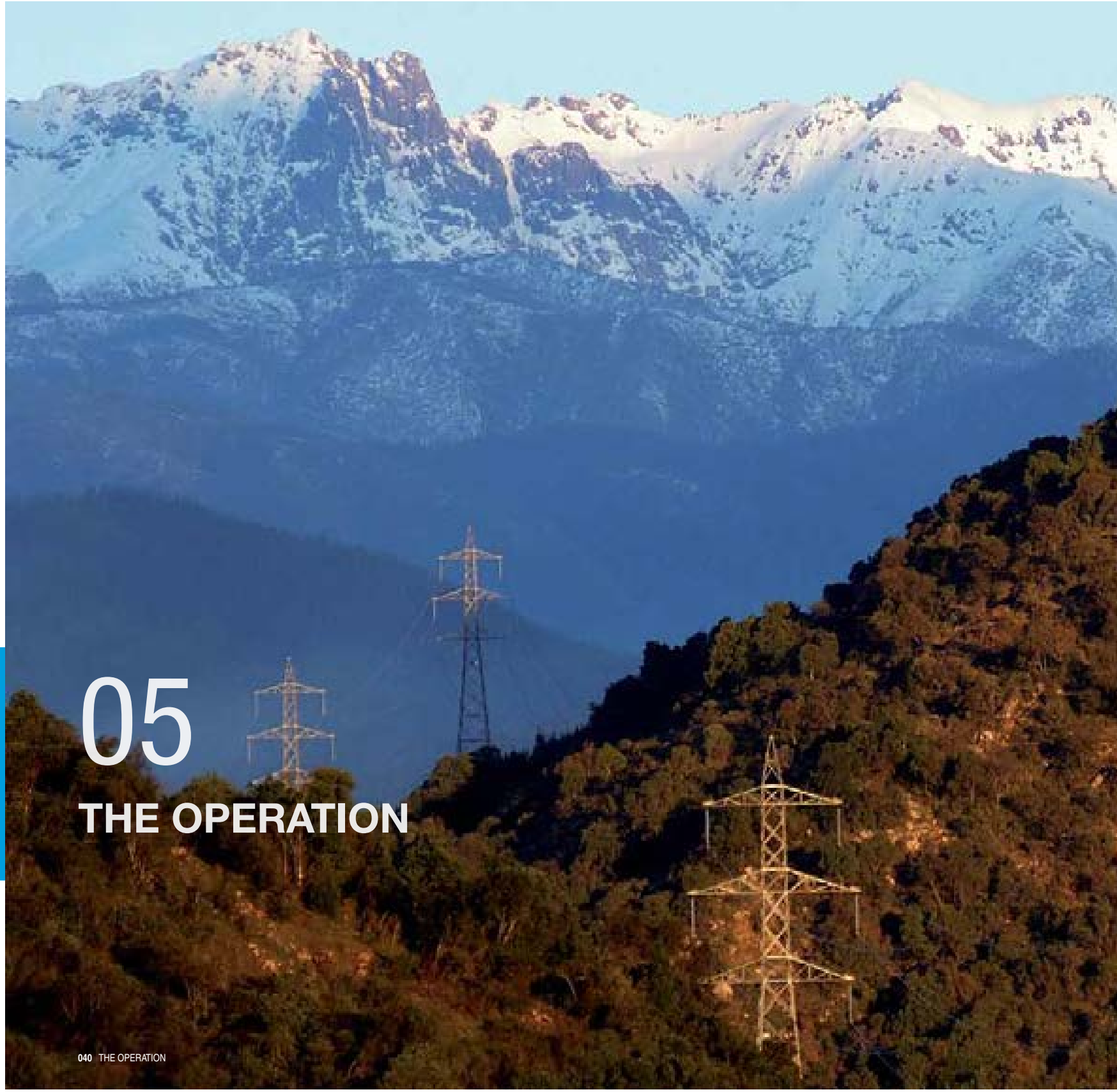
* 2012: Includes Transelec

holders in 2012 and therefore our experts have focused on the incorporation of new Smart Grid technologies, such as CER, Statcom and energy storage equipment. This equipment allows us to combine electricity system growth with reduced environmental impacts. This is relevant for sectors such as the mining industry and the integration of non-conventional renewable energies.

INVESTMENT VALUE (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 2012 comes to US$ 3.181 billion. Transelec Norte facilities account for US$ 158 million of this total and Transam facilities account for US$ 70 million.



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 market 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 in compliance with 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.

The Operations Vice-presidency conducted different initiatives and activities throughout 2012. One of the most important of these was to continue implementing a maintenance strategy based on Asset Management with progress made on the MEGA Project - Excellence Maintenance based on Asset Management. This requires a change of paradigm, moving from maintenance preferentially based on time and focused on extending the service life of assets to maintenance based on risks and the asset life cycle. This project is one of the three fundamental pillars of the 360 Excellence Plan. The Operations Vice-presidency has focused a large percentage of its efforts on this project, which aims to provide continuous improvement in order to face the challenges of new times.

Phase I of this project focused on the definition of processes and the implementation of strategic initiatives for internal providers of Network Services. These initiatives include the implementation of short-term measures, which were the first changes to be made to maintenance plans exclusively based on time, services level agreements (SLA), lessons learned (LL) and dynamic maintenance planning (forecast), etc. The challenge for 2013 is to consolidate these initiatives and to adapt the entire organization to cultural change entailed by this new working approach.
Phase II of the project is about Asset Management area processes, which will be responsible for determining what, where and when

maintenance tasks will be executed. The working team, objectives and deadlines for 2013 have been determined. Each working team is currently specifying requirements and working tools to be used to support its management.

Finally, Phases III and IV are related to information technology tools to support management and continuous improvement mechanisms. Both phases are being executed at the same time, together with the definition of a new enterprise asset management (EAM) phase and RMES software implementation based on its production processes.

Another important initiative was consolidation of the operating risk management system. Together with the standardization of internal procedures and analysis, this has been an effective tool for incorporating other stakeholders from the sector into a risk management, prevention and mitigation process for risks appearing in the system when intervention multiples come into play, in terms of both maintenance and growth by incorporating new facilities and connecting new customers to the network.

Finally, we wish to highlight the "Transelec Operational Continuity Plan". This program consolidates guidelines for the prevention, mitigation, effective and efficient response to emergencies or catastrophes into a single procedure in order to recover and preserve operational continuity for the company's facilities. The plan came about as the result of internal risk evaluations and the analysis of contingencies reported in recent years. It also pools plans and processes that were scattered throughout the organization. A responsibility assignment structure was specified in order to achieve the company's main objective. This structure clearly indicates each position's responsibilities and the plan also schedules training sessions, test plans, simulations and a post-catastrophe evaluation procedure for the company's facilities.

Implementation of these initiatives in 2012 brought transformer, circuit breaker, telecommunications and control system failure rates down substantially.

AN IMPORTANT FOCUS OF ATTENTION IN 2012 WAS THE START OF NEW ASSET RENEWAL PLANS.

In addition, the operation, maintenance and replacement of equipment or systems at Transelec facilities generally progressed in line with annual schedules.

The annual activity execution compliance index came to 93.3%. This index compares work progress with schedules established at the start of each year. This index includes basic preventive maintenance, trimming trees and vegetation along easement strips and scheduled extraordinary maintenance. The compliance index fell short of 100% mainly because of the current lack of float in the electricity system, meaning that this is not currently available for all scheduled maintenance actions. Risk evaluations and preventive measurements were executed in order to evaluate electricity system status. In the event that unacceptable risk situations are detected, mandatory procedures stipulated in the regulations are applied in order to provide the right operating conditions for this maintenance work to be completed.

An important focus of attention in 2012 was the start of new asset renewal plans. The wide range of activities conducted in 2012 included replacement of 9 circuit breakers for the different Zone Divisions, a project that is part of a plan corresponding to the 2011-2013. In addition, we wish to highlight the replacement of metering transformers, lightning rods, transformer disconnects and battery banks at several substations. In addition, a new replacement strategy was developed for control, protection and teleprotection assets by following a plan formulated by evaluating criticality for an initial period of six years. The control and protection asset replacement plan is fundamental for increasing the reliability of protection systems, reducing power outage rates and increasing the compliance level for standards set by the current technical standards for service safety and quality. 28 pieces of protection equipment were replaced in 2012 by using external contracts and making replacements using the company's own resources. In addition, a replacement and updating strategy was implemented for teleprotection equipment corresponding to the trunk transmission system in order to increase

system safety and 34 pieces of teleprotection equipment were replaced for this purpose.

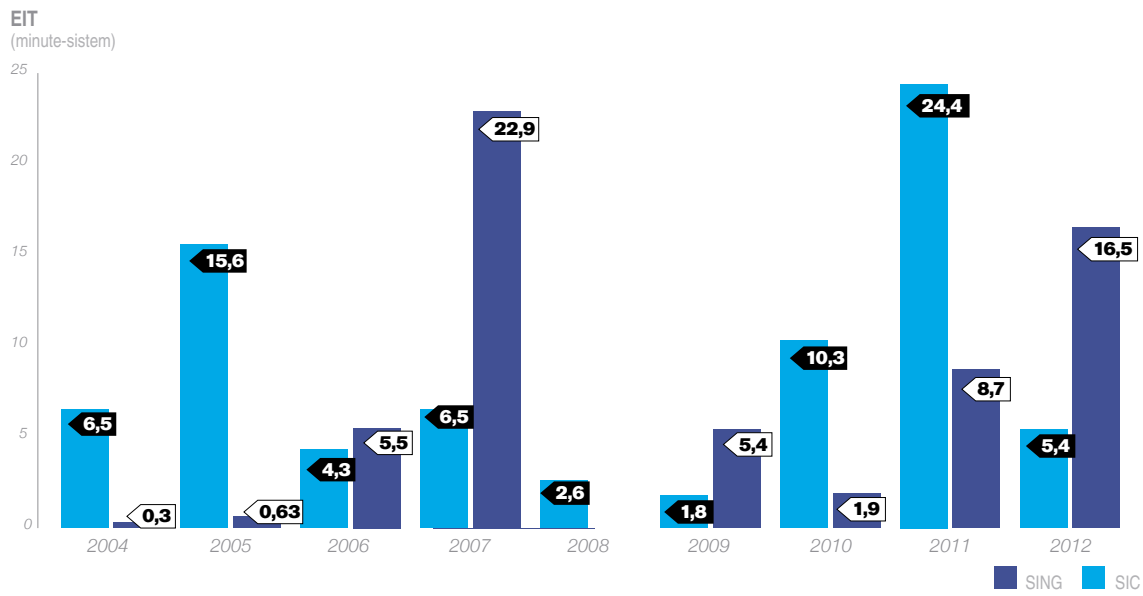
A series of actions designed to control failure rates of transmission lines were executed. These identified the main causes and the transmission lines affected the most in order to take actions focused on controlling failure occurrence while work continued on massive replacement plans for elements that pose risks. One of the actions taken was to continue replacing polymeric insulation for transmission lines in the SING power grid. 93% of all insulation was replaced and 100% of all insulation should be replaced during the first quarter of 2013. We also wish to highlight that the main reasons behind power outages in 2012 was contamination because of bird droppings, which could be caused by wildlife variations in certain sectors. Plans have been started in order to make innovative changes to avoid this kind of power outages.

With regard to telecommunications, in 2012 it was decided that the company would continue applying maintenance services based on contractors. Work continued for the development of technical specifications and minimum requirements for equipment and facilities in order to make telecommunications department criteria for application in new projects and operating requirements compatible.

In addition, the project designed to create a new Transelec National Operating Center (CNOT) continued in 2012. This project involves the centralization of all real-time operation of Transelec facilities, including telecommand of these facilities, into a new and modern operating center. This project also includes renewal of the SCADA/EMS System the company uses in the SIC power grid. A contract was awarded to the company TECNET from the Ibermática group in 2011 in order to purchase a world-class system developed by Open System International (OSI) from Minneapolis, USA. FAT tests were successfully completed during the development of this project and system hardware from the USA is now in Chile. Assembly and wiring have started and SAT tests are scheduled for the first months of 2013.

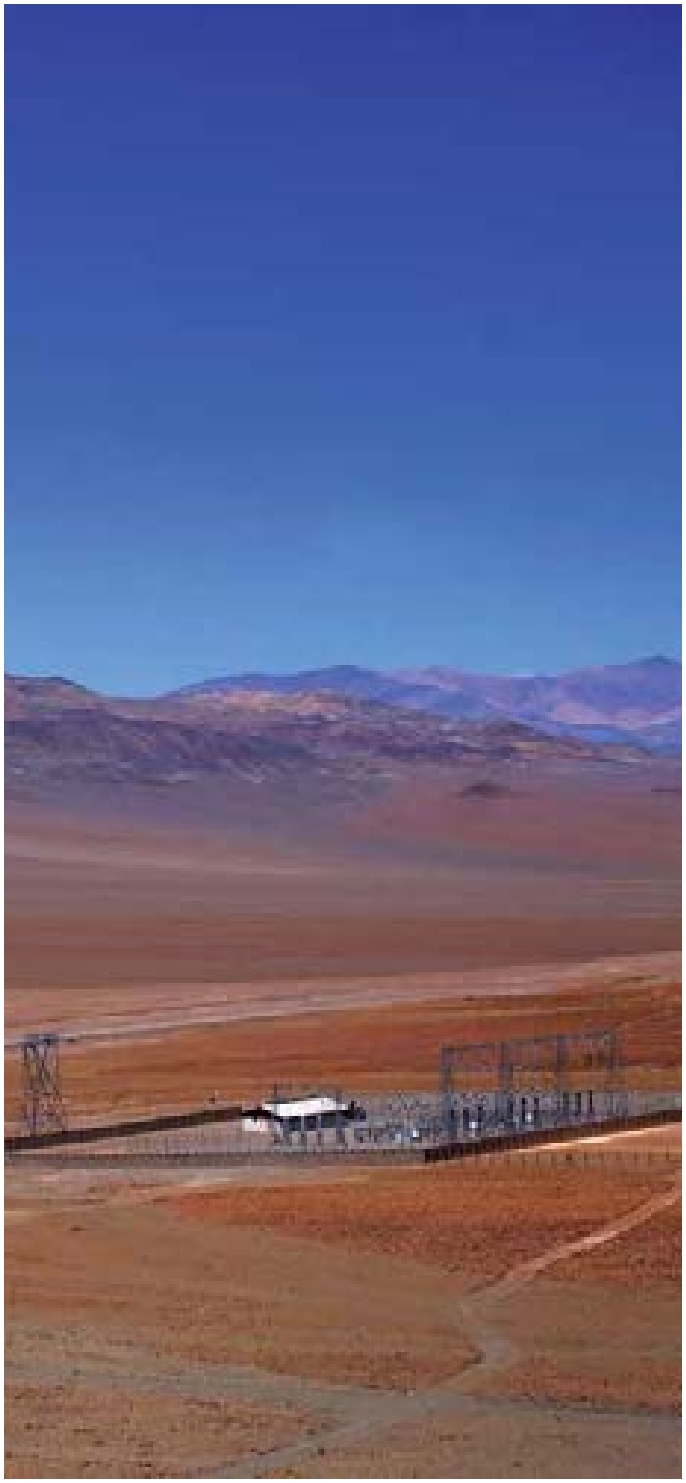
Investment, improvements and modernization such as those indicated above, as well as the application of stringent operational procedures, aim to reduce Equivalent Interruption Time (EIT), an indicator that measures service safety, to a level within the expected parameters. EIT, which represents total 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.

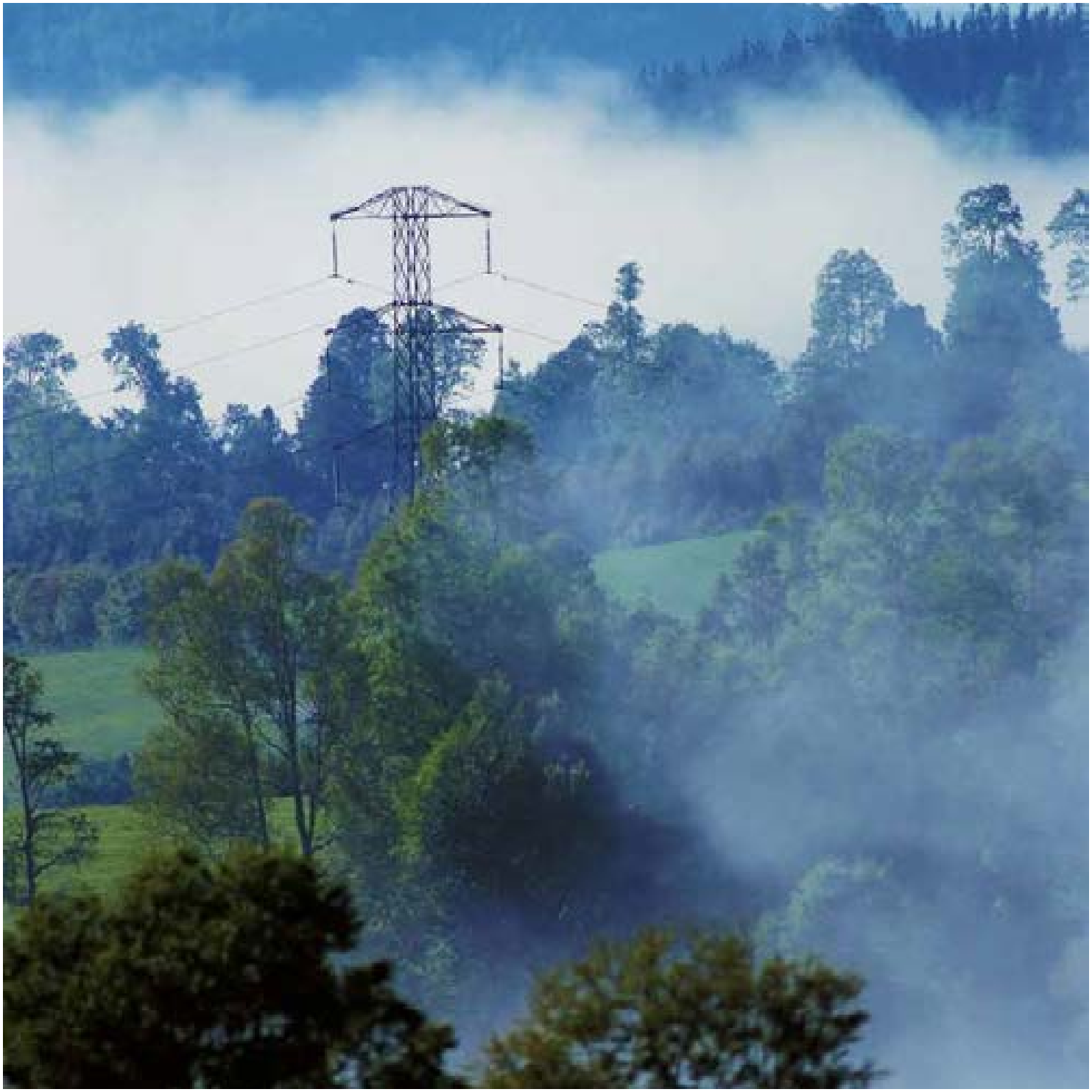
Twenty-seven power outages attributable to Transelec were reported in 2012. These disconnections caused an electricity shortage with EIT amounting to 5.37 minutes-system. The event with the most serious impact was the forced disconnection of the 500 kV Ancoa – Polpaico transmission line 23 April, with EIT amounting to 1.18 minutes-system, disconnecting power coming to 750 MW according to information provided by CDEC-SIC. Earlier in 2012, a power outage affected the 500 kV Alto Jahuel – Polpaico transmission line and consequently transfers were redistributed along the 500 kV Ancoa – Polpaico transmis-



sion line. When the second transmission line failed, the North and South zones of the SIC power grid were interconnected by a weak link corresponding to the 110 kV transmission lines from the Chilectra system, which caused instability, power oscillations and frequency variations in the system. Immediately after the power outage, Transelec started an exhaustive investigation to determine the transmission system element(s) that could break down. Regarding service quality at Transelec Norte facilities in the SING power grid, EIT amounted to 16.49 minutes-system. The main event reported was a power outage affecting the 220 kV Tarapacá – Los Cóndores transmission line, which caused EIT=11.39 minutes-system, disconnecting power amounting to 56 MW due to a lower conductor interruption between structures N° 1 and 2. After the power outage Transelec coordinated actions with CDEC-SING in order to apply the service recovery plan in the affected area.

As for participation at Load Economic Dispatch Centers, Transelec has two representatives and two deputy representatives serving on the CDEC-SIC Board of Directors associated to the trunk transmission segment. Transelec Norte has three directors and two alternate directors representing the landowner segments at trunk transmission and subtransmission facilities. These representatives have supported and driven diagnosis and improvement processes designed to improve perfor-



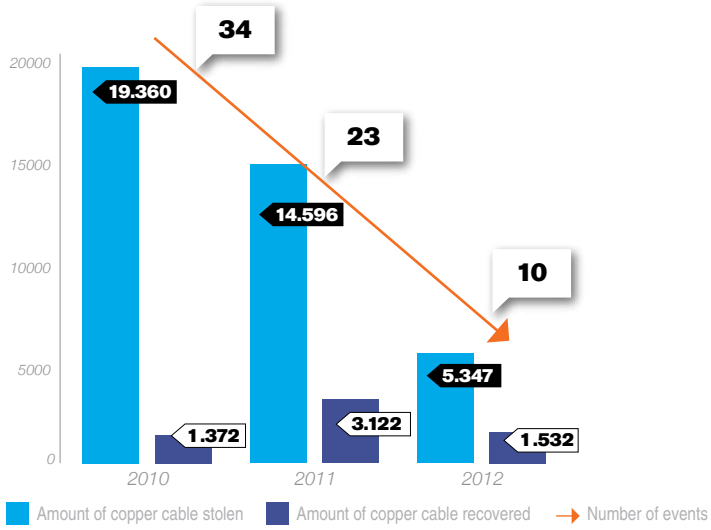


mance by these agencies, with evident benefits for the entire sector.

With regard to cable theft that has been seriously compromising TRANSELEC power lines that use copper conductors since 2007, the number of events in 2012 came to 22, with criminals removing a total 5.3 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, most copper conductor theft took place during the first quarter of 2012, accounting for 45% of all events in 2012. Notwithstanding, the total number of kilograms of copper cable stolen dropped 63% between 2011 and 2012.

COPPER CABLE THEFT 2010-2012
(amount of copper - kg)



06
FINANCE

MAIN ACTIVITIES IN THE FINANCIAL AREA

Transelec conducted several financial activities in 2012. We wish to highlight the following: i) In July, Transelec took out an unsecured revolving credit facility for a total amount of USD180,000,000. This facility is for a renewable 3-year period of availability and maturity. The banks involved in this transaction are Scotiabank, DnBNor and the Bank of Tokyo-Mitsubishi. Funds from this line of credit will be used for the company's operations. In September, this line of credit was increased to a total amount of USD250,000,000, ii) In November, the Company registered two new lines of bonds for 10 and 30 years for a maximum combined total of UF20,000,000. These were approved by the SVS 05 February 2013 and iii) In December, assets and rights corresponding to the Caserones project were sold for USD214,200,000 (including VAT) to the related company CyT Operaciones, which is currently negotiating project financing.

DEBT AS OF 31 DECEMBER 2012

SERIES	DATE OF ISSUE	INTEREST RATE	MATURITY	CURRENT AMOUNT	CURRENCY
D Series	14-Dec-2006	4.25%	15-Dec-2027	13,500,000	UF
C Series	21-Mar-2007	3.50%	01-Sep-2016	6,000,000	UF
E Series	13-Aug-2009	3.90%	01-Aug-2014	3,300,000	UF
F Series	13-Aug-2009	5.70%	01-Aug-2014	33,600,000,000	CLP
H Series	13-Aug-2009	4.80%	01-Aug-2031	3,000,000	UF
I Series	03-Dec-2009	3.50%	01-Sep-2014	1,500,000	UF
K Series	04-Dec-2009	4.60%	01-Sep-2031	1,600,000	UF
L Series	19-Jan-2011	3.65%	15-Dec-2015	2,500,000	UF
M Series	19-Jan-2011	4.05%	15-Jun-2032	3,400,000	UF
N Series	19-Jan-2011	3.95%	15-Dec-2038	3,000,000	UF
Revolving Credit Facility		2.53%		120,000,000	USD

UF: Unidad de Fomento (a 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

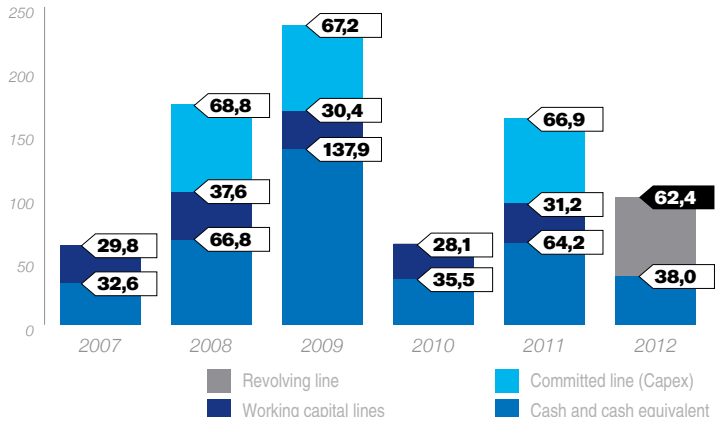
In order to ensure the availability of funds to cover the working capital requirements, fixed assets investment project financing (projects underway and upcoming projects), procurement of power lines and possible debt refinancing, the company has the following unsecured revolving debt facility, from which USD 120 million was disbursed in 2012 according to the following conditions:

PERFORMANCE INDICATORS

LIQUIDITY

Due to positive results in 2012, Transelec has good liquidity, which together with a) availability of the revolving credit facility and b) 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 to invest or reinvest in Transelec when necessary.

CURRENT LIQUDITY
Billion pesos



BANK	MATURITY	AMOUNT (UP TO)	AMOUNT USED AS OF 12/31/2012	TYPE OF CREDIT	USE
Scotiabank-DnBNor-BTMU	09-07-2015	US$250,000,000	US$120,000,000	Unsecured revolving credit facility	Working capital / Capex / Short-term refinancing

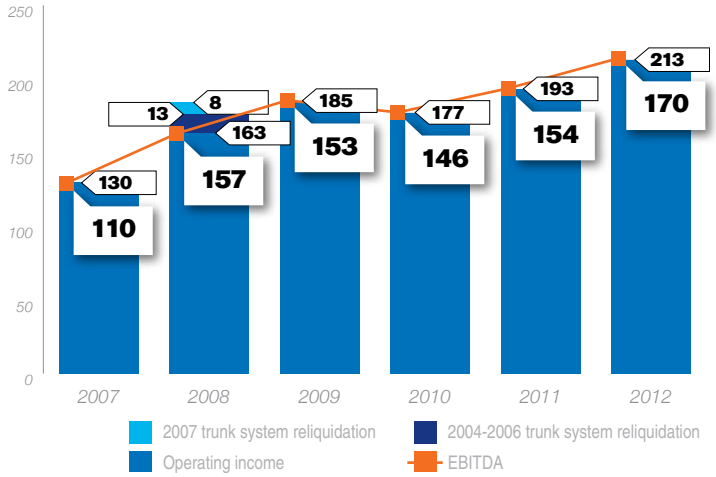
2012 OPERATING RESULTS

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 turbulent global financial and economic scenario.

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.

INCOME AND EBITDA PERFORMANCE
Data in CLP millions (historical values)



Note 1: 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, specifying trunk transmission facilities, the shared area of influence, the assessment of trunk facilities and annual operating, maintenance and administration costs and corresponding indexing formulas. In addition, the Study determined the referential expansion plan for the 2011-2014 period. Ministry of Energy Decree 61 published 17 November 2011 established tariffs and indexing formulas for the 2011-2014 period based on the results of this Study. These were retroactively applied as of 01 January 2011 with the corresponding reliquidation.

In addition, Decree 61 establishes 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 December 2010. New subtransmission tariffs for the January 2011 to December 2014 period will be set by the Ministry of Energy based on subtransmission facility valuation studies started in 2010. As of December 2012, a decree setting subtransmission tariffs and their respective indexing formulas for the aforementioned period had not yet been published. Tariffs set by means of decree 320/2009 will temporarily apply during the interim. The difference between what was provisionally invoiced and the final values established shall be reliquidated.

SINGLE CUSTOMER REVENUE CONCENTRATION

34% 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 53% of Transelec's workforce belongs to one of its two trade unions. In addition, 53% of the company's personnel is covered by group agreements with these workers' unions. These agreements expire in 2014 and 2016. 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.

ENVIRONMENTAL INSTITUTIONALITY AND THE 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 amended in 2010. The Environmental Law requires companies developing high-voltage power line and electrical substation projects to observe the regulations of the Environmental Impact Evaluation System (SEIA) and to submit Environmental Impact Studies (EIS) or Environmental Impact Declarations (EID) to the new Environmental Evaluation Service.

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
- (iv) The Environmental Superintendence
- (v) Environmental Courts

These institutions are commissioned to regulate, evaluate and enforce activities 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 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.

We wish to highlight that the creation and commissioning of Environmental Courts 28 December 2012 means that the Environmental Superintendence is now fully entitled to audit and apply sanctions.

Without prejudice of Transelec meeting the requirements of environmental legislation, there is no guarantee that these studies or declarations submitted (EIS or EID) to the environmental authority will be approved by government authorities or that eventual public opposition will not lead to delays or modifications for the proposed projects, or that laws and regulations will not change or be interpreted a way that could hamper the company's operations and plans, since new institutionality has just been implemented.

CONSTRUCTION DELAYS FOR NEW TRANSMISSION FACILITIES

Success of the Upgrades and Expansion 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 such as electricity concessions; 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 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 Transelec 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 is 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 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 between 2011 and 2012 and these somewhat affected the collection of tariff revenue for the power transmission system, without implying any significant risk for Transelec.

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.

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.

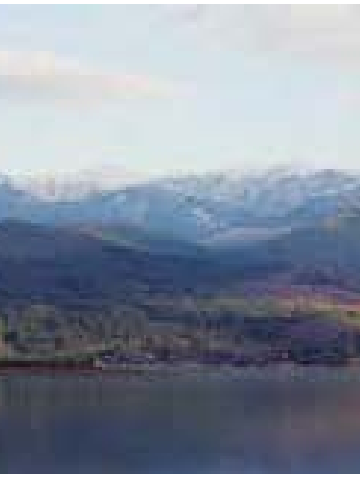
In order to ensure that the company is able to react quickly to investment opportunities and to pay its obligations upon maturity. Transelec had a revolving credit facility amounting to US$ 250 million as of 31 December 2012, in addition to its cash surpluses and short-term accounts receivable. US$ 120 million of this facility was being used at that time.

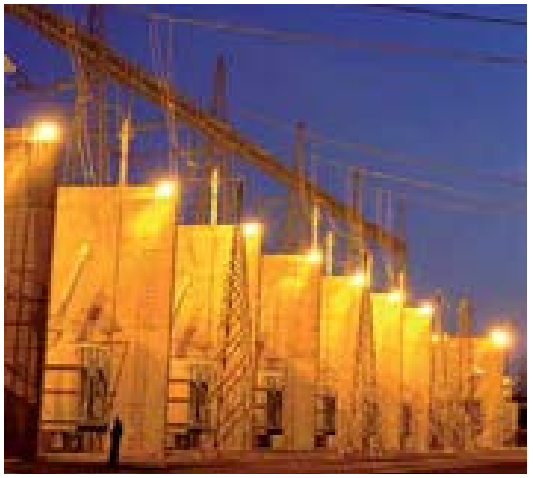
The Company is exposed to risks associated to its debt, including the risk of refinancing debt upon maturity. These risks are mitigated by the use of long-term debt and structure of debt maturity over time.

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.

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 payment due 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 annual trunk toll reliquidation process considered in the General Electricity Services Law and a decision made by the Panel of Experts regarding the procedure to be used by CDEC for this revision, Transelec was able to collect pending payment related to tariff revenue stemming from Campanario Generación insolvency. Transelec S.A. has consequently recorded an uncollectible provision amounting to CLP 1,026,284,000 corresponding to accounts payable for different tariff revenue concepts.

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 fluctuating 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 are currently 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 2012 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 (complementary health insurance, travel assistance, service commission, etc.)

Finally, a new "Civil Professional Liability" policy covering eventual claims arising from Transelec engineer management was incorporated during this period.

THE COMPANY'S PROFIT SHARING POLICY FOR 2012

For 2012, the company's profit sharing policy establishes for any given year that its Board of Directors recommends sharing 100% of the net income reported as dividends, 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. No dividend shall be declared if this would stop the company from meeting its financial commitments. With respect to any given fiscal year, 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 net profit estimated for the fiscal year in course in Transelec's Annual Business Plan.

PROFITS SHARED IN 2012

It was agreed at a Transelec S.A. shareholders meeting held 27 April 2012 that the remainder of 2011 cash dividends amounting to CLP20,789,620,729 would be distributed.

In addition, it was agreed that an eventual dividend amounting to CLP41,148,907,284 would be distributed and charged to retained earnings.

Lastly, it was agreed at a Transelec S.A. Board of Directors meeting held 21 November 2012 that a provisional dividend amounting to CLP44,867,250,000 would be distributed and charged to earnings from the 2012 fiscal year.

DIVIDENDS PAID EACH YEAR

(Temporary, Eventual 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
2012	106,806

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

PROFITS SHARED

(charged to each fiscal year)

YEAR	CLP MN(*)	% OF PROFITS FROM EACH FISCAL YEAR
2006	14,849	100%
2007	31,774	100%
2008	53,658	95%
2009	47,238	100%
2010	55,825	100%
2011	46,839	100%
2012**	44,867	73%

(*): Values as of December of each year.
(**):Only corresponds to provisional dividends paid in 2012, since final dividends to be paid from the 2012 fiscal year had not yet been reported as of 31 December 2012. These will be agreed to at the shareholders meeting to be held in 2013.

CONSOLIDATED RELEVANT FACTS

TRANSELEC S.A.

1) On March 21, 2012, and according to Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on Securities Markets, the following relevant fact was reported:

That Transelec S.A.'s Board of Directors, at its session held on March 21 2012, agreed to summon a shareholders meeting for April 27 2012 at 9:00 AM, at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

The purpose of summoning this meeting is to bring the following issues to the knowledge of the shareholders and submit them for approval:

1. The Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period finishing on December 31st 2011.
2. Final distribution of dividends.
3. Dividends Policy and information about the procedures to be used for payment.
4. Renewal of the Board of Directors.
5. Board of Directors and Audit Committee remuneration.
6. Appointment of External Auditors.
7. The newspaper to be used for publishing the shareholders meetings notice.
8. Other issues of interest for the corporation and authority of the shareholders meeting.

2) On April 27, 2012 and according to Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on the Securities Markets, the following relevant fact was reported:

That the annual shareholders meeting of the corporation was held on April 27, 2012, and the following matters were agreed:

1. To approve the Annual Report, Balance Sheet, Financial Statements and the External Auditors Report corresponding to the period ending December 31st 2011.
2. To approve the distribution of a final dividend corresponding to 2011 amounting to 20,789,620,729 Chilean pesos, to be paid as of May 28 2012 to shareholders registered in the respective shareholders' registry as of May 18 2012. In addition, it was agreed that an eventual dividend would be distributed and charged to retained earnings corresponding to the year 2008 and amounting to 41,148,907,284 Chilean pesos, which are to be paid in three installments throughout the 2012 fiscal year, the first of them for an amount of 13,000,000,000 Chilean pesos in the same time period specified for final 2011 dividends. regarding the other two Installments, the Board of Directors was authorized to establish the date and amount in each case.
3. Dividends Policy for 2012 was informed.
4. It was agreed that members of the Board of Directors were to be replaced and therefore the Board is now comprised as follows: Mr. Richard Legault as director and Mr. Jeffrey Blidner as his respective deputy director; Mr. Bruce Hogg as director and Sr. Daniel Fetter as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Richard Dinneny as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.

5. Board of Directors and Audit Committee remunerations were set.
6. Approval of the appointment of Ernst & Young as the company's external auditors for the 2012 fiscal year.
7. Diario Financiero was approved as the newspaper to be used for publishing notices of general shareholders' meetings.

3) The following relevant fact was reported on May 24, 201,2 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at a meeting held on May 23, 2012, the company's Board of Directors took note of the resignation of Mr. Jeffrey Blidner from his position of deputy director for Mr. Richard Legault, as well as the resignation presented by Mr. Daniel Fetter from his position as deputy director for Mr. Bruce Hogg.

At the same meeting, the company's Board of Directors agreed to appoint Mr. Benjamin Vaughan as deputy director for Mr. Richard Legault, and Mr. Etienne Middleton as deputy director for the director Mr. Bruce Hogg. Lastly, at the same meeting Mr. Richard Legault was elected to be Chairman of the Board of Directors.

4) The following relevant fact was reported on June 26, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A's. shareholders agreed to convene a special shareholders meeting to be held on June 28, 2012. This meeting was convened in order to bring the following points to the knowledge of the shareholders and submit them for approval:

1. Authorize and grant all powers necessary in order to sign a Revolving Credit Agreement with Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi banks and others;
2. Authorize and grant all powers necessary for disbursements from the revolving credit facility hired with the aforementioned banks;
3. Ratify agreements made by the Corporation's Board of Directors at it special meeting N°81 in conformity with Article Twenty-eight of the Corporation's Bylaws; and
4. Entitle the Board of Directors to establish the characteristics, terms and conditions for the future issuance of bonds to be charged to the lines registered in the Securities Register of the Superintendence of Securities and Insurance.

5) The following relevant fact was reported on July 3, 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on June 28, 2012, and the following points were agreed:

1. To grant powers of attorney to Messrs. Andrés Kuhlmann Jahn, Francisco Castro Crichton and Arturo Le Blanc Cerda so that any two of these persons acting jointly can proceed to sign a Revolving Credit Agreement with Scotiabank, DnB Nor, Bank of Tokyo-Mitsubishi banks and others for an amount of up to 200,000,000 dollars of the United States of America. In addition, it was agreed to authorize Transelec S.A. representatives to materialize eventual disbursements that may or may not exceed one hundred million dollars of the United States of America in the future.
2. To ratify agreements made by the Corporation's Board of Directors at Its special meeting N° 81, approving the issuing of two lines of bonds for 10 and 30 years respectively, by signing bond issuance agreements. It was also agreed to approve the Corporation's indebtedness by means of future bond issuing and placement to be charged to both lines of bonds for an amount of up to twenty million Unidades de Fomento each.
3. In addition, powers of attorney granted by the Corporation's Board of Directors in order to establish amounts, characteristics, opportunities, terms and specific conditions for the future bonds issuances to be charged to the lines of bonds registered in the Securities Register of the Superintendence of Securities and Insurance were unanimously ratified at the meeting.
4. Finally, it was unanimously agreed at the meeting that the authorization is limited to by the fact that bonds being issued and charged to each of the aforementioned lines of bonds will not jointly exceed an amount of twenty million Unidades de Fomento, or the equivalent in Chilean pesos or dollars of the United States of America at the date these bonds are placed.

6) The following relevant fact was reported on August 27, 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A's. shareholders have decided to convene a special shareholders meeting to be held on August 30, 2012 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This meeting will be convened in order to bring the following matters to the knowledge of the shareholders and to submit these for approval:

1. To approve a request to increase the amount of US$ 180 million established in the Revolving Credit Agreement signed with the Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi banks and others on July 9, 2012 to US$250 million, as established in said Agreement;
2. To authorize and grant powers necessary for disbursements from the revolving credit facility;
3. To totally renew the Corporation's Board of Directors.

7) The following relevant fact was reported on August 31, 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on August 30, 2012 and the following matters were agreed:

1. To approve a request to increase the amount of US$ 180 million established in the Revolving Credit Contract Agreement signed with the Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi banks and others on July 9, 2012 to US$250 million and to grant powers of attorney to Messrs. Andrés Kuhlmann Jahn, Francisco Castro Crichton and Arturo Le Blanc Cerda so that any two of these persons acting jointly can proceed to sign documentation associated to said credit disbursements made for this reason.
   In addition, it was agreed to authorize Transelec S.A's. representatives to make future disbursements that may or may not exceed one hundred million dollars of the United States of America.
2. To remove all current members of the Board of Directors, both directors and deputy directors, and to replace these with Mr. Richard Legault as director and Mr. Benjamin Vaughan as his respective deputy director; Mr. Bruce Hogg as director and Mr. Etienne Middleton as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Jerry Divoky as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.

8) The following relevant fact was reported on October 1st 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at the Board of Directors meeting of the corporation held on September 27, 2012, it was agreed that a second installment of the eventual dividend approved at the annual shareholders meeting held in April 2012 was to be distributed. This dividend amounted to CLP 13,500,000,000 and will be paid starting October 30 2012 to shareholders registered in the respective shareholders list as of 22 October 2012.

9) The following relevant fact was reported on October 1st 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at the regular Transelec S.A.'s Board of Directors meeting held on September 27, 2012, Mr. Richard Legault was chosen to be Chairman of the Board of Directors.

10)) The following relevant fact was reported on November 22, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at Board of Directors meeting of the corporation held on November 21, 2012, it was agreed that a third installment of the eventual dividend approved at the annual shareholders meeting held in April 2012 was to be distributed. This dividend amounted to CLP 14,648,907,284 and will be paid starting 6 December 2012 to shareholders registered in the respective shareholders list as of 28 November 2012.

11) The following relevant fact was reported on November 22, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A.'s Board of Directors, at a meeting held on November 21, 2012, agreed to distribute an Interim dividend to be charged to the 2012 fiscal year amounting to CLP 44,867,250,000 in conformity with the provisions of the Dividends Policy approved by the Corporation's Board of Directors and reported at theannual shareholders meeting held in April 2012.

12) The following relevant fact was reported on December 3, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A's. shareholders have decided to convene a special shareholders meeting to be held on December 5, 2012 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

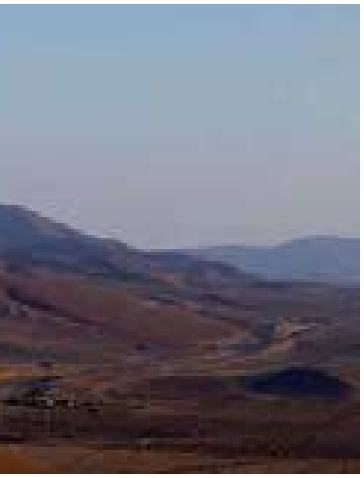
This meeting will be convened in order to bring the following matters to the knowledge of the shareholders and to submit these for approval:

1. To ratify agreements made by the Corporation's Board of Directors at its meeting N° 88, in conformity with Article 28 of the Corporation's Bylaws.

13) The following relevant fact was reported on December 6, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on December 5, 2012 and the following matters were agreed:

To ratify the agreements made by the Corporation's Board of Directors at Its meeting N° 88, in conformity with Article 28 of the Corporation's Bylaws, in order to authorize the sale of all assets corresponding to the Caserones Project and the transfer and sale of all contracts associated to the related corporation CyT Operaciones SpA, as well as the signing of all other contracts between Transelec S.A. and CyT Operaciones SpA that may be required, under market conditions.



14) The following relevant fact was reported on January 23, 2013 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A.'s shareholders have decided to convene a special shareholders meeting to be held on January 25, 2013 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This meeting will be convened in order to bring the following matters to the knowledge of the shareholders and to submit these for approval:

1. To approve the hiring of one or more lines of credit for up to US$150 million; and
2. To authorize and grant powers necessary for the drawdown of these non-committed lines of credit.

15) The following relevant fact was reported on January 28, 2013 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on January 25, 2013 and the following matters were agreed:

1. To approve the execution of one or several Credit Facility Agreements with one or more banks operating in Chile for up to 150,000,000 dollars or the equivalent in national currency; and
2. To grant the powers necessary for the execution of one or more Credit Facility Agreements with one or more banks operating in Chile up to the amount indicated, specifically granting powers to proceed to sign documentation associated to said credit facilities and disbursements made for these purposes, as well as the signing of the corresponding promissory notes.

TRANSELEC NORTE S.A.

1) The following relevant fact was reported on March 21, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec Norte S.A.'s Board of Directors, at a session held on March 21, 2012, agreed to summon a shareholders meeting for 27 April 2012 at 9:00 AM, at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

The purpose of summoning this meeting is to bring the following issues to the knowledge of the shareholders and submit them for approval:

1. The Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period finishing on December 31, 2011.
2. Final dividends distribution.
3. Dividends Policy and information about procedures to be used for payment.
4. Renewal of the Board of Directors.
5. Appointment of External Auditors.
6. The newspaper to be used for publishing the shareholders meeting notice.
7. Other issues of interest for the corporation and authority of the shareholders meeting.

2) The following relevant fact was reported on April 27, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

The annual shareholders meeting was held on April 27, 2012 and the following matters were agreed:

1. To approve the Annual Report, Balance Sheet, Financial Statements and the External Auditors Report corresponding to the period ending December 31, 2011.
2. To approve the distribution of a final dividend corresponding to 2011, amounting to USD 3,673,247, to be paid as of May 28, 2012 to shareholders registered in the respective shareholders' registry as of May 18, 2012.
3. The Dividends Policy for 2012 was informed.
4. It was agreed that members of the Board of Directors were to be replaced and therefore, the Board is currently comprised as follows: Mr. Richard Legault as director and Mr. Jeffrey Blidner as his respective deputy director; Mr. Bruce Hogg as director and Mr. Daniel Fetter as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Richard Dinneny as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.
5. Approval of the appointment of Ernst & Young as the company's external auditors for the 2012 fiscal year.
6. Diario Financiero was approved as the newspaper to be used for publishing notices of general shareholders meetings.

3) The following relevant fact was reported on May 24, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

At a meeting held on May 23, 2012, the company's Board of Directors took notice of the resignation of Mr. Jeffrey Blidner

from his position of deputy director for Mr. Richard Legault, as well as the resignation presented by Mr. Daniel Fetter from his position as deputy director for Mr. Bruce Hogg.

At the same meeting, the company's Board of Directors agreed to appoint Mr. Benjamin Vaughan as deputy director for Mr. Richard Legault, and Mr. Etienne Middleton as deputy director for the director Mr. Bruce Hogg. Lastly, at the same meeting Mr. Richard Legault was elected to be Chairman of the Board of Directors.

4) The following relevant fact was reported on August 31, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That the shareholders of Transelec Norte S.A. have agreed to convene a special shareholders meeting to be held on September 3, 2012 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This special shareholders meeting was convened in order to bring the following points to the knowledge of the shareholders and submit them for approval:

1. To totally renew the Corporation's Board of Directors.

5) The following relevant fact was reported on September 4, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

A special shareholders meeting was held on September 3, 2012 and the following matters were agreed:

Removal of the current members of the Board of Directors, both directors and deputy directors and appointment of the following persons: Mr. Richard Legault as director and Mr. Benjamin Vaughan as his respective deputy director; Mr. Bruce Hogg as director and Mr. Etienne Middleton as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Jerry Divoky as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.

6) The following relevant fact was reported on October 1st 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

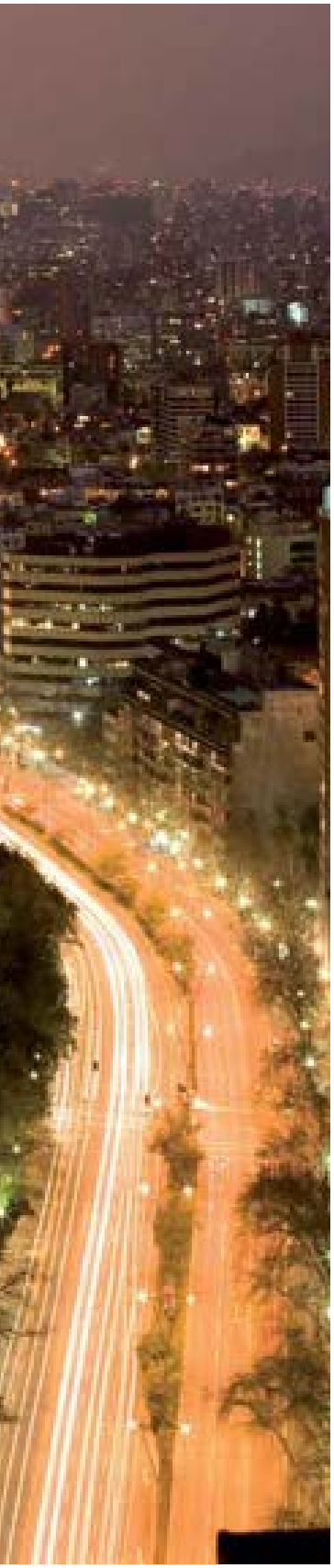
At a regular Transelec Norte S.A's. Board of Directors meeting held on September 27, 2012, Mr. Richard Legault was elected to be Chairman of the Board of Directors.

7) The following relevant fact was reported on December 27, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That on the same date, Transelec Norte S.A., directly and through its related corporations, purchased a 100% stake in Inversiones Eléctricas Transam Chile Limitada and its subsidiaries Transmisora Abenor Limitada, Transmisora Araucana de Electricidad Limitada and Transmisora Huepil Limitada, leaving Transelec Norte S.A. with a 99.9% stake in the Corporation.

The total price of this purchase was US$46,300,000.

07



Transelec S.A. is an open stock corporation founded for an indefinite period that was originally founded as a limited liability company with the firm name “Rentas Eléctricas III Limitada”, by public deed dated 6 June 2006 granted at the Santiago notary office owned by 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 at the Santiago notary office owned by 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 at the Santiago notary office owned by 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 Superintendence 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 office

owned by 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 office 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. 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, Enrique 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.

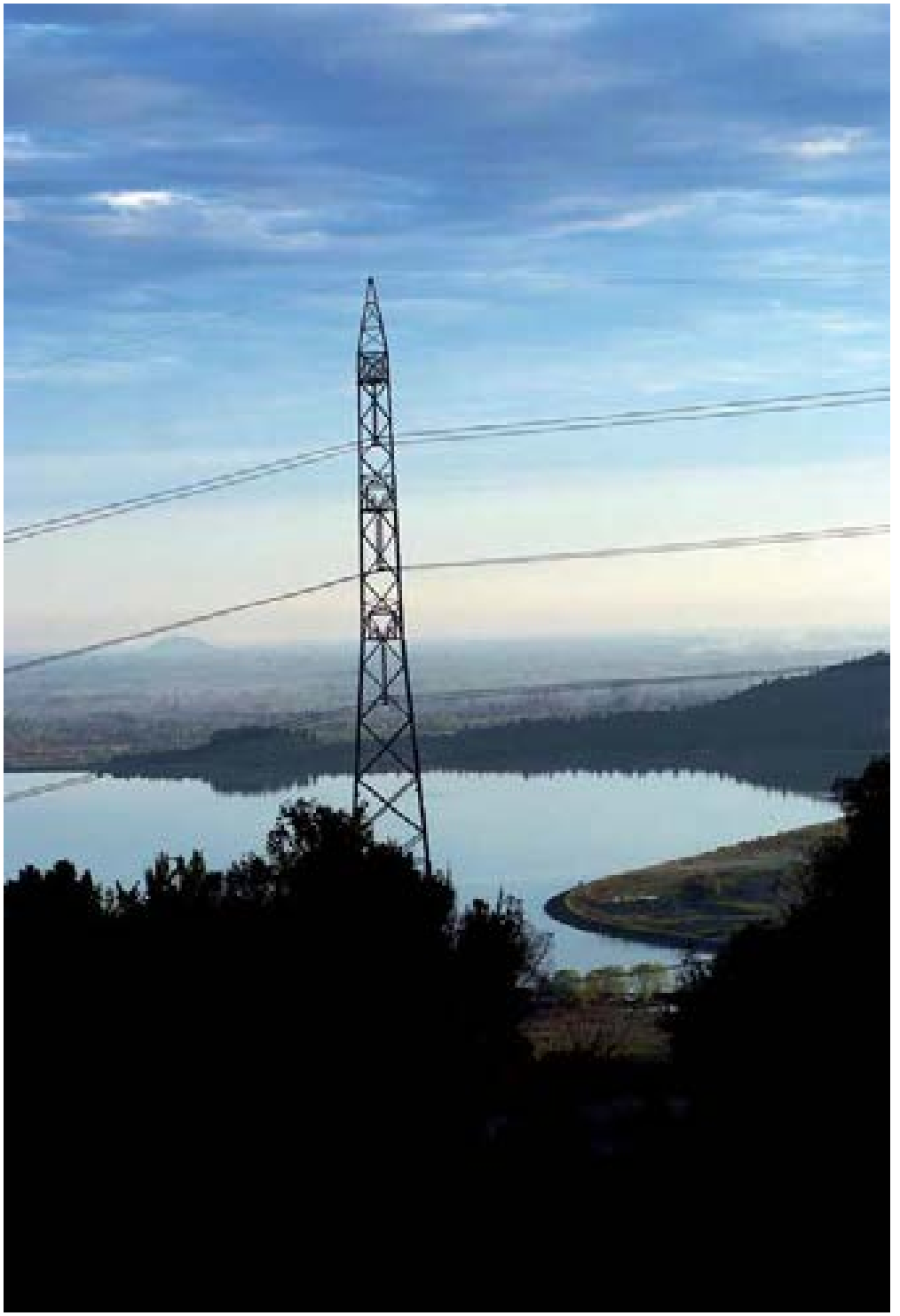
It was agreed at the company's ninth special shareholders meeting held 21 October 2010 that Corporation debt should be approved, be it in UF, Chilean pesos or dollars of the United States of America, by taking out bank loans and/or issuing a combination of bonds and bank debt. This is to be executed 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 tenth 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 office owned by 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.

It was agreed at the company's eleventh special shareholders meeting held 28 June 2012 that rights of representation would be granted in order to sign a Revolving Credit Contract with Scotiabank, DnB Nor, Bank of Tokyo-Mitsubishi and other banks for an amount up to 200 million dollars of the United States of America and for the materialization of eventual future disbursements that could jointly or individually amount to or exceed USD 100 million. In addition, it was agreed that agreements reached by the Corporation's Board of Directors at special meeting N° 81 would be ratified. This includes approval of the issuing of two series of Bonds, respectively amounting to 10 and 30 years, by signing bond issuing contracts, as well as any changes and clarifications, together with all related actions and contracts. Lastly, the special rights of representation granted by the Corporation's Board of Directors in order to establish amounts, characteristics, opportunities, terms and specific conditions for the future issuing of bonds to be charged to the lines registered in the Securities Registry of the Superintendence of Securities and Insurance were ratified at the meeting.

It was agreed at the company's twelfth special shareholders meeting held 30 August 2012 that a request to increase the amount established in the Revolving Credit Contract signed 9 July 2012 with Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi and other banks for between USD 180 million to USD 250 million was to be approved in accordance with the terms established in said Contract. In addition, it was agreed that rights of representation would be granted in order to sign documentation associated to this credit and disbursements to be made for this reason.

In addition, it was agreed that all members of the Board of Directors, both regular and alternate directors, were to be dismissed. The following persons were elected for the positions of directors: Mr. Richard Legault as regular director and Mr. Benjamin Vaughan as his respective alternate director; Mr. Bruce Hogg as regular director and Mr. Etienne Middleton as his respective alternate director; Mr. Patrick Charbonneau as regular director and Mr. Paul Dufresne as his respective alternate director; Ms. Brenda Eaton as regular director and Mr. Jerry Divoky as her respective alternate director; Mr. Bruno Philippi Irarrázabal as regular director and Mr. Enrique Munita as his respective alternate director; Mr. Mario Valcarce Durán as regular director and Mr. Juan José Eyzaguirre Lira as his respective alternate director; Mr. Blas Tomic Errázuriz as regular director and Mr.



Federico Grebe Lira as his respective alternate director; Mr. José Ramón Valente Vias as regular director and Mr. Juan Paulo Bambach Salvatore Benjamin Vaughan as his respective alternate director, and Mr. Alejandro Jadresic Marinovic as regular director and Mr. Juan Irarrázabal Covarrubias as his respective alternate director.

It was agreed at the company's thirteenth special shareholders meeting held 5 December 2012 that the agreements reached by the Board of Directors at meeting N°88 would be ratified in conformity with Article Twenty-eight of the Corporation's By-laws, in order to authorize the sale of all assets corresponding to the Caserones Project and the transfer and sale of all contracts associated to the related corporation CyT Operaciones SpA, as well as the signing of all other contracts between Transelec S.A. and CyT Operaciones SpA that may be necessary under market conditions.

THE CORPORATION'S HISTORICAL BACKGROUND

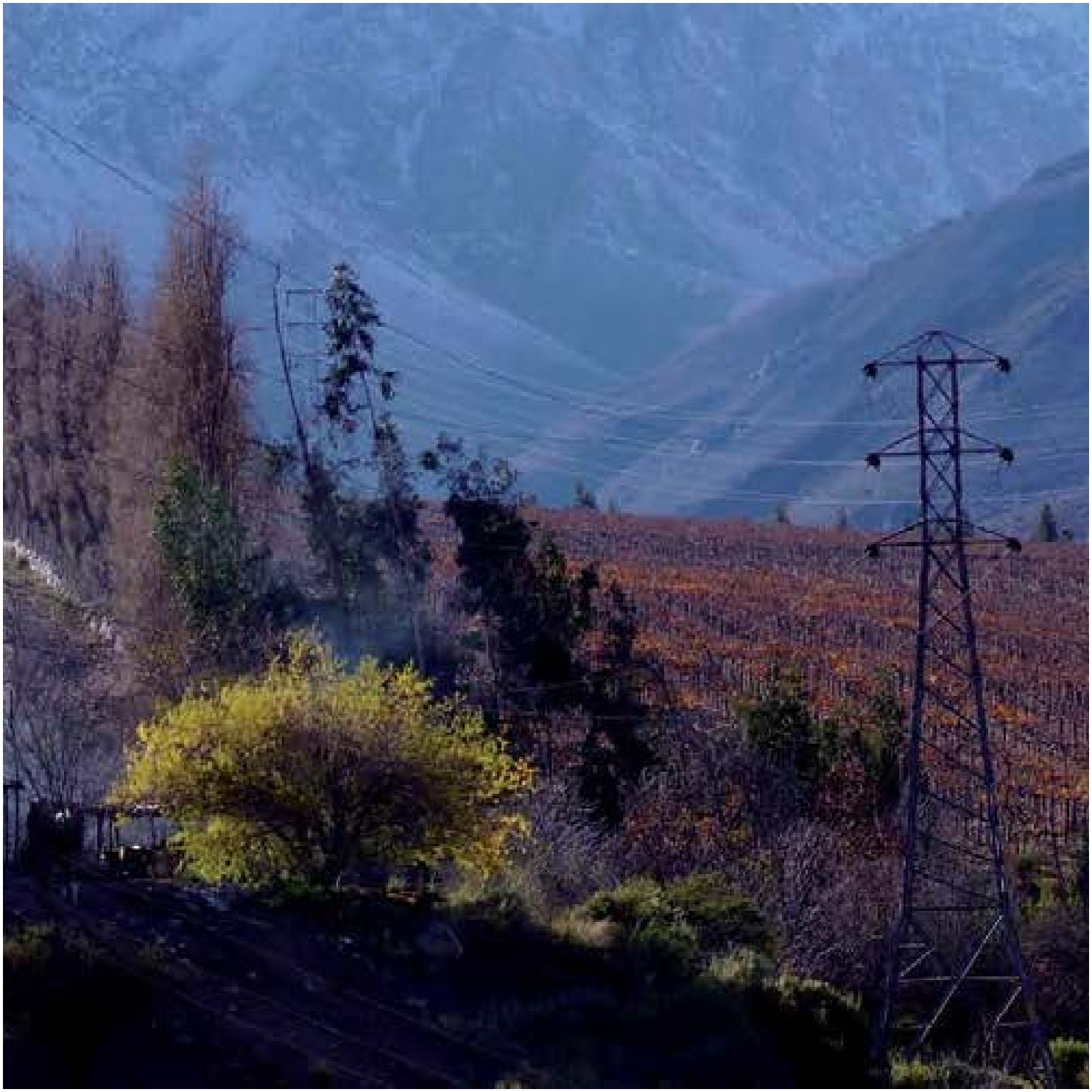
Transelec S.A., formerly known as Rentas Eléctricas III S.A., is the successor of the following companies whose incorporation, mergers or transformation are summarized as follows:

DISSOLUTION 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 office owned by 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 office 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 office owned by 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.

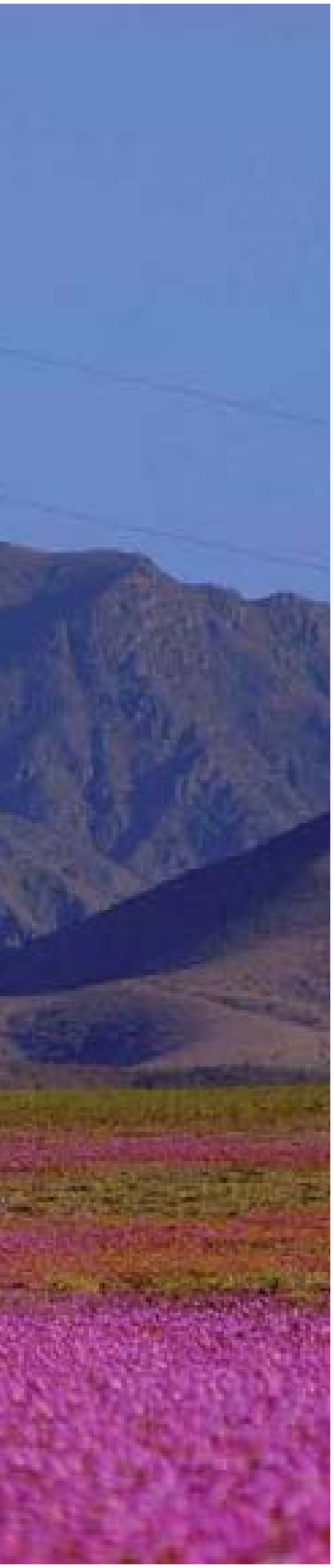
It was agreed at the corporation's 3rd special shareholders meeting held 30 November 2006 that the firm name Nueva Transelec S.A. would be changed to Transelec S.A., tax list number 76.555.430-6. This was executed as public deed that same day at the notary office owned by Ms. María Gloria Acharán Toledo. 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 office owned by 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 Status: Open Stock Corporation
Subscribed Capital: USD 30,005,000
Paid-in Capital: USD 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 2012, 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 Benjamin Vaughan, Etienne Middleton, Paul Dufresne, Jerry Divoky, 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

Arturo Le Blanc Cerda



MANAGEMENT TEAM

As of 31 December 2012, 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

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

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

Arturo Le Blanc Cerda
- VICE PRESIDENT OF LEGAL AFFAIRS AND GENERAL COUNSEL
  Lawyer
  Universidad de Chile
  LLM, Duke University
  Tax ID Number 10.601.441

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.

09

CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC S.A. AND SUBSIDIARIES

SANTIAGO, CHILE

DECEMBER 31, 2012 AND 2011

CH$: CHILEAN PESOS
THCH$: THOUSANDS OF CHILEAN PESOS
MCH$: MILLIONS OF CHILEAN PESOS
UF: UNIDADES DE FOMENTO
US$: U.S. DOLLARS
THUS$: THOUSANDS OF U.S. DOLLARS

INDEX

Independent Auditor's Report

(Translation of the report originally issued in Spanish)

Shareholders and Directors
Transelec S.A.

We have audited the accompanying consolidated financial statements of Transelec S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management of Transelec S.A. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transelec S.A. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Oscar Gálvez

ERNST & YOUNG LTDA.

Santiago, Chile
March 20, 20133

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

ASSETS	NOTE	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
CURRENT ASSETS			
Cash and cash equivalents	5	37,955,954	64,211,994
Other financial assets	9	669,329	473,555
Other non-financial assets	-.-	8,566,618	14,819,816
Trade and other receivables	6	49,387,085	69,370,796
Receivables from related parties	7	92,649,357	4,172,013
Inventory	8	28,301	38,111
Current tax assets	-.-	142,823	1,622,778
TOTAL CURRENT ASSETS	-.-	189,399,467	154,709,063
NON-CURRENT ASSETS			
Other financial assets	-.-	34,769,560	10,741,295
Other non-financial assets	-.-	26,429,971	42,733,849
Receivables from related parties	7	69,581,888	67,896,855
Intangible assets other than goodwill	10	153,819,655	149,263,862
Goodwill	10	348,371,203	338,897,614
Property, plant and equipment	11	1,159,543,789	1,153,045,235
Deferred tax assets	12	15,608,137	23,689,884
TOTAL NON-CURRENT ASSETS	-.-	1,808,124,203	1.786,268,594
TOTAL ASSETS	-.-	1,997,523,670	1,940,977,657

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

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

EQUITY AND LIABILITIES	NOTE	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
CURRENT LIABILITIES			
Other financial liabilities	13	66,782,786	7,902,761
Trade and other payables	14	89,427,302	90,936,736
Payables to related parties	7	-	3,870,835
Current provisions for employee benefits	16	6,833,923	5,119,683
Other non-financial liabilities	-.-	15,014,843	902,527
TOTAL CURRENT LIABILITIES	-.-	178,058,854	108,732,542
NON-CURRENT LIABILITIES			
Other financial liabilities	13	892,622,689	861,758,340
Payables to related parties	7	36,947,376	39,970,247
Deferred tax liabilities	12	6,110,267	3,502,644
Non-current provisions for employee benefits	16	3,237,935	3,491,272
Other non-financial liabilities	-.-	3,575,059	2,480,793
TOTAL NON-CURRENT LIABILITIES	-.-	942,493,326	911,203,296
TOTAL LIABILITIES	-.-	1,120,552,180	1,019,935,838
EQUITY			
Paid-in capital	18	857,944,548	857,944,548
Retained earnings	-.-	17,200,259	61,938,528
Other reserves	18	1,823,280	1,155,110
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-.-	876,968,087	921,038,186
Non-controlling interest	-.-	3,403	3,633
TOTAL EQUITY	-.-	876,971,490	921,041,819
TOTAL EQUITY AND LIABILITIES	-.-	1,997,523,670	1,940,977,657

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

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY FUNCTION

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION	NOTE	2012 THCH$	2011 THCH$
Operating revenues	19	212,806,019	193,151,606
Cost of sales	20	(82,065,448)	(73,830,830)
GROSS MARGIN	-.-	130,740,571	119,320,776
Administrative expenses	20	(13,560,853)	(9,917,187)
Other gains (losses), net	19	3,779,694	1,642,730
Financial income	19	5,730,543	4,055,994
Financial expenses	20	(37,252,682)	(31,416,973)
Foreign exchange differences, net	20	(380,033)	(1,093,096)
Gain (loss) for indexed assets and liabilities	20	(18,799,768)	(27,401,063)
PROFIT BEFORE INCOME TAXES	-.-	70,257,472	55,191,181
Income tax expense	21	(8,508,157)	(8,351,561)
Profit from continuing operations	-.-	61,749,315	46,839,620
Profit (loss) from discontinued operations	-.-	-.-	-.-
PROFIT (LOSS)	-.-	61,749,315	46,839,620
PROFIT (LOSS) ATTRIBUTABLE TO			
Profit attributable to owners of the parent	-.-	61,749,093	46,839,443
Profit (loss) attributable to non-controlling interest	-.-	222	177
PROFIT	-.-	62,749,315	46,839,620
EARNINGS PER SHARE			
BASIC EARNINGS PER SHARE			
Basic earnings per share from continuing operations	22	61,749	46,840
Basic earnings (loss) per share from discontinued operations	-.-	-.-	-.-
BASIC EARNINGS PER SHARE	22	61,749	46,840
DILUTED EARNINGS PER SHARE	-.-	-.-	-.-
Diluted earnings per share from continuing operations			
22			
61,749			
46,840			
Diluted earnings (loss) per share from discontinued operations	-.-	-.-	-.-
DILUTED EARNINGS PER SHARE ($/S)	22	61,749	46,840

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

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	2012 THCH$	2011 THCH$
PROFIT (LOSS)	61,749,315	46,839,620
FOREIGN CURRENCY TRANSLATION		
Gains (losses) on foreign currency translation differences, before taxes	856,318	1,691,932
CASH FLOW HEDGES		
Gains (losses) on cash flow hedges, before taxes	31,083	(544,697)
INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME		
Income taxes related to components of other comprehensive income	(219,231)	(195,030)
OTHER COMPREHENSIVE INCOME	668,170	952,205
TOTAL COMPREHENSIVE INCOME	62,417,485	47,791,825
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Comprehensive income attributable to owners of the parent	62,417,263	47,791,648
Comprehensive income attributable to non controlling Interest	222	177
TOTAL COMPREHENSIVE INCOME	62,417,485	47,791,825

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

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended as of December 31, 2012
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	PAID-IN CAPITAL THCH$	RESERVE FOR FOREIGN TRANSLATION ADJUSTMENT THCH$	RESERVE FOR CASH FLOW HEDGES THCH$	TOTAL OTHER RESERVES THCH$	RETAINED EARNINGS THCH$	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT THCH$	NON-CONTROLLING INTEREST THCH$	TOTAL EQUITY THCH$
OPENING BALANCE AS OF JANUARY 1, 2012	857,944,548	1,292,225	(137,115)	1,155,110	61,938,528	921,038,186	3,633	921,041,819
Increase (decrease) for changes in accounting policies	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Increase (decrease) for correction of errors	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
OPENING BALANCE RESTATED	857,944,548	1,292,225	(137,115)	1,155,110	61,938,528	921,038,186	3,633	921,041,819
CHANGES IN EQUITY:								
Comprehensive income:	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Profit	-.-	-.-	-.-	-.-	61,749,093	61,749,093	222	61,749,315
Other comprehensive income	-.-	638,348	29,822	668,170	-.-	668,170	-.-	668,170
TOTAL COMPREHENSIVE INCOME	-.-	638,348	29,822	668,170	61,749,093	62,417,263	222	62,417,485
Dividends	-.-	-.-	-.-	-.-	(106,805,778)	(106,805,778)	-.-	(106,805,778)
Increase (decrease) from transfers and other changes	-.-	-.-	-.-	-.-	318,416	318,416	(452)	317,905
TOTAL CHANGES IN EQUITY	-.-	638,348	29,822	668,170	(44,738,269)	(44,070,099)	(230)	(43,403,946)
CLOSING BALANCE AS OF DECEMBER 31, 2012	857,944,548	1,930,573	(107,293)	1,823,280	17,200,259	876,968,087	3,403	876,971,490

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

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended as of December 31, 2011
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	PAID-IN CAPITAL THCH$	RESERVE FOR FOREIGN TRANSLATION ADJUSTMENT THCH$	RESERVE FOR CASH FLOW HEDGES THCH$	OTHER RESERVES THCH$	TOTAL OTHER RESERVES THCH$	RETAINED EARNINGS THCH$	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT THCH$	NON-CONTROLLING INTEREST THCH$	TOTAL EQUITY THCH$
OPENING BALANCE									
AS OF JANUARY 1, 2011	838,211,823	(141,789)	344,694	19,732,725	19,935,630	61,365,952	919,513,405	3,201	919,516,606
Increase (decrease) for changes in accounting policies	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Increase (decrease) for changes correction of errors	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
OPENING BALANCE RESTATED	838,211,823	(141,789)	344,694	19,732,725	19,935,630	61,365,952	919,513,405	3,201	919,516,606
CHANGES IN EQUITY:									
Comprehensive income:	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
Profit	-.-	-.-	-.-	-.-	-.-	46,839,443	46,839,443	177	46,839,620
Other comprehensive income	-.-	1,434,014	(481,809)	-.-	952,205	-.-	952,205	-.-	952,205
TOTAL COMPREHENSIVE INCOME	-.-	1,434,014	(481,809)	-.-	952,205	46,839,443	47,791,648	177	47,791,825
Dividends	-.-	-.-	-.-	-.-	-.-	(45,865,904)	(45,865,904)	-.-	(45,865,904)
Increase (decrease) from transfers and other changes	19,732,725	-.-	-.-	(19,732,725)	(19,732,725)	(400,963)	(400,963)	255	(400,708)
TOTAL CHANGES IN EQUITY	19,732,725	1,434,014	(481,809)	(19,732,725)	(18,780,520)	572,576	1,524,781	432	1,525,213
CLOSING BALANCE AS OF DECEMBER 31, 2011	857,944,548	1,292,225	(137,115)	-.-	1,155,110	61,938,528	921,038,186	3,633	921,041,819

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

TRANSELEC S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – INDIRECT METHOD

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

ESTADO DE FLUJOS DE EFECTIVO INDIRECTO	NOTE	2012 THCH$	2011 THCH$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
PROFIT		61,749,315	46,839,620
ADJUSTMENTS FOR RECONCILIATION OF PROFIT:			
Adjustments for income tax expense	-.-	8,508,157	8,351,561
Adjustments for decreases (increases) in trade receivables	-.-	19,983,711	(31,354,098)
Adjustments for (decreases) increases in trade payables	-.-	(1,509,434)	54,235,154
Adjustments for depreciation and amortization expenses	-.-	48,338,494	42,476,140
Adjustments for provisions	-.-	1,714,240	855,385
Adjustments for unrealized foreign currency translation (gains) losses	-.-	(2,056,060)	512,900
Adjustments non-controlling interest	-.-	(222)	(177)
Adjustments for other non-cash items	(27)	51,742,384	56,605,443
TOTAL ADJUSTMENTS FOR RECONCILIATION OF INCOME	-.-	126,721,270	131,682,308
Interest paid	-.-	(36,212,662)	(38,821,429)
Income taxes paid	-.-	(654,893)	(457,085)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	-.-	151,603,030	139,243,414
CASH FLOWS USED IN INVESTING ACTIVITIES			
Cash flows used to acquire control of subsidiaries	-.-	(22,266,784)	-.-
Receipts from sales of fixed assets	-.-	16,368,120	-.-
Additions of property, plant and equipment	-.-	(102,798,093)	(66,087,924)
Cash advances and loans to third parties	-.-	(15,488,100)	(35,491,504)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-.-	(124,184,857)	(101,579,428)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from long term loans	-.-	-.-	188,182,415
Proceeds from short term loans	-.-	57,002,400	-.-
Loans from related parties	-.-	-.-	39,970,247
Loans to related parties	-.-	(55,015,050)	
Payments of loans to related parties	-.-	(3,870,935)	-.-
Loans payments	-.-	-.-	(115,881,635)
Dividends payments	-.-	(106,805,778)	(45,865,904)
Other disbursements (swap contracts settlement)	-.-	-.-	(20,337,562)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	-.-	(53,674,213)	(8,947,489)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-.-	(26,256,040)	28,716,497
Cash and Cash Equivalents, Opening Balance	-.-	64,211,994	35,495,497
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	-.-	37,955,954	64,211,994

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

NOTE 1 - GENERAL INFORMATION

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. On March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation. According to public deed dated May 9, 2007, the Company acquired 100 shares owned by Transelec Holdings Rentas Limitada, corresponding to 0.01% of the share capital of Transelec S.A. (formerly Nueva Transelec S.A.), leaving the Company with 100% ownership. Thus, the merger took place by absorption, and the assets, liabilities, rights and obligations of Transelec S.A. (formerly Nueva Transelec S.A.) passed to the Company. In this way, the Company directly assumed operation of the electricity transmission business previously conducted by the aforementioned subsidiary. On June 30, 2007, Rentas Eléctricas III S.A. changed its name to its current name, Transelec S.A. (here and after "the Company" or "Transelec").

On May 16, 2007, the Company was listed as number 974 in the Securities Registry of the Chilean Superintendency of Securities and Insurance (SVS) and is subject to the supervision of the Superintendency of Securities and Insurance. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

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

The Company's another subsidiary Inversiones Electricas Transam Chile Ltda. is a limited liability company that has three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda., and Transmisora Araucana de Electricidad Ltda., and each of them is also a limited liability company. The rights in Inversiones Electricas Transam Chile Ltda. were acquired in December 2012. The subsidiary is domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile.

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

The Company is controlled directly by Transelec Holdings Rentas Limitada and indirectly by ETC Holdings Ltd.

These consolidated financial statements were approved by the Board of Directors in Ordinary Meeting No.92 held on March 20, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

In preparing these financial statements, certain critical accounting estimates have been used to quantify some assets, liabilities, income and expenses. Management was also required to exercise judgment in applying Transelec's accounting policies. Areas involving a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for these financial statements are described in Note 4.

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

2.2 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Below is a summary of new standards, interpretations and improvements to IFRS issued by the IASB that are not yet effective as of on 31 December 2012. It is expected that that those will not have significant impact on the financial statements of the Company in the moment of adoption.

- IFRS 7 - Financial Instruments: Disclosures

In December 2011 issued amendments to IFRS 7. This amendment requires entities to disclose in the financial information, the effects or potential effects of compensation arrangements in financial instruments on the entity's financial position. The standard is applicable from 1 January 2013.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

- IFRS 9 - Financial Instruments

This standard introduces new requirements for classifying and measuring financial assets, allowing early application. Requires all financial assets to be classified in its entirety on the basis of the business model of the entity for the management of financial assets and characteristics of the contractual cash flows of financial assets. Financial assets under this standard are either measured at amortized cost or fair value. Only assets classified as measured at amortized cost shall be tested for impairment. Its application is effective for annual periods beginning on or after January 1, 2015, early adoption is permitted.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IFRS 10 "Consolidated Financial Statements"

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

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

IFRS 11 "Joint arrangement"

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 uses some of the terms that were used IAS 31, but with different meanings. For example, whereas IAS 31identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any.

IFRS 12 "Disclosure of Interests in Other Entities"

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

IFRS 13 "Fair Value Measurement"

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

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

IAS 1 "Presentation of Financial Statements"

"Annual Improvements to IFRS 2009-2011 Cycle", issued in May 2012, amended paragraphs 10, 38 and 41, deleted paragraphs 39-40 and added paragraphs 38A-38D and 40A-40D, which clarifies the difference between voluntary additional comparative information and minimum comparative information required. Generally, the minimum required comparative period is the prior period.

An entity must include comparative information in the related notes to the financial statements when the entity voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period need not contain a complete set of financial statements. In addition, the opening balance of statement of financial position (known as the third balance) must be presented in the following circumstances: when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications and that change has a material effect on the statement of financial position. The opening statement of financial position would be at the beginning of the preceding period. However, unlike the voluntarily comparative information related notes are not required to accompany the third balance. An entity shall apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case it shall be disclosed.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

IAS 16 "Property, Plant and Equipment"

"Annual Improvements to IFRS 2009-2011 Cycle", issued in May 2012, amended paragraph 8. The amendment clarifies that the spare parts and auxiliary equipment that meet the definition of property, plant and equipment are not inventory. An entity shall apply the amendment retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case disclosure.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

"IAS 19 "Employee benefits"

In June 2011, the IASB published amendments to IAS 19, Employee Benefits, which change the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs.

In June 2011, the IASB published amendments to IAS 19, Employee Benefits, which change the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs.

Changes in the defined benefit obligation and plan assets are disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit liabilities (assets). Net interest is calculated using a rate of return on high

quality corporate bonds. This may be less than the rate currently used to calculate the expected return on plan assets, resulting in a decrease in profits. The amendments are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. Retroactive application is required with certain It exceptions.

The Company is still evaluating the potential impacts that this standard/modification may have, concluding that it will not affect significantly the financial statements.

- IAS 32 "Financial Instruments: Presentation"

"Annual Improvements 2009-2011 Cycle", issued in May 2012, amended paragraphs 35, 37 and 39 and add paragraph 35A, which clarifies that income tax distributions to shareholders of the entity are accounted for under IAS 12 Income Tax. The amendment removes the existing requirements of income tax of IAS 32 and requires entities to apply IAS 12 requirements to any income tax distributions to shareholders of the entity. An entity shall apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case disclosure is required.

In December 2011 the IASB issued amendments to IAS 32. These amendments are intended to clarify differences in the application relating to compensation and reduce the level of diversity in current practice. The standard is applicable to count from January 1, 2014 and early adoption is permitted.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

- IAS 34 "Interim Financial Reporting"

"Annual Improvements to IFRS 2009-2011 Cycle", issued in May 2012, amended paragraph 16A. The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. The amended paragraph 16A requires total assets and total liabilities for a particular reportable segment need to be disclosed only when amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amounts disclosed in the entity´s previous annual financial statements for that reportable segment.

An entity shall apply the amendment retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case disclosure is required.

To date, the Company is evaluating the potential impact that adoption will have on its financial statements.

2.3 BASIS OF CONSOLIDATION

Subsidiaries are all entities (including special purpose entities) over which Transelec has the power to direct its financial and operating policies, in which case the Company generally holds a share of more than half of the voting rights. When evaluating whether the Company

controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible should be considered.

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

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

Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

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

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

These consolidated financial statements include balances of subsidiaries Transelec Norte S.A. and Inversiones Eléctricas Transam Chile Ltda. The participation in the subsidiaries was 99.99% and 99.899%, respectively as of December 31, 2012 and 99.99% in Transelec Norte S.A. as of December 31, 2011. In addition, Inversiones Eléctricas Transam Chile Ltda. has participation of 99% in each one of its following subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda. y Transmisora Araucana de Eléctricidad Ltda.

2.4 FOREIGN CURRENCY TRANSLATION

2.4.1 Functional and presentation currency

The Company's functional currency is the Chilean peso, while the functional currency of its all subsidiaries the US dollar. These consolidated financial statements are presented in Chilean pesos.

2.4.2 Transactions and balances

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

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

2.4.3 Subsidiary conversion with functional currency other than the Chilean Peso

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

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

(b) For items in the income statement, the average exchange rate for the period is used that approximates exchange rates at the dates of the transactions.

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

2.4.4 Exchange rates

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

CURRENCY	PESOS PER UNIT	
	DECEMBER 31, 2012	DECEMBER 31, 2011
Unidad de Fomento	22,840.75	22,294.03
US$	479.96	519.20
Euro	634.45	672.97

2.5 SEGMENTS REPORTING

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

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Property, plant and equipment, net of its residual value, is depreciated by distributing the cost of its different components on a straight-line basis over its estimated useful life, which is the period during which the companies expect to use them. The useful lives and residual values of fixed assets are reviewed on a yearly basis.

The following table details the ranges of useful lives periods applied to principal classes of assets and used to determine depreciation expense:

	RANGE OF ESTIMATED USEFUL LIFE	
	MINIMUM	MAXIMUM
Buildings and infrastructure	20	50
Machinery and equipment	15	40
Other assets	3	15

2.7 INTANGIBLE ASSETS

2.7.1 Goodwill

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

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

During the years covered by those financial statements, there were impairment losses of goodwill.

2.7.2 Rights of way

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

2.7.3 Computer software

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

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

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Regardless of what is stated in the preceding paragraph, in the case of cash generating units to which goodwill or indefinite useful life intangibles were assigned, the recoverability analysis is performed systematically each year.

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

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

Impairment losses from continuing operations are recognized in the income statement in the expenses categories in accordance with the function of the impaired assets. Non-financial assets other than goodwill that suffered an impairment loss are reviewed at each reporting date for possible reversal of the impairment, in which case the reversal may not exceed the amount originally impaired. Reversals are included in the income statement. Impairment of goodwill is not reversed.

2.9 FINANCIAL ASSETS

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

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

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

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

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

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

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

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

A financial asset is derecognized when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in

full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired.

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

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

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

2.10 FINANCIAL INSTRUMENTS AND HEDGE ACTIVITIES

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

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

The types of hedges are as follows:

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

At the inception of the transaction, the Company documents the relationship existing between the hedge instruments and the hedged items, as well as its risk management objectives and its strategy for handling various hedge transactions. The Company also documents its assessment, both at inception and subsequently on an ongoing basis, of the effectiveness of the hedge instruments in offsetting movements in the fair values or cash flows of the hedged items.

A derivative is presented as a non-current asset or liability if its maturity is greater than 12 months and it is not expected to be realized within 12 months. Other derivatives are presented as current assets or liabilities.

2.10.1 Fair value hedges

Changes in the fair value of derivates that are designated and qualify as fair value hedges are recorded in the income statement, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The Company has not used fair value hedges during the years presented.

2.10.2 Cash flow hedges

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

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

2.10.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under "Other reserves" heading) until the investment's disposal. Gains or losses relating to the ineffective portion are recognized immediately in the income statement in the line item "Other gains (losses)". The Company applies this policy for the hedge of its investment in the subsidiary Transelec Norte S.A., which is not a foreign operation but has a different functional currency than the Parent Company (US Dollars).

2.10.4 Derivatives not recorded as hedge accounting

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

2.10.5 Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as derivatives when their risks and characteristics are not closely related to the principal contracts and the principal contracts are not measured at fair value through profit and loss. In the case that they are not closely related, they are recorded separately, and any changes in value are recognized in the income statement.

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

2.11 INVENTORY

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

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the statement of consolidated financial position includes cash, time deposits and other highly-liquid, short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 PAID-IN CAPITAL

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

2.14. PASIVOS FINANCIEROS

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

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

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

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

2.15 INCOME TAX AND DEFERRED TAXES

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

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

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

Deferred tax assets and tax credits are recognized only when it is likely that there are future tax gains sufficient enough to recover deductions for temporary differences and make use of tax losses.

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

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

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

2.16 EMPLOYEE BENEFITS

2.16.1 Employee vacation

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

2.16.2 Staff severance indemnity

The Company records liabilities for staff severance indemnity obligations based on collective and individual employment contracts, payable when

their employees cease to provide services. If this benefit is contractual, the obligation is treated in the same way as defined benefit plans in accordance with IAS 19 and is recorded using the projected unit credit method.

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

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

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

Past service costs are recognized immediately in the income statement. .

2.16.3 Profit sharing

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

2.17 PROVISIONS

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

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

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

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

2.18 CLASSIFICATION OF CURRENT AND NON-CURRENT BALANCES

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

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

2.19 REVENUE RECOGNITION

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

The Company's revenues correspond mainly to remuneration from the use of its electricity transmission facilities. This remuneration is earned in part from arrangements subject to the tariff regulation and in part from contractual arrangements with the users of the transmission facilities. The total remuneration for the use of the transmission facilities for both regulated and contractual arrangements includes in general two components: i) the AVNR, which is the annuity of the New Replacement Value (VNR), calculated in such a way that the present value of these annuities, using an annual real discount rate and the economic useful life of each of the facilities equals the cost of replacing the existing transmission facilities with new facilities with similar characteristics at current market prices, plus, ii) the COyM, which corresponds to the cost required to operate, maintain and administrate the corresponding transmission facilities.

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

2.20 LEASES

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

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

2.20.1 The Company as lessor

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

2.20.2 The Company as lessee

Finance leases in which Transelec acts as lessee are recognized when the agreement begins, recording an asset based on the nature of the lease and a liability for the same amount, equal to the lesser of the fair value of the leased asset or the present value of the minimum lease payments. Subsequently, the minimum lease payments are divided between finance expense and reducing the debt. The finance expense is recorded in the income statement and distributed over the period of the lease term so as to obtain a constant interest rate for each period over the balance of the debt pending amortization. The asset is amortized in the same terms as other similar depreciable assets, as long as there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If no such certainty exists, the asset will be amortized over the lesser term between the useful life of the asset and the term of the lease.

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

2.21 DISTRIBUTION OF DIVIDENDS

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

Company makes a provision at the end of each year for the 30% of the profit of the year, in accordance with Law N° 18.046.

On the Company's Board meeting No. 57 held on September 30, 2010, the policy used for the determination of distributable net profit was approved. This policy does not consider adjustments to the profit attributable to owners of the parent.

NOTE 3 - RISK MANAGEMENT POLICY

3.1 FINANCIAL RISK

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

3.1.1 Market risk

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

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

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

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

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

3.1.1.1 Interest rate risk

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

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

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

The table below compares the debts of the Company and shows that majority of the debt as of December 31, 2012 and all debt as of December 31, 2011 was at fixed rate. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

DEB	CURRENCY OR INDEX	INTEREST RATE	TYPE OF RATE	AMOUNT IN ORIGINAL CURRENCY (THOUSAND)	
				DECEMBER 31, 2012	DECEMBER 31, 2011
Bono Series C	UF	3.50%	Fixed	6,000	6,000
Bono Series D	UF	4.25%	Fixed	13,500	13,500
Bono Series E	UF	3.90%	Fixed	3,300	3,300
Bono Series F	CLP	5.70%	Fixed	33,600,000	33,600,000
Bono Series H	UF	4.80%	Fixed	3,000	3,000
Bono Series I	UF	3.50%	Fixed	1,500	1,500
Bono Series K	UF	4.60%	Fixed	1,600	1,600
Bono Series L	UF	3.65%	Fixed	2,500	2,500
Bono Series M	UF	4.05%	Fixed	3,400	3,400
Bono Series N	UF	3.95%	Fixed	3,000	3,000
Revolving Credit Facility	USD	2.53%	Variable (*)	120,000	-.-
Westlb	USD	1.80%	Variable (**)	23,056	-.-

(*) The variable interest rate may correspond to 3- or 6-month Libor; the amount currently used corresponds to 3- month Libor.
(**) Includes spread of 1.5%.

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

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

3.1.1.2 Exchange rate risk

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

- The revenues of its subsidiary Transelec Norte are denominated in U.S. dollars.
- Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).
- Transelec uses forward contracts to sell U.S. dollars to hedge future revenues denominated in the U.S. dollars. Transelec also uses a currency forward contract with its parent; this allows it to finance U.S. dollar-denominated assets of its subsidiary.

Exchange rate exposure is managed using an approved policy that involves:

(a) Fully hedging net balance sheet exposure using diverse instruments such as foreign exchange forward contracts and cross currency swaps. The following table details the amounts of monetary assets and liabilities as of December 31, 2012 and 2011:

	LIABILITIES		ASSETS	
	DECEMBER 31, 2012 MCH$	DECEMBER 31, 2011 MCH$	DECEMBER 31, 2012 MCH$	DECEMBER 31, 2011 MCH$
U.S. dollar (amounts associated with balance sheet entries)	102,918.40	3,917.01	75,915.84	26,772.03
U.S. dollar (amounts associated with income statement entries)	31,389.40	30,110.93	-.-	-.-
Chilean peso	974,211.20	954,826.35	1,878,851.70	1,921,661.84

Los importes de activos y pasivos denominados en dólares y en pesos chilenos, en los períodos indicados a continuación, son los siguientes:

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

3.1.1.2.1 Sensitivity analysis

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

ITEM (CURRENCY)	POSITION MCH$ LONG / (SHORT)	NET INCOME (GAIN)/ LOSS MCH$		POSITION MCH$ LONG / (SHORT)	OCI (GAIN)/ LOSS MCH$	
		CHANGE (-10%)	CHANGE (+10%)		CHANGE (-10%)	CHANGE (+10%)
Receivables (US$)	4,036	367	(404)	-.-	-.-	-.-
Payables (US$)	(31,371)	(2,852)	3,137	-.-	-.-	-.-
Cash (US$)	19,829	1,803	(1,983)	-.-	-.-	-.-
Forwards (assets) (US$)	(6,239)	(567)	624	(31,677)	(2,880)	3,168
Forwards (income)	-.-	-.-	-.-	(31,389)	(2,854)	3,139
Revolving Credit Facility (US$)	(67,155)	(6,105)	6,716	-.-	-.-	-.-
Intercompany loan (US$)	(36,947)	(3,359)	3,695	-.-	-.-	-.-
PPE (US$)	-.-	-.-	-.-	64,725	5,884	(6,473)
Other (US$)	26,409	2,401	(2,641)	-.-	-.-	-.-
TOTAL	(91,438)	(8,312)	9,144	1,659	150	(166)

3.1.2 Credit risk

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

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

REVENUES	2012 THUS$	2011 THUS$
Grupo Endesa	72,245,825	70,856,616
Grupo AES Gener	25,769,694	19,553,430
Grupo Colbún	17,305,911	38,596,337
Grupo Pacific Hydro-LH-LC	21,685,279	19,221,821
Otros	75,799,310	44,923,402
TOTAL	212,806,019	193,151,606
% of concentration of 3 top customers	64.38%	76.74%

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

During 2011 there certain insolvency problems of some of the members of the CDEC-SIC were observed.

In terms of the Company's credit risk associated with other financial assets (time deposits, fixed-return mutual funds and reverse repurchase agreements, net asset position from derivative contracts), the Treasury policy establishes certain limits on a particular institution's exposure; such limits depend on the risk rating and capital of each institution. Likewise, for investments in mutual funds, only funds with a risk rating qualify.

3.1.3 LIQUIDITY RISK

a) Risk associated to Company's management

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

In order to guarantee that Transelec is able to quickly react to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed line of credit for working capital (US$ 250 million, equivalent to ThCh$ 119,990). Until December 31, 2012 the Company used US$ 120 million being equivalent of a Ch$ 57,595 million and it is expected that this line of credit will be renewed on maturity. This committed line of credit was contracted on July 9, 2012, is granted for a period of three years by a bank syndicate consisting of Scotiabank, Bank of Tokyo-Mitsubishi and DnB NOR. This line is in effect at December 31, 2012. At December 31, 2011 the Company had committed credit lines totaling US$ 60 million, equivalent to ThCh$ 31,152.

The Company is exposed to risks associated with indebtedness, including refinancing risk when its debt matures.

These risks are mitigated by using long-term debt and appropriately structuring maturities over time.

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

IN THOUSAND OF CHILEAN PESOS	LESS THAN 1 YEARS	1 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
December 31, 2012	57,639,841	200,292,834	137,044,500	-.-	559,598,375	954,575,550
December 31, 2011	-.-	196,346,419	133,764,180	-.-	546,203,735	876,314,334

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period. In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec according to the repayment schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies owner of generation facilities.

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

NOTE 4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT

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

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

- The estimates of recoverable values of assets and goodwill to determine potential existence of impairment losses;
- Useful lives of property, plant and equipment and intangible assets;
- The assumptions used to calculate the fair value of financial instruments;
- The actuarial assumptions used to calculate obligations to employees;
- Future tax results for the purposes of determining the recoverability of deferred tax assets

NOTE 5 - CASH AND CASH EQUIVALENTS

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

CASH AND CASH EQUIVALENTS	BALANCE AS OF DECEMBER 31, 2012 THCH$	BALANCE AS OF DECEMBER 31, 2011 THCH$
Bank and cash balances	33,614,700	646,549
Short-term deposits	3,044,600	54,481,751
Reverse repurchase agreements and mutual funds	1,296,594	9,083,694
TOTAL	37,955,954	64,211,994

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

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

DETAIL OF CASH AND CASH EQUIVALENTS	CURRENCY	BALANCE AS OF DECEMBER 31, 2012 THCH$	BALANCE AS OF DECEMBER 31, 2011 THCH$
Amount of cash and cash equivalents	U.S. dollars	19,820,861	8,805,706
Amount of cash and cash equivalents	Euros	-.-	19,301
Amount of cash and cash equivalents	Chilean pesos	18,135,093	55,386,987
TOTAL	-.-	37,955,954	64,211,994

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

NOTE 6 - TRADE AND OTHER RECEIVABLES

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

ITEM	BALANCE AS OF DECEMBER 31, 2012 CURRENT THCH$	BALANCE AS OF DECEMBER 31, 2011 CURRENT THCH$
Trade receivables	48,820,533	68,911,384
Miscellaneous receivables	566,552	459,412
TOTAL TRADE AND OTHER RECEIVABLES	49,387,085	69,370,796

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

	BALANCE AS OF DECEMBER 31, 2012 THCH$	BALANCE AS OF DECEMBER 31, 2011 THCH$
Maturing in less than 30 days	27,777,749	47,437,475
Maturing in more than 30 days up to 1 year	21,609,336	21,933,321
TOTAL	49,387,085	69,370,796

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

On September 13, 2011 the company Campanario Generación S.A. was declared bankrupt and stopped paying Transelec SA the amount of ThCh$ 6,345,762 (as of September 30, 2011) from tolls and tariff revenue. Based on the legal and regulatory history the Company, estimated that there are no indications to attest that the accounts receivable outstanding from tariff revenues, are impaired. Therefore, Transelec recorded a provision for uncollectible amount of ThCh$ 1,026,284 relating to accounts receivable for items other than tariff revenues for which - at the date of the presentation of these financial statements - there is no certainty that the Company will recover.

NOTE 7 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

7.1 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

Receivables from related parties

						BALANCE AS OF			
						CURRENT		NON-CURRENT	
TAXPAYER ID NUMBER	COMPANY	DESCRIPTION	TERM OF TRANSACTION	RELATIONSHIP	CURRENCY	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
76.560.200-9	Transelec Holdings Rentas Electricas Ltda.	Mercantile current account	Not defined	Parent company	US$	6,059,980	1,460,395	-.-	-.-
76.560.200-9	Transelec Holdings Rentas Electricas Ltda.	Mercantile current account	6 months	Parent company	UF	57,860	1,811,618	-.-	-.-
76.560.200-9	Transelec Holdings Rentas Electricas Ltda.	Loan	6 years	Parent company	UF	-.-	-.-	69,581,888	67,896,855
76.560.200-9	Transelec Holdings Rentas Electricas Ltda.	Loan	Not defined	Parent company	US$	-.-	900,000	-.-	-.-
76.248.725-K	CyT Operaciones SpA	Mercantile current account	Not defined	Indirect	US$	86,531,517	-.-	-.-	-.-
TOTAL	-.-	-.-	-.-	-.-	-.-	92,649,357	4,172,013	69,581,888	67,896,855

Payables to related parties

						BALANCE AS OF			
						CURRENT		NON-CURRENT	
TAXPAYER ID NUMBER	COMPANY	DESCRIPTION	TERM OF TRANSACTION	RELATIONSHIP	CURRENCY	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
76.560.200-9	Transelec Holdings Rentas Electricas Ltda.	Loan	5 years and 7 months	Parent company	US$	-.-	3,870,835	36,947,376	39,970,247
TOTAL	-.-	-.-	-.-	-.-	-.-	-.-	3,870,835	36,947,376	39,970,247

a) Most significant transactions and their effect on income

Transactions with unconsolidated related parties had the following effects on the income statement for the periods December 31, 2012 and 2011:

				DECEMBER 31, 2012 THCH$		DECEMBER 31, 2011 THCH$	
TAXPAYER ID NUMBER	COMPANY	RELATIONSHIP	DESCRIPTION OF TRANSACTION	AMOUNT	EFFECT ON INCOME	AMOUNT	EFFECT ON INCOME
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans granted	-.-	-.-	62,720,714	-.-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans paid	3,870,835	-.-	12,290,720	-.-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest earned	2,648,059	2,648,059	1,890,985	1,890,985
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest accrued	1,586,062	(1,586,062)	-.-	-.-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest received	4,494,218	-.-	97,295	-.-
76.248.725-K	CyT Operaciones SpA.	Indirect	Sale of project	102,899,637	2,538,189	-.-	-.-

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

7.2 BOARD OF DIRECTORS AND MANAGEMENT

In accordance with the Company's by-laws, the Board of Directors of Transelec is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on April 27, 2012. The current Chairman of the Board was elected at Board meeting dated September 27, 2012.

7.2.1 Board of Directors' compensation

As established in Article No. 33 of Law No. 18,046 on Corporations, on the Second Ordinary Shareholders' Meeting of Transelec S.A., held on April 27, 2012, shareholders established annual gross compensation for the Company's Directors of the equivalent of US$ 70,000, regardless of the number of sessions actually attended or held. Allowances are paid on a quarterly basis.

Directors Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived their respective allowances for 2011 and this waiver is maintained for 2012 year. Accordingly, the following compensation was received by directors during the periods 2012 and 2011:

	2012 THCH$	2011 THCH$
Blas Tomic Errázuriz	34,689	33,904
José Ramón Valente Vias	34,68933,904	
Alejandro Jadresic Marinovic	34,68933,904	
Mario Alejandro Valcarce Duran	34,68933,904	
Bruno Pedro Philippi Irarrazabal	34,689	33,904

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

7.3 BOARD EXPENSES

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

7.4 AUDIT COMMITTEE

In April 2007, the Company approved creation of an Audit Committee, separate from that established in the Corporations Law. Its functions include, among others, reviewing the reports of the external auditors as well as the Company's balance sheets, other financial statements and internal systems. Transelec's Audit Committee is composed of four Directors, all of whom are qualified in financial matters and apply their specialized knowledge to diverse topics of interest to the Company. Committee members are appointed by the Board of Directors. They hold their positions for two years and may be re-elected. The Committee appoints a Chairman-from among its members-and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Audit Committee held four meetings in 2012 and four meetings for the periods 2011.

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

On the Quarter Ordinary Shareholders' Meeting of Transelec S.A., held on April 27, 2012, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

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

	2012 THCH$	2011 THCH$
Mario Alejandro Valcarce Duran	5,192	-.-
José Ramón Valente	5,192	4,680

7.5 COMPENSATION OF KEY MANAGEMENT THAT ARE NOT DIRECTORS

Members of Key Management

Andrés Kuhlmann Jahn	Chief Executive Officer
Eric Ahumada Gomez	Vice-President of Business Development
Francisco Castro Crichton	Vice-President of Finance
Alexandros Semertzakis Pandolfi	Vice-President of Engineering and Construction
Claudio Aravena Vallejo	Vice-President of Human Resources
Arturo Le Blanc Cerda	Vice-President of Legal Matters
Rodrigo Lopéz Vergara	Vice-President of Operations
Jorge Lagos Rodríguez	Corporate Affairs Manager
Juan Carlos Araneda Tapia	Electrical Development Manager

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

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

	2012	2011
Salaries	1,479,038	1,350,844
Short-term employee benefits	560,708	533,923
Long-term employee benefits	908,633	241,614
TOTAL COMPENSATION RECEIVED BY KEY MANAGEMENT PERSONNEL	2,948,379	2,126,381

NOTE 8 - INVENTORY

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

CLASSES OF INVENTORY	BALANCE AS OF DECEMBER 31, 2012 THCH$	BALANCE AS OF DECEMBER 31, 2011 THCH$
Safety equipment	28,301	38,111
TOTAL	28,301	38,111

NOTE 9 - FINANCIAL LEASES

9.1 FINANCE LEASE RECEIVABLES

	BALANCE AS OF DECEMBER 31, 2012 THCH$	BALANCE AS OF DECEMBER 31, 2011 THCH$
Current finance lease receivables	669,329	473,555
Non-current finance lease receivables	34,465,605	10,462,445
TOTAL	35,134,934	10,936,000

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

	DECEMBER 31, 2012		
PERIOD IN YEARS	NOMINAL VALUE THCH$	INTEREST RECEIVABLE THCH$	PRESENT VALUE THCH$
Less than 1	669,329	2,855,370	3,524,699
1-5	3,235,803	11,634,743	14,870,546
Over 5	31,229,802	40,217,103	71,446,905
TOTAL	35,134,934	54,707,216	89,842,150

	DECEMBER 31, 201		
PERIOD IN YEARS	NOMINAL VALUE THCH$	INTEREST RECEIVABLE THCH$	PRESENT VALUE THCH$
Less than 1	473,555	397,513	871,068
1-5	1,969,704	1,274,312	3,244,016
Over 5	8,492,741	3,392,847	11,885,588
TOTAL	10,936,000	5,064,672	16,000,672

9.2 OPERATING LEASES PAYABLE

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

	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Real estate lease	561,026	532,394
Other leases	561,101	579,002
TOTAL OPERATING LEASES	1,122,127	1,111,396

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

	UP TO 1 YEAR THCH$	1 TO 5 YEARS THCH$	MORE THAN 5 YEARS THCH$
Real estate lease	576,844	2,485,698	-.-
Other leases	576,921	2,468,030	-.-
TOTAL OPERATING LEASES	1,153,765	4,971,728	-.-

NOTE 10 - INTANGIBLE ASSETS

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

INTANGIBLE ASSETS, NET	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Rights of way	152,969,673	148,448,704
Software	849,982	815,158
Goodwill	348,371,203	338,897,614
TOTAL INTANGIBLE ASSETS, NET	502,190,858	488,161,476

INTANGIBLE ASSETS, GROSS	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Rights of way	152,969,673	148,448,704
Software	4,127,431	3,782,694
Goodwill	348,371,203	338,897,614
TOTAL INTANGIBLE ASSETS	505,468,307	491,129,012

ACCUMULATED AMORTIZATION AND IMPAIRMENT	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Software	(3,277,449)	(2,967,536)
TOTAL ACCUMULATED AMORTIZATION	(3,277,449)	(2,967,536)

The composition and movements of intangible assets during the period 2012 and 2011 are the following:

Period 2012

MOVEMENTS IN INTANGIBLE ASSETS	RIGHTS OF WAY THCH$	SOFTWARE THCH$	GOODWILL THCH$	NET INTANGIBLE ASSETS THCH$
OPENING BALANCE AS OF JANUARY 1, 2012	148,448,704	815,158	338,897,614	488,161,476
MOVEMENTS IN IDENTIFIABLE INTANGIBLE ASSETS				
Additions	4,897,068	352,349	9,473,589	14,723,006
Amortization	-.-	(309,913)	-.-	(309,913)
Translation difference	(376,099)	(7,612)	-.-	(383,711)
ENDING BALANCE OF INTANGIBLE ASSETS AS OF DECEMBER 31 , 2012	152,969,349	849,892	348,371,203	502,190,858

Year 2011

MOVEMENTS IN INTANGIBLE ASSETS	RIGHTS OF WAY THCH$	SOFTWARE THCH$	GOODWILL THCH$	NET INTANGIBLE ASSETS THCH$
OPENING BALANCE AS OF JANUARY 1, 2011	139,817,492	955,400	338,897,614	479,670,506
MOVEMENTS IN IDENTIFIABLE INTANGIBLE ASSETS				
Additions	8,085,483	287,648	-.-	8,373,131
Transfer to receivables for financial leasing	(11,021)	-.-	-.-	(11,021)
Amortization	-.-	(434,923)	-.-	(434,923)
Translation difference	36,194	7,033	-.-	43,227
Other increases (decreases)	520,556	-.-	-.-	520,556
ENDING BALANCE OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2011	148,448,704	815,158	338,897,614	488,161,476

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

11.1 DETAIL OF ACCOUNTS

This account is detailed as follows:

PROPERTY, PLANT AND EQUIPMENT, NET	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Land	20,983,480	20,668,591
Buildings and infrastructure	782,651,737	780,897,957
Machinery and equipment	351,440,492	349,626,007
Other property, plant and equipment	4,468,080	1,852,680
PROPERTY, PLANT AND EQUIPMENT, NET	1,159,543,789	1,153,045,235

PROPERTY, PLANT AND EQUIPMENT, GROSS	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Land	20,983,480	20,668,591
Buildings and infrastructure	930,526,162	903,866,114
Machinery and equipment	458,330,044	438,028,430
Other property, plant and equipment	4,468,080	1,852,680
TOTAL PROPERTY, PLANT AND EQUIPMENT, GROSS/	1,414,307,766	1,364,415,815

TOTAL ACCUMULATED DEPRECIATION AND IMPAIRMENT, PROPERTY, PLANT AND EQUIPMENT, NET	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Buildings and infrastructure	(147,874,425)	(122,968,157)
Machinery and equipment	(106,889,552)	(88,402,423)
TOTAL ACCUMULATED DEPRECIATION AND IMPAIRMENT, PROPERTY, PLANT AND EQUIPMENT	(254,763,977)	(211,370,580)

11.2 RECONCILIATION OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

YEAR 2012	LAND	BUILDINGS AND INFRASTRUCTURE	MACHINERY AND EQUIPMENT	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT, NET
OPENING BALANCE JANUARY 1, 2012	20,668,591	780,897,957	349,626,007	1,852,680	1,153,045,235
Movement					
Additions	430,904	100,863,139	25,411,530	263,705	126,969,278
Retiremen	-.-	(84,445,437)	(1,868,540)	-.-	(86,313,977)
Depreciation expense	-.-	(24,869,011)	(21,026,175)	-.-	(45,895,186)
Translation adjustment	(116,015)	(4,104,258)	(702,330)	(517)	(4,923,120)
Other increases (decreases)	-.-	14,309,347	-.-	2,352,212	16,661,559
ENDING BALANCE AS OF DECEMBER 31, 2012	20,983,480	782,651,737	351,440,492	4,468,080	1,159,543,789

YEAR 2011	LAND	BUILDINGS AND INFRASTRUCTURE	MACHINERY AND EQUIPMENT	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT, NET
OPENING BALANCE JANUARY 1, 2011	19,949,131	752,861,802	319,851,833	1,890,717	1,094,533,483
Movement					
Additions	568,115	42,538,782	50,094,208	5,192	93,206,297
Retirement	-.-	(1,732,191)	(1,542,834)	(43,473)	(3,318,498)
Transfer to receivables for financial leasing	-.-	(2,198,812)	-.-	-.-	(2,198,812)
Depreciation expense	-.-	(22,269,924)	(19,771,293)	-.-	(42,041,217)
Translation adjustment	151,345	5,533,538	994,093	244	6,679,220
Other increases (decreases)	-.-	6,164,762	-.-	-.-	6,164,762
ENDING BALANCE AS OF DECEMBER 31, 2011	20,668,591	780,897,597	349,626,007	1,852,680	1,153,045,235

11.3 ADDITIONAL INFORMATION ON PROPERTY, PLANT AND EQUIPMENT

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

As of December 31, 2012 and 2011, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totaling ThUS$ 117,294,073 and ThUS$177,909,784, respectively.

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

	DECEMBER 31, 2012	DECEMBER 31, 2011
Capitalization rate (Annual basis)	6.90%	7.86%
Capitalized interest costs (ThCh$)	2,483,031	7,147,555

Work in progress balances amounts to ThCh$ 47,544,608 and ThCh$ 79,963,717 and as of December 31, 2012, and 2011, respectively.

NOTE 12 - DEFERRED TAXES

12.1 DETAIL OF DEFERRED TAX ASSETS AND LIABILITIES

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

TEMPORAL DIFFERENCES	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2012 THCH$
Depreciable fixed assets	10,424,675	25,825,245	3,581,924	2,199,478
Forwards contracts	-.-	686,126	-.-	-.-
Prepaid bond expenses	(1,216,263)	(1,163,314)	-.-	-.-
Leased assets	(55,919)	(442,412)	4,216,580	1,425,706
Materials and spare parts	411,803	339,182	-.-	-.-
Tax losses	15,694,484	7,295,460	(1,602,986)	-.-
Staff severance indemnities provision	(21,849)	(63,367)	-.-	-.-
Deferred income	690,593	426,019	-.-	-.-
Investment value provision	9,596	8,157	-.-	-.-
Lawsuit provision	45,345	37,794	-.-	(26,341)
Obsolescence provision	20	14,256	-.-	-.-
Assets under construction	497,907	844,357	-.-	-.-
Vacation provisions	255,443	128,221	-.-	-.-
Intangible assets	(10,267,471)	(9,285,626)	(236,175)	139,797
Adjustment of effective interest rate of bonds	(1,508,789)	(1,349,402)	-.-	-.-
Land	369,319	214,721	150,924	(235,996)
Allowance for Doubtful Receivables	279,297	174,467	-.-	-.-
TOTAL	15,608,137	23,689,884	6,110,267	3,502,644

12.2 DEFERRED TAX MOVEMENTS IN STATEMENT OF FINANCIAL POSITION

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

DEFERRED TAX MOVEMENTS	ASSET THCH$	LIABILITY THCH$
BALANCE AS OF JANUARY 1, 2011	30,931,637	3,249,021
Increase (decrease)	(7,241,753)	(101,748)
Translation adjustment	-.-	355,371
BALANCE AS OF DECEMBER 31, 2011	23,689,884	3,502,644
Increase (decrease)	(8,081,747)	2,745,067
Translation adjustment	-.-	(137,444)
BALANCE AS OF DECEMBER 31, 2012	15,608,137	6,110,267

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

NOTE 13 - FINANCIAL LIABILITIES

13.1 OTHER FINANCIAL LIABILITIES

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

INTEREST BEARING LOANS	DECEMBER 31, 2012		DECEMBER 31, 2011	
	CURRENT THCH$	NON- CURRENT THCH$	CURRENT THCH$	NON- CURRENT THCH$
Bonds payable	7,917,374	883,196,168	7 ,737,562	861,758,340
TOTAL BONDS PAYABLE	7,917,374	883,196,168	7 ,737,562	61,758,340
Bank loans payable	58,530,647	9,426,521	-.-	-.-
Forward contract	334,766	-.-	165,199	-.-
TOTAL OBLIGATIONS WITH BANKS	58,865,413	9,426,521	165,199	-.-
TOTAL	66,782,786	892,622,689	7,902,761	861,758,340

13.2 DETAIL OF OTHER FINANCIAL LIABILITIES

The detail of other financial liabilities is as follows:

INSTRUMENT REGISTRATION NUMBER	SERIES	NOMINAL AMOUNT PLACED OUTSTANDING	INDEXATION UNIT	NOMINAL INTEREST ARE	EFFECTIVE INTEREST RATE	FINAL MATURITY	PERIODICITY		PAR VALUE		PLACEMENT IN CHILE OR ABROAD
							INTEREST PAYMENTS	PRINCIPAL PAYMENTS	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$	
481	C	6,000,000	UF	3.50%	4.03%	03.01.2013	Semiannually	At the end	1,781,859	1,731,578	Chile
480	D	13,500,000	UF	4.25%	4.37%	06.15.2013	Semiannually	At the end	1,131,935	1,104,929	Chile
598	E	3,300,000	UF	3.90%	3.82%	02.01.2013	Semiannually	At the end	1,187,926	1,160,326	Chile
598	F	33,600,000,000	CLP	5.70%	5.79%	02.01.2013	Semiannually	At the end	795,468	794,901	Chile
599	H	3,000,000	UF	4.80%	4.79%	02.01.2013	Semiannually	At the end	1,351,300	1,318,974	Chile
598	I	1,500,000	UF	3.50%	3.79%	03.01.2013	Semiannually	At the end	425,437	414,171	Chile
599	K	1,600,000	UF	4.60%	4.61%	03.01.2013	Semiannually	At the end	552,413	539,172	Chile
598	L	2,500,000	UF	3.65%	3.92%	06.15.2013	Semiannually	At the end	186,671	181,769	Chile
599	M	1,500,000	UF	4.05%	4.26%	06.15.2013	Semiannually	At the end	119,189	116,222	Chile
599	M-1	1,900,000	UF	4.05%	4.23%	06.15.2013	Semiannually	At the end	151,273	147,493	Chile
599	N	3,000,000	UF	3.95%	4.29%	06.15.2013	Semiannually	At the end	233,903	228,027	Chile
TOTAL – SHORT – TERM PORTION									7,917,374	7,737,562	
Bank loans payable									58,530,647	-.-	
Forward contracts									334,766	165,199	
TOTAL CURRENT									66,782,786	7,902,761	

INSTRUMENT REGISTRATION NUMBER	SERIES	NOMINAL AMOUNT PLACED OUTSTANDING	INDEXATION UNIT	NOMINAL INTEREST ARE	EFFECTIVE INTEREST RATE	FINAL MATURITY	PERIODICITY		PAR VALUE		PLACEMENT IN CHILE OR ABROAD
							INTEREST PAYMENTS	PRINCIPAL PAYMENTS	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$	
4481	C	6,000,000	UF	3.50%	4.03%	09.01.2016	Semiannually	At the end	134,439,685	130,646,110	Chile
480	D	13,500,000	UF	4.25%	4.37%	12.15.2027	Semiannually	At the end	303,839,090	296,386,272	Chile
598	E	3,300,000	UF	3.90%	3.82%	08.01.2014	Semiannually	At the end	75,489,536	73,735,682	Chile
598	F	33,600,000,000	CLP	5.70%	5.79%	08.01.2014	Semiannually	At the end	32,963,328	33,523,950	Chile
599	H	3,000,000	UF	4.80%	4.79%	08.01.2031	Semiannually	At the end	67,737,670	66,915,067	Chile
598	I	1,500,000	UF	3.50%	3.79%	09.01.2014	Semiannually	At the end	34,657,920	33,171,042	Chile
599	K	1,600,000	UF	4.60%	4.61%	09.01.2031	Semiannually	At the end	37,328,283	35,635,957	Chile
598	L	2,500,000	UF	3.65%	3.92%	12.15.2015	Semiannually	At the end	56,588,400	55,101,096	Chile
599	M	1,500,000	UF	4.05%	4.26%	06.15.2032	Semiannually	At the end	33,278,059	32,449,304	Chile
599	M-1	1,900,000	UF	4.05%	4.23%	06.15.2032	Semiannually	At the end	42,043,467	40,992,954	Chile
599	N	3,000,000	UF	3.95%	4.29%	12.15.2038	Semiannually	At the end	64,830,730	63,200,906	Chile
Bonds payable – non-current portion									883,196,168	861,758,340	
Bank loans payable									9,426,521	-.-	
TOTAL LONG TERM									892,622,689	861,758,340	

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$ 954,575,550 and ThCh$ 873,531,935 as of December 31, 2012 and 2011, respectively.

The fair value of the bonds is estimated by discounting future cash flows using discount rates available for debt with similar terms of credit risk and similar maturities.

13.3 HEDGE DEBT

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

	DECEMBER 31, 2012	DECEMBER 31, 2011
Translation adjustments recorded in equity	(23,982)	130,034
Cash flow hedge	(107,293)	(137,115)
Net investment hedge	1,954,501	1,162,191
BALANCE OF RESERVES AT THE END OF THE YEAR	1,823,280	1,155,110

13.4 OTHER ASPECTS

As of December 31, 2012, Transelec had available credit line of US$ 250 million, out of which amount of US$ 120 million was drawn in December 2012, leaving available amount of US$ 130 million equivalent to ThCh$ 62,394,800. As of December 31, 2011 the Company had available short-term credit lines of ThCh$ 98,034,090.

Many of the Company's debt agreements include an obligation to comply with certain covenants, including certain financial ratios (see Note 18), which is customary for agreements of this nature. This also includes affirmative and negative obligations that require these commitments to be monitored.

NOTE 14 - TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2012 and 2011, are detailed as follows:

TRADE AND OTHER PAYABLES	CURRENT		NON- CURRENT	
	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Trade and other payables	89,427,302	90,936,736	-.-	-.-
TOTAL	89,427,302	90,936,736	-.-	-.-

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

NOTE 15 - DERIVATIVE INSTRUMENTS

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

- Cash flow hedging instruments: Those that hedge the cash flows of the hedged underlying item.
- Non-hedge derivatives: Those that do not meet the requirements established by IFRS and thus do not qualify for hedge accounting.

15.1 HEDGE ASSETS AND LIABILITIES

	DECEMBER 31, 2012				DECEMBER 31, 2011			
	ASSET		LIABILITY		ASSET		LIABILITY	
	CURRENT THCH$	NON – CURRENT THCH$	CURRENT THCH$	NON – CURRENT THCH$	CURRENT THCH$	NON – CURRENT THCH$	CURRENT THCH$	NON – CURRENT THCH$
Cash flow hedge forwards	-.-	-.-	134,116	-.-	-.-	-.-	165,199	-.-
Net investment hedge forward	6,059,980	-.-	-.-	-.-	-.-	-.-	3,026,289	-.-
Non-hedge forwards	-.-	-.-	200,650	-.-	-.-	-.-	844,546	-.-
TOTAL	6,059,980	-.-	334,766	-.-	-.-	-.-	4,036,034	-.-

15.2 OTHER INFORMATION

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

FINANCIAL DERIVATIVES	FAIR VALUE	MATURITY							DECEMBER 31, 2012
		BEFORE 1 YEAR THCH$	2013 THCH$	2014 THCH$	2015 THCH$	2016 THCH$	2017 THCH$	POSTERIOR THCH$	TOTAL THCH$
Cash flow hedge forwards	134,116	134,116	-.-	-.-	-.-	-.-	-.-	-.-	134,116
Net investment hedge forward	6,059,980	6,059,980	-.-	-.-	-.-	-.-	-.-	-.-	6,059,980
Non-hedge forwards	200,650	200,650	-.-	-.-	-.-	-.-	-.-	-.-	200,650

FINANCIAL DERIVATIVES	FAIR VALUE	MATURITY							DECEMBER 31, 2011
		BEFORE 1 YEAR THCH$	2012 THCH$	2013 THCH$	2014 THCH$	2015 THCH$	2016 THCH$	POSTERIOR THCH$	TOTAL THCH$
CCash flow hedge forwards	165,199	165,199	-.-	-.-	-.-	-.-	-.-	-.-	165,199
Net investment hedge forward	3,026,289	3,026,289	-.-	-.-	-.-	-.-	-.-	-.-	3,026,289
Non-hedge forwards	844,546	844,546	-.-	-.-	-.-	-.-	-.-	-.-	844,546

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the periods presented, December 31, 2012 and 2011, Transelec had not recognized any gains or losses for ineffectiveness of cash flow hedges.

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

15.3 FAIR VALUE HIERARCHIES

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

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

FINANCIAL INSTRUMENTAL MEASURED AT FAIR VALUE	DECEMBER 31, 2012 THCH	FAIR VALUE MEASURED AT THE END OF THE REPORTING PERIOD USING LEVEL 1 THCH	LEVEL 2 THCH	LEVEL 2 THCH
FINANCIAL ASSET (LIABILITY)				
Cash flow hedge	(134,116)	-.-	(134,116)	-.-
Net investment hedge	6,059,980	-.-	6,059,980	-.-
Non-hedge forwards	(200,650)	-.-	(200,650)	-.-
TOTAL, NET	5,725,214	-.-	5,725,214	-.-

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

FINANCIAL INSTRUMENTAL MEASURED AT FAIR VALUE	DECEMBER 31, 2012 THCH	FAIR VALUE MEASURED AT THE END OF THE REPORTING PERIOD USING LEVEL 1 THCH	LEVEL 2 THCH	LEVEL 2 THCH
FINANCIAL ASSET (LIABILITY)				
Cash flow hedge forwards	165,199	-.-	165,199	-.-
Net investment hedge forward	3,026,289	-.-	3,026,289	-.-
Non-hedge forwards	844,546	-.-	844,546	-.-
TOTAL, NET	4,036,034	-.-	4,036,034	-.-

NOTE 16 - PROVISIONS

16.1 DETAIL OF PROVISIONS

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

DETAIL	CURRENT		NON-CURRENT	
	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Staff severance indemnities (Note 17)	690,072	375,151	3,228,405	3,481,742
Accrued vacations	1,277,215	1,300,932	-.-	-.-
Profit sharing benefits	4,351,884	3,004,270	9,530	9,530
Other provisions	514,751	439,330	-.-	-.-
TOTAL	6,833,922	5,119,683	3,237,935	3,491,272

16.2 PROVISION MOVEMENTS

In 2012 and 2011, provision movements were the following:

MOVEMENTS IN PROVISIONS	STAFF SEVERANCE INDEMNITIES THCH$	PROFIT SHARING BENEFITS THCH$	ACCRUED VACATIONS THCH$	OTHER PROVISION THCH$	TOTAL THCH$
BEGINNING BALANCE AS OF JANUARY 1, 2012	3,856,383	3,014,310	1,300,932	439,330	8,610,955
MOVEMENTS IN PROVISIONS:					
Provisions during the year	460,810	4,575,494	1,152,116	107,973	6,296,393
Payments	(398,716)	(3,228,390)	(1,175,833)	(32,551)	(4,835,490)
ENDING BALANCE AS OF DECEMBER 31, 2012	3,981,477	4,361,414	1,277,215	514,752	10,071,858

MOVEMENTS IN PROVISIONS	STAFF SEVERANCE INDEMNITIES THCH$	PROFIT SHARING BENEFITS THCH$	ACCRUED VACATIONS THCH$	OTHER PROVISION THCH$	TOTAL THCH$
BEGINNING BALANCE AS OF JANUARY 1, 2011	3,928,161	2,794,087	898,556	363,758	7,984,562
MOVEMENTS IN PROVISIONS:					
Provisions during the year	637,340	683,253	1,123,802	75,572	2,519,967
Payments	(709,118)	(463,030)	(721,426)	-.-	(1,893,574)
ENDING BALANCE AS OF DECEMBER 31, 2011	3,856,383	3,014,310	1,300,932	439,330	8,610,955

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

As of December 31, 2012

DETAIL	LESS THAN 1 YEAR	MORE THAN 1 YEAR AND UP TO 3 YEARS	MORE THAN 3 YEARS AND UP TO 5 YEARS	MORE THAN 5 YEARS
Staff severance indemnities	690,072	388,664	582,997	2,256,744
Accrued vacations	1,277,215	-.-	-.-	-.-
Profit sharing benefits	4,351,884	9,530	-.-	-.-
Other provisions	514,752	-.-	-.-	-.-
TOTAL	6,833,923	398,194	582,997	2,256,744

As of December 31, 2011

DETAIL	LESS THAN 1 YEAR	MORE THAN 1 YEAR AND UP TO 3 YEARS	MORE THAN 3 YEARS AND UP TO 5 YEARS	MORE THAN 5 YEARS
Staff severance indemnities	375,151	424,978	515,176	2,541,588
Accrued vacations	1,300,930	-.-	-.-	-.-
Profit sharing benefits	3,004,272	9,530	-.-	-.-
Other provisions	439,330	-.-	-.-	-.- -.-
TOTAL	5,119,683	434,508	515,176	2,541,588

16.3 LAWSUITS AND ARBITRATION PROCEEDINGS

Transelec S. A.

1.- Charges presented by the Superintendency of Electricity and Fuels (SEC) for failure on November 7, 2003. Fine applied: UTA 1,120 (one thousand one hundred and twenty annual tax units) equal to ThCh$ 540,369 as of December 31, 2012. Current status: resource legal claim being brought, the Court of Appeals of Santiago (5666-09 Role) was hosted by judgment dated July 9, 2012 which stated the decay of the administrative sanction. SEC appealed and is pending the hearing of the case in the Supreme Court. Probable outcome: Given the Court´s historical behavior in similar cases, the most likely scenario is the confirmation of the of first instance judgment.

2.- Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on March 14, 2010. Fine applied: UTA 1,645 (one thousand six hundred forty-five units per year tax) equal to ThCh$ 793,666 as of December 31, 2012. Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals, which has not been ruled on as of December 31, 2012. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

3.- Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on October 30, 2010 (S/E Cardones). Fine applied: UTA 100 (one hundred annual tax units) equal to ThCh$ 48,247 as of December 31, 2012. Current situation: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 2398-12). On July 27, 2012, the Court of Appeals rejected the appeal. An appeal was filed, which to date has not been resolved. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

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

5.- Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on July 28, 2010 (S/E Polpaico). Fine applied: UTA 400 (four hundred tax units) equal to ThCh$ 192,989 as of December 31, 2012. Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 5824-12). On January 3, 2013, the Court of Appeals rejected the claim and appeal shall be filed not later than on January 15, 2013. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

6.- Charges presented by the Superintendency of Electricity and Fuels (SEC), for failure on July 27, 2010 (S/E Polpaico). Fine applied: UTA 560 (five hundred sixty tax units) equal ThCh$ 270,184 as of December 31, 2012. Current status: As the motion for reconsideration filed with the SEC was rejected, Transelec filed an appeal before the Santiago Court of Appeals (Rol 5949-12) which has not been resolved as of December 31, 2012. Probable outcome: Given the Court´s historical behavior in similar cases the most likely scenario is that the fine will be upheld.

As of December 31, 2012 the Company has established a provision for these contingent liabilities totaling to ThCh$ 2,776,752, considering for the purpose of this estimate that there are similar cases in the Court of Appeals in which the Court of Appeals rejected the claim, pending the hearing of the appeal before Supreme Court, that in such cases has confirmed the decisions of the SEC. In addition, there are cases with appeals before the SEC and for which the body normally and to some extent has kept the fine charged.

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

In order to collect the funds owed by Campanario Generación S.A., on August 12, 2011, Transelec S.A. filed a preparatory invoice notification measure against that company before the 5th Civil Court of Santiago for unpaid invoices totaling ThCh$ 6,285,171. This judicial management was presented to the 5th Civil Court of Santiago.

On September 13, 2011, Campanario Generación S.A. was declared bankrupt by the 6th Civil Court of Santiago. In this bankruptcy proceeding, Transelec claimed $ 14,688,235,160, which includes VAT of ThCh$ 2,345,064, plus principal, interest, indexation adjustments and costs.

By Exempt Resolution No. 2288 dated August 26, 2011, the SEC ordered the CDEC-SIC to exclude the Company from the Balance of Energy and Power which is made to calculate tariff revenues (IT). In compliance with the order, CDEC-SIC issued a new procedure, which was approved by the National Energy Commission (CNE). Transelec S.A. impugned the proceedings before the Panel of Experts, which in Opinion No. 24-2011 ordered the issuance of a new procedure by the CDEC-SIC that still requires an approval by the CNE.

In relation with the final tolls and IT for 2011, the CDEC-SIC issued the corresponding settlement, which was also impugned by Transelec before the Panel of Experts, which through Opinion No. 2-2012 ordered CDEC-SIC to determine new settlements of tolls and final IT for 2011, declaring that Transelec S.A. is not responsible for the payments of amounts owed by Campanario Generación S.A. to generators, and also that they must pay the IT related to Campanario Generación S.A. to Transelec S.A. This new settlement issued was objected by Endesa through discrepancy filed with the Panel of Experts, which to date did not issue a final resolution. The distribution of the amount already recovered by Transelec in bankruptcy proceeding (ThCh$ 3,161,082) depends on the final settlement mechanism.

In the bankruptcy proceedings the assets of Campanario Generación S.A. were liquidated and an amount of US$ 86.6 million was recovered. According to the opinion of our external lawyers (Philippi), those proceeds will be sufficient to cover approximately 40.86% of the verified debt of Campanario Generación S.A. This percentage may vary depending on the price obtained from the sale of water rights. In addition, efforts are being made to recover an amount paid in respect of VAT and related relating to the amounts billed. The total amount of the VAT to recover is ThCh$ 2,345,054, out of which amount of ThCh$ 1,766,780 has been already recovered.

In connection with this case, the SEC presented charges against Transelec S.A., accusing it of having broken the chain of payments in the system. Transelec S.A. responded the charges and after obtaining a favorable opinion from the Panel of Experts, made a presentation to the SEC requesting to set aside the punitive process.

In relation with this case (Campanario Generación S.A.), dated May 29, 2012, Transelec was notified of the lawsuit filed by a group of generators, led by Colbun SA, seeking the recovery of ThCh$ 1,374,898 from Transelec S.A. which corresponds to a debt of Campanario Generación S.A. consequence of its default. Transelec S.A. defense is to show that, as stated by the Panel of Experts in its Opinion No. 2-2012 cited above, it does not assume the payment of an obligation to a third party, in this case Campanario Generación S.A., as Transelec S.A. did not participate as a debtor in the “Balance of Injections and Withdrawals of Energy and Power” prepared by the CDEC-SIC, and only acts as collector of such settlements. To date, the procedure has been suspended by mutual agreement of the parties.

Transelec Norte S.A. and subsidiaries

As of December 31, 2012, have no litigations or arbitration proceedings.

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

17.1 DETAIL OF ACCOUNT

POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Staff severance indemnity provision – current	690,072	375,151
Staff severance indemnity provision non – current	3,228,405	3,481,742
TOTAL CURRENT AND NON-CURRENT OBLIGATIONS FOR POST-EMPLOYMENT BENEFITS	3,918,477	3,856,893

17.2 DETAIL OF POST-EMPLOYMENT AND OTHER SIMILAR OBLIGATIONS

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

POST-EMPLOYMENT AND OTHER BENEFITS OBLIGATIONS	STAFF SEVERANCE INDEMNITY DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Present value of defined benefit plan obligations opening balance	3,856,893	3,928,161
Current service cost of defined benefit plan obligations	200,047	277,610
Interest cost of defined benefit plan obligations	260,253	360,240
Payments	(398,716)	(709,118)
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS ENDING BALANCE	3,981,477	3,856,893

17.3 BALANCE OF POST-EMPLOYMENT AND OTHER SIMILAR OBLIGATIONS

	STAFF SEVERANCE INDEMNITY DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS, ENDING BALANCE	3,981,477	3,856,893
Present obligation with defined benefit plan funds3,981,477	3,856,893	
FAIR VALUE OF DEFINED BENEFIT PLAN ASSETS, ENDING BALANCE	-.-	-.-
Net actuarial gains/losses not recognized in balance sheet	-.-	-.-
BALANCE OF DEFINED BENEFIT OBLIGATIONS, ENDING BALANCE	3,981,477	3,856,893

17.4 EXPENSES RECOGNIZED IN INCOME STATEMENT

	STAFF SEVERANCE INDEMNITY		INCOME STATEMENT LINE ITEM WHERE RECOGNIZED
	2012 THCH$	2011 THCH$	
Current service cost of defined benefit plan	200,047	277,610	Cost of sales Administrative and sales expenses
Interest cost of defined benefit plan	260,253	360,240	Cost of sales Administrative and sales expenses
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT	460,300	637,850	

17.5 ACTUARIAL HYPOTHESIS

DETAIL	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Discount rate used	3.2%	3.2%
Inflation rate	4%	4%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

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

NOTE 18 - EQUITY

18.1 SUBSCRIBED AND PAID CAPITAL

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

18.2 NUMBER OF SUBSCRIBED AND PAID SHARES

	NUMBER OF SHARES SUBSCRIBED	NUMBER OF SHARES PAID	NUMBER OF SHARES WITH VOTING RIGHTS
Sole series	1,000,000	1,000,000	1,000,000

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

18.3 DIVIDENDS

On April 28, 2011 shareholders approved distribution of a final dividend for the year 2010 of $19,815,903,600 equivalent to $19,815.9036 per share, to be paid beginning December 31, 2010. This dividend was fully paid during 2011.

On May 18, 2011, the distribution of interim dividend from the year 2011 was approved for Ch$12,550,000,000 equivalent to Ch$ 12,550 per share. This dividend was fully paid during 2011.

On April 27, 2012, the Company held its regular meeting of shareholders, in which it was agreed to unanimously approve a final dividend for the year 2011 for the sum of Ch$ 20,789,620,729. It was also agreed to distribute a dividend corresponding to retained earnings for 2008 for Ch$ 41,148,907,284. As of December 31, 2012 this dividend is fully paid.

On the Board of Directors meeting held on November 21, 2012, it was agreed to distribute an interim dividend for the financial year 2012, amounting to the sum of Ch$ 44,867,250,000. As of December 31, 2012 this dividend is fully paid.

18.4 OTHER RESERVES

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

DESCRIPTION	DECEMBER 31, 2012 THCH$	DECEMBER 31, 2011 THCH$
Translation adjustment	(29,911)	130,034
Net investment hedge	2,443,127	1,426,863
Cash flow hedge	(134,116)	(165,198)
Deferred taxes	(455,820)	(236,589)
TOTAL	1,823,280	1,155,110

18.5 CAPITAL MANAGEMENT

Capital management refers to the Company's administration its equity.

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

Capital requirements are determined based on the Company's financing needs, taking care to maintain an adequate level of liquidity and complying with financial covenants established in current debt contracts. The Company manages its capital structure and makes adjustments based on pre-

vailing economic conditions in order to mitigate risks from adverse market conditions and take advantage of any opportunities that may arise to improve its liquidity position.

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

- Maintain individual and consolidated indebtedness levels (Total debt / Total capitalization ratio) no greater than 0.7 based on the definitions of these terms in the respective prospectuses.
- Maintain minimum individual and consolidated equity of fifteen million UF equivalents to ThCh$ 342,611,250 as of December 31, 2012.

The following tables present – as of December 31, 2012 and 2011 - the calculation of the two covenants mentioned above and also a calculation of a third ratio that the Company has to comply, which does not depend on capital (equity) amount.

COVENANT 1	TOTAL DEBT / TOTAL CAPITALIZATION RATIO LOWER OR EQUAL TO 0.70	DECEMBER 31, 2012 MCH$	DECEMBER 31, 2011 MCH$
A	Other financial liabilities, current	66,783	7,903
B	Payables to related parties, current	-.-	3,871
C	Other financial liabilities, non-current	892,623	861,758
D	Payables to related parties, non-current	36,947	39,970
E=A+B+C+D	COVENANTS DEBT	996,353	913,502
G	Debt with guarantees (1)	19,621	-.-
DT=E+G	TOTAL DEBT	1,015,974	913,502
H	Non-controlling interest	4	4
P	Equity attributable to owners of the parent	876,968	921,038
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
CT=DT+H+I+P	TOTAL CAPITALIZATION	1,898,294	1,859,514
DT/CT	TOTAL DEBT / TOTAL CAPITALIZATION RATIO	0.54	0.49

(1) Amount of the debt with guarantees corresponds to a guarantee issued by Transmisora Huepil Limitada, indirect subsidiary of Transelec S.A.

COVENANT 2	MINIMUM EQUITY GREATER THAN OR EQUAL TO UF 15 MILLION	DECEMBER 31, 2012 MCH$	DECEMBER 31, 2011 MCH$
P	Equity attributable to owners of the parent	876,968	921,038
I	Accumulated amortization of goodwill (as of the date of transition to IFRS)	24,970	24,970
P+I	EQUITY (IN MCH$)	901,938	946,008
UF	UF value	22,840.75	22,294.03
(I+P)/UF	EQUITY (IN UF MILLIONS)	39.49	42.43

COVENANT 3	RESTRICTED PAYMENTS TEST FUNDS FROM OPERATIONS (FNO) / FINANCIAL COSTS > 1,5	2012 MCH$	2011 MCH$
FO	Cash flow from operations	151,603	139,243
CF	Financial costs	37,253	31,417
IG	Income tax expense	8,508	8,352
FNO=FO+CF+IG	FUNDS FROM OPERATIONS	197,364	179,012
FNO/CF	FUNDS FROM OPERATIONS / FINANCIAL COSTS	5.30	5.70

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

NOTE 19 - INCOME

19.1 REVENUE

The following table details revenue for the periods ended December 31, 2012 and 2011:

REVENUE	2012 THCH$	2011 THCH$
Revenues from regulated transmission services	89,498,978	82,536,494
Revenues from contractual transmission services	123,307,041	110,615,112
TOTAL REVENUES	212,806,019	193,151,606

19.2 OTHER OPERATING INCOME

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

OTHER OPERATING INCOME	2012 THCH$	2011 THCH$
Financial income (Note 20.4)	5,730,543	4,055,994
Other gains (losses), net	3,779,694	1,642,730
TOTAL OTHER OPERATING INCOME	9,510,237	5,698,724

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS

20.1 EXPENSES BY NATURE

DETAIL	2012 THCH$	2011 THCH$
Personnel expenses	16,506,327	14,622,950
Operating expenses	23,111,060	17,047,554
Maintenance expenses	4,723,102	4,656,164
Depreciation and write-offs	48,338,494	42,476,140
Other	2,947,318	4,945,209
TOTAL	95,626,301	83,748,017

20.2 PERSONNEL EXPENSES

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

DETAIL	2012 THCH$	2011 THCH$
Salaries and wages	15,489,748	14,034,388
Short-term employee benefits	1,008,502	702,284
Staff severance indemnity	672,070	690,528
Other long-term benefits	1,139,635	1,140,080
Other personnel expenses	5,325,520	5,018,322
Expenses capitalized on construction in progress	(7,129,148)	(6,962,652)
TOTAL	16,506,327	14,622,950

20.3 DEPRECIATION AND AMORTIZATION

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

DETAIL	2012 THCH$	2011 THCH$
Depreciation	45,200,468	42,041,217
Amortization	309,913	434,923
Losses from damages	2,828,113	-.-
TOTAL	48,338,494	42,476,140

20.4 FINANCIAL RESULTS

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

DETAIL	2012 THCH$	2011 THCH$
FINANCIAL INCOME:	5,730,543	4,055,994
Commercial interest earned	2,747,225	1,848,115
Bank interest earned	2,296,943	1,939,892
Other income	686,375	267,9877
FINANCIAL EXPENSES:	(37,252,682)	(31,416,973)
Interest and bond expenses	(36,771,785)	(30,736,433)
Mark-to-market of swaps	-.-	(204,694)
Other expenses	(480,897)	(475,846)
GAIN (LOSS) FROM INDEXATION OF UF	(18,799,768)	(27,401,063)
FOREIGN EXCHANGE GAINS (LOSSES), NET	(380,033)	(1,093,096)
Positive	2,395,452	1,907,245
Negative	(2,775,485)	(3,000,341)
TOTAL FINANCIAL RESULT, NET	(50,701,940)	(55,855,138)

NOTE 21 - INCOME TAX RESULT

The following table reconciles income taxes resulting from applying statutory tax rate to the "Profit Before Taxes" to the income tax expense recorded in the Consolidated Income Statement for the periods 2012 and 2011:

INCOME TAX EXPENSE (INCOME)	2012 THCH$	2011 THCH$
Current tax expense	924,423	648,129
Tax benefit arising from previously unrecognized tax assets used to reduce current tax expenses	-.-	-.-
Adjustments to current tax of prior period	-.-	-.-
Other current tax expenses	-.-	-.-
CURRENT TAX EXPENSE, NET, TOTAL	924,423	648,129
Deferred tax expense relating to origination and reversal of temporary differences	7,583,734	7,703,432
Other deferred tax expense	-.-	-.-
DEFERRED TAX EXPENSE, NET, TOTAL	7,583,734	7,703,432
EFFECT OF CHANGE IN TAX SITUATION OF THE ENTITY OR ITS SHAREHOLDERS	-.-	-.-
INCOME TAX EXPENSE	8,508,157	8,351,561

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense

USING EFFECTIVE RATE	2012 THCH$	2011 THCH$
Tax expense at statutory rate	(14,051,494)	(11,038,236)
Price level restatement of equity	2,751,670	5,343,237
Effect of change in income tax rate	4,217,881	(1,055,977)
Capitalized interest	-.-	(1,488,973)
Other differences	(1,426,214)	(111,612)
TOTAL ADJUSTMENTS TO TAX EXPENSE USING STATUTORY RATE	5,543,337	2,686,675
TAX EXPENSE AT EFFECTIVE RATE	(8,508,157)	(8,351,561)

	2012 THCH$	2011 THCH$
Statutory Tax Rate	20.00%	20.00%
Price level restatement of equity	(3.92)%	(9.68)%
Effect of change in income tax rate	(6.00)%	1.91%
Capitalized interest	-.-	2.70%
Other differences	2.03%	0.20%
ADJUSTMENTS TO STATUTORY TAX RATE, TOTAL	(7.89)%	(4.87)%
EFFECTIVE TAX RATE	12.11%	15.13%

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

NOTE 22 - EARNINGS PER SHARE

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

BASIC EARNINGS PER SHARE	2012	2011
Profit attributable to equity holders of parent (ThCh$)	61,749,315	46,839,620
Earnings available to common shareholders, basic (ThCh$)	61,749,315	46,839,620
Total basic shares	1,000,000	1,000,000
Basic earnings per share (Ch$)	61,749	46,840

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

NOTE 23 - SEGMENT REPORTING

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

Electricity transmission service falls under the legal framework that governs the electricity sector in Chile. This framework defines transmission

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

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

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

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

The law distinguishes between the different systems in order to ensure that tariffs are appropriate for each case. Nevertheless, facilities of a given voltage (220 KV, for example) are identical, whether trunk, subtransmission or additional. Thus, a 220 KV facility requires a given type of maintenance, fundamentally because of its geographic location, its proximity to the ocean, the climate, etc., but in no case does this maintenance depend on whether that 220 KV facility is trunk, subtransmission or additional. Precisely the same happens with operating costs: operations are executed by the corresponding CDEC regardless of whether that 220 KV facility is trunk, subtransmission or additional. Thus, for Transelec this classification into trunk, subtransmission or additional systems is merely for tariff purposes and has no other consequences.

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

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

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

Information about products and services

	2012 THCH$	2011 THCH$
Revenues from regulated transmission services	89,498,978	82,536,494
Revenues from contractual transmission services	123,307,041	110,615,112
TOTAL REVENUES	212,806,019	193,151,606

Information about sales and principal customers

The Company has three customers that individually represent more than 10% of total revenues for the period ended on December 31, 2012. The amounts of revenues from these customers amounted to ThCh$ 72,245,825, ThCh$ 25,769,694 and ThCh$ 21,685,279, respectively in the period ended December 31, 2012. For the period ended December 31, 2011 the Company had two customers that individually exceeded 10% of total revenues. The amount of revenues from these customers amounted to ThCh$70,856,616, ThCh$38,596,337 and ThCh$19,553,430, respectively.

NOTE 24 – BUSINESS COMBINATION

On December 27, 2012, Transelec Norte acquired 99.99% of Inversiones Electricas Transam Chile Ltda. obtaining control over Transam Group which also includes three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda. and Transmisora Araucana de Eléctricidad Ltda., in each one of which Inversiones Electricas Transam Chile Ltda. owns 99% stake.

It is expected that the goodwill recognized on the acquisition will not be deductible for income tax purposes.

The following tables summarize the consideration paid for the Transam Group and fair values of the assets acquired, liabilities assumed and non-controlling interest in the Transam Group at the date of acquisition:

	THCH$
PCash paid to Abengoa Chile S.A.	5,907,348
Cash paid to Inversiones Eléctricas GE Ltda.	19,219,038
TOTAL CONSIDERATION	25,126,386

	THCH$
ASSETS ACQUIRED:	
Lease receivables	25,241,576
Other assets	3,991,347
LIABILITIES ASSUMED:	
Bank loan current portion	(890,806)
Bank loan non-current portion	(9,426,414)
Deferred taxes	(2,595,624)
Other liabilities	(537,214)
Net identifiable assets	15,782,865
Non-controlling interest	(130,068)
Goodwill	9,473,589
TOTAL	25,126,386

Acquisition-related costs amounting to ThCh$ 193,424 were expensed in 2012 under “Administrative expenses”.

The fair value of the lease assets acquired amounting to ThCh$ 25,241,576 is provisional, pending the receipt of the final valuations of those assets.

Considering the acquisition date Transelec has not recognized any result of the Transam Group from the date of acquisition to December 31, 2012.

NOTE 25 - THIRD-PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

As of December 31, 2012, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$ 31,542,290 (ThCh$ 54,490,327 as of December 31, 2011), In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favor of the Company.

NOTE 26 - DISTRIBUTION OF PERSONNEL (UNAUDITED)

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

	DECEMBER 31, 2012				
	MANAGER AND EXECUTIVES	PROFESSIONALS AND TECHNICAL PERSONNEL	OTHER EMPLOYEES	TOTAL	AVERAGE OF THE YEAR
TOTAL	14	328	168	510	491.1

	DECEMBER 31, 2011				
	MANAGER AND EXECUTIVES	PROFESSIONALS AND TECHNICAL PERSONNEL	OTHER EMPLOYEES	TOTAL	AVERAGE OF THE YEAR
TOTAL	12	321	174	507	487.7

NOTE 27 - ENVIRONMENT

Transelec and its subsidiaries, in compliance with current environmental regulations and in line with its sustainability policy have undergone environmental assessment projects or amendments thereto to the environmental authority through the Environmental Evaluation System (SEIA). To this end, several studies were conducted to substantiate the presentations have allowed environmental documents. These documents are an Environmental Impact Statement (EIS for Spanish acronym) or an environmental impact study concerned, met the requirements of Law No. 19,300 on General Environment, amended by Law No. 20.417, and its regulations of SEIA. For projects that have started their implementation the Company has been following the conditions and measures imposed by environmental authority in the respective resolutions of environmental qualification.

During the years 2012 and 2011 the Company has not made the following environmental disbursements:

COMPANY MAKING DISBURSEMENT	PROJECT	2012 THCH$	2011 THCH$
Transelec S.A.	Environmental impact studies	1,009,944	753,236
TOTAL	-.-	1,009,944	753,236

NOTE 28 - CASH FLOWS

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

	2012 THCH$	2011 THCH$
Interest and indexation on bonds	55,347,527	53,817,972
Fair value adjustments of swaps and forwards	(1,967,642)	1,320,501
Other adjustments	(1,637,501)	1,466,970
TOTAL	51,742,384	56,605,443

NOTE 29 - SUBSEQUENT EVENTS

Between December 31, 2012, closing date of these interim consolidated financial statements and the date of issuance, there have been no significant financial and accounting events that may affect the equity of the Company or the interpretation of these financial statements.

NOTE 30 – CASH FLOW STATEMENT – DIRECT METHOD (PROFORMA)

As required by the Circular No. 2058 of the SVS proforma cash flow statement for the period ended December 31, 2012 prepared using the direct method is presented below:

STATEMENT OF CASH FLOWS DIRECT METHOD (PROFORMA)	2012 THCH$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	
CLASSES OF RECEIPTS FROM OPERATING ACTIVITIES	
Cash receipts from sales of goods and services	273,222,873
Other proceeds from operating activities	-.-
CLASSES OF PAYMENTS	
Payments to suppliers for goods and services	(57,781,924)
Payments to employees	(16,506,327)
Other payments for operating activities	(10,464,037)
	188,470,585
Interest paid	(36,212,662)
Income tax paid	(654,893)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	151,603,030
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	
Cash flows used to acquire control of subsidiaries	(22,266,784)
Receipts from sales of fixed assets	16,368,120
Purchases of property, plant and equipment	(102,798,093)
Cash advances and loans to third parties	(15,488,100)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(124,184,857)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	
Proceeds from short term loans	57,002,400
Payments of loans of related parties	(3,870,835)
Dividends paid	(106,805,778)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(53,674,213)
Net Increase (Decrease) in Cash and Cash Equivalents	(26,256,040)
Cash and Cash Equivalents, Beginning Balance	64,211,994
CASH AND CASH EQUIVALENTS, ENDING BALANCE	37,955,954

INTRODUCTION

During the year 2012, Transelec S.A. and subsidiaries recorded net income of MCh$61,749, which is 31.8% higher than 2011 (MCh$46,840). Operating revenues totaled MCh$161.323, which represents an increase of 16.5% compared to year 2011 (MCh$212,806). EBITDA for 2012 was MCh$169,984, with an EBITDA over revenues of 79.9% (79.6% in 2011). The company´s non-operating income and taxes for 2012 period represent a charge of MCh$46,922 (MCh$54.212 in 2011) and MCh$8,508 (MCh$8,352 in 2011), respectively. This decrease in non-operating losses is mainly due to the loss from indexed assets and liabilities for 2012 for MCh$ 18,800, which during the comparison period represented a loss of MCh$ 27,401.

During October 2012 the 220 kV transmission systems developed to supply Caserones Mine project and owned by Lumina Copper Company, was commissioned. On November 21, 2012 the sale of the assets and contracts to a related company of Transelec (CyT Operaciones SpA) was approved. Rentas Electricas I owned 99.99% of Inversiones CyT Limitada, while the remaining 0.01% is owned by Transelec Holdings Rentas Limitada. Inversiones CyT Limitada owns 100% of the shares of CyT Operaciones SpA.

On December 27, 2012, Transelec Norte acquired 99.99% of Inversiones Eléctricas Transam Chile Ltda. obtaining control over Transam Group which also includes three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda. and Transmisora Araucana de Electricidad Ltda., in each one of which Inversiones Eléctricas Transam Chile Ltda. owns 99% stake.
The total acquisition reached the amount of ThUS$52,351.

Through a private bid by E-CL, on December 31, 2012, the purchase of the line Crucero-Lagunas of 173 km. located in the SING system for an investment of US$24 million.

Transelec S.A. and its subsidiary Transelec Norte S.A. have prepared their financial statements as of December 31, 2012 in conformity with International Financial Reporting Standards (IFRS) and correspond to the comprehensive, explicit and non-reserved adoption of the abovementioned international standard. The figures of this ratio analysis are expressed in million of Chilean pesos (MCh$) as the Chilean peso is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

ITEMS	DECEMBER 2012 MCH$	DECEMBER 2011 MCH$	VARIATION 2012/2011 %
Operating Revenues	212.806	193.152	10,2%
Toll sales	197.487	181.329	8,9%
Work and services	15.319	11.823	29,6%
Operating costs	-82.065	-73.831	11,2%
Fixed costs	-34.975	-32.053	9,1%
Depreciation	-47.090	-41.778	12,7%
Administraton and sales expenses	-13.561	-9.917	36,7%
OPERATING INCOME	117.180	109.404	7,1%
Interest from Leasing	686	268	156,1%
Other Financial Income	5.044	3.788	33,2%
Financial Costs	-37.253	-31.417	18,6%
Foreign exchange differences, net	-380	-1.093	-65,2%
Gain (loss) for indexed assets and liabilities	-18.800	-27.401	-31,4%
Other income	3.780	1.643	130,0%
NON-OPERATING INCOME	-46.922	-54.212	-13,4%
INCOME BEFORE INCOME TAXES	70.257	55.192	27,3%
Income tax	-8.508	-8.352	1,9%
NET INCOME	61.749	46.840	31,8%
EBITDA	168.736	153.791	9,7%

EBITDA= Net income +abs(Income tax)+abs(Depreciation)+abs(Non-operating income)+abs(Other gains)+Lease financial income.

A) OPERATING INCOME

During 2012 revenues reached MCh$212,806 (MCh$193,152 in 2011), which is an increase of 10.2%. It is important to note that revenues are mainly obtained from sales of the transmission capacity of the Company´s facilities, but also include sales of services related to its principal activity. During 2012, the company provided engineering and other services that accounted for 7.2% of the total revenues; during 2011, these services increased to 6.1% of the total revenues.

During 2012 the operating costs reached MCh$84,831 (MCh$78,831 in 2011). These costs are primarily related the maintenance and operation of the Company´s facilities. In percentage terms, 57.3% of the company´s cost correspond to depreciation of property, plant and equipment (56.6% in 2011), while the remaining 42.7% (43.4% in 2011) correspond to personnel, supplies and service contracted.

Administrative and selling expenses amounted to MCh$11,322 (MCh$9,917 in 2011) and consist primarily of personnel expenses and expenses for contracted work, supplies and services.

B) NON-OPERATING INCOME

Net income was negatively impacted by the non-operating loss of MCh$46,922 (MCh$54,212 in 2011) as of December 31, 2012, which was generated mainly by the loss from indexed asset and liabilities of MCh$18,800 during 2012, while in 2011 it amounted to MCh$27.401. The financial cost for the period was MCh$37,253 (MCh$31,417 for the prior year) due to a minor capitalization interest for 2012 by MCh$ 2,938 (MCh$7,189 in 2011)

2. BALANCE SHEET ANALYSIS

The increase in current assets between December 2012 and December 2011 is due to an increase in accounts receivable to related companies, mainly due to the sale of the assets to CyT Operaciones of US$180 million that will be paid during 2013.

ITEMS	DECEMBER 2012 MCH$	DECEMBER 2011 MCH$	VARIATION 2012/2011 %
Current assets	189.399	154.70922,4%	
Non-current assets	1.808.124	1.786.269	1,2%
TOTAL ASSETS	1.997.524	1.940.978	2,9%
Current liabilities	178.059	108.73363,8%	
Non current liabilities	942.493	911.2033,4%	
Equity	876.971	921.042-4,8%	
TOTAL LIABILITIES & EQUITY	1.997.524	1.940.978	2,9%

VALUE OF THE MAIN PP&E IN OPERATION

ASSETS	DECEMBER 2012 MCH$	DECEMBER 2011 MCH$	VARIATION 2012/2011 %
Land	20.983	20.669	1,5%
Building, Infraestucture, works in progress	930.526	903.866	2,9%
Machinery and equipment	458.330	438.028	4,6%
Other fixed assets	4.468	1.853	141,1%
Depreciation (less)	-254.764	-211.371	20,5%
TOTAL	1.159.544	1.153.045	0,6%

CURRENT DEBT

DEBT	CURRENCY OR INDEX	INTEREST RATE	TYPE OF RATE	MATURITY DATE	AMOUNT IN ORIGINAL CURRENCY (MILLION) UNPAID CAPITAL	
					DECEMBER 2012	DECEMBER 2011
Series C bond	UF	3,50%	Fixed	Sep 1st, 2016	6,0	6,0
Series D bond	UF	4,25%	Fixed	Dec 15 th, 2027	13,5	13,5
Series E bond	UF	3,90%	Fixed	Aug 1st, 2014	3,3	3,3
Series F bond	CLP	5,70%	Fixed	Aug 1st, 2014	33.600,0	33.600,0
Series H bond	UF	4,80%	Fixed	Aug 1st, 2031	3,0	3,0
Series I bond	UF	3,50%	Fixed	Sep 1st, 2014	1,5	1,5
Series K bond	UF	4,60%	Fixed	Sep 1st, 2031	1,6	1,6
Series L bond	UF	3,65%	Fixed	Dec 15 th, 2015	2,5	2,5
Series M bond	UF	4,05%	Fixed	Jun 15 th, 2032	3,4	3,4
Series N bond	UF	3,95%	Fixed	Dec 15 th, 2038	3,0	3,0

3. MAIN CASH FLOWS DURING THE YEAR

ITEMS	DECEMBER 2012 MCH$	DECEMBER 2011 MCH$	VARIATION 2012/2011 %
Cash flows provided by (used in) operating activities	151.603	139.243	8,9%
Cash flows provided by (used in) investing activities	-140.553	-101.579	38,4%
Cash flows provided by (used in) financing activities	-37.306	-8.947	317,0%
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT	-26.256	28.717	-191,4%
Cash and cash equivalent at the begining of the period	64.212	35.495	80,9%
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	37.956	64.212	-40,9%

Cash flows from operating activities reached MCh$ 151,603 in 2012 (MCh$ 139,243 in 2011).

During 2012, financing activities generated negative net cash flows of MCh$ 37.306, mainly due to dividends payments of MCh$106,806, which were offset by short term loans (Revolving Credit Facility) for MCh$57,002. During 2011, financing activities generated negative cash flows of MCh$ 8,947.

During 2012, investing activities generated cash outflows amounting to MCh$140,553, because of investments in property, plant & equipment. During 2011, cash flows from investing activities were negative by MCh$101,579, as a result of net additions of property, plant & equipment.

The closing balance of cash and cash equivalents as of December 31, 2012 amounted to MCh$37.956 considering an initial balance of MCh$64.212.

In addition, the Company has secured the following committed credit line to ensure funds are available to cover working capital needs:

BANK	AMOUNT (UP TO)	MATURITY	TYPE OF CREDIT
Scotiabank, Bannk of Tokyo-Mitsubishi y DnB NOR	US$250,000,000	Sep 5th, 2015	Working Capital

4. INDICATORS

BONDS	COVENANT	LIMIT	DECEMBER 2012	DICIEMBRE 2011	STATUS
All local Series	Distribution Test (**)	FNO/Financial Expenses > 1,5	5,30	5,70	OK
All local Series	Capitalization Ratio (***)	< 0,7	0,52	0,49	OK
All local Series	Shareholder's Equity (in UF)	> ThUF15.000	39.488	42.433	OK

(*) FNO = Cash flow from operating activities plus the absolute value of finance costs, plus the absolute value of the expenditure for Income Taxes.
(**) This is only a test to distribute restricted payments such as dividends.
(***) Equity = Total equity attributable to owners of the parent plus accumulated amortization of Goodwill. The accumulated amortization of Goodwill between June 30, 2006 and June 30, 2012 amounted to MCh$24.970.

INDICATORS	DECEMBER 2012	DECEMBER 2011	VARIATION 2012/2011
PROFITABILITY			
Shareholders' Equity profitability	7,04%	5,09%	38,5%
Assets profitability	3,09%	2,41%	28,2%
Operating assets profitability	5,33%	4,06%	31,3%
Earnings per share ($)	61.749,31	46.839,62	31,8%
LIQUIDITY & INDEBTEDNESS			
Current Ratio	1,06	1,42	-25,4%
Acid-Test Ratio	1,06	1,42	-25,2%
Debt to Equity	1,28	1,11	15,3%
% Short term debt	15,89	10,66	49,1%
% Log term debt	84,11	89,34	-5,9%
Financial expenses coverage	4,56	4,90	-6,8%

5. THE MARKET

Transelec S.A. carries out its activities in the electricity market, which has been divided into three sectors: generation, transmission and distribution. The generation sector includes companies that are dedicated to generating electricity that will subsequently be used throughout the country by end users. The purpose of the distribution sector is to carry electricity to the physical location where each end user will use the electricity. Lastly, the primary goal of the transmission sector is to transport the generated electricity from where it is produced (electrical power plants) to the "points of entry" of the distribution company networks or those of large end users.

Transelec's business mainly centers on commercializing the capacity of its facilities to transport and transform electricity, in accordance with established quality standards. The transmission system of Transelec S.A. and its subsidiary, which stretches between Arica in Chile's 1st Region to the Island of Chiloé in the 10th Region, encompasses the majority of the trunk transmission lines and substations in the Central Interconnected System (SIC) and the Great North Interconnected System (SING). This transmission system transports the electricity that supplies approximately 99% of Chile's population. The Company owns all of the 500 kV electricity transport lines, approximately 47% of the 220 kV lines and 86% of the 154 kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL No. 1/82) and its subsequent modifications, including Law 19,940 (Short Law I) published on March 13, 2004, Law 20,018 (Short Law II) published on May 19, 2005 and Law 20,257 (Generation with Non-Conventional Renewable Energy Resources) published April 1, 2008. These standards are complemented by the Regulations of the General Electricity Services Law of 1997 (Supreme Decree No. 327/97 from the Ministry of Mining) and its respective modifications; the Regulations to Establish the Structure, Functioning and Financing of Load Dispatch Centers (Supreme Decree No. 291/2007) and also the Technical Standard on Reliability and Service Quality (Exempt Ministerial Resolution No. 40 of May 16, 2005) and its subsequent modifications.

Law 19,940, also called Short Law I, modified the General Electricity Services Law of 1982 in matters relating to electricity transmission activity, subdividing the transmission network into three types of systems: trunk transmission, sub-transmission and additional transmission. It also establishes that electricity transmission – both by trunk transmission as well as subtransmission systems – is considered a public service and is subject to regulated tariffs.

Finally, Law 19,940 established that the new payment regime for the use of trunk facilities would become effective as of March 13, 2004 and determined a transitory period that was in effect until the first trunk transmission decree was issued. Thus, from 2004 to 2007, collection and payment for use of transmission facilities was carried out provisionally using subsequent recalculations in accordance with legal and regulatory standards in effect until Short Law I was published. On January 15, 2008, a decree from the Ministry of Economy, Development and Reconstruction was published that set the new Investment Value (VI), the Annuity of the Investment Value (AVI), the Operation, Maintenance and Administration Costs (COMA) and the Annual Transmission Value per Segment (VATT) for trunk facilities for the period from March 14, 2004 to December 31, 2010, as well as the indexation formulas applicable during that period. New rates for the trunk transmission system began being applied in April 2008 and during 2008 trunk income was recalculated for the period from March 13, 2004 to December 31, 2007. The determination of trunk facilities and their Annual Transmission Value (VATT) is updated every four years using an internationally-tendered study. During 2010, the second Trunk Transmission Study was conducted which will allow setting the tariffs and the corresponding indexation formulas for the period 2011-2014. Decree 61, published on November 17, 2011 contains the tariffs that will be retroactively applicable from January 1, 2011. During 2012 the new tariffs have been applied and particularly the assessment process form 2011 was published on March and April for SING and SIC respectively. The SIC assessment for 2011 was modified on September 2012 according to the Expert Panel Report N°2-2012.

Decree No. 320 from the Ministry of Economy, Development and Reconstruction, which sets tariffs for subtransmission facilities, was published in the Official Gazette on January 9, 2009 and the new tariffs begin to be applied on January 14, 2009 and will be in effect until October 31, 2010. The new subtransmission tariffs that will be in effect from November 2010 to October 2014 shall be set by the Ministry of Energy based on valuation studies on subtransmission facilities that began during 2010. As of the date of this management discussion and analysis, the decree setting sub-transmission tariffs from November 2011 to October 2014 has not yet been issued. In the meantime, the tariffs set in decree 320/2009 will continue to be provisionally applied. The difference between amounts invoiced using these provisional tariffs and the definitive values ultimately established will be recalculated.

6. MARKET RISK FACTORS

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

6.1 REGULATORY FRAMEWORK

Electricity transmission tariffs are set by law and are indexed in order to guarantee real annual returns for the operator. The nature of the industry enables transmission income to be stable over time. In addition, this income is complemented with income obtained from private contracts with large clients.

However, the fact that these tariffs are revised every four years in Trunk Transmission Studies could place the Company at risk of new tariffs that are detrimental or less attractive given the investments it has made.

The Company cannot guarantee that other regulatory changes will not negatively affect it or its clients or creditors, thus compromising Transelec's income.

6.2 OPERATING RISKS

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

6.3 APPLICATION OF REGULATIONS AND / OR ENVIRONMENTAL LAW

The operations of Transelec are subject to Law No. 19.300, on Chilean environment ("Environmental Law"), enacted in 1994. According to its recent modification, through Law N° 20.417 which was published in the official journal on January 26, 2010, created, among others, new institutions consisting of: (i) the Ministry of Environmental Affairs; (ii) the Minister Council for Sustainability; (iii) the Environmental Evaluation Service; and (iv) the Superintendence of Environmental Affairs; these institutions are in charge of the regulation, evaluation and inspection of the activities involving environmental impacts. These new institutions replaced the National Commission of Environmental Affairs ("CONAMA") and the Regional Commis-

sions of Environmental Affairs and are fully operative except for new demands to the evaluation system of environmental impact (SEIA) through the enactment of an updated regulation. That however, recently began its stage of review by the Comptroller General of the Republic.
Law No. 20.600 of the official journal was published on June 28, 2012 that creates the environmental courts, last step so the Superintendence of Environmental Affairs (SMA) can begin to implement in full its powers of control and sanction. On December 28 with the implementation of the Environmental Court (Second Environmental Court in Santiago) the SMA assumes the full monitoring and control of the Environmental Qualification Resolution (RCA) among other matters.

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

6.4 DELAYS IN THE CONSTRUCTION OF NEW TRANSMISSION FACILITIES

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

6.5 TECHNOLOGICAL CHANGES

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

6.6 FOREIGN EXCHANGE RISK

The following factors expose Transelec to foreign exchange risk:

- The functional currency of its subsidiary Transelec Norte is the US dollar.
- Transelec carries out diverse transactions in US dollars (awarding construction contracts, importing, etc.).
- Transelec has a foreign exchange forward to sell dollars in order to cover the risk of future dollar-denominated income. In addition, in order to maintain the balance regarding the foreign currency, Transelec has a forward with a related company and other forwards in the market.

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

The following table details assets and liabilities denominated in US dollars and Chilean pesos as of each period end:

IN MILLION PESOS	DECEMBER 2012		DECEMBER 2011	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Dollar (amounts associated with balance sheet items)	102.918	3.917	75.916	26.772
Dollar (amounts associated with income statement items)	31.389	30.111	0	0
Chilean peso	974.211	954.826	1.878.852	1.921.662

(*) Indexation polynomials for the Company's revenue should be temporarily applied so that, in the short term, they differ from long-term indexation. In order to ensure that short-term indexation is consistent with long-term indexation, the Company periodically (every six months) sells a percentage of its revenue fixed in dollars using income protection forwards. These forwards are considered income hedges and, therefore, changes in their value are recorded in other reserves within shareholders' equity until realized. Once realized, they are classified in operating income.

EXCHANGE RATES (OBSERVED EXCHANGE RATES)

MONTH	AVERAGE 2012 ($)	LAST DAY 2012 ($)	AVERAGE 2011 ($)	LAST DAY 2011 ($)
January	501,34	488,75	489,44	483,32
February	481,49	476,27	475,69	475,63
March	485,4	487,44	479,65	482,08
April	486	484,87	471,32	460,04
May	497,09	519,69	467,73	467,31
June	505,63	501,84	469,41	471,13
July491,93	481,94	462,94	455,91	
August	480,99	480,25	466,79	465,66
September	474,97	473,77	483,69	515,14
PERIOD AVERAGE	489,43	488,31	470,11	475,14
October			511,74	492,04
November			508,44	524,25
December			517,17	521,46

The indexation formulas, applied twice yearly, that are incorporated into toll contracts and subtransmission fees, as well as those applied monthly for regulated trunk income, take into account variations in the value of the facilities and of operating, maintenance and administrative costs. In general, those indexation formulas take into consideration variations in the international prices of equipment, materials and local labor.

6.7 CREDIT RISK

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

However, Transelec's income is highly concentrated in a small number of customers, which are detailed in the following chart:

The company has three main clients which represent more than 10% of the total revenues for the period ended as of December 2012. The total revenues recognized for these three clients for this period was MCh$72,245, MCh$ 25.769 y MCh$21,685 respectively. For 2011 the company had three client which more than 10% of the total revenues. The total amount recognized for these clients were MCh$70,857, MCh$19,553 and MCh$38,956 for 2011.

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

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

6.8 LIQUIDITY RISK

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

a) Risk from Company's Management Processes

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

As of December 31, 2012, $120 million were withdrawn from the line and are expected to be renewed upon maturity which is in three years. These credit line were in effect since September 5, 2012

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

The following table outlines principal payments for the Company's financial liabilities according to their maturity as of December 31, 2012 and December 31, 2011:

IN MILLION PESOS	0 TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
December 31, 2012	57.640	200.292	137.045	0	559.598	954.575
December 31, 2011	0	196.346	133.764	0	546.204	876.314

b) Risk from Rate Income Recalculations in Trunk Transmission System

By virtue of articles 81, 101, 104, 106 and other complementary provisions of DFL No. 4/20,018 from the Ministry of Economy, Development and Reconstruction, Transelec is entitled to provisionally receive the actual trunk system rate income produced during each period. For Transelec to collect the compensation established in the first paragraph of article 101 of DFL No. 4/20.018, the rate income received provisionally is recalculated each month using payment charts prepared by the respective Economic Load Dispatch Center (CDEC) and then payments are made to or collected from the different generators.

The Company may face the risk of not opportunely collecting the income established in the CDEC payment charts from some generators, which can temporarily affect its liquidity. Thus, in the Company's opinion, Transelec's efforts to collect these amounts do not entail managing collections of debt owed to the Company but rather merely coordinating collections and payments to third parties of loans and debt that are completely removed from the Company and, with the exception of the expected rate income, belong to the generators.

6.9 INTEREST RATE RISKS

The Company's assets consist principally of property, plant and equipment and long-lived intangible assets. As a result, financial liabilities used to finance such assets consist mainly of long-term debt at fixed interest rates. This debt is recorded in the balance sheet at amortized cost.

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

However, increases in inflation in Chile could impact the cost of UF-denominated debt and, therefore, the Company's non-operating income. These impacts are mitigated by the Company's income, which is also partially indexed to local inflation using indexation polynomials.

The Company possesses mercantile current accounts with related companies denominated in Chilean pesos and US dollars that have a fixed interest rate. Therefore, the Company believes that its income is not exposed to risk from changes in market interest rates.

TRANSELEC S.A.

1) On March 21, 2012, and according to Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on Securities Markets, the following relevant fact was reported:
That Transelec S.A.'s Board of Directors, at its session held on March 21 2012, agreed to summon a shareholders meeting for April 27 2012 at 9:00 AM, at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.
The purpose of summoning this meeting is to bring the following issues to the knowledge of the shareholders and submit them for approval:

1. The Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period finishing on December 31st 2011.
2. Final distribution of dividends.
3. Dividends Policy and information about the procedures to be used for payment.
4. Renewal of the Board of Directors.
5. Board of Directors and Audit Committee remuneration.
6. Appointment of External Auditors.
7. The newspaper to be used for publishing the shareholders meetings notice.
8. Other issues of interest for the corporation and authority of the shareholders meeting.

2) On April 27, 2012 and according to Article 9 and subsection 2 of Article 10 of Law Nº 18,045 on the Securities Markets, the following relevant fact was reported:
That the annual shareholders meeting of the corporation was held on April 27, 2012, and the following matters were agreed:

1. To approve the Annual Report, Balance Sheet, Financial Statements and the External Auditors Report corresponding to the period ending December 31st 2011.
2. To approve the distribution of a final dividend corresponding to 2011 amounting to 20,789,620,729 Chilean pesos, to be paid as of May 28 2012 to shareholders registered in the respective shareholders' registry as of May 18 2012. In addition, it was agreed that an eventual dividend would be distributed and charged to retained earnings corresponding to the year 2008 and amounting to 41,148,907,284 Chilean pesos, which are to be paid in three installments throughout the 2012 fiscal year, the first of them for an amount of 13,000,000,000 Chilean pesos in the same time period specified for final 2011 dividends. regarding the other two Installments, the Board of Directors was authorized to establish the date and amount in each case.
3. The Dividends Policy for 2012 was informed.
4. It was agreed that members of the Board of Directors were to be replaced and therefore the Board is now comprised as follows: Mr. Richard Legault as director and Mr. Jeffrey Blidner as his respective deputy director; Mr. Bruce Hogg as director and Sr. Daniel Fetter as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Richard Dinneny as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita

Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.

5. Board of Directors and Audit Committee remunerations were set.
6. Approval of the appointment of Ernst & Young as the company's external auditors for the 2012 fiscal year.
7. Diario Financiero was approved as the newspaper to be used for publishing notices of general shareholders' meetings.

3) The following relevant fact was reported on May 24, 201,2 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at a meeting held on May 23, 2012, the company's Board of Directors took note of the resignation of Mr. Jeffrey Blidner from his position of deputy director for Mr. Richard Legault, as well as the resignation presented by Mr. Daniel Fetter from his position as deputy director for Mr. Bruce Hogg.
At the same meeting, the company's Board of Directors agreed to appoint Mr. Benjamin Vaughan as deputy director for Mr. Richard Legault, and Mr. Etienne Middleton as deputy director for the director Mr. Bruce Hogg. Lastly, at the same meeting Mr. Richard Legault was elected to be Chairman of the Board of Directors.

4) The following relevant fact was reported on June 26, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A's. shareholders agreed to convene a special shareholders meeting to be held on June 28, 2012. This meeting was convened in order to bring the following points to the knowledge of the shareholders and submit them for approval:

1. Authorize and grant all powers necessary in order to sign a Revolving Credit Agreement with Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi banks and others;
2. Authorize and grant all powers necessary for disbursements from the revolving credit facility hired with the aforementioned banks;
3. Ratify agreements made by the Corporation's Board of Directors at it special meeting N°81 in conformity with Article Twenty-eight of the Corporation's Bylaws; and
4. Entitle the Board of Directors to establish the characteristics, terms and conditions for the future issuance of bonds to be charged to the lines registered in the Securities Register of the Superintendence of Securities and Insurance.

5) The following relevant fact was reported on July 3, 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on June 28, 2012, and the following points were agreed:

1. To grant powers of attorney to Messrs. Andrés Kuhlmann Jahn, Francisco Castro Crichton and Arturo Le Blanc Cerda so that any two of these persons acting jointly can proceed to sign a Revolving Credit Agreement with Scotiabank, DnB Nor, Bank of Tokyo-Mitsubishi banks and others for an amount of up to 200,000,000 dollars of the United States of America. In addition, it was agreed to authorize Transelec S.A. representatives to materialize eventual disbursements that may or may not exceed one hundred million dollars of the United States of America in the future.
2. To ratify agreements made by the Corporation's Board of Directors at Its special meeting N° 81, approving the issuing of two lines of bonds for 10 and 30 years respectively, by signing bond issuance agreements. It was also agreed to approve the Corporation's indebtedness by means of future bond issuing and placement to be charged to both lines of bonds for an amount of up to twenty million Unidades de Fomento each.
3. In addition, powers of attorney granted by the Corporation's Board of Directors in order to establish amounts, characteristics, opportunities, terms and specific conditions for the future bonds issuances to be charged to the lines of bonds registered in the Securities Register of the Superintendence of Securities and Insurance were unanimously ratified at the meeting.
4. Finally, it was unanimously agreed at the meeting that the authorization is limited to by the fact that bonds being issued and charged to each of the aforementioned lines of bonds will not jointly exceed an amount of twenty million Unidades de Fomento, or the equivalent in Chilean pesos or dollars of the United States of America at the date these bonds are placed.

6) The following relevant fact was reported on August 27, 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A's. shareholders have decided to convene a special shareholders meeting to be held on August 30, 2012 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This meeting will be convened in order to bring the following matters to the knowledge of the shareholders and to submit these for approval:

1. To approve a request to increase the amount of US$ 180 million established in the Revolving Credit Agreement signed with the Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi banks and others on July 9, 2012 to US$250 million, as established in said Agreement;
2. To authorize and grant powers necessary for disbursements from the revolving credit facility;
3. To totally renew the Corporation's Board of Directors.

7) The following relevant fact was reported on August 31, 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on August 30, 2012 and the following matters were agreed:

1. To approve a request to increase the amount of US$ 180 million established in the Revolving Credit Contract Agreement signed with the Scotiabank Sudamericano, DnB Nor, Bank of Tokyo-Mitsubishi banks and others on July 9, 2012 to US$250 million and to grant powers of attorney to Messrs. Andrés Kuhlmann Jahn, Francisco Castro Crichton and Arturo Le Blanc Cerda so that any two of these persons acting jointly can proceed to sign documentation associated to said credit disbursements made for this reason.
   In addition, it was agreed to authorize Transelec S.A's. representatives to make future disbursements that may or may not exceed one hundred million dollars of the United States of America.
2. To remove all current members of the Board of Directors, both directors and deputy directors, and to replace these with Mr. Richard Legault as director and Mr. Benjamin Vaughan as his respective deputy director; Mr. Bruce Hogg as director and Mr. Etienne Middleton as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Jerry Divoky as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.

8) The following relevant fact was reported on October 1st 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at the Board of Directors meeting of the corporation held on September 27, 2012, it was agreed that a second installment of the eventual dividend approved at the annual shareholders meeting held in April 2012 was to be distributed. This dividend amounted to CLP 13,500,000,000 and will be paid starting October 30 2012 to shareholders registered in the respective shareholders list as of 22 October 2012.

9) The following relevant fact was reported on October 1st 2012, in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at the regular Transelec S.A.'s Board of Directors meeting held on September 27, 2012, Mr. Richard Legault was chosen to be Chairman of the Board of Directors.

10) The following relevant fact was reported on November 22, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That at Board of Directors meeting of the corporation held on November 21, 2012, it was agreed that a third installment of the eventual dividend approved at the annual shareholders meeting held in April 2012 was to be distributed. This dividend amounted to CLP 14,648,907,284 and will be

paid starting 6 December 2012 to shareholders registered in the respective shareholders list as of 28 November 2012.

11) The following relevant fact was reported on November 22, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A.'s Board of Directors, at a meeting held on November 21, 2012, agreed to distribute an Interim dividend to be charged to the 2012 fiscal year amounting to CLP 44,867,250,000 in conformity with the provisions of the Dividends Policy approved by the Corporation's Board of Directors and reported at theannual shareholders meeting held in April 2012.

12) The following relevant fact was reported on December 3, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec S.A's. shareholders have decided to convene a special shareholders meeting to be held on December 5, 2012 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This meeting will be convened in order to bring the following matters to the knowledge of the shareholders and to submit these for approval:

1. To ratify agreements made by the Corporation's Board of Directors at its meeting N° 88, in conformity with Article 28 of the Corporation's Bylaws.

13) The following relevant fact was reported on December 6, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on December 5, 2012 and the following matters were agreed:

To ratify the agreements made by the Corporation's Board of Directors at Its meeting N° 88, in conformity with Article 28 of the Corporation's Bylaws, in order to authorize the sale of all assets corresponding to the Caserones Project and the transfer and sale of all contracts associated to the related corporation CyT Operaciones SpA, as well as the signing of all other contracts between Transelec S.A. and CyT Operaciones SpA that may be required, under market conditions.

14) The following relevant fact was reported on January 23, 2013 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:
That Transelec S.A.'s shareholders have decided to convene a special shareholders meeting to be held on January 25, 2013 at 9:00 AM at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This meeting will be convened in order to bring the following matters to the knowledge of the shareholders and to submit these for approval:

1. To approve the hiring of one or more lines of credit for up to US$150 million; and
2. To authorize and grant powers necessary for the drawdown of these non-committed lines of credit.

15) The following relevant fact was reported on January 28, 2013 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That a special shareholders meeting of the corporation was held on January 25, 2013 and the following matters were agreed:

1. To approve the execution of one or several Credit Facility Agreements with one or more banks operating in Chile for up to 150,000,000 dollars or the equivalent in national currency; and
2. To grant the powers necessary for the execution of one or more Credit Facility Agreements with one or more banks operating in Chile up to the amount indicated, specifically granting powers to proceed to sign documentation associated to said credit facilities and disbursements made for these purposes, as well as the signing of the corresponding promissory notes.

TRANSELEC NORTE S.A.

1) The following relevant fact was reported on March 21, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That Transelec Norte S.A.'s Board of Directors, at a session held on March 21, 2012, agreed to summon a shareholders meeting for 27 April 2012 at 9:00 AM, at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

The purpose of summoning this meeting is to bring the following issues to the knowledge of the shareholders and submit them for approval:

1. The Annual Report, Balance Sheet, Financial Statements and External Auditors Report corresponding to the period finishing on December 31, 2011.
2. Final dividends distribution.
3. Dividends Policy and information about procedures to be used for payment.
4. Renewal of the Board of Directors.
5. Appointment of External Auditors.
6. The newspaper to be used for publishing the shareholders meeting notice.
7. Other issues of interest for the corporation and authority of the shareholders meeting.

2) The following relevant fact was reported on April 27, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

The annual shareholders meeting was held on April 27, 2012 and the following matters were agreed:

1. To approve the Annual Report, Balance Sheet, Financial Statements and the External Auditors Report corresponding to the period ending December 31, 2011.
2. To approve the distribution of a final dividend corresponding to 2011, amounting to USD 3,673,247, to be paid as of May 28, 2012 to shareholders registered in the respective shareholders' registry as of May 18, 2012.
3. The Dividends Policy for 2012 was informed.
4. It was agreed that members of the Board of Directors were to be replaced and therefore, the Board is currently comprised as follows: Mr. Richard Legault as director and Mr. Jeffrey Blidner as his respective deputy director; Mr. Bruce Hogg as director and Mr. Daniel Fetter as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Richard Dinneny as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.
5. Approval of the appointment of Ernst & Young as the company's external auditors for the 2012 fiscal year.
6. Diario Financiero was approved as the newspaper to be used for publishing notices of general shareholders meetings.

3) The following relevant fact was reported on May 24, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

At a meeting held on May 23, 2012, the company's Board of Directors took notice of the resignation of Mr. Jeffrey Blidner from his position of deputy director for Mr. Richard Legault, as well as the resignation presented by Mr. Daniel Fetter from his position as deputy director for Mr. Bruce Hogg.

At the same meeting, the company's Board of Directors agreed to appoint Mr. Benjamin Vaughan as deputy director for Mr. Richard Legault, and Mr. Etienne Middleton as deputy director for the director Mr. Bruce Hogg. Lastly, at the same meeting Mr. Richard Legault was elected to be Chairman of the Board of Directors.

4) The following relevant fact was reported on August 31, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That the shareholders of Transelec Norte S.A. have agreed to convene a special shareholders meeting to be held on September 3, 2012 at 9:00 AM

at the corporation's offices located at Av. Apoquindo 3721, sixth floor, Las Condes district.

This special shareholders meeting was convened in order to bring the following points to the knowledge of the shareholders and submit them for approval:

1. To totally renew the Corporation's Board of Directors.

5) The following relevant fact was reported on September 4, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

A special shareholders meeting was held on September 3, 2012 and the following matters were agreed:

Removal of the current members of the Board of Directors, both directors and deputy directors and appointment of the following persons: Mr. Richard Legault as director and Mr. Benjamin Vaughan as his respective deputy director; Mr. Bruce Hogg as director and Mr. Etienne Middleton as his respective deputy director; Mr. Patrick Charbonneau as director and Mr. Paul Dufresne as his respective deputy director; Ms. Brenda Eaton as director and Mr. Jerry Divoky as her respective deputy director; Mr. Bruno Philippi Irarrázabal as director and Mr. Enrique Munita Luco as his respective deputy director; Mr. Mario Valcarce Durán as director and Mr. Juan José Eyzaguirre Lira as his respective deputy director; Mr. Blas Tomic Errázuriz as director and Mr. Federico Grebe Lira as his respective deputy director; Mr. José Ramón Valente Vias as director and Mr. Juan Paulo Bambach Salvatore as his respective deputy director, and Mr. Alejandro Jadresic Marinovic as director and Mr. Juan Irarrázabal Covarrubias as his respective deputy director.

6) The following relevant fact was reported on October 1st 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

At a regular Transelec Norte S.A's. Board of Directors meeting held on September 27, 2012, Mr. Richard Legault was elected to be Chairman of the Board of Directors.

7) The following relevant fact was reported on December 27, 2012 in accordance with the provisions of Article 9 and subsection 2 of Article 10 of Law 18,045 on the Securities Market:

That on the same date, Transelec Norte S.A., directly and through its related corporations, purchased a 100% stake in Inversiones Eléctricas Transam Chile Limitada and its subsidiaries Transmisora Abenor Limitada, Transmisora Araucana de Electricidad Limitada and Transmisora Huepil Limitada, leaving Transelec Norte S.A. with a 99.9% stake in the Corporation.

The total price of this purchase was US$46,300,000.

05

CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC NORTE S.A. AND SUBSIDIARIES

DECEMBER 31, 2012 AND 2011

(TRANSLATION OF THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

US$	:	US DOLLARS
THUS$	:	THOUSAND OF US DOLLARS
$	:	CHILEAN PESOS
U.F	:	UNIDADES DE FOMENTO

INDEX

Independent Auditor's Report

(Translation of the report originally issued in Spanish)

Shareholders and Directors
Transelec Norte S.A.

We have audited the accompanying consolidated financial statements of Transelec Norte S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management of Transelec Norte S.A. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transelec Norte S.A. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Oscar Gálvez

ERNST & YOUNG LTDA.

Santiago, Chile
March 20, 2013

TRANSELEC NORTE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2012 and 2011
(Expressed in thousands of US dollars (ThUS$))
(Translation of the Financial Statements originally issued in Spanish)

ACTIVOS	NOTE	DECEMBER 31, 2012 THUS$	DECEMBER 31, 2011 THUS$
CURRENT ASSETS			
Cash and cash equivalents	(5)	17,361	7,204
Other financial assets	(11)	1,239	769
Other non-financial assets	-.-	2,632	3,233
Trade and other receivables	(6)	8,791	3,593
Receivables from related parties	(8)	404	373
Current tax assets	-.-	404	-.-
TOTAL CURRENT ASSETS	-.-	30,831	15,172
NON-CURRENT ASSETS			
Other financial assets	(11)	67,613	15,759
Other non-financial assets	-.-	103	-.-
Intangible assets other than goodwill	(9)	707	707
Goodwill	(9)	19,738	-.-
Property, plant and equipment	(10)	123,979	125,462
TOTAL NON-CURRENT ASSETS	-.-	212,140	141,928
TOTAL ASSETS	-.-	242,971	157,100

The accompanying notes form an integral part of these consolidated financial statements

TRANSELEC NORTE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2012 and 2011
(Expressed in thousands of US dollars (ThUS$))
(Translation of the Financial Statements originally issued in Spanish)

NET EQUITY AND LIABILITIES	NOTE	DECEMBER 31, 2012 THUS$	DECEMBER 31, 2011 THUS$
CURRENT LIABILITIES			
Other financial liabilities	(7)	1,856	-.-
Trade payables and other payables	(13)	10,041	1,563
Payables to related parties	(8)	50,026	1,695
Current tax liabilities	-.-	-.-	146
Other non-financial liabilities	-.-	198	-.-
TOTAL CURRENT LIABILITIES	-.-	62,121	3,404
NON-CURRENT LIABILITIES			
Other financial liabilities	(7)	19,640	-.-
Payables to related parties	(8)	76,980	76,984
Deferred tax liabilities	(12)	12,743	6,704
Other non-financial liabilities	-.-	309	-.-
TOTAL NON-CURRENT LIABILITIES	-.-	109,672	83,688
TOTAL LIABILITIES	-.-	171,793	87,092
EQUITY			
Paid-in capital	(14)	30,005	30,005
Retained earnings	-.-	40,901	40,003
PTOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-.-	70,906	70,008
Non-controlling interest	-.-	272	-.-
TOTAL EQUITY	-.-	71,178	70,008
TOTAL NET EQUITY AND LIABILITIES	-.-	242,971	157,100

The accompanying notes form an integral part of these consolidated financial statements

TRANSELEC NORTE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended as of December 31, 2012 and 2011
(Expressed in thousands of US dollars (ThUS$))
(Translation of the Financial Statements originally issued in Spanish)

STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION	NOTE	2012 THUS$	2011 THUS$
Operating revenues	(15)	20,557	19,580
Cost of sales	(16)	(8,067)	(7,009)
GROSS MARGIN	-.-	12,490	12,571
Administrative expenses	(16)	(3,141)	(3,833)
Other gains	(15)	12	251
Financial income	(15)	597	301
Financial expenses	(16)	(3,169)	(4,308)
Foreign exchange differences	(16)	218	(318)
PROFIT BEFORE TAXES	-.-	7,007	4,664
Gasto por impuestos a las ganancias	(17)	(2.431)	(991)
Income tax expense	(17)	(2,431)	(991)
Profit from continuing operations	-.-	4,576	3,673
Profit (loss) from discontinued operations	-.-	-.-	-.-
PROFIT	-.-	4,576	3,673
PROFIT (LOSS) ATTRIBUTABLE TO			
Profit attributable to owners of the parent	4,571	3,673	
Profit (loss) attributable to non-controlling interest	-.-	5	-.-
PROFIT	-.-	4,576	3,673
EARNINGS PER SHARE		-.-	-.-
Basic earnings per share	(18)	-.-	-.-
Basic earnings per share from continuing operations	US$/s	6.10	4.90
Basic earnings per share from discontinued operations	US$/s	-.-	-.-
BASIC EARNINGS PER SHARE	US$/S	6.10	4.90
DILUTED EARNINGS PER SHARE			
Diluted earnings per share	US$/s	6.10	4.90
Diluted earnings per share from discontinued operations	US$/s	-.-	-.-
EARNINGS PER SHARE DILUTED	US$/S	6.10	4.90
Profit	-.-	4,576	3,673
Other comprehensive income	-.-	-.-	-.-
TOTAL COMPREHENSIVE INCOME	-.-	4,576	3,673
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Comprehensive income attributable to owners of the parent	-.-	4,571	3,673
Comprehensive income attributable to non-controlling interest	-.-	5	-.-
TOTAL COMPREHENSIVE INCOME	-.-	4,576	3,673

The accompanying notes form an integral part of these consolidated financial statements

TRANSELEC NORTE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended as of December 31, 2012 and 2011
(Expressed in thousands of US dollars (ThUS$))
(Translation of the Financial Statements originally issued in Spanish)

	PAID -IN CAPITAL THUS$	RETAINED EARNINGS THUS$	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT THUS$	NON CONTROLLING INTEREST THUS$	TOTAL EQUITY THUS$
OPENING BALANCE AS OF JANUARY 1, 2012	30,005	40,003	70,008	-.-	70,008
Increase (decrease) from changes in accounting policies	-.-	-.-	-.-	-.-	-.-
Increase (decrease) from corrected errors	-.-	-.-	-.-	-.-	-.-
RESTATED OPENING BALANCE	30,005	40,003	70,008	-.-	70,008
CHANGES IN EQUITY					
COMPREHENSIVE INCOME					
Profit	-.-	4,571	4,571	5	4.576
Other comprehensive income	-.-	-.-	-.-	-.-	-.-
TOTAL COMPREHENSIVE INCOME	--	4,571	4,571	5	4,576
Dividends	-.-	(3,673)	(3,673)	-.-	(3,673)
Increase (decrease) from transfers and other changes	-.-	-.-	-.-	267	267
TOTAL CHANGES IN EQUITY	-.-	898	898	272	1,170
CLOSING BALANCE AS OF DECEMBER 31, 2012	30,005	40,901	70,906	272	71,178

The accompanying notes form an integral part of these consolidated financial statements

TRANSELEC NORTE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended as of December 31, 2012 and 2011
(Expressed in thousands of US dollars (ThUS$))
(Translation of the Financial Statements originally issued in Spanish)

	PAID-IN CAPITAL THUS$	RETAINED EARNINGS THUS$	TOTAL EQUITY THUS$
OPENING BALANCE AS OF JANUARY 1, 2011	30,005	38,350	68,355
Increase (decrease) from changes in accounting policies	-.-	-.-	-.-
Increase (decrease) from corrected errors	-.-	-.-	-.-
RESTATED OPENING BALANCE	30,005	38,350	68,355
CHANGES IN EQUITY			
COMPREHENSIVE INCOME			
Profit	-.-	3,673	3,673
Other comprehensive income	-.-	-.-	-.-
TOTAL COMPREHENSIVE INCOME	-.-	3,673	3,673
Dividends	-.-	(2,020)	(2,020)
Increase (decrease) from transfers and other changes	-.-	-.-	-.-
TOTAL CHANGES IN EQUITY	-.-	1,653	1,653
CLOSING BALANCE AS OF DECEMBER 31, 2011	30,005	40,003	70,008

The accompanying notes form an integral part of these consolidated financial statements

TRANSELEC NORTE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – INDIRECT METHOD

For the years ended as of December 31, 2012 and 2011
(Expressed in thousands of US dollars (ThUS$))
(Translation of the Financial Statements originally issued in Spanish)

INDIRECT STATEMENT OF CASH FLOWS	2012 THUS$	2011 THUS$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
PROFIT	4,576	3,673
Adjustments for income tax expense	2,431	991
Adjustments for decreases (increases) in trade receivables	(5,197)	(461)
Adjustments for decreases (increases) in other receivables arising from operating activities.	416	(1,223)
Adjustments for (decreases) increases in accounts payable	8,478	692
Adjustments for (decreases) increases in other accounts payable arising from operating activities.	-.-	780
Adjustments for depreciation and amortization expenses	6,008	6,290
Adjustments non-controlling interest	(5)	-.-
Adjustments for other non-cash items	3,659	4,245
TOTAL ADJUSTMENTS FOR RECONCILIATION OF INCOME	15,790	11,314
Interest paid	(3,260)	(4,390)
Income tax paid	(1,344)	(970)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	15,762	9,627
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Cash flows used to acquire control of subsidiaries or other businesses	(46,393)	-.-
Purchases of property, plant and equipment	(4,739)	(5,370)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(51,132)	(5,370)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Loans from related parties	49,200	-.-
Dividends paid	(3,673)	(2,885)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(45,527)	(2,885)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,157	1,372
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE	7,204	5,832
CASH AND CASH EQUIVALENTS, ENDING BALANCE	17,361	7,204

The accompanying notes form an integral part of these consolidated financial statements

NOTE 1 - GENERAL INFORMATION

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

The Company's line of business involves operating and developing electrical systems owned by the Company or by third parties designed to transport or transmit electricity and may, for these purposes, acquire and/or use the respective concessions and permits and exercise all of the rights and powers that current legislation confers on electric companies.

The Company is directly controlled by Transelec S.A. and indirectly controlled by ETC Holdings Ltd.

The Company's subsidiary Inversiones Electricas Transam Chile Ltda. is a limited liability company that has three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda., and Transmisora Araucana de Electricidad Ltda., and each of them is also a limited liability company. The rights in Inversiones Electricas Transam Chile Ltda. were acquired in December 2012. The subsidiary is domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile.

The Company's financial statements for the year ended December 31, 2011 were approved by its Board of Directors at its meeting held on March 21, 2012, and were subsequently presented for consideration at the Ordinary Shareholders' Meeting held on April 27, 2012, where they were ultimately approved.

These consolidated financial statements were approved by the Board of Directors in Ordinary Meeting No.109 held on March 20, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing these financial statements are detailed below. These policies have been applied uniformly for all periods presented.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB).

The figures in these financial statements and notes are expressed in thousands of United States Dollars, the Company's functional currency. For the convenience of the reader these financial statements have been translated from Spanish into English.

In preparing these financial statements certain critical accounting estimates have been used to quantify some assets, liabilities, revenues and expenses. Management was also required to exercise judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are described in Note 4.

Information contained in these consolidated financial statements is the responsibility of the Company´s management.

2.2 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Below is a summary of new standards, interpretations and improvements to IFRS issued by the IASB that are not yet effective as of on December 31, 2012. It is expected that that those will not have significant impact on the financial statements of the Company in the moment of adoption.

IFRS 7 - Financial Instruments: Disclosures

In December 2011 amendments to IFRS 7 were issued. Those amendments require entities to disclose in the financial information, the effects or potential effects of compensation arrangements in financial instruments on the entity's financial position. The standard is applicable from 1 January 2013.

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

IFRS 9 - Financial Instruments

This standard introduces new requirements for classifying and measuring financial assets, allowing early application. The standard requires all financial assets to be classified in its entirety on the basis of the business model of the entity for the management of financial assets and characteristics of the contractual cash flows from financial assets. Financial assets under this standard are measured either at amortized cost or fair value.

Only assets classified as measured at amortized cost shall be tested for impairment. The standard is effective for annual periods beginning on or after January 1, 2015, however early adoption is permitted.

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

IFRS 10 "Consolidated Financial Statement"

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities'). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements of IAS 27.

IFRS 12 "Disclosure of Interests in Other Entities"

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

IFRS 13 "Fair Value Measurement"

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

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

IAS 1 "Presentation of Financial Statements"

"Annual Improvements to IFRS 2009-2011 Cycle", issued in May 2012, amended paragraphs 10, 38 and 41, deleted paragraphs 39-40 and added paragraphs 38A-38D and 40A-40D, which clarifies the difference between voluntary additional comparative information and minimum comparative information required. Generally, the minimum required comparative period is the prior period. An entity must include comparative information in the related notes to the financial statements when the entity voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period need not contain a complete set of financial statements. In addition, the opening balances of statement of financial position (known as the third balance) must be presented in the following circumstances: when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications and that change has a material effect on the statement of financial position. The opening statement of financial position would be at the beginning of the preceding period. However, unlike the voluntarily comparative information related notes are not required to accompany the third balance. An entity shall apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case it shall be disclosed.

IAS 16 "Property, Plant and Equipment"

"Annual Improvements to IFRS 2009-2011 Cycle", issued in May 2012, amended paragraph 8. The amendment clarifies that the spare parts and auxiliary equipment that meet the definition of property, plant and equipment are not inventory. An entity shall apply the amendment retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case disclosure should be made.

IAS 32 "Financial Instruments: Presentation"

"Annual Improvements 2009-2011 Cycle", issued in May 2012, amended paragraphs 35, 37 and 39 and add paragraph 35A, which clarifies that income tax distributions to shareholders of the entity are accounted for under IAS 12 Income Taxes. The amendment removes the existing require-

ments related to income taxes of IAS 32 and requires entities to apply IAS 12 requirements to any income tax distributions to shareholders of the entity. An entity shall apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case disclosure should be made.

In addition, in December 2011 amendments to IAS 32 were issued. Those amendments are intended to clarify differences in the application of the standard in relation to compensation and reduce the level of diversity in current practice. The standard is applicable from January 1, 2014 and early adoption is permitted.

IAS 34 "INTERIM FINANCIAL REPORTING"

"Annual Improvements to IFRS 2009-2011 Cycle", issued in May 2012, amended paragraph 16A. The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amounts disclosed in the entity´s previous annual financial statements for that reportable segment.

An entity shall apply the amendment retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after January 1, 2013. Earlier application is permitted, in which case disclosure should be made.

2.3 BASIS OF CONSOLIDATION

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

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

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

Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

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

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

These consolidated financial statements include balances of subsidiary Inversiones Eléctricas Transam Chile Ltda. and its subsidiaries Transmisora Huepil Ltda., Transmisora Abenor Ltda. and Transmisora Araucana de Eléctricidad Ltda. The participation in Inversiones Eléctricas Transam Chile Ltda. was 99.899% as of December 31, 2012. The participation that Inversiones Eléctricas Transam Chile Ltda. has in each one of the above mentioned subsidiaries was 99% as of December 31, 2012.

2.4 FOREIGN EXCHANGE TRANSACTIONS

2.4.1 Functional and presentation currency

These consolidated financial statements have been prepared in US dollars, which is the Company's and all its subsidiaries' functional currency.

2.4.2 Transactions and balances

The operations carried out by the Company and its subsidiaries in a currency other than the functional currency are recorded at the exchange rates in force at the time of the respective transactions. During the year, differences between the exchange rate for accounting purposes and the exchange rate in force as of the collection or payment date are recorded as foreign exchange differences in the income statement. Likewise, as of year-end balances receivables or payables in currencies other than Company's functional currency are converted at the closing exchange rate. Losses and gains on foreign currency arising from settling these transactions and from converting monetary assets and liabilities denominated in currencies other than the functional currency using year-end exchange rates are recorded in the income statement.

2.4.3 Exchange rates

Assets and liabilities denominated in foreign currency and Unidades de Fomento (UF) had the following respective year-end exchange rates and values:

US$	DECEMBER 31, 2012	DECEMBER 31, 2011 US$
Chilean peso ($)	0.00208	0.00193
Unidades de fomento (UF)	47.5889	42.9392

2.5 SEGMENT REPORTING

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment are valued at purchase cost, net of any accumulated depreciation and impairment losses. In addition to the acquisition price paid, the cost also includes, when appropriate, all costs directly related to placing the asset in the location and condition that enables it to be used in the manner intended by management. Financial expenses incurred during the construction period which are directly attributable to

the acquisition, construction or production of qualifying assets, which are those that require a substantial period of time before they are ready for use, are capitalized. The interest rate is used for the specific funding or, in its absence, the average Company's financing.

Any future disbursements that Transelec Norte S.A. and its subsidiary must make to close their facilities are incorporated into the value of the asset at the updated value, and the corresponding provision is recognized for accounting purposes. Management reviews its estimation of these future disbursements on an annual basis and increasing or decreasing the value of the asset based on the result of this estimation.

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

Expansion, modernization or improvement costs that represent an increase in productivity, capacity or efficiency, or an extension of the useful lives of the assets, are capitalized as an increased cost of the corresponding assets. Substitutions or renovations of complete elements that increase the asset's useful life or economic capacity are recorded as greater cost for the corresponding asset, and the elements that have been substituted or renovated are derecognized for accounting purposes. Periodic maintenance, conservation and repair costs are recorded directly in income as a cost for the period in which they are incurred.

Property, Plant and Equipment, net of their residual value, are depreciated using the straight-line method to distribute the cost of the different components over the estimated useful lives, which constitute the period over which the Company expect to use them. The useful lives and residual values of fixed assets are reviewed on an annual basis.

The following table details useful lives of principal classes of assets:

ACCOUNT	RANGE FOR ESTIMATED USEFUL LIFE	
	MINIMUM	MAXIMUM
Buildings and infrastructure	20	50
Machinery and equipment	15	40
Other		3 15

2.7 INTANGIBLE ASSETS

2.7.1 Goodwill

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

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

During the periods covered by those financial statements, there were impairment losses of goodwill.

2.7.2 Rights of way

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

2.7.3 Computer software

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

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

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Regardless of what is stated in the preceding paragraph, in the case of cash generating units to which goodwill or indefinite useful life intangibles were assigned, the recoverability analysis is performed systematically each year.

The recoverable amount is the higher of fair value less costs to sell and the value in use, the last one being present value of estimated future cash flows.

Impairment losses from continued operations are recognized in the income statement in the category of expenses related to the function of the assets that suffered impairment.

Non-financial assets that suffered an impairment loss are reviewed at each reporting date for possible reversal of the impairment, in which case the reversal may not exceed the amount originally impaired. Reversals are recognized in the income statement.

2.9 LEASES

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

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

2.9.1 The company as lessor

Operating leases

The operating lease payments for these contracts are recognized as income on a straight-line basis during live of the contracts.

Finance leases

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

2.10 FINANCIAL ASSETS

Upon initial recognition, the Company classifies its financial assets, with the exception of investments accounted for using the equity method and investments held for sale, in four categories:

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

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

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

- Financial assets at fair value through profit or loss: these assets include the investment portfolio and those financial assets that have been designated as such upon initial recognition and are managed and evaluated according to the fair value criterion. They are valued at fair

value in the consolidated statement of financial position, and changes in their value are recorded directly in income when they occur.

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

- Available-for-sale investments: these are assets that are specifically designated as available for sale or that do not fit into the three previous categories. Almost all of these assets correspond to financial investments in capital. These investments are recorded in the statement of financial position at fair value when it can be reliably determined. With respect to shares in unlisted companies, normally the market value cannot be reliably determined, and therefore they are valued at purchase cost or a lower amount if there is evidence of impairment. Changes in fair value, net of tax effects, are recorded with a charge or credit to an Equity Reserve called "Available-for-sale financial assets" until the disposal of such investments, at which point the accumulated amount in this category relating to such investments is wholly recorded in the statement of income. Should the fair value be less than purchase cost, if there is objective evidence that the asset has been affected by impairment that cannot be considered temporary, the difference is recorded directly in the statement of income.

  During the years covered by these financial statements, the Company had no available-for-sale financial assets.

Purchases and sales of financial assets are accounted for using the transaction date.

A financial asset is derecognized when:

a) the rights to receive cash flows from the asset have expired; or

b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired.

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

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

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

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statement of financial position includes cash, time deposits and other highly-liquid, short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 PAID-IN CAPITAL

Paid-in capital is represented by one class of ordinary shares with one vote per share.

Incremental costs directly attributable to new share issuances are presented in equity as a deduction, net of taxes, from income.

2.13 FINANCIAL LIABILITIES

The Company's financial liabilities include trade payables and other accounts payable, loans and liabilities of similar nature. The Company determines the classification of financial liabilities on initial recognition.

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

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

Loans, bonds payable and financial liabilities of a similar nature are subsequently valued at amortized cost and any difference between the funds obtained (net of costs to obtain them) and repayment value are recognized in the income statement over the life of the debt using the effective interest rate method.

2.14 INCOME TAX AND DEFERRED TAXES

Expense or benefit from income taxes for the year is determined as the sum of the Company's current taxes being the result of the application of the tax rate over the taxable income for the year, after applying any admissible tax deductions, plus changes in deferred tax assets and liabilities and tax credits for both tax losses and deductions.

Differences between the book value and the tax base of assets and liabilities give rise to deferred tax asset or liability balances that are calculated using the tax rates that are expected to apply when the assets and liabilities are realized.

Current taxes and changes in deferred tax assets and liabilities that are not the result of business combinations are recorded in income or in equity in the statement of financial position, depending on where the gains or losses giving rise to such assets or liabilities were recorded.

Deferred tax assets and tax credits are recognized only when it is likely that there are future tax gains sufficient enough to recover deductions for temporary differences and make use of tax losses.
The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

2.15 PROVISIONS

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

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

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

As of the date of issuance of these financial statements, Transelec Norte and subsidiaries have no obligation to establish provisions for environmental restoration.

2.16 CLASSIFICATION OF CURRENT AND NON-CURRENT BALANCES

In the statement of financial position, balances are classified based on maturity (i.e. current balances mature in twelve months or less from the financial statement closing date and non-current balances in more than twelve months).

In the event that there are obligations due within less than twelve months but whose long-term refinancing is assured at the Company's discretion through available unconditional credit contracts expiring in the long term, such obligations may be classified as long-term liabilities.

2.17 REVENUE RECOGNITION

Revenue relate mainly to revenues from the sale of electric transmission capacity of the facilities of the Company. Revenue includes transmission service provided but not invoiced at the end of the period, which is valued at the price of sale as required by existing contracts and toll reports issued by the Center for Economic Load Dispatch Northern Interconnected System (CDEC-SING).

The Company recognizes revenues when the amount can be reliably measured and it is probable that future economic benefits will flow to the Company

2.18 DISTRIBUTION OF DIVIDENDS

Dividends payable to the Company's shareholders are recognized as a liability in the financial statements in the period in which they are declared and approved by the Company's shareholders or when the corresponding obligation arises based on current legal provisions or distribution policies established by shareholders.

On the Company's Board meeting No. 78 held on September 30, 2010, the policy used for the determination of distributable net profit was approved. This policy does not consider adjustments to the "Profit (loss) attributable to non-controlling interest"

NOTE 3 - RISK MANAGEMENT POLICY

3.1 FINANCIAL RISK

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

3.1.1 Market risk

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

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

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

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

c) Long-term financing obtained from its indirect parent Transelec Holdings Rentas Limitada at fixed interest rate.

3.1.1.1 Interest rate risk

On Assets: Given the average recovery period of investment does not exceed 45 days, an increase in interest rates has no significant impact on the Company's earnings.

On Liabilities: The Company has outstanding bank loan balance of ThUS$ 23,056 as of December 31, 2012 that bears variable interest rate of 3-month Libor plus 1.5% spread and an intercompany loan from its indirect parent Transelec Holdings Rentas Limitada with a fixed interest rate.

3.1.1.2 Foreign currency translation risk

The Company's functional currency is the US dollar and majority of its transactions are carried out in this currency. Exposure to exchange rate risk

for transactions expressed in other currencies (mainly the Chilean peso) is minimal.

In terms of currency matching, the Company's current balance as of December 31, 2012 was a net liability in Chilean pesos equivalent to US$ 2.7 million. This exposure in pesos translates into a gain/ (loss) from foreign currency translation of approximately ThUS$ 56 for each $ 10 variation in the peso-dollar exchange rate.

3.1.2 Credit risk

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

However, there is a concentration of the Company's total transmission income of 88.9% in only one client. Nevertheless, considering the compensation of energy flows mechanisms in the system, this percentage could be lower.

Regarding the risk of investing surplus cash, it can be invested in banks or financial institutions with limits set according to capital and risk classification of each financial institution, in terms not exceeding 90 days.

3.1.3 Liquidity risk

a) Risk associated with management of the company

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

In order to guarantee its ability to quickly react to investment opportunities and to pay its obligations by their maturity dates, the Company maintains a high level of liquidity. Its principal source of liquidity is cash and cash equivalents, in addition to accounts receivable.

The following table shows the amortization of principal of the Company's financial liabilities (bank loan) according to maturity, as of December 31, 2012:

MATURITY OF DEBT (PRINCIPAL) THUS$	LESS THAN 1 YEAR	FROM 1 TO 3 YEARS THUS$	FROM 3 TO 5 YEARS THUS$	FROM 5 TO 10 YEARS THUS$	MORE THAN 10 YEARS THUS$	TOTAL THUS$
December 31, 2012	1,856	4,240	5,120	10,048	1,792	23,056

In addition, the Company has an available credit line granted by its indirect parent company, Transelec Holdings Rentas Ltda. that allows meeting any cash needs.

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

According to Decree N°4/20.018 from the Ministry of Economy, Fomentation and Reconstruction, in its articles 81, 101, 104 and 106, and complementary rules, Transelec Norte has the right to perceive on a provisory basis the real tariff income (IT for its name in Spanish) of the trunk transmission system generated for every period. In order to get their own revenues set up in the first paragraph of article N°101 of the above mentioned Decree N°4/20.018, the real tariff income perceived on a provisory basis must be settled by Transelec Norte according to the payments schedule prepared by the respective CDEC (Center of Economic Dispatch of Charge) through the collection or payment to the different companies being owners of generation facilities.

The Company may face the risk of not collecting timely the IT that some of the companies owning generation facilities should pay as set up in the payments schedules of CDEC, what may temporarily affects the liquidity situation of the Company.

NOTE 4 - CRITICAL ESTIMATES, JUDGMENTS OR CRITERIA EMPLOYED BY MANAGEMENT

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

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

- The estimates of recoverable values of assets and goodwill to determine potential existence of impairment losses;
- The useful lives and residual values of the property, plant and equipment and intangibles;
- Future disbursement for asset retirement obligations and related discount rates;
- Finance or operating lease classification in function of transfer of risks and rewards of the leased assets.

INTRODUCTION

During 2012, Transelec Norte S.A. and Affiliates recorded a net income of ThUS$ 4,576, which is 24.6% higher than the prior year (ThUS$3,673). Operating revenues totaled ThUS$20,557, 5.0% higher than 2011 (ThUS$19,580). EBITDA for the period was ThUS$15,535, with an EBITDA over revenues margin of 75.6% (78.1% in 2011). In this period, the Company recorded a non-operating loss of ThUS$ 2,342, which is 42.5% less than 2011.

On December 27, 2012, Transelec Norte acquired 99.99% of Inversiones Eléctricas Transam Chile Ltda. obtaining control over Transam Group which also includes three subsidiaries: Transmisora Huepil Ltda., Transmisora Abenor Ltda. and Transmisora Araucana de Electricidad Ltda., in each one of which Inversiones Eléctricas Transam Chile Ltda. owns 99% stake.
The total acquisition reached the amount of ThUS$52,351.

Transelec Norte S.A. has prepared its financial statements as of December 31, 2012 in accordance with International Financial Reporting Standards, which have been adopted wholly, explicitly and without reserves. Figures in this management discussion and analysis are expressed in thousands of United States dollars (ThUS$), which is the functional currency of Transelec Norte S.A.

1. INCOME STATEMENT ANALYSIS

ITEMS	DECEMBER 2012 THUS$	DECEMBER 2011 THUS$	VARIATION 2012/2011 %
Operating Revenues	20.557	19.580	5,0%
Toll sales	20.557	19.580	5,0%
Operating costs	-8.067	-7.009	15,1%
Fixed costs	-2.059	-854	141,1%
Depreciation	-6.008	-6.155	-2,4%
Administraton and sales expenses	-3.141	-3.833	-18,1%
OPERATING INCOME	9.349	8.738	7,0%
Lease financial income	166	154	7,8%
Other financial income	431	147	193,2%
Financial cost	-3.169	-4.308	-26,4%
Foreign Exchange differences	218	-318	-168,6%
Gain (loss) for indexed assets and liabilities	0	0	-
Other income	12	251	-95,2%
NON-OPERATING INCOME	-2.342	-4.074	-42,5%
INCOME BEFORE INCOME TAXES	7.007	4.664	50,2%
Income tax	-2.431	-991	145,3%
NET INCOME	4.576	3.673	24,6%
EBITDA	15.535	15.298	1,5%

EBITDA= Net Income + abs(Income tax) + abs(Depreciation) + abs(Non-Operating Income) + abs(Other Gains) + Lease financial income.

A) OPERATING INCOME

During 2012, operating revenues reached ThUS$9,349, which is 7.0% higher than the ThUS$8,738 obtained in 2011. These variances are due to an increase in operating income amounted to ThUS$ 20,557 (ThUS$ 19,580 in 2011). This revenue is mainly from sales of transmission capacity of the Company's facilities in the Great North Interconnected System (SING). The Company's revenue is contractually established.

Operating expenses amounted to ThUS$8,067, which is 15.1% higher than the year 2011, which reached ThUS$7,009. In percentage terms, 74.5% of the Company's costs correspond to depreciation of property, plant and equipment (87.8% in 2011), while the remaining 25,5% consists of operating, maintenance and administrative services received from Transelec S.A.

B) NON-OPERATING INCOME

The Company recorded a non-operating loss of ThUS$2,342, which is 42.5% lower than the comparison period (ThUS$4,074). This decrease is mainly due to a lower intercompany interest rate from 7.875% to 4.17% in May 2011 (ThUS$3,260 versus ThUS$4,390 in 2011).

2. BALANCE SHEET ANALYSIS

ITEMS	DECEMBER 2012 THUS$	DECEMBER 2011 THUS$	VARIATION 2012/2011 %
Current assets	30.831	15.172	103,2%
Non-current assets	212.140	141.928	49,5%
TOTAL ASSETS	242.971	157.100	54,7%
Current liabilities	62.121	3.404	1724,9%
Non current liabilities	109.672	83.688	31,0%
Equity	71.178	70.008	1,7%
TOTAL LIABILITIES & EQUITY	242.971	157.100	54,7%

Total assets as of December 2012 showed an increase of 54.7% over the previous year mainly due to the increase in non-current assets. The increased in financial leases receivable with Transam subsidiaries explained the increase in non-current assets, amounted to ThUS $ 212,140 in 2012, which implies an increase of 49.5%.

Total liabilities as of December 31, 2012 is ThUS $ 171,793 which represents an increase of 97.3% compared to the year 2011 (ThUS $ 87,092). Current liabilities in 2012 amounted to ThUS $ 62,121, related to payable accounts with related companies, which increased due to the funds required for the Transam acquisition.

VALUE OF PRINCIPAL OPERATING PROPERTY, PLANT AND EQUIPMENT

FIXED ASSETS	DECEMBER 2012 THUS$	DECEMBER 2011 THUS$	VARIATION 2012/2011 %
Land	2.957	2.957	0,0%
Building, Infraestucture, works in progress	129.100	125.201	3,1%
Machinery and equipment	24.535	24.535	0,0%
Other fixed assets	559	13	4200,0%
Depreciation (less)	-33.172	-27.244	21,8%
TOTAL	123.979	125.462	-1,2%

As of December 31, 2012, property, plant and equipment mainly consist of buildings, infrastructure, machinery and equipment.

3. PRINCIPAL CASH FLOWS FOR THE PERIOD

ITEMS	DECEMBER THUS$	DECEMBER 2012 THUS$	VARIATION 2011 2012/2011 %
Cash flow araising from (used in) operating activities	15.762	9.627	63,7%
Cash flow araising from (used in) investing activities	-51.132	-5.370	852,2%
Cash flow araising from (used in) financing activities	45.527	-2.885	-1678,1%
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT	10.157	1.372	640,3%
Cash and cash equivalent at the begining of the period	7.204	5.832	23,5%
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	17.361	7.204	141,0%

During the 2012 a positive net cash flows of ThUS$10,157 was generated. The cash flows as a result of operating activities rise to ThUS$15,762 and negative flows from investing activities were ThUS$51,132. A positive cash flows from financing activities of ThUS$45,527 was generated. During 2011, positive net cash flows of ThUS$1,372 was generated, primarily as a result of operating activities, amounting to ThUS$9,627, which was negatively affected by investment and financing activities of ThUS$5,370 and ThUS$2,885 respectively.

Investing activities in 2012 corresponded mainly to Transam acquisition generating a negative cash flow of ThUS$51,132. During 2011 positive cash flow of ThUS$5,370 from investing activities was generated.

Financing activities in 2012 corresponded to related company loans of ThUS$49,200 and to dividends paid to the Parent Company of ThUS$ 3,673. During 2011 dividends paid to the Parent Company were ThUS$ 2,885.

As of December 31, 2012, the final balance of cash and cash equivalents amounted to ThUS$17,361, from an opening balance of ThUS$7,204. The final balance of cash and cash equivalents as of December 31, 2011, amounted to ThUS$7,204, from an opening balance of ThUS$5,832.

4. RATIOS

INDICATORS	DECEMBER 2012	DECEMBER 2011	VARIATION 2012/2011
PROFITABILITY			
Shareholders' Equity profitability	6,43%	5,25%	22,5%
Assets profitability	1,88%	2,34%	-19,4%
Operating assets profitability	7,50%	6,93%	8,3%
Earnings per share (US$)	6,10032	4,89672	24,6%
LIQUIDITY & INDEBTEDNESS			
Liquidez corriente	0,50	4,46	-88,9%
Razón ácida	0,50	4,46	-88,9%
Pasivo exigible/Patrimonio	2,41	1,24	94,0%
% Deuda corto plazo	36,16	3,91	825,2%
% Deuda largo plazo	63,84	96,09	-33,6%
Cobertura de gastos financieros	4,90	3,58	36,8%

5. THE MARKET

The business of Transelec Norte S.A. is mainly focused on commercializing the electricity transmission and transformation capacity of its facilities located in the SING, which covers Chile's northern regions of Tarapacá (I), Arica y Parinacota (XV) and Antofagasta (II), at a voltage of 220kV.

6. MARKET RISK FACTORS

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

6.1.- TECHNOLOGICAL CHANGES

Transelec Norte S.A. is compensated for investments it makes in electrical transmission facilities through an annual valuation of the existing facilities (AVI). Any important technological changes in the equipment at its facilities could lower this valuation. This situation would prevent partial recovery of the investments made. However, Transelec Norte S.A. possesses long-term contracts that guarantee its revenues.

6.2.- REGULATORY FRAMEWORK

The laws governing the electricity transmission business in Chile were amended by the enactment of Law 19,940, referred to as Short Law I, published March 13, 2004.

During the year 2010, a second Trunk Transmission Study was conducted to set tariffs and indexation formulas for the four-year period from 2011 to 2014. Decree 61, published November 17, 2011, contains the tariffs that will be retroactively applied beginning January 1, 2011. During the year 2012 the new rates have been applying and the process of reassessment for the year 2011 was completed during 2012.

Decree No. 320 from the Ministry of Economy, Development and Reconstruction, which sets tariffs for subtransmission facilities, was published in the Official Gazette on January 9, 2009 and the new tariffs were applied since January 14, 2009 and took effect until October 31, 2010. The new subtransmission tariffs that will be in effect from January 2011 to December 2014 shall be set by the Ministry of Energy based on valuation studies on subtransmission facilities that began in 2010. As of the date of this management discussion and analysis, the decree setting subtransmission tariffs from January 2011 to December 2014 has not yet been issued. In the meantime, the tariffs set in decree 320/2009 will continue to be provisionally applied. The difference between amounts invoiced since January 2011 using these provisional tariffs and the definitive values ultimately established will be recalculated performing the CDEC-SING. Not differences are expected to this reassessment that could affect the income statement.

6.3.- CONCENTRATION OF INCOME

The majority of Transelec Norte's revenues come from the companies E –CL (Grupo Suez) and Compañía Eléctrica de Tarapacá S.A. (CELTA). A significant change in the financial position of these companies could potentially have a negative impact on Transelec Norte. Due to the Transam acquisition an increase in ENDESA portion of the revenues is expected for 2013.

6.4.- EXPOSURE TO EXCHANGE RATE VARIATIONS

Since the Company maintains its accounting and manages its principal financial commitments and revenue in US dollars, it is not significantly exposed to foreign exchange variation risks.

6.5.- APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

Transelec Norte operations in Chile are subject to Law No. 19,300, on General Environment ("Environmental Law"), enacted in 1994. According to its recent amendment by Law 20,417 published in the Official Journal on 26.01.2010, was created, among other matters, a new institutional mesh consisting of: (i) the Ministry of Environment, (ii) the Council of Ministers for Sustainability, (iii) the Environmental Assessment Service, and (iv) the Superintendent of the Environment, institutions in charge of regulation, assessment and control activities that are likely to generate environmental

impacts. These new institutions replaced the National Environment Commission ("CONAMA") and the Regional Environmental Commissions, and are fully operational except for the new requirements for the System of Environmental Impact Assessment (SEIA) through the enactment an updated regulation, but nevertheless is just beginning stage of review by the Comptroller General of the Republic. The Law Courts published the Official Gazette No. 20600 on June 28, 2012, which creates the Environmental final step for the Superintendency of the Environment (SMA) to begin to fully implement its powers of control and penalty. On December 28 with the implementation of the Environmental Court (Second Environmental Court in Santiago) the SMA assumes the full monitoring and control of the Environmental Qualification Resolution (RCA) among other matters.

Subject to Transelec Norte meets the environmental requirements of environmental law, it is not possible to ensure that these presentations (EIA or EIS) to the environmental authority will be approved by government authorities, or that public opposition will not generate delays or changes in the proposed projects, or that the laws and regulations will not change or be interpreted in a manner which may adversely affect the operations and plans of the company, as the new institutional framework is recently underway.

6.6.-FINANCIAL RISK

The Company is exposed to the following risks as a result of the financial instruments it holds: market risk (interest rate risk, exchange rate risk and other price risk that impact market values of financial instruments), credit risk and liquidity risk.

The following paragraphs describe these risks and how they are managed:

6.6.1.- Market Risk

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

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

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

b) entering into forward contracts and other instruments to maintain a balanced foreign exchange position.

c) securing long-term, fixed-rate financing from its parent company Transelec S.A.

6.6.1.1.- Interest Rate Risk

On Assets: Given the average recovery period of investment does not exceed 45 days, an increase in interest rates has no significant impact on the Company's earnings.

On Liabilities: The Company has outstanding bank loan balance of ThUS$ 23,056 as of December 31, 2012 that bears variable interest rate of 3-month Libor plus 1.5% spread and an intercompany loan from its indirect parent Transelec Holdings Rentas Limitada with a fixed interest rate.

6.6.1.2.- Foreign exchange risk

The Company's functional currency is the US dollar. The majority of its transactions are carried out in this currency. Exchange rate exposure from transactions in other currencies (mainly the Chilean peso) is minimal. In terms of currency matching, the Company's balance sheet as of December 31, 2012 has a net liability in Chilean pesos, equivalent to US$0.5 million. This exposure in pesos translates into a gain/(loss) for foreign currency translation of approximately US$11,3 thousand for each $10 variation in the peso-dollar rate.

6.6.2.- CREDIT RISK

Credit risk for receivables from commercial activity is historically very limited within the Company's industry given the nature of the Company's customers and the short length of time before payment is due, preventing significant amounts from accumulating.

However, the Company's transmission income is concentrated since 88.9% (determined based on invoicing) of the Company's income is from two main customers. Nevertheless, given the system's energy flow compensation mechanisms, this percentage could be less.

Regarding investment risk for cash surpluses, this excess cash may be invested in banks and financial institutions with limits established per entity based on each institution's capital and risk rating, with maturities of less than 90 days.

6.6.3.- LIQUIDITY RISK

a) Risk from Company's Management Processes

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

In order to guarantee its ability to quickly react to investment opportunities and to pay its obligations by their maturity dates, the Company maintains a high level of liquidity. Its principal source of liquidity is cash and cash equivalents, in addition to accounts receivable.

The Company has a line of credit available from its parent company, Transelec S.A. that enables it to address any cash needs.

b) Risk from Rate Income Recalculations in Trunk Transmission System

By virtue of articles 81, 101, 104, 106 and other complementary provisions of DFL No. 4/20,018 from the Ministry of Economy, Development and Reconstruction, Transelec Norte is entitled to provisionally receive the actual trunk system rate income produced during each period. For Transelec Norte to collect the compensation established in the first paragraph of article 101 of DFL No. 4/20.018, the rate income received provisionally is recalculated each month using payment charts prepared by the respective Economic Load Dispatch Center (CDEC) and then payments are made to or collected from the different generators.

The Company may face the risk of not opportunely collecting the income established in the CDEC payment charts from some generators, which can temporarily affect its liquidity. Thus, in the Company's opinion, Transelec's efforts to collect these amounts do not entail managing collections of debt owed to the Company but rather merely coordinating collections and payments to third parties of loans and debt that are completely removed from the Company and, with the exception of the expected rate income, belong to the generators.

RESPONSIBILITY STATEMENT

The undersigned Directors and General Manager of Transelec S.A. agree to be held responsible, under oath, for the veracity of the information contained in this 2012 Annual Report, in compliance with General Rule Nº 30, issued by the Superintendence of Securities and Insurance.

RICHARD LEGAULT
PRESIDENT
Foreign

BRENDA EATON
DIRECTOR
Foreign

PATRICK CHARBONNEAU
DIRECTOR
Foreign

BRUCE HOGG
DIRECTOR
Foreign

MARIO VALCARCE DURÁN
DIRECTOR
Rut 5.850.972-8

BRUNO PHILIPPI IRARRÁZABAL
DIRECTOR
Rut 4.818.243-7

BLÁS TOMIC ERRÁZURIZ
DIRECTOR
Rut 5.390.891-8

JOSÉ RAMÓN VALENTE VÍAS
DIRECTOR
Rut 8.533.255-4

ALEJANDRO JADRESIC MARINOVIC
DIRECTOR
Rut 7.746.199-k

ANDRÉS KUHLMANN JAHN
GENERAL MANAGER
Rut 6.554.568-3

ANNUAL REPORT 2012

Design:
Baobab Diseño Limitada

Pictures:
Transelec Archives

transelec®

Uniting Chile with Energy®