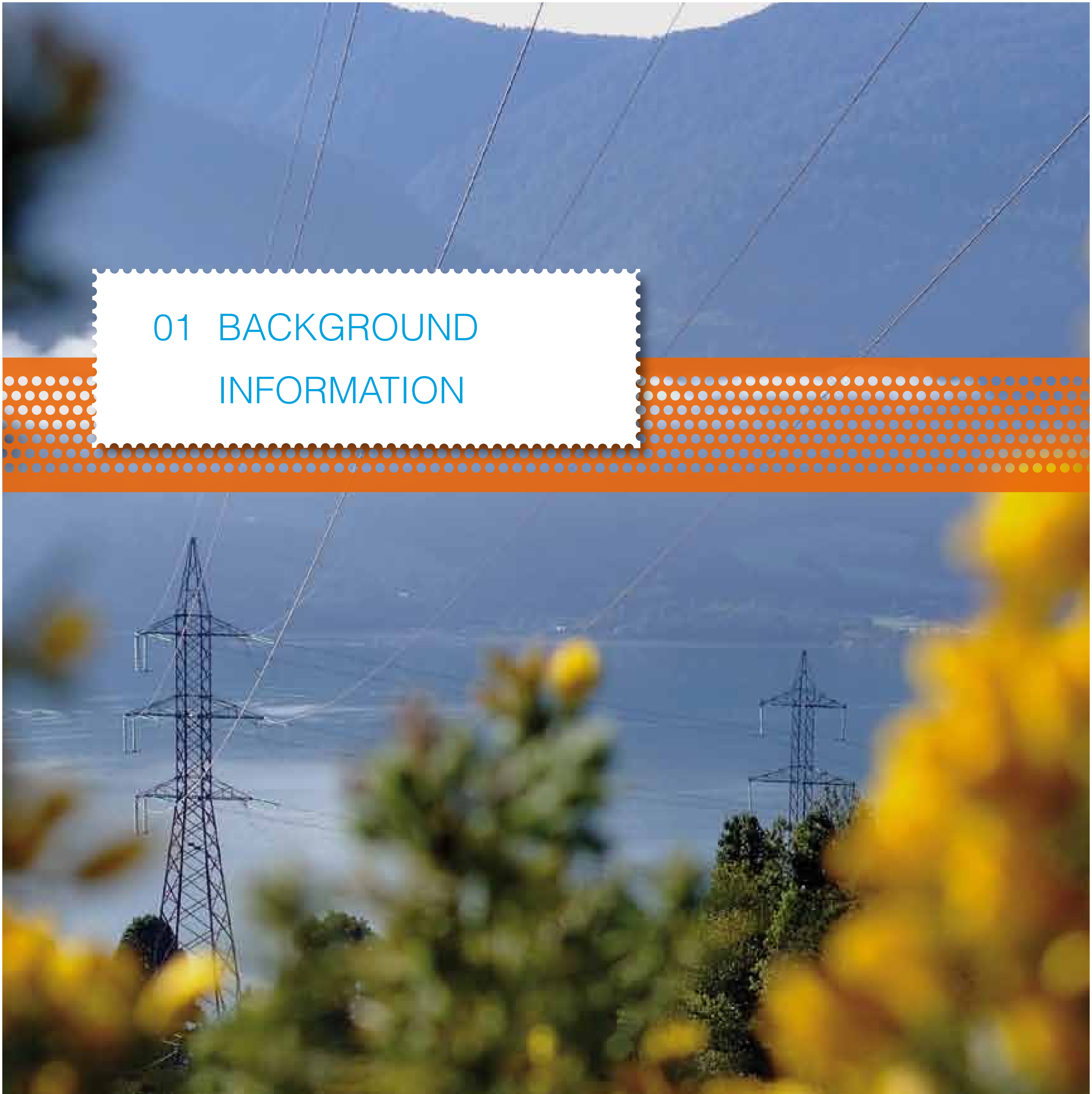
Uniting Chile with Energy®

ANNUAL REPORT 2010

01 BACKGROUND INFORMATION



IDENTITY

Name:	Transelec S.A.
Securities Registry Record Entry:	Number 974
Legal Domicile:	Santiago, while not restricting the potential establishment of agencies, branches or offices in other parts of the country or abroad.
Tax list number:	76.555.400-4
Address:	Avenida Apoquindo Nº 3721, Piso 6, 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 specialist in high voltage power transmission systems in Chile and the only company that operates 500 kV power lines throughout the country. Likewise, Transelec facilities shape the two main national interconnected power grids, in the Far North (SING) and in the area ranging from Tal Tal as far as Isla de Chiloé (SIC). The Transelec power transmission system features a total 8,312 kilometers of single and double circuit power lines. The company owns 98% of all power lines of 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, system study execution and power transmission and connection solution design to project management and construction, commissioning consultancy, system operations and maintenance.

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 for the 2010 fiscal year for the consideration of Transelec shareholders.

2010 was an intense year with major challenges. The company faced the huge task of restoring Chile's power supply during the aftermath of the earthquake of February 27th. As was the case for the homes and workplaces of thousands of Chile's people, our facilities were battered by the earthquake. Twelve of our 52 substations were damaged and part of one power line was destroyed by the tsunami in the Biobío zone.

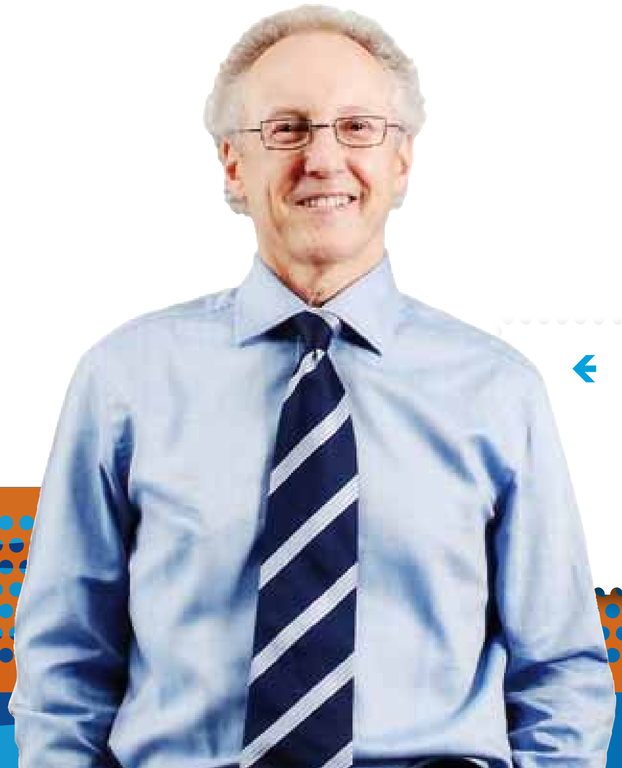
The entire country was left in the dark for a short time. However, the entire company put forth its best professional efforts with dedication and sacrifice in order to restore the power transmission that was needed so much. Following intensive work and within an unprecedented timeframe for a disaster of this scale, the power transmission system in Santiago started to come back into service approximately 10 minutes after the earthquake. All connection points for distribution companies and large customers in the Central Interconnected System were able to supply unrestricted power in less than 24 hours.

One of our main concerns was to reinforce the system and we therefore undertook the painstaking task of reviewing our facilities in order to improve procedures and reinforce contingency plans and working together with builders and suppliers in order to identify process improvements that would allow us to effectively face similar scenarios.

However, the system was left substantially compromised once the emergency had been overcome and this led to several failures, causing blackouts. The company firmly believed that power safety had to be improved and the aforementioned failures brought together most stakeholders in the market and the authority, leading to the revision of planning criteria and creation of the Electrical Safety Advisory Committee.

Likewise, the earthquake gave us the chance to take a new corporate social responsibility step by supporting reconstruction and recovering important community infrastructure. The neighboring communities of Itahue, Concepción and Cerro Navia were benefited by the reconstruction of schools, medical and dental centers, community centers and dining rooms, contributing to improved quality of life for the people living in these localities.

We also promoted the first sustainable and integrated neighborhood in the country. This will provide aid for 600 families in the city of Coronel who lost everything after the earthquake. This will be a flagship project for Coronel and for the rest of the country, as



Jeffrey Blidner
Chairman of the Board of Directors

it will undoubtedly create a new concept with regard to the existing housing solutions in Chile.

In addition to meeting the challenges caused by the earthquake, Transelec continued working on its original plans for the 2010 fiscal year, including the execution of an important number of projects amounting to a total US$ 153 million in the trunk system, subtransmission system and additional systems. These included replacing a conductor for the 220 kV Alto Jahuel-El Rodeo-Chena power line and the new El Rodeo-Chena power line. In addition, important substations were commissioned, including Las Palmas substation that connects wind parks in Chile's Near North to the Lagunillas substation. This will enable system reinforcement throughout the entire Biobío region.

In keeping with our goal of becoming a strategic partner for the large-scale mining industry, Transelec purchased the Punta Colorada substation. This will allow the company to provide a reliable power supply for the Barrick Gold Pascua Lama project and the company signed an important power transmission solution contract for the Lumina Copper Caserones project. The Tinguiririca substation was also purchased and large-scale reagent compensation projects were continued, including the soon to be largest static synchonous compensator (STATCOM) in the world.

Pricing processes were progressed for the trunk transmission and subtransmission system in 2010. These will remain in force for the next four years and these values were published by the power authority in January 2011. The same holds true for 2011 trunk system expansion work. We have put forth our best efforts to notify the authority regarding all projects that will help improve safety and strengthen the power transmission system leading up to 2020, in order to avoid consequences such as those we experienced following the February 27th earthquake.

We are proud to announce that ISO 9001 certification processes were completed this year and we have continued to apply ISO 14001 and OHSAS 18001 accrediting excellent environmental, risk prevention and maintenance procedures at the company. These are included in the Transelec Integrated Management System, which has methodically arranged all processes for all power transmission activities.

Transelec made progress on the financial front as well. Fitch Ratings upgraded the company's risk classification from A to A+. The B1 and B2 bond series were prepaid at 3.04 million UF (6.2%), taken from the issuing of series I (3.5%) and K (4.6%) bonds issued in December 2009. The company was able to issue the L, M and N series as of December 29th in order to retire a Yankee bond and associated swap in April 2011.

The Board of Directors consequently wishes to thank and congratulate all Transelec collaborators for their efforts, dedication and hard work this year. As always, we have played a fundamental role in uniting Chile with energy at a time when this energy was needed so much.

Jeffrey Blidner
Chairman of the Board of Directors

OUR HISTORY, TRANSELEC: UNITING CHILE WITH ENERGY

1943 · 1954 · 1955 · 1965 · 1974 · 1978

TRANSELEC

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

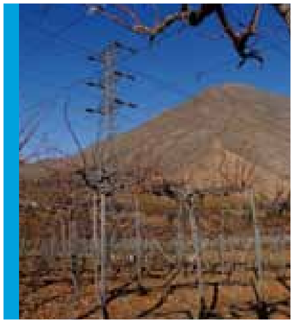
There were four independent regional systems in Chile: La Serena-Punitaqui, La Ligua-Talca, Chillán-Victoria and Valdivia-Puerto Montt. Only some isolated cities had their own power plants at the time.

1974

The 220 kV kV system expanded westward, supplying Concepción, and northward in order to transport power to Santiago. Likewise, 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.



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 plan

2000

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

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.

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.

1986

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

1993

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

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).

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.

02 CORPORATE GOVERNANCE

BOARD OF DIRECTORS

According to its articles of association, 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 acting director for each director elected. The Chairman of the Board of Directors is elected by directors chosen at the Regular Board meeting.

In conformity with the law and its articles, the Board of Directors shall meet at least once a month. Throughout the 2010 fiscal year, Transelec S.A. corporation held twelve shareholders meetings and three special Board of Directors meetings.

The Board of Directors is currently made up by Messrs. 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, and their respective acting directors Messrs. 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.

BOARD OF DIRECTORS COMPENSATION

It was agreed at the third Transelec S.A. shareholders meeting held on 28 April 2009 that directors would be compensated for their services, amounting to a gross annual sum of USD70,000 regardless of the number of sessions held or attended by these directors. These sums are to be paid on a quarterly basis.

Directors Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived payment corresponding to the 2010 fiscal year. Compensation paid to directors throughout the 2010 fiscal year is thus listed as follows:

Blas Tomic	Ch$	36,092,000	
Bruno Philippi	Ch$	5,642,745	(*)
Mario Valcarce	Ch$	14,847,941	(*)
José Ramón Valente	Ch$	36,092,000	
Alejandro Jadresic	Ch$	36,092,000	

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 articles of association.

(*) for part of the year

BOARD OF DIRECTORS EXPENSES

No payment associated to board of 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. The Transelec Audit Committee is made up of four directors elected by the Board of Directors. These directors serve a term of two years and are eligible for reelection. The Committee will appoint a Chairman from among its members and a Secretary, who may be one of its members or the Secretary of the Board of Directors. The Committee held four meetings in 2009.

As of 31 December 2010, the Audit Committee was made up of President José Ramón Valente Vías, Directors Patrick Charbonneau, Brenda Eaton and Mario Valcarce Durán, as well as Secretary Fernando Abara Elías.

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

It was agreed at the third Transelec S.A. shareholders meeting held on 28 April 2010 that each member of the Committee would be paid the gross annual sum of USD10,000 regardless of the number of sessions held or attended by these members.

Compensation for services rendered by members of the Audit Committee throughout the 2010 fiscal year is listed as follows:

Mario Valcarce	Ch$ 0
José Ramón Valente	Ch$ 5,071,000

Chairman
JEFFREY BLIDNER
Attorney
Canadian

Director
BRUCE HOGG
Master's Degree in Commerce, University of Alberta
Master's Degree in Law, University of Toronto
Canadian

Director
PATRICK CHARBONNEAU
Chartered Financial Analyst
Canadian

Director
BRENDA EATON
Economist
Master's Degree in Economics, University of Victoria
Canadian

Director
MARIO VALCARCE DURÁN
Commercial Engineer
Pontificia Universidad Católica de Valparaíso
Tax ID Number 5.850.972-8

Director
BRUNO PHILIPPI IRARRÁZABAL
Civil Engineer
M. Sc. Operation Research
Ph. D. Engineering Economic System
Stanford University
Tax ID Number 4.818.243-7

Director
BLAS TOMIC ERRÁZURIZ
Civil Industrial Engineer
Ph.D. in Economic Development, Sussex University
Tax ID Number 5.390.891-8

Director
JOSÉ RAMÓN VALENTE VÍAS
Commercial Engineer
MBA, University of Chicago
Tax ID Number 8.533.255-4

Director
ALEJANDRO JADRESIC MARINOVIC
Civil Industrial Engineer
PH.D. in Economics, Harvard University
Tax ID Number 7.746.199-K

Secretary of the Board of Directors
FERNANDO ABARA

MANAGEMENT TEAM

As of 31 December 2010, Transelec's management group is made up of leading executives in each area of expertise with outstanding track records in the sector:

ANDRÉS KUHLMANN JAHN
General Manager
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax ID Number 6.554.568-3

EDUARDO ANDRADE HOURS
Vice President of Development
Civil Electrical Engineer
Universidad de Chile
MBA, Universidad Adolfo Ibáñez
Tax ID Number 7.015.734-9

FRANCISCO CASTRO CRICHTON
Vice President of Finance
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax ID Number 9.963.957-1

RODRIGO LÓPEZ VERGARA
Vice President of Operations
Civil Electrical Engineer
Universidad de Chile
MBA Universidad Adolfo Ibáñez
Tax ID Number 7.518.088-8

ALEXANDROS SEMERTZAKIS PANDOLFI
Vice President of Engineering and Construction
Civil Engineer
Universidad de Santiago
Post-graduate Diploma in Administration,
Universidad Adolfo Ibáñez
Tax ID Number 7.053358-8

CLAUDIO ARAVENA VALLEJO
Vice President of Human Resources
Commercial Engineer, Pontificia Universidad Católica de Chile
Post-graduate Diploma in Administration and Human Resources Management, Pontificia Universidad Católica
Tax ID Number 9.580.875-1

FERNANDO ABARA ELÍAS
Vice President of Legal Affairs
Attornery
Universidad Católica de Valparaíso
MBA, Universidad Gabriela Mistral
Tax ID Number 8.003.772-4

CLAUDIO VERA ACUÑA
Corporate Affairs Manager
Journalist
Pontificia Universidad Católica de Chile
Tax ID Number 10.963.893-5

MANAGEMENT TEAM

1 2 3 4 5 6 7 8

1 ALEXANDROS SEMERTZAKIS PANDOLFI

2 FRANCISCO CASTRO CRICHTON

3 EDUARDO ANDRADE HOURS

4 ANDRÉS KUHLMANN JAHN

5 CLAUDIO VERA ACUÑA

6 RODRIGO LÓPEZ VERGARA

7 FERNANDO ABARA ELÍAS

8 CLAUDIO ARAVENA VALLEJO

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 in addition to the company's future challenges, mean that Transelec seeks to recruit and hold on to the best professionals the market has to offer at different performance levels.

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

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 2010. This program aims to standardize know-how for the company's professionals, based on a shared plan for all workers and focusing on customer orientation, leadership, effective communication and project evaluation.

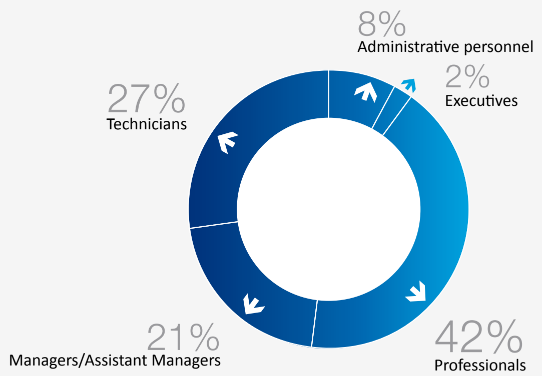
Special emphasis has been placed throughout 2010 on the creation of spaces to improve workers' quality of life. This includes educational, cultural and recreational programs designed to support workers' integral development, firmly convinced that this directly contributes to productivity.

96% of the company's workers have some kind of technical or professional specialization.

OUR CURRENT EMPLOYEES AND IMPORTANT MILESTONES

Transelec employed 468 workers as of 31 December 2010 (construction workers are not included). 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.

PERSONNEL BREAKDOWN



Note: This does not include project personnel.

75.85% of the company's workers are employed in the operations and engineering & project development divisions.

LABOR RELATIONS

A collective bargaining process with the SITRAT trade union was completed in 2010. This is the largest Transelec trade union, representing 41.03% of the company's workers.

The new collective contract was signed for a four-year period, the maximum term established by law, and determines the contractual framework for this group of workers up until June 2014.

The process was executed within legal parameters, evidence of good labor relations created through good communication channels, joint efforts and understanding between the parties.

KNOWLEDGE MANAGEMENT

Total training time in 2010 came to 33,815 hours, or 3.3% of the overall hours worked throughout this period. In all, 86% of Transelec's workers attended training programs related to operating divisions, management support, post-graduate degrees and post-graduate diplomas, languages and information technology, among others.

The company's Knowledge Management strategic initiative was further developed in 2009. Several talks related to the company's activities were transmitted as videoconferences to workers throughout Chile's different regions, substantially increasing productivity and cutting costs. In addition, the teacher training, innovation and library programs were continued in order to gain, develop and share knowledge within the organization.

We wish to highlight that important collaboration agreements were signed with Universidad de Chile, Universidad Católica de Valparaíso, Universidad Técnica Federico Santa María and Universidad de Concepción in 2010. These were added to agreements signed with Pontificia Universidad Católica de Chile and Universidad de Santiago within the framework of the RET (Transmission Studies Network) initiative launched at the end of 2009, which makes up an integral part of the Knowledge Management program.

VICE-PRESIDENT AND MANAGER SALARIES

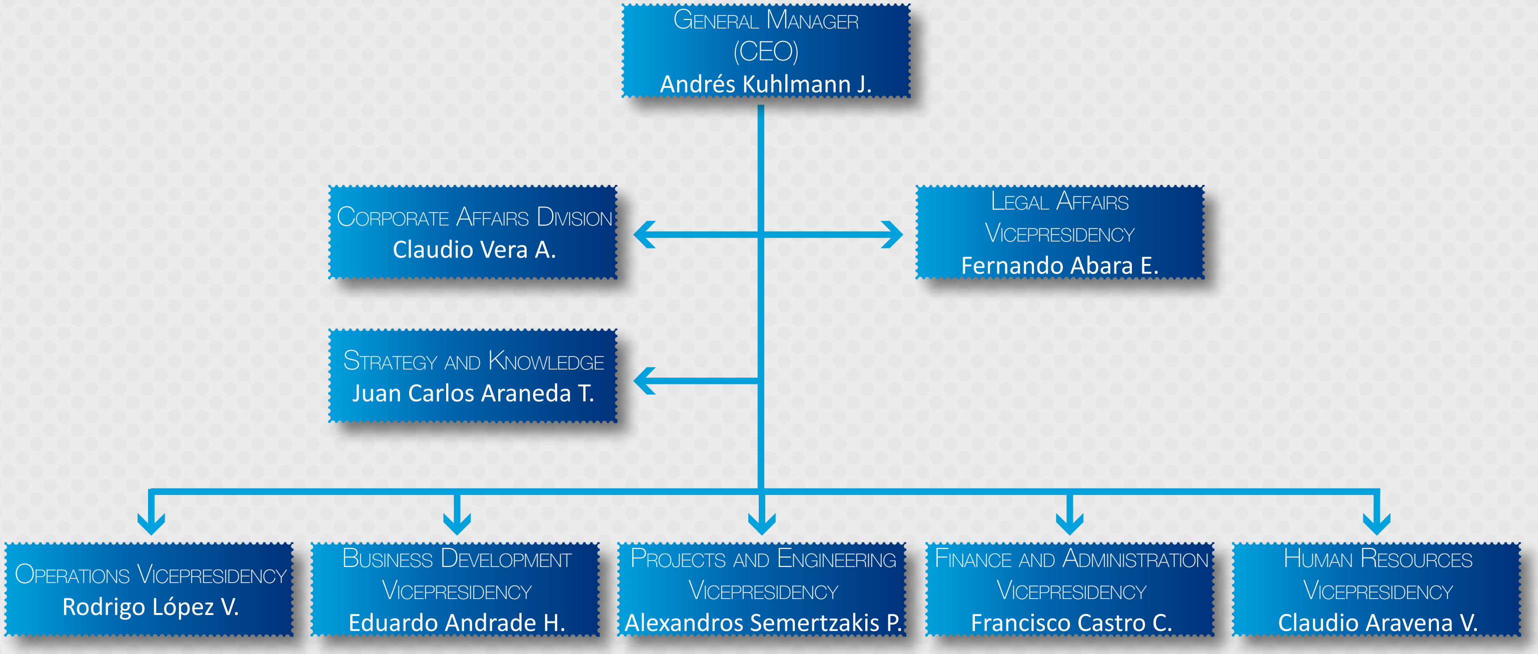
Transelec paid executive salaries amounting to MCh$ 2,097,411 throughout the 2010 fiscal year. This amount includes salaries paid to executives employed as of 31 December 2010 and executives who retired in 2010.

BONUS PLANS

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

86% of Transelec's collaborators have participated in training programs.

TRANSELEC ORGANIZATIONAL CHART



04 THE BUSINESS

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 establishing an open access layout for the first two systems and for additional power lines making use of rights of way and those that use national public goods for their layout, specifying that these respective facilities can be used by third parties under non-discriminatory technical and economic conditions. In addition, this framework establishes criteria and procedures for determining compensation power transmission facilities owners are entitled to.

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

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

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

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" (AVI), plus "operating, maintenance and administration costs" (COMA) for each of the segments that make up the current trunk system. VATT is determined every four years by a consultant who performs a study known as the Trunk Transmission Study (ETT). During the four-year period between two consecutive ETTs, both the AVI and the COMA of each segment are indexed using formulas designed to maintain the real value of the AVI and the COMA during this period. Both indexing formulas and application frequency are determined in the ETT.

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

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

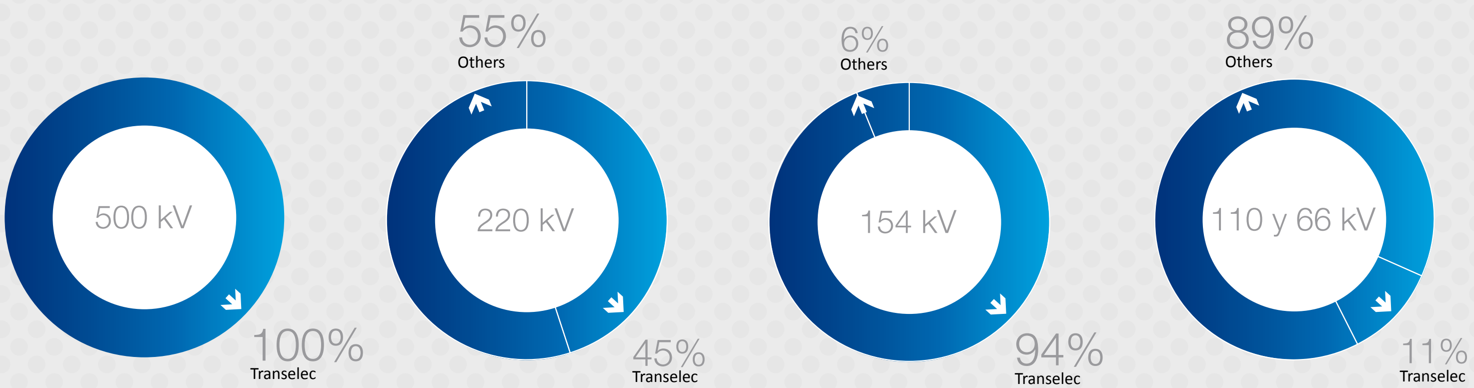
The CDEC analyses consistency of the expansion plan and trunk system facilities contained in the ETT on an annual basis, together with the effective system developments in terms of power generation, transmission and demand performance. The National Energy Commission subsequently determines the expansion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

A Trunk Transmission Study designed to set trunk tariffs for the 2011-2014 period was completed in 2010. The study was in the final Public Hearing, CNE Technical Report and Panel of Experts stages in late December 2010 and results of this study are to be published during the first half of 2011.

MARKET SHARE

Transelec owns 100% of the 500 kV power lines and has a 45% stake in the ownership of 220 kV power lines. The company therefore has a 94% market share of the 154 kV power lines and an 11% market share in the 110 kV and 66 kV power line segment.

MARKET SHARE



TRUNK SYSTEM PROJECTS

A. NEW PROJECTS

Transelec finished construction for the 2x220 kV Alto Jahuel-El Rodeo-Chena power line, El Rodeo-Chena segment (laying the first circuit) and its respective bay; commissioning the system 05.19.2010. This project featured construction of a 220 kV power line for double circuit structures. Installed in the Metropolitan Region between the El Rodeo sector close to the town of Nos and the Chilectra Chena Substation, its 23 km layout crossed agribusiness fields, orchards and small farms. Total investment for this project came to US$25.0 million.

Transelec also furthered construction of the 2x220 kV Nogales-Polpaico power line project in 2010, with overall investment that year amounting to US$40.7 million, bringing overall investment for new projects up to US$ 45.5 million.

B. EXPANSION

Transelec finished construction of the project for laying the 2x220 kV Alto Jahuel – El Rodeo – Chena second conductor and 220 kV bay at the Chena Substation and these were both commissioned 07.13.2010. This project featured laying the second 220 kV conductor for the existing power line between El Rodeo and the Chena Substation and the 220kV bay at Chena Substation (owned by Chilectra) associated to the circuit, with total investment amounting to US$ 3.5 million.

In keeping with the same, in 2010 Transelec started construction for trunk system expansion projects corresponding to Decree 942/2009:

- "154 kV Tinguiririca – Punta de Cortés Power Line Conductor Replacement": Awarded 2 March 2010 to Consorcio Eléctricas de Medellín for US$ 10.1 million with a completion deadline for 1 March 2013.
- "2x220 kV Punta de Cortés – Tuniche Power Line": Awarded 2 March 2010 to Consorcio Eléctricas de Medellín for US$ 3.7 million with a completion deadline for 1 July 2013.

At the same time, trunk system expansion project construction started in former years continued:

- Installation of a second 500/220 kV-750 MVA self-transformer at the Polpaico Substation.
- Conductor replacement using high capacity conductors at the 2x220 kV Alto Jahuel – Chena Power Line, Alto Jahuel-Chena segment.
- 220 kV transfer busbar construction at the Cardones Substation.
- Construction of projects related to sectioning of the 1x500 kV Ancoa-Polpaico Power Line.
- Installation of a flow control equipment for the 2x220 kV Polpaico-Cerro Navia Power Line.

- Installation of a 50 MVAr condenser bank at the Alto Jahuel and Cerro Navia substations.

Total investment for these expansion projects came to a total US$ 67.1 million in 2010.

Transelec started an International Public Tender for the 220 kV Rahue Substation Project featuring a reference investment value amounting to US$ 3.9 million, corresponding to Ministry of Economy, Development and Reconstruction Decree 642/2009, which was declared void in August 2010.

As of 15 August 2010, Transelec opened a bidding process for the six expansion projects considered in Ministry of Economy, Development and Reconstruction Exempt Decree N° 243 dated 26 January 2010, which established the Trunk Transmission System Expansion Plan for 2010. The process was completed in December 2010, with the following results:

- Alto Jahuel Substation Expansion: Declared Void.
- Ancoa Substation Expansion: Awarded to Elecnor for US$ 11.5 million with an 18-month deadline.
- Redundancy of MAIS equipment: Awarded to Conecta Ingeniería S.A. on 24 December 2010 for US$ 1.4 million with a 24-month deadline.
- 220 kV Charrúa Substation Circuit Breaker Replacement: Awarded to Consorcio Privado CME for US$ 2.3 million with a 28-month deadline.
- 220 kV Ancoa Substation Circuit Breaker Replacement (STA-3405): awarded to Consorcio Privado CME for US$ 1.5 million with a 19-month deadline.
- 500/220 kV, 750 MVA Self-Transformer Bank (STA-3406) at the Charrúa Substation: awarded to Hyosung Corporation for US$ 35.4 million with a 30-month deadline.

The company executed projects in the power transmission system amounting to a total

US$ 153.6 MILLION

Projects amounting to

US$ 67,1 MILLION

were executed in the trunk system.

MAIN TRANSELEC PROJECTS UNDERWAY, TRUNK TRANSMISSION SYSTEM

Prices in US$ thousands

PROJECT TYPE	PROJECT	REAL INVESTMENT IN 2010, US$ THOUSANDS	STATUS	COMMISSIONING DATE
Studies	Project studies	102	---	---
New Projects	2x220 kV El Rodeo-Chena Power Line	4,834	In service	19/May/10
	2x220 kV Nogales-Polpaico Power Line	40,697	Underway	30/Aug/11
	New Projects Subtotal	45,532		
Expansion Projects	Polpaico 220 kV, installation of a second transformer	204	Underway	15/Apr/11
	2x 200 kV Alto Jahuel - Chena Power Line	157	Underway	30/Aug/11
	2x 200 kV Chena - Cerro Navia Power Line	1,006	Underway	30/Apr/11
	Cardones Substation, 220 kV transfer busbar construction	2,672	Underway	18/Feb/11
	1x500 kV Ancoa-Polpaico Power Line, sectioning construction at Alto Jahuel Substation and 2x500 kV section for the El Rodeo-Alto Jahuel Power Line	3,016	Underway	12/Apr/12
	2x220 kV Alto Jahuel-El Rodeo-Chena Power Line, laying of a second circuit for the El Rodeo-Chena segment and a busbar at the Chena Substation	1,729	Underway	13/Jul/10
	Cerro Navia Substation, installation of flow control equipment for the 2x220 kV Polpaico-Cerro Navia Power Line	91	Underway	14/Apr/12
	Alto Jahuel and Cerro Navia Substations, installation of 50 MVAr-220 kV condenser banks	2,780	Underway	28/Feb/11
	2x220 kV Punta de Cortés - Tuniche Power Line	782	Underway	01/Jul/13
	Tinguiririca - Punta de Cortés Power Line, conductor replacement	580	Underway	01/Mar/13
	MAIS equipment redundancy	22	Underway	23/Dec/12
	Expansion Project Subtotal	13,038		
Expansion Projects for the 2009-2010 Period	Miscellaneous	1,163	Tender Stage	---
Backlog (*)	Backlog Miscellaneous	7,282	In Service	---
Total Trunk Transmission System Projects		67,116		

(*) Projects commissioned in 2009 or before with pending payment executed in 2010

SUBTRANSMISSION

Subtransmission studies were executed in 2010. These studies aimed to set tariffs and indexing formulas corresponding to the 2011-2014 four-year period. The CNE will publish its technical report in January 2011 and the results of this report will be applicable after the presentation of eventual discrepancies to the Panel of Experts.

SUBTRANSMISSION PROJECTS

Transelec commissioned the following subtransmission projects in 2010:

- The Diego de Almagro Substation transformer was commissioned on 31 August 2010. The project featured installation of a new 220/110 kV, 120 MVA backup transformer at the Diego de Almagro Substation and construction of the respective 110 kV bay.

- Work related to the new transformer at the Laja Substation was delivered to the Operations Division in September. These works featured installation of a 66/13.2 kV, 5 MVA backup transformer brought in from the Cholguán Substation, with fuse disconnector and grounding disconnector equipment.

- The 110 kV El Salado – Chañaral power line was commissioned on 21 November 2010 (powered up at 23kV), together with the 23 kV yard at the El Salado Substation. The project featured construction of the 110 kV El Salado – Chañaral power line and construction of the 110/23kV El Salado Substation. In addition, the 23 kV conductor of the former El Salado – Chañaral power line was removed.

Work was also continued on the following subtransmission projects already underway on previous years:

- The 2x220 kV Charrúa-Lagunillas power line.

- The Lagunillas Substation.

- The new 1x110 kV Diego de Almagro-El Salado-Chañaral power line and construction of the new El Salado Substation.

- Installation of a 220/110 kV-400 MVA self-transformer bank at the Cerro Navia Substation.

- Construction of a 154 kV sectioning busbar at the Tuniche Substation.

- A 110 and 220 kV increase in transformation capacity at the Diego de Almagro, Cardones any Maitencillo substations.

- The new San Ambrosio substation and the 2x220 kV Ancoa-San Ambrosio power line (laying of the first circuit) and a 220 kV busbar at the Ancoa Substation (engineering was furthered and the contract tender process was started).

The Transelec Board of Directors approved the S/E Tuniche Substation transmission project on 28 October 2010, in order to replace the Punta Cortés Substation, which was declared void as a trunk system expansion project.

The following projects were awarded in 2010:

- An EPC contract for the El Salado Substation and the 110 kV Diego de Almagro - El Salado - Chañaral power line was awarded to the company PAIS on 5 January 2010 for a total UF 108,915 with a deadline expiring on 19 July 2010.

- A construction contract for a 220/110 kV Power Transformation Capacity Increase at the Cardones and Maitencillo substations as part of SIC Norte was awarded to the company Agrosonda on 22 July 2010 for the price of UF 90,246; with a deadline expiring 7 May 2011 at the Maitencillo substation and 7 August 2011 at the Cardones substation.

MAIN TRANSELEC PROJECTS UNDERWAY, SUBTRANSMISSION PROJECTS

Prices in US$ thousands

PROJECT TYPE	PROJECT	REAL INVESTMENT IN 2010, US$ THOUSANDS	STATUS	COMMISSIONING DATE
Studies	Miscellaneous	87	---	---
Sufficiency	San Ambrosio Project	3,514	Underway	30/Nov/12
	2x220 kV Charrúa Lagunillas Power Line	17,257	Underway	30/Sep/11
	220/110 kV Transformer at Maitencillo Substation	208	Underway	07/May/11
	220/110 kV Transformer at Cardones Substation	233	Underway	07/Aug/11
	110/23 kV Diego de Almagro - Chañaral Substation Project	3,081	Underway	30/Mar/11
	66 kV Laja Substation normalization	859	In service	23/Sep/10
	Tuniche Substation	944	Underway	27/Jan/13
	Sufficiency Project Subtotal	26,096		
Support	220/110 kV Transformer at the Diego de Almagro Substation	3,180	In service	31/Aug/10
	Support Project Subtotal	3,180		
Replacement at the end of service life	110/23 kV Diego de Almagro - Chañaral Project	5,356	Underway	30/Mar/11
	Cerro Navia Substation, installation of a 220/110 kV-400 MVA self-transformer bank	6,906	Underway	21/Apr/11
	Sufficiency Project Subtotal	12,262		
Backlog (*)	Backlog Miscellaneous	315	In service	
Total Subtransmission Projects		41,939		

(*) Projects commissioned in 2009 or before with pending payment executed in 2010

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 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.

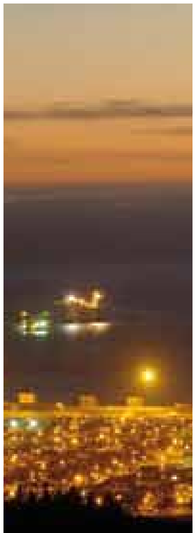
Throughout 2010 and after the earthquake and subsequent tidal wave that battered the central zone of Chile on 27 February, Transelec efficiently faced the complex task of reconnecting Chile to the power grid at a time of dire need. The company's working groups efficiently and professionally focused on restoring the power system, which was completed in an unprecedented timeframe for a task of this nature.

Likewise, measures were taken in order to ensure customer safety. Timely notification was provided regarding the status of Transelec facilities and the measures that were being taken in order to address these problems. In turn, Transelec personnel put forth their best efforts in order to contact the company's main customers in the area affected by the earthquake, report on company facilities status and provide the expertise and assistance required in order to face this contingency.

In addition, steadily rising global copper prices have led to increased mining projects in national territory this year. This new scenario has encouraged Transelec to offer its extensive experience for the development of the national electricity system to the copper industry, efficiently expanding its power transmission network while improving power safety and availability in Chile.

One key step for this purpose is the concept of Transelec as a strategic partner for the execution of power development required by the market, adjusting our efforts in order to provide continuity for our customers' projects by providing integral support throughout all phases of the project. This strategy led to a framework agreement signed in December with SCM Minera Lumina Copper Chile (owned by the Japanese company Lumina Copper) for development of a power transmission system for its Mina Caserones project. This project is for developing a 2x220 kV system to connect the Maitencillo substation to the future Caserones substation. Investment is estimated at approximately US$138 million. Mina Caserones is an important US$ 2.0 billion and 190 MW consumption mining project in Chile's 3rd region, 160 km southeast of Copiapó.

In addition to the mining sector, a bay at the Polpaico substation was sold for US$ 2.5 million as part of the expansion of Los Bronces, a copper deposit owned by Anglo American.



As for power generation, the Tinguiririca Substation was purchased from Hidroeléctrica La Higuera (a joint venture between Pacific Hydro and SN Power) for US$ 20 million in 2010. This substation will enable power transmission from the La Higuera and La Confluencia power plants, two important hydroelectric power plants located in the Tinguiririca valley in Chile's 4th Region. This agreement reaffirms Transelec's commercial policy, incorporating new power companies in the market and providing our support as relevant stakeholders in Chile's power generation market.

Likewise, Transelec coordinated with Endesa, Colbún and Gener in order to implement a solution for operating overcharges caused by circuits along the 2x220 kV Polpaico-Cerro Navia power line. EDAC type equipment was installed at a total six substations with investment amounting to US$ 3.1 million.

COMMISSIONING

Transelec commissioned the new Las Palmas (formerly Canela) sectioning substation for the 2x220 kV Los Vilos-Pan de Azúcar power line in 2010, which enables provisions of a definite solution for injecting power from the Canela II Power Plant owned by Endesa and Parque Totoral de Norvind.

Likewise, the estimated US$ 557 million Endesa project "Power Transmission Capacity Increase for the 500 kV System between the Ancoa Substation and the Alto Jahuel and Polpaico Substations" was commissioned. This project will enable increased power transport by means of 500 kV power lines throughout the Ancoa-Alto Jahuel and Ancoa-Polpaico segments by installing reactive power compensation equipment at the Cerro Navia and Polpaico substations.

ADDITIONAL WORKS

As for additional works, Transelec signed a contract with the mining company Lumina Copper Corp on 30 December 2010 in order to implement a complete power transmission solution amounting to US$ 138 million for the "Caserones" mining project located in the third region of Atacama in the province of Copiapó. The facility commissioning deadline is 08.30.12.

In addition, work was resumed on the 1x220kV Pan de Azúcar-Andacollo power line project for Minera Carmen de Andacollo, after awarding the contract for construction of the remaining 8 km of this power line started on 12 November 2010.

Transelec developed projects for the private sector amounting to

US$ 44,5 MILLION in 2010.

MAIN TRANSELEC PROJECTS UNDERWAY, ADDITIONAL SYSTEMS PROJECTS

Prices in US$ thousands

PROJECT TYPE	PROJECT	REAL INVESTMENT IN 2010 US$ THOUSANDS	STATUS	COMMISSIONING DATE
Studies and Services	Miscellaneous	2,815	---	---
Investment Agreement with Endesa	Lagunillas Project	7,074	Underway	30/Sep/11
	Las Palmas Substation, Canela II Power Plant connection	5,414	Underway	29/Dec/10
	500 kV System Power Transmission Capacity Increase between the Ancoa Substation and the Alto Jahuel and Polpaico Substations	24,694	Underway	11/Feb/11
	ENDESA Agreement Project Subtotal	37,182		
Other Customers	Andacollo Project	790	Underway	30/May/11
	Santa Lidia Power Plant connection	651	In Service	18/Jun/10
	Parque Totoral connection	1,324	In Service	29/Dec/10
	Santa Filomena connection	1,686	Completed	30/Aug/11
	Projects with Other Customers Subtotal	4,450		
Backlog (*)	Several projects	114	---	---
Additional Systems Project Total		44,561		

(*) Projects commissioned in 2009 or before with pending payment executed in 2010

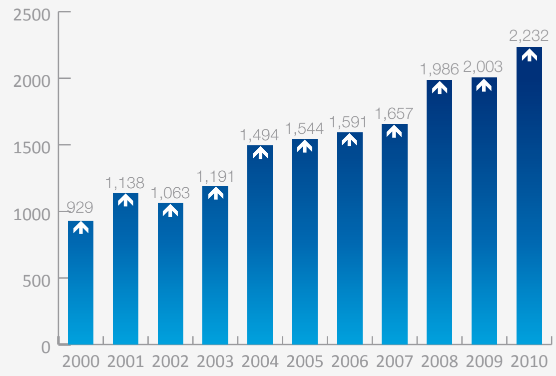
VI

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

Transelec transmission facility valuation amounts to US$ 2.378 million as of 31 December 2010. US$ 145 million of this total corresponds to Transelec Norte facility valuation.

VI

Amounts in USD million as of 31 December of each year



OUR CUSTOMERS

The fundamental pillars of our customer policy are customer service and confidence in our knowledge as system specialists.

Our policy is to interpret and understand our customers' needs, executing their projects in conformity with the best quality, safety and environmental parameters, and understanding that each customer needs individual treatment. We thus ensure total satisfaction for our allies. This is a total commitment that continues over the years, establishing a satisfactory long-term relationship for everyone involved.

All Transelec collaborators are becoming individually responsible for the importance of their daily activities and the repercussions of the same on the company's overall customer service policy. Our commitment is to work closer and closer to our customers (ongoing custom-

Trunk contract revenue came to

28,48%

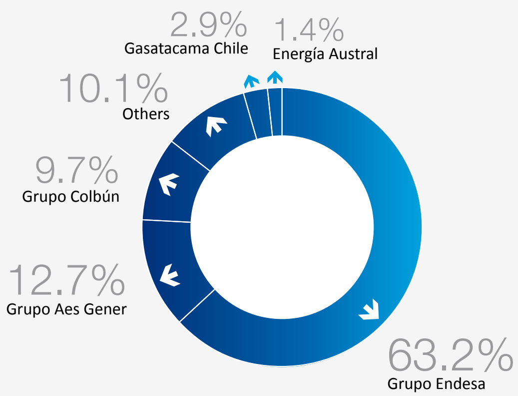
er service and consulting) and to provide all of our extensive and specialized knowledge regarding power transmission, keeping in mind the final goal of always meeting their expectations.

Total commitment for project execution and support throughout the contract period clearly evidences the quality of our services and our proposal for differential market value, which have all been validated by our wide range of customers over the years. Our specialized supply enables us to develop the best power transmission solutions in the market. Our experts study market trends and projections on an ongoing basis, enabling us to always apply the results of our experience in order to ensure an open and modern company in conformity with changes providing efficacy and efficiency.

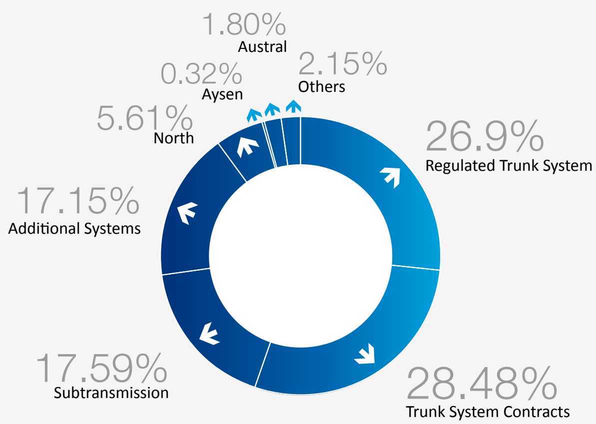
Transelec made a series of readjustments to its structure this year in order to adapt to customer needs, reinforcing spaces for interaction, which are considered to be highly important for project success. At the same time, the company has continued to measure customer satisfaction levels for its different lines of business on an annual basis. These results also enable the identification of gaps and the focusing of continuous improvement efforts. Results provided by the instrument in 2010 showed that efforts put forth went over well, with results substantially ahead of those reported in former years.

These results have provided valuable information for the development of new solutions and the improvement of current solutions that Transelec provides for its customers or potential customers for connecting large and small power plants.

CUSTOMER DISTRIBUTION BY REVENUE



REVENUE DISTRIBUTION BY SYSTEM



05 THE OPERATION

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

In keeping with this objective, Transelec employs specialized personnel who are trained on an ongoing basis. These people prepare and execute maintenance programs and procedures for the operation of transmission systems meeting high standards, many of which have been adopted by current Chilean legislation. In addition, the company has state-of-the-art telecommunications, control and protection equipment to ensure smooth network operations and high safety standards. This has enabled Transelec to provide quality and safety indices comparable to further developed countries. Together with ongoing consistency, this has led other companies to trust their facilities to Transelec for aspects such as project design, power line operation and maintenance, control and protection systems, meaning that over 60% of the facilities for customers who connected to the Transelec system in 2010 were finally turned over to our company for operation and maintenance.

An important event took place at 3:34 AM on 27 February 2010, when Chile experienced one of the most severe earthquakes ever recorded, leading to a total blackout in the SIC power grid and damage to some of Transelec's power transmission systems. Works aimed at restoring power started immediately, creating islands to enable service recovery by stages: at 10:32 in the SIC far south, at 12:10 PM in the SIC Northern Zone and at 6:51 PM in the Central Zone, with the exception of the Itahue sector that was powered up at 1:11 PM on 28 February. Power in the Biobio Zone, which was hit hardest by the earthquake, was restored at 1:49 PM on 28 February. However, restoring power to end customers was slower, since the earthquake aftermath affected facilities and distribution networks.

Damage was concentrated at high voltage facilities for twelve substations located between the cities of Quillota and Temuco. The number of the main devices damaged in the affected area (and the percentage of the same with respect to equipment in the area) came to nine power circuit breakers (2.4% of a total 372 circuit breakers), twenty-one disconnectors (1.9% of a total 1,089 disconnectors), nine bushings at three reactors and a 500 kV transformer located at the Polpaico substation (4.3% of a total 209 units), twenty measure transformers (1.4% of a total 1,478 measure transformers) and ten lightning rods (2.1% of a total 481 lightning rods). Likewise, damage exclusively affected the 154 kV Bocamina – Hualpén power line following the collapse of three structures located along the bed of the Bio Bío river (3.9% of a total 77 structures along this power line).

A three-stage emergency plan based on temporary and definite solutions was applied in order to repair damaged equipment and restore power: the first stage focused on recovering the most critical points and was completed on 28 February. The second stage consisted of repairing damaged equipment in order to restore nominal capacity at these facilities while the third stage aimed to ensure that the system operated with normal safety criteria, requiring the purchase of imported replacement parts that normally took over six months to deliver, depending on supplier manufacturing time.

Transelec hired consultancy services from a team of international experts in order to perform an in-depth review of operating and maintenance procedures used in the power system. The results of these studies will help to correct operating aspects that put high complexity systems, such as transmission systems, to the test.

Operation, maintenance and replacement of Transelec equipment and systems generally went according to annual schedules, but featured corrections and adjustments to new conditions following the 27/F earthquake.

As for preventive maintenance, the annual preventive maintenance activity execution index that compares the percentage of projects completed with the schedule planned at the start of each year came to 93.5% for 2010, an indicator that was mainly affected by work to repair and restore facilities affected by the 27 February 2010 earthquake.

Out of all projects executed in 2010, we wish to highlight progress for replacing protection, lightning rods and remote power system supervision by incorporating new signals to the information system in real time (SITR). These projects include the most important replacement of 3 lightning rods and 6 potential transformers at the San Vicente substation and the replacement of differential busbar protection at the Polpaico substation.

As for telecommunications, the analogue microwave system (MMOO) system between the Temuco substation and the Puerto Montt substation was replaced after 20 years of service and now Transelec has a digital MMOO system between the Nogales substation and the Puerto Montt substation. Considering propagation availability determined by design (99.9995%), this condition improves communications between the different facilities for the purpose of operating communications (teleprotection, SCADA and voice) and administrative management (increased bandwidth for LAN networks and telephone networks).

A renewal project for the SCADA/EMS system used by the company in the SIC power grid was started in 2010 and the company KEMA was hired for this purpose. The bid package for the international tender for this project was put together with this company. The suppliers ABB, AREVA, SIEMENS, GE and OSII were invited to participate. The contract will be awarded during the first quarter of 2011.

According to technical standards, the CDEC-SIC asked

Transelec to implement an EDAC system to control power transfers throughout the Cerro Navia - Polpaico segment. Payment and execution of the same was agreed to with Endesa, Colbun and Gener power companies in July. The project was assigned to the company CONECTA, which specializes in this kind of systems, and is expected to be commissioned during the second week of January 2011.

Power System Operation in Real Time certification in accordance with ISO 9001 quality standards was completed in 2010. This process features ongoing power system supervision, facility operation status analysis, decision-making, coordination and execution of maneuvers required in order to maintain facility conditions within the predetermined safety ranges.

This first Quality Management System certification means that Transelec commits to continuous improvement of power supply safety by means of proper power system operation.

As for power measures, the company launched an ISO 9001 certification project for the "Power Measures Management" process and certification is scheduled for 2011.

Transelec is

ISO 9001 - 14.001 AND OHSAS 18.001 CERTIFIED

Transelec continued with the mitigation plan for effects caused by corrosive sulphur in power transformer oil. Another nineteen transformers, besides the thirty-five already repaired the year before, were subjected to insulating oil passivization in 2010.

This plan will continue in 2011 with corrective measures for eight devices evidencing reduced passivator element concentration, which was detected by ongoing monitoring and control of mitigation actions.

The aforementioned investments, improvements and modernization, together with the application of stringent operating procedures, have allowed Transelec to maintain equivalent interruption time (EIT), an indicator that measures service availability, at an acceptable level despite the serious events affecting the country. EIT, which represents the total amount of power not supplied to free and regulated customers over a twelve-month period, stems from unavailability at power withdrawal points in the Transelec power transmission system and is expressed as "equivalent interruption minutes" during maximum system demand time.

22 SIC power grid disconnections due to Transelec facilities were reported in 2010, leading to a power shortage and EIT amounting to 10.3 minutes-system. The failures with the highest impact were events that affected the control circuits for a 500/220 kV

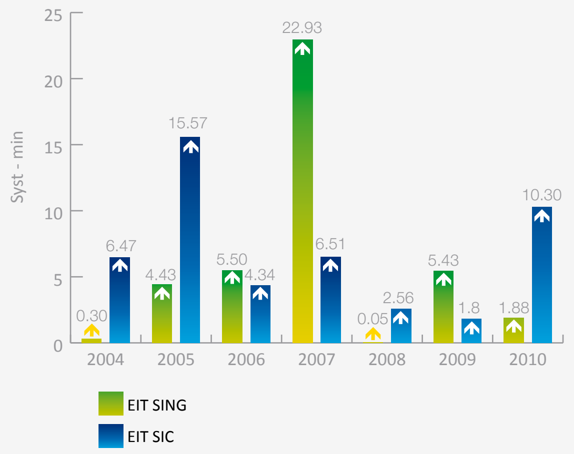
transformer at the Charrúa substation and backup protection at the Polpaico substation, leading to an exhaustive audit of maintenance plan execution and a review of the power supplied to new operating equipment.

As for service quality at Transelec Norte facilities in the SING power grid, EIT came to 1.88 minutes-system, which was almost completely due to a single and important failure stemming from conductor outage at the 220 kV Cóndores – Parinacota power line, which was solved by replacing the conductor and replacing the structure that collapsed following this outage.

With regard to cable theft, which has been seriously compromising Transelec power lines that use copper conductors since 2007, the number of events in 2010 came to 34, with criminals removing a total 19.4 tons of material. Copper conductor theft remains a problem despite actions executed by the company, police, political and Public Ministry authorities and other companies in order to prevent the same. This indicates that conductor theft is a structural factor based on current copper prices and the inherent nature of the junk business, which creates a market for selling stolen material.

As for participation at the Economic Dispatch Load Center, a Transelec Norte executive served, until the month of October, as Chairman of the Board of Directors for CDEC-SING, where the company has three titular representatives and two acting representatives. At the CDEC-SIC, Transelec has two titular directors and two acting directors in representation of the trunk facility owner segment.

EIT SIC & SING



SING EIT

1,88

was the equivalent interruption time in the SING power grid.

SYSTEM-MINUTES

06 FINANCE

MAIN ACTIVITIES EXECUTED IN THE FINANCIAL SECTOR

Throughout 2010, Transelec conducted several operations in the financial sector. We wish to highlight the following: i) The company prepaid the Series B1 and B2 bonds in late February, with total capital amounting to UF 3,040,000. Funds from the issuing of the Series I (UF 1,500,000) and K (UF 1,600,000) bonds in December 2009 were used for this purpose. ii) In September 2010, the company started preparing in order to issue bonds on the international and/or local markets, to refinance the company's Yankee bond debt amortization amounting to US$ 245 million plus associated swaps. This activity concluded with the registration of Series L (UF 2,500,000), M (UF 1,500,000) and N (UF 3,000,000) bonds at the Superintendency of Insurance and Securities. These bonds were finally announced to the general public on 19 January 2011. iii) As part of this same financial effort and with the intent to finance dibursement corresponding to the company's investment program, the company agreed to take out a credit line amounting to UF 3,500,000 with Scotiabank-Sudamericano and Corpbanca bank. The formal agreement will be signed during the first months of 2011. iv) The company fully and unreservedly implemented IFRS in 2010, issuing all of its internal financial statements using these new standards. v) Local Transelec bondholder meetings were held in November 2010, approving the implementation of IFRS for bond issuing contract obligations, limitations and covenants. vi) Fitch upgraded its Transelec ranking from A to A+ in December 2010.

BONDS ISSUED IN CHILE
DEBT AS OF 31 DECEMBER 2010

SERIES	DATE OF ISSUE	INTEREST DATE	MATURITY	CURRENT AMOUNT	CURRENCY
B Series	12-Apr-2001	6.200%	01-Mar-2022	3,104,000	UF
D Series D	14-Dec-2006	4.250%	15-Dec-2027	13,500,000	UF
C Series C	21-Mar-2007	3.500%	01-Sep-2016	6,000,000	UF
E Series	13-Aug-2009	3.900%	01-Aug-2014	3,300,000	UF
F Series	13-Aug-2009	5.700%	01-Aug-2014	33,600,000,000	Ch$
H Series	13-Aug-2009	4.800%	01-Aug-2031	3,000,000	UF
I Series	03-Dec-2009	3.500%	01-Sep-2014	1,500,000	UF
K Series	04-Dec-2009	4.600%	01-Sep-2031	1,600,000	UF

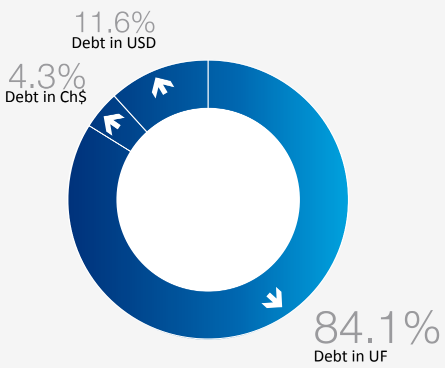
UF: Unidad de Fomento (a readjustable unit set by the Central Bank of Chile, Law 18,840)

BONDS ISSUED IN THE UNITED STATES

SERIES	DATE OF ISSUE	INTEREST DATE	MARTURITY	CURRENT AMOUNT	CURRENCY
Note Global	17-Apr-2001	7.875%	15-Apr-2011	245,138,000	USD

USD: Dollars of the United States of America

FINANCIAL DEBT STRUCTURE BY CURRENCY
(includes swaps and excludes interest)



DEBT SERVICE RESERVE

As of December 2006, Transelec has a Debt Service Reserve required by bond issuing contracts for the C, D, E, F, H, I and K series. This reserve is equivalent to the amount of interest and amortization for the principal (with the exception of final payment) corresponding to a six-month period for local bond series B, C, D, E, F, H, I and K, and the Yankee Bonds at values as of 31 December 2009.

AVAILABLE LINES OF CREDIT

In order to ensure availability of funds in order to cover working capital requirements, the financing of fixed asset investment projects (currently underway and potential projects), the purchasing of transmission lines and possible debt refinancing, the company has the following lines of credit committed, which as of the end of the 2010 fiscal year had not been used and were fully available according to the conditions detailed hereinafter:

BANK	AMOUNT (MAXIMUM)	EXPIRY	LOAN TYPE
Scotiabank	US$ 15,000,000	11-06-2011	Working Capital
DnB Nor	US$ 30,000,000	02-28-2012	Working Capital
Scotiabank	US$ 15,000,000	03-31-2010	Working Capital

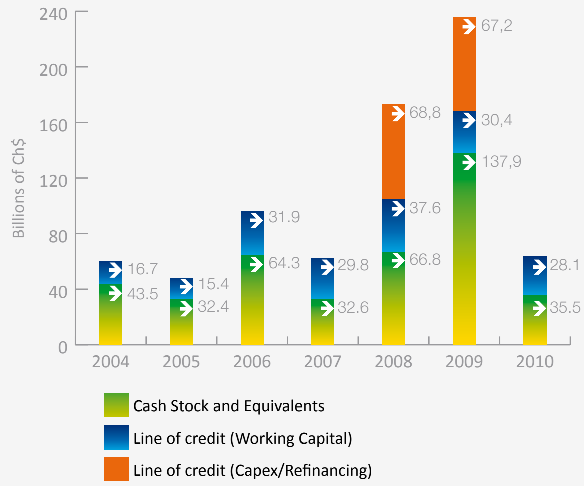
The company agreed to take out a credit line with the Scotiabank and Corpbanca banks amounting to UF 3,500,000 in 2010. This will be used to finance the company's projects program and the formal agreement will be signed during the first few months of 2011.

PERFORMANCE INDICATORS

LIQUIDITY

Considering positive results in 2010, Transelec has substantial liquidity. Together with a) availability of active credit lines promised, b) bond issuing amounting to UF 7 million planned for the first weeks of 2010, c) issuing of a promised line of credit for UF 3 million to be completed during the first months of 2011, and d) partial reinvestment of the company's own cash generation, this will enable Transelec to finance its own future investment plans. The company's shareholders are also firmly committed to this purpose.

LIQUIDITY



Note: Historical values as of 31 December each year.

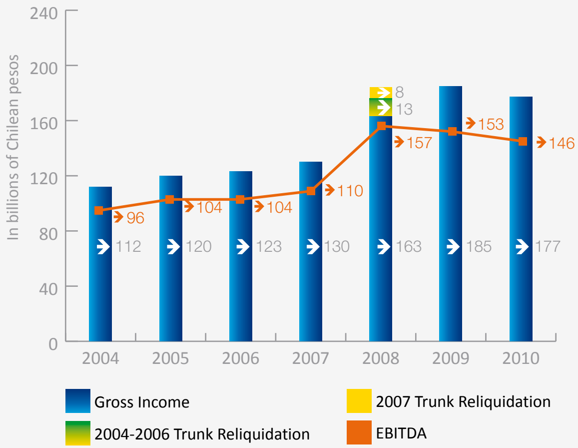
2010 GROSS INCOME

The company has two main sources of revenue generation: regulated revenue stemming from services supplied by assets belonging to the Trunk Transmission Systems and to the Subtransmission Systems, and contractual revenue established in bilateral contracts. Among others, these consider additional transmission assets according to the definition of these terms in Short Law I.

The company's properly safeguarded revenue structure, market conditions, the law, current regulatory legislation and its customers' solvency and quality have allowed Transelec to generate stable results throughout its history, despite the turbulent global financial scenario in 2009 and 2010, which was triggered in the second half of 2008.

We wish to highlight that gross income reported in 2008 includes non-recurring income basically stemming from the reliquidation of Trunk Transmission System toll for the March 2004-December 2007 period for a total Ch$ 20.97 billion according to the provisions of Decree 207 dated 15 January 2008. This figure was calculated in Chilean currency as of 31 December 2008.

EBITDA INCOME EVOLUTION



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

Note 2: Information regarding 2006 EBITDA, revenue, operating, administration and sales costs is pro forma and corresponds to the line upon line sum of the HQI Transelec Chile S.A. results for 1 January 2006 to 30 June 2006, duly updated in conformity with the December 2006 CPI, plus Transelec S.A. FECU results between 1 July 2006 and 31 December 2006. Although Transelec started operations as of 6 June 2006, the company only reports operating movements starting 1 July 2006.

Nota 3: EBITDA = Profits Before Tax – Exchange Rate Differences – Readjustment Unit Income – Lower Investment Value Amortization * - Financial Costs – Financial Revenue - Depreciation + Intangible Amortization + Financial Leasing Interest.

Depreciation includes the concepts of losses due to obsolescence and fixed asset withdrawal. According to CHGAAP financial standards, these were part of the company's non-operating income for the 2004-2009 period.

(*) Applies for the 2004-2009 period in which financial statements were presented in 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 on 13 March 2004.

Decree 207 published on 15 January 2008 established the Annual Transmission Value by Segment (VATT) and its indexing formulas for the four-year period between 2007 and 2010, as well as application conditions for establishing payment of transport services in trunk transmission systems. The provisions contained in this Decree establish a series of pending issues that allow trunk facility owners to collect VATT from their facilities. A second Trunk Transmission Study was conducted in 2010 in order to set tariffs and indexing formulas corresponding to the four-year period between 2011 and 2014. The results of this study will be applicable during the first quarter of 2011, once the stages of the Public Hearing, National Energy Commission (CNE) Technical Report and Panel of Experts stages have been completed.

As for subtransmission, Decree N° 320 by the Ministry of Economic Affairs, Development and Reconstruction published in the Official Gazette dated 9 January 2009 set subtransmission tariffs and their indexing formulas first applied starting 14 January 2009. Subtransmission studies were conducted in 2010 in order to set tariffs and establish indexing formulas corresponding to the four-year period between 2011 and 2014. The CNE will issue its Technical Report in January 2011 and its results will be applicable following the presentation of eventual discrepancies before the Panel of Experts.

SINGLE CUSTOMER REVENUE CONCENTRATION

70.3% 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

Without prejudice of 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. Likewise, 32% of the company's personnel is covered by group agreements with these workers' unions. These agreements expire in 2012 y 2014. Although Transelec's Administration believes that current labor relations evidence mutual collaboration between the company and its workers, and there have been no strikes, delays or suspensions since the company was founded, this is no guarantee that these events will not take place prior to or at the time the current group contracts expire. The Administration is not able to estimate the effect of these events on Transelec's operations.

FINES STEMMING FROM TRANSMISSION SERVICE SUSPENSION

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

APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

Transelec is also subject to environmental standards that, among other considerations, require environmental impact assessments for future projects and the approval of corresponding regulatory authorizations. Despite the fact that Transelec thoroughly complies with all legal and regulatory procedures established for approval of the corresponding permits and authorizations, we cannot guarantee that these environmental impact assessments will be approved by government authorities, nor that the observations made by agencies or organizations affected will not lead to delays in permit approval or the introduction of amendments to projects proposed, nor that laws and regulations will not change or be interpreted in a manner that may imply changes as to how these studies are presented by the company.

CONSTRUCTION DELAYS FOR NEW TRANSMISSION FACILITIES

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

EXCHANGE RATE RISK

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

However, we cannot guarantee that Transelec will be protected by the fact that it holds exchange rate hedging contracts. In addition, cross currency swaps and forwards bear credit risk for the counterpart, cash requirements at maturity dates and other associated risks.

TECHNOLOGICAL CHANGES

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

RISK CLASSIFICATION

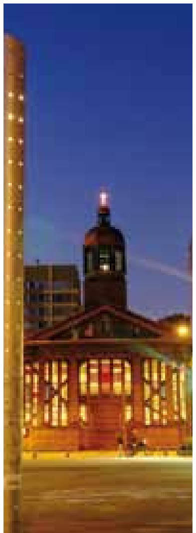
In their latest reports made available for the market, the following Risk Rating Agencies have reaffirmed the Investment Grade rating assigned to Transelec for the different lines of bonds issued and placed by the company, with the exception of Fitch, that increased its local rating from A to A+.

LOCAL

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

INTERNATIONAL

RISK RATING AGENCY	CURRENT RATING
Moody's	Baa3
Standard & Poor's	BBB-
Fitch Ratings International	BBB-



INSURANCE

Transelec continued its policy of holding insurance policies to protect fixed asset goods and to cover other operating risks throughout the 2010 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, including indemnity for suspension damages associated to these risks. 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, material transport, equipment imports and materials all covered as well. The company continues to hold insurance contracts for its workers.

IFRS IMPLEMENTATION PROJECT

The Superintendency of Securities and Insurance (SVS) established a plan to adopt International Financial Reporting Standards (IFRS) for corporations regulated by this institution. As part of this plan, IFRS implementation was required starting in 2010, since Transelec is a corporation that issues public debt, although its shares are not openly traded in the market. In order to fully comply with this standard, the company designed a working plan (which consults activities started as of 2007) featuring different stages, including personnel training activities; the recommendation of accounting policies to be approved by Transelec's Board of Directors; analysis of impacts affecting the corporation in the event of choosing one alternative over another when time comes to adopt these standards and during operations, as well as the implementation of changes made to administrative and accounting procedures and information systems based on the SAP platform. As of 31 December 2009, the company had prepared its financial statements using IFRS and has met all requirements and instructions specified by the SVS.

THE COMPANY'S PROFIT SHARING POLICY FOR 2010

For 2010, the company's profit sharing policy establishes that for any given year, its Board of Directors recommends sharing the highest possible amount, considering Transelec's financial status, the commitments signed by the company when issuing bonds in the national and international market, and the impact of IFRS implementation. More specifically, dividends to be paid shall be equal to the distributable earnings, subject to limits regarding dividends. Distributable earnings means the total consolidated distributable earnings for the respective fiscal year, after tax and extraordinary items, in addition to non-distributed accumulated earnings, minus losses from former periods. Limits regarding dividends within a given fiscal year means that no dividends may be declared if these mean that the company will not be able to meet its financial commitments. If the Board of Directors were to see fit, the same would be entitled to declare temporary dividends for a given fiscal year to be distributed depending on conditions at that time. Overall payment of temporary dividends shall not exceed 75% of the company's consolidated liquid earnings estimated for the fiscal year in course in Transelec's Annual Business Plan.

PROFITS SHARED IN 2010

At a Transelec S.A. Board of Directors meeting held on 28 April 2010, the corporation agreed to pay a dividend deducted from the dividend remainder in 2009, amounting to Ch$ 19,119,869,539.

In keeping with the same, at a Transelec S.A. Board of Directors meeting held on 28 October 2010, the corporation agreed to share a first temporary dividend deducted from 2010 fiscal year earnings amounting to Ch$ 36,009,000,000.

DIVIDENDS PAID

YEAR	HISTORICAL AMOUNT CH$ MN
2006	2,339
2007	34,955
2008	20,934
2009	28,118
2010	55,129

(*): Figures calculated as of December of each year.

PROFIT SHARING
(taken from each fiscal year)

YEAR	CH$ MN (*)	FISCAL YEAR EARNINGS %
2006	14,849	100%
2007	31,774	100%
2008	12,510	22%
2009	47,238	100%
2010(**)	36,009	65%

(*): Figures calculated as of December of each year.
(**): This only corresponds to temporary dividends paid in 2010. Final dividends for the 2010 fiscal year have not yet been announced as of 31 December 2010. These will be determined at a special shareholders meeting to be held in 2011.

MATERIAL FACTS

1) By means of a letter dated 19 January 2010, it was reported as a material fact that following the successful issuing of I and K Series bonds 16 November 2009, Transelec S.A. would proceed to carry out all measures to complete the early redemption of all B Series bonds registered under number 249 and the Superintendency of Securities and Insurance Securities Registry as of Monday, 1 March 2010.

2) By means of a letter dated 25 February 2010, it was reported as a material fact, at a session held that same date, that the Transelec S.A. Board of Directors agreed to establish a policy regarding normal operations for the company's corporate purpose, in conformity with letter b) of the final paragraph of Article 147 of Law N° 18,046:

3) By means of a letter dated 25 February 2010, it was reported as a material fact that at a session held that same date, the Transelec S.A. Board of Directors acknowledged the resignation presented by Mr. Juan Andrés Fontaine Talavera from his position as director.

4) By means of a letter dated 25 March 2010, it was reported as a material fact that at a session held that same date, the Transelec S.A. Board of Directors announced a special shareholders meeting for 28 April 2010 at 9:00 AM.

5) By means of a letter dated 29 April 2010, it was reported as a material fact that the corporation's shareholders meeting was held on 28 April 2010 and all agreements reached at the same were reported.

6) By means of a letter dated 29 April 2010, it was reported as a material fact at a session held on that same date, that the company's Board of Directors acknowledged the resignation presented by Mr. Felipe Lamarca Claro from his position as director.

7) By means of a letter dated 27 May 2010, it was reported as a material fact that at a session held on that same date, the company's Board of Directors agreed to appoint Mr. Mario Valcarce Durán as a titular director of the corporation.

8) By means of a letter dated 24 June 2010, it was reported as a material fact that at a session held on that same date, the Transelec S.A. Board of Directors acknowledged the resignation presented by Mr. Thomas Keller Lippold from his position as acting director.

9) By means of a letter dated 29 July 2010, it was reported as a material fact that at a session held on that same date, the company's Board of Directors acknowledged the resignation presented by Mr. Graeme Bevans from his position as acting director.

10) By means of a letter dated 18 August 2010, it was reported as a material fact that the shareholders agreed to independently schedule a special shareholders meeting for Tuesday, 24 August 2010 at 9:00 AM.

11) By means of a letter dated 24 August 2010, it was reported as a material fact that a special shareholders meeting was held on that same date, and it was agreed that all of the current titular and acting members of the Board of Directors would be dismissed. These were to be replaced in the position of Titular Directors by Messrs. 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, while the respective Acting Directors were to be replaced by Messrs. 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.

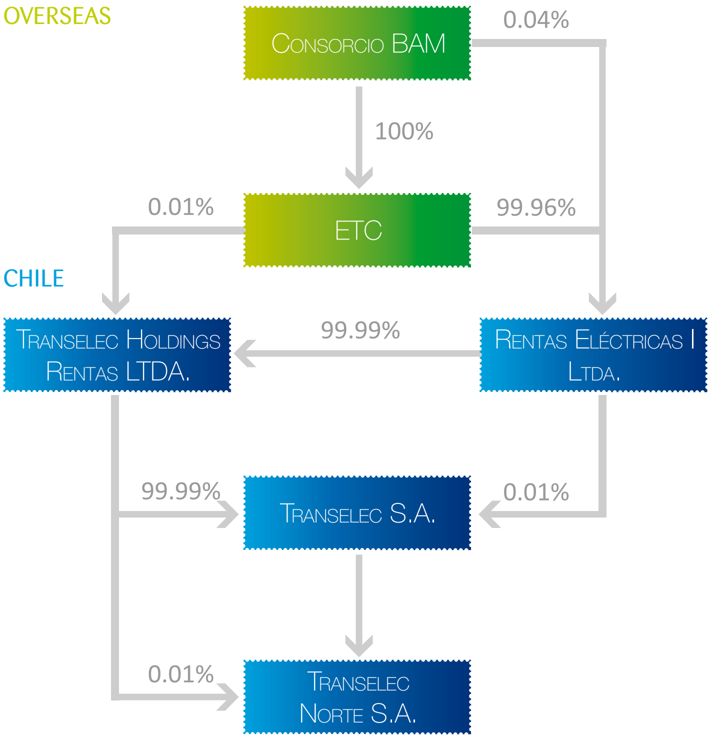
12) By means of a letter dated 26 August 2010, it was reported as a material fact that at a session held on that same date, the company's Board of Directors appointed Mr. Jeffrey Blidner as Chairman of the Board of Directors.

13) By means of a letter dated 01 October 2010, it was reported as a material fact that at a session held on 30 September 2010, the Transelec S.A. Board of Directors scheduled a special shareholders meeting for 21 October 2010 at 9:00 AM.

14) By means of a letter dated 21 October 2010, it was reported as a material fact that a special shareholders meeting was held on that same date and agreements reached at the same were announced. This is to say that the shareholders agreed to approve Corporation debt in UF, in Chilean pesos or in dollars of the United States of America.

15) By means of a letter dated 2 November 2010, it was reported as a material fact that at a session held on 28 October 2010, the Transelec S.A. Board of Directors agreed to pay a temporary dividend taken from the 2010 fiscal year amounting to Ch$36,009,000,000, in conformity with the provisions of the profit sharing policy approved by the corporation's Board of Directors and reported at the shareholders meeting held in the month of April 2010.

CORPORATE STRUCTURE



07 LEGAL INCORPORATION AND AMENDMENTS

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

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

By means of public deed dated 26 March 2007 granted before the Santiago notary owned by Mrs. 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 on 24 April 2007 that the company would be founded as an open stock corporation by means of the voluntary registration of its shares in the Securities Registry of the Superintendency of Securities and Insurance. The minutes of this first special shareholders meeting were executed as public deed dated 25 April 2007.

The corporation's articles of incorporation were amended at the second special shareholders meeting held on 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 owned by Mrs. María Gloria Acharán Toledo. An extract of this reform was registered in the Business Registry of the Real Estate Official Property Registry of Santiago, sheet 27,530, Nº 19,941 corresponding to the year 2007, and was published in the Official Gazette Nº 38,812 dated 13 July 2007.

In June 2007, Transelec S.A., tax list number N° 76.555.400-4, absorbed Transelec S.A., tax list number N° 76.555.430-6, as stated in public deed dated 30 June 2007, granted at the Santiago notary owned by Mrs. 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 on 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 on 21 July 2008, that all members of the Board of Directors should be dismissed, both directors and acting 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 acting 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 on 16 October 2008, that all actions by Transelec representatives when negotiating and issuing the Committed Financing Opening Contract with the Corpbanca and Scotiabank Sudamericano banks amounting to up to UF3,206,453 should be expressly corrected.

It was agreed at the company's sixth special shareholders meeting held on 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 corrected 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 on 28 October 2009, that all members of Board of Directors should be dismissed, both directors and acting 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 acting 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 eight special shareholders meeting held on 24 August 2010 that all members of the Board of Directors should be dismissed, both directing and acting members. The following persons were elected for the positions of titular 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 acting 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 on 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 from 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. Likewise, 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.

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 Corporation 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 Santiago notary 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 on 16 August 2006 and executed as public deed 23 August that same year at Santiago notary owned by Mr. Iván Tamargo Barros, when the corporation's name was changed to TRANSELEC S.A.

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

Subsequently, at Transelec S.A. Board of Directors session number 101 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 owned by Mr. Tamargo Barros. An extract of the same 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 on 30 November 2006 that the firm name Nueva Transelec S.A. would be changed to Transelec S.A., tax list number 76.555.430-6. This was executed as public deed that same day at a notary owned by Mrs. 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 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. special shareholders meeting held 6 on June 2007 were executed as public deed dated 30 June 2007 granted at the Santiago notary owned by Mrs. 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. 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, Piso 6, Las Condes, Santiago
Legal Nature:	Open Stock Corporation
Subscribed Capital:	US$30,005,000
Paid-in Capital:	US$30,005,000

CORPORATE PURPOSE

The company's exclusive purpose is to exploit and develop electrical systems designed for the transport or transmission of electrical energy and owned by Transelec Norte or by third parties. For this purpose, the company shall be entitled to obtain, purchase and operate respective concessions and permits and to exercise all rights and authorities granted to power companies by current legislation. The corporate purpose includes commercialization of power line transport capacity, substation transformation and associated equipment in order for both domestic and foreign power plants to transmit electrical energy produced by the same and 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 2010, the corporation's overall paid share capital came to US$30,005,000 (dollars of the United States of America).

THE BOARD OF DIRECTORS

The Transelec Norte Board of Directors is made up of nine Chilean and Canadian titular members and their respective acting members, 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 currently made up by Messrs. 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, and their respective acting directors Messrs. 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.

Chairman
JEFFREY BLIDNER

Directors
BRUCE HOGG
PATRICK CHARBONNEAU
BRENDA EATON
MARIO VALCARCE DURÁN
JOSÉ RAMÓN VALENTE VÍAS
BRUNO PHILIPPI IRARRÁZABAL
BLAS TOMIC ERRÁZURIZ
ALEJANDRO JADRESIC MARINOVIC

Secretary of the Board of Directors
FERNANDO ABARA

MANAGEMENT TEAM

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

MAIN EXECUTIVES

ANDRÉS KUHLMANN JAHN
General Manager
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax ID number 6.554.568-3

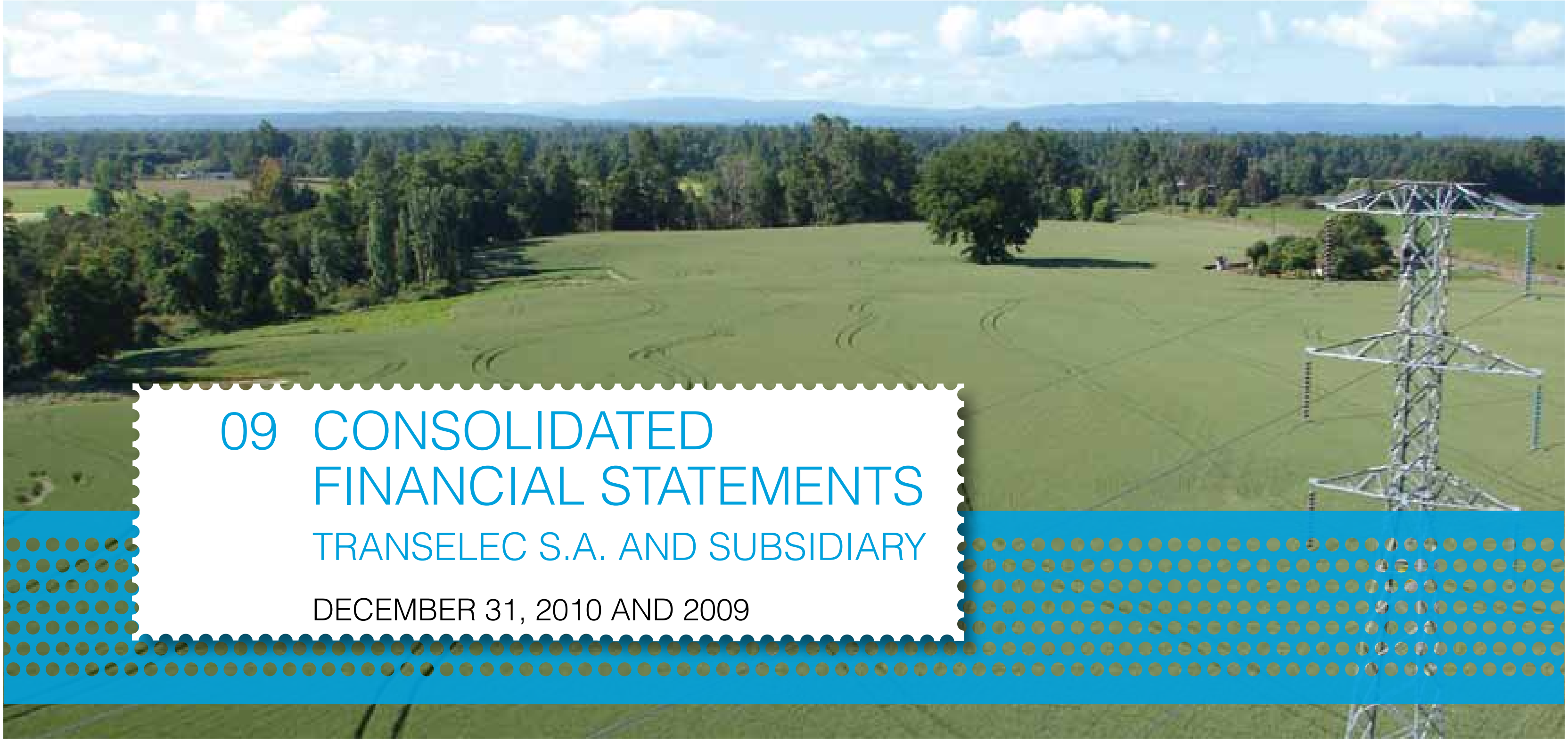
RODRIGO LÓPEZ VERGARA
Vice President of Operations
Civil Electrical Engineer
Universidad de Chile
Rut 7.518.088-8

ALEXANDROS SEMERTZAKIS PANDOLFI
Vice President of Engineering and Construction
Civil Engineer
Universidad de Santiago
Post-graduate Degree in Administration,
Universidad Adolfo Ibáñez
Rut 7.053358-8

FERNANDO ABARA ELÍAS
Vice President of Legal Affairs
Attorney
Universidad Católica de Valparaíso
MBA, Universidad Gabriela Mistral
Tax ID number 8.003.772-4

COMMERCIAL RELATIONS WITH TRANSELEC S.A.

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



09 CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC S.A. AND SUBSIDIARY

DECEMBER 31, 2010 AND 2009

INDEX

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

REPORT OF INDEPENDENT AUDITORS (TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

TO THE SHAREHOLDERS AND DIRECTORS OF
TRANSELEC S.A:

We have audited the consolidated statements of financial position of Transelec S.A. and subsidiary (the “Company”) as of December 31, 2010 and 2009, the consolidated opening statement of financial position as of January 1, 2009, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2010 and 2009. The preparation of these financial statements (that include their accompanying notes) is the responsibility of the management of Transelec S.A. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 subsidiary as of December 31, 2010 and 2009, and as of January 1, 2009, and the results of their operations and their cash flows for the years ended December 31, 2010 and 2009, in conformity with International Financial Reporting Standards (“IFRS”).

MIGUEL VICENCIO T.

ERNST & YOUNG LTDA.

Santiago, Chile
March 16, 2011

CONSOLIDATED STATEMENTS OF FINACIAL POSITION

TRANSELEC S.A. AND SUBSIDIARY (Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

As of December 31,
2010, December 31, 2009 and January 1, 2009

ASSETS	Note	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
CURRENT ASSETS				
Cash and cash equivalents	(5)	35,495,497	137,896,486	66,791,219
Other financial assets		222,694	34,818	39,289
Other non-financial assets		2,777,184	2,777,746	485,473
Trade and other receivables	(6)	38,016,698	36,798,568	33,180,788
Receivables from related parties	(7)	-	50,352	48,204
Inventory	(8)	39,139	39,584	42,270
Current tax assets		2,761,133	2,772,469	2,319,462
Total current assets		79,312,345	180,370,023	102,906,705
NON-CURRENT ASSETS				
Other financial assets		7,178,387	1,204,839	1,581,458
Other non-financial assets		47,544,881	18,728,572	7,812,488
Receivables from related parties	(7)	17,053,819	15,618,680	19,602,660
Intangible assets other than goodwill	(10)	140,772,892	138,000,573	139,706,389
Goodwill	(10)	338,897,614	338,897,614	338,897,614
Property, plant and equipment	(11)	1,094,553,483	1,082,733,354	1,077,464,418
Deferred tax assets	(12)	30,931,637	36,841,967	49,843,073
Total non-current assets		1,676,932,713	1,632,025,599	1,634,908,100
Total Assets		**1,756,245,058**	**1,812,395,622**	**1,737,814,805**

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF FINACIAL POSITION

TRANSELEC S.A. AND SUBSIDIARY (Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

As of December 31,
2010, December 31, 2009 and January 1, 2009

EQUITY AND LIABILITIES	Note	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
CURRENT LIABILITIES				
Other financial liabilities	(13)	140,941,245	9,184,065	16,293,229
Trade and other payables	(14)	36,701,582	29,760,038	25,511,440
Current provisions for employee benefits	(16)	4,264,297	3,457,452	3,516,102
Other non-financial liabilities		1,203,738	1,513,921	7,198,425
Total current liabilities		183,110,862	43,915,476	52,519,196
NON-CURRENT LIABILITIES				
Other financial liabilities	(13)	645,854,193	843,085,688	788,911,946
Deferred tax liabilities	(12)	3,249,021	3,739,822	4,734,143
Non-current provisions for employee benefits	(16)	3,720,265	3,720,265	3,541,269
Other non-financial liabilities		794,111	-	-
Total non-current liabilities		653,617,590	850,545,775	797,187,358
Total liabilities		836,728,452	894,461,251	849,706,554
EQUITY				
Paid-in capital	(18)	838,211,823	838,211,823	857,944,548
Retained earnings	(18)	61,365,952	60,565,965	29,784,289
Other reserves	(18)	19,935,630	19,153,097	374,490
Total equity attributable to owners of the Parent		919,513,405	917,930,885	888,103,327
Non-controlling interest		3,201	3,486	4,924
Total equity		919,516,606	917,934,371	888,108,251
Total Equity and Liabilities		**1,756,245,058**	**1,812,395,622**	**1, 737,814,805**

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

TRANSELEC S.A. AND SUBSIDIARY (Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

For the years ended December 31, 2010 and 2009

Consolidated income statement by function	Note	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Operating revenues	(19)		177,252,534	186,034,914
Cost of sales	(20)		(68,582,055)	(72,511,232)
Gross Margin			108,670,479	113,523,682
Administrative expenses	(20)		(8,217,673)	(6,415,473)
Other gains (losses), net	(19)		640,312	583,194
Financial income	(19)		2,340,963	2,306,968
Financial costs	(20)		(29,151,236)	(59,577,282)
Foreign exchange differences, net	(20)		1,501,079	(1,663,380)
Gain (loss) for indexed assets and liabilities	(20)		(14,004,308)	16,930,785
Profit Before Income Taxes			61,779,616	65,688,494
Income tax expense	(21)		(5,954,564)	(10,980,431)
Profit from continuing operations			55,825,052	54,708,063
Profit (loss) from discontinued operations			-	-
Profit			55,825,052	54,708,063
Profit attributable to				
Profit attributable to owners of parent			55,824,903	54,707,877
Profit attributable to non-controlling interest			149	186
Profit			55,825,052	54,708,063

EARNINGS PER SHARE

Basic earnings per share		
Basic earnings per share from continuing operations ($/s)	55,825,052	54,708,063
Basic earnings (loss) per share from discontinued operations ($/s)	-	-
Basic earnings per share ($/s)	55,825,052	54,708,063
Diluted earnings per share	-	-
Diluted earnings per share from continuing operations ($/s)	55,825,052	54,708,063
Diluted earnings (loss) per share from discontinued operations	-	-
Diluted earnings per share ($/s)	55,825,052	54,708,063

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

(Continuación)

For the years ended December 31, 2010 and 2009

Consolidated income statement by function	Note	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
PROFIT		55,825,052	54,708,063	
FOREIGN CURRENCY TRANSLATION				
Gains (losses) on foreign currency translation differences, before taxes		39,724	(210,553)	
CASH FLOW HEDGES				
Gains (losses) on cash flow hedges, before taxes		784,368	(938,986)	
INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				
Income taxes related to foreign currency translation differences		(41,559)	195,421	
Other comprehensive income		782,533	(954,118)	
Total comprehensive income		56,607,585	53,753,945	
Comprehensive income attributable to owners of the parent		56,607,436	53,753,759	
Comprehensive income attributable to non controlling interest		149	186	
Total comprehensive income		**56,607,585**	**53,753,945**	

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TRANSELEC S.A. AND SUBSIDIARY (Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

For the year ended December 31, 2010

MOVEMENTS	Issued capital ThCh$	Reserve for foreign currency translation differences ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves	Retained earnings ThCh$	Equity attributable to owners of parent ThCh$	Non controlling interest ThCh$	Total Equity ThCh$
Opening balance as of January 1, 2010	838,211,823	(174,760)	(404,868)	19,732,725	19,153,097	60,565,965	917,930,885	3,486	917,934,371
Increase (decrease for changes in accounting policies	-	-	-	-	-	-	-	-	-
Increase (decrease for changes correction of miscalculations	-	-	-	-	-	-	-	-	-
Opening balance restated	838,211,823	(174,760)	(404,868)	19,732,725	19,153,097	60,565,965	917,930,885	3,486	917,934,371
CHANGES IN EQUITY:									
Comprehensive income	-	-	-	-	-	-	-	-	-
Profit	-	-	-	-	-	55,824,903	55,824,903	149	55,825,052
Other comprehensive income		32,971	749,562		782,533	-.-	782,533	-	782,533
Total Comprehensive Income	-	32,971	749,562	-	782,533	55,824,903	56,607,436	149	56,607,585
Dividends						(55,128,870)	(55,128,870)	-	(55,128,870)
Increase (decrease) from transfers and other changes	-	-	-	-	-	103,954	103,954	(434)	103,520
Total changes in equity	-	32,971	749,562	-	782,533	799,987	1,582,520	(285)	1,582,235
Closing balance as of December 31, 2010	**838,211,823**	**(141,789)**	**344,694**	**19,732,725**	**19,935,630**	**61,365,952**	**919,513,405**	**3,201**	**919,516,606**

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

For the year ended December 31, 2009

MOVEMENTS	Issued capital ThCh$	Reserve for foreign currency translation differences ThCh$	Reserve for cash flow hedges ThCh$	Other reserves ThCh$	Total Other reserves	Retained earnings ThCh$	Equity attributable to owners of parent ThCh$	Non controlling interest ThCh$	Total Equity ThCh$
Opening balance as of January 1, 2009	857,944,548	-	374,490	-	374,490	29,784,289	888,103,327	4,924	888,108,251
Increase (decrease for changes in accounting policies	-	-	-	-	-	-	-	-	-
Increase (decrease for changes correction of miscalculations	-	-	-	-	-	-	-	-	-
Opening balance restated	857,944,548	-	374,490	-	374,490	29,784,289	888,103,327	4,924	888,108,251
CHANGES IN EQUITY:	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-	-	-	-
Profit	-	-	-	-	-	54,707,877	54,707,877	186	54,708,063
Other comprehensive income		(174,760)	(779,358)		(954,118)	-	(954,118)		(954,118)
Total Comprehensive Income	-	(174,760)	(779,358)	-	(954,118)	54,707,877	53,753,759	186	53,753,945
Dividends	-	-	-	-	-	(23,746,893)	(23,746,893)	-	(23,746,893)
Increase (decrease) from transfers and other changes	(19,732,725)	-	-	19,732,725	19,732,725	(179,308)	(179,308)	(1,624)	(180,932)
Total changes in equity	(19,732,725)	(174,760)	(779,358)	19,732,725	(18,778,607)	30,781,676	29,827,558	(1,438)	29,826,120
Closing balance as of December 31, 2009	**838,211,823**	**(174,760)**	**(404,868)**	**19,732,725**	**19,153,097**	**60,565,965**	**917,930,885**	**3,486**	**917,934,371**

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

CONSOLIDATED INDIRECT STATEMENTS OF CASH FLOWS

TRANSELEC S.A. AND SUBSIDIARY (Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

For the years ended December 31, 2010 and 2009

	Note	December 31, 2010 ThCh$	December 31, 2009 ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Profit		55,825,052	54,708,063
ADJUSTMENTS FOR RECONCILIATION OF NET INCOME :			
Adjustments for income tax expense		5,954,564	10,980,431
Adjustments for decreases (increases) in trade receivables		(1,218,130)	(3,617,780)
Adjustments for decreases (increases) in trade payables		6,941,544	4,248,598
Adjustments for depreciation and amortization expenses		44,474,296	44,843,234
Adjustments for provisions		806,846	120,346
Adjustments for unrealized foreign currency translation gains (losses)		(647,489)	4,221,447
Adjustments non-controlling interest		(149)	(186)
Adjustments for other non-cash items	(27)	41,891,234	29,506,567
Total adjustments for reconciliation of income		98,202,716	90,302,657
Interests paid		(35,220,859)	(38,056,296)
Income taxes paid		(343,728)	(488,785)
Net cash flows provided by operating activities		118,463,181	106,465,639
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions of property, plant and equipment		(73,048,883)	(65,302,112)
Cash advances and loans to third		(29,088,523)	(10,786,432)
Cash Flows Provided by (Used in) Investing Activities		(102,137,406)	(76,088,544)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from long term loans		-	230,204,880
Loans with related parties		-	10,981,489
Payment of loans to related entities		-	(10,981,489)
Bonds payments		(63,597,894)	(121,717,774)
Dividends payments		(55,128,870)	(28,214,000)
Other disbursements (Swap contracts liquidation)		-.-	(39,544,932)
Net cash flows provided by (used in) financing activities		(118,726,764)	40,728,172
Net Increase (Decrease) in Cash and Cash Equivalents		(102,400,989)	71,105,267
Cash and Cash Equivalents, Opening Balance		137,896,486	66,791,219
Cash and Cash Equivalents, Closing Balance		**35,495,497**	**137,896,486**

The accompanying notes numbers 1 to 29 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC S.A. AND SUBSIDIARY

December 31, 2010 and 2009 (Translation of financial statements originally issued in Spanish-See Note 2.1)

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 March 26, 2007, the Company became a corporation, changing its name to "Rentas Eléctricas III S.A.". On June 30, 2007, Rentas Eléctricas III S.A. changed its name to its current name, Transelec S.A. (here and after "the Company" or "Transelec").

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

The Company is domiciled at Av. Apoquindo No. 3721, floor 6, Las Condes, Santiago, Chile.

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

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

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

The Company's financial statements as of and for the year ended December 31, 2009 were approved by its Board of Directors at its meeting held on February 25, 2010, and were subsequently presented for consideration at the Ordinary Shareholders' Meeting held on April 28, 2010, where they were ultimately approved. These financial statements were prepared in accordance with generally accepted accounting principles in Chile ("Chilean GAAP") issued by the Chilean Association of Accountants and standards issued by the SVS, which differ from those used for 2009 balances included in these financial statements, as these balances have been restated in accordance with International Financial Reporting Standards (hereinafter "IFRS"). A detailed reconciliation of equity, net income and cash flows can be found in Note 29.

The issuance of these consolidated financial statements for the year 2010 was approved by the Company´s Board in Regular Session No. 65 held on March 16, 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing these financial statements consolidated are detailed below. Unless otherwise noted, these policies have been based on IFRS in effect as of December 31, 2010 and applied uniformly for all periods presented.

2.1) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. 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 31 December 2010:

IAS 24 - DISCLOSURE OF RELATED PARTIES

In November 2009, the IASB issued a revised IAS 24, "Related Party Disclosures" (IAS 24 R). IAS 24 R has two basic changes: when there is a related party to the government (or equivalent governmental institution) an exemption is included to disclose in notes to the financial statements these transactions. Additionally the definition of related party was reviewed, clarifying certain related party relationships that were not so clear in the previous standard. The revised standard is effective for annual years beginning on or after January 1, 2011, with earlier application permitted. The Company is currently evaluating the potential impact that the adoption of IAS 24 R will have on its financial statements.

IAS 32 - FINANCIAL INSTRUMENTS: CLASSIFICATION OF RIGHTS ISSUES (AMENDMENT)

In October 2009 the IASB published the document "Classification of rights issues" which changed certain sections of IAS 32 relating to preferential rights issue. According to these changes, all rights, options and warrants issued to purchase a fixed number of non-derivative equity instruments for a fixed amount in any currency, are classified as equity instruments as long as they are offered on a pro rata basis to current holders of the same non-derivative equity instruments. The amendment is effective for annual periods beginning on or after February 1, 2010, early adoption is permitted. Management of the Company believes that this regulation has no impact on its financial statements.

IFRS 7 - FINANCIAL INSTRUMENTS: DISCLOSURES

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

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

IFRS 9 - FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES

On October 28, 2010, the IASB included in IFRS 9 the accounting treatment of financial liabilities, maintaining the classification and measurement criteria existing in IAS 39 for all liabilities except those for which the fair value option was used. Entities whose liabilities are valued using the fair value option should determine the amount of variation attributable to credit risk and recorded in equity if it does not produce an accounting mismatch. Entities are required to apply the changes to annual periods beginning on or after July 1, 2011.

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

FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

In November 2009, the IASB issued IFRS 9, “Financial Instruments”, the first phase in its project to replace IAS 39 Financial Instruments:Recognition and Measurement. Recognition and Measurement.IFRS 9 introduces new requirements for classifying and measuring financial assets that are in the scope of IAS 39. This new regulation requires that all financial assets be classified according to the business model of the entity for the management of financial assets and cash flow characteristics of contractual financial asset. A financial asset is measured at amortized cost if it meets two criteria: (a) the purpose of the business model is to maintain a financial asset to receive contractual cash flows, and (b) cash flows represent contractual payments principal and interest. If a financial asset does not meet the above conditions it will be measured at fair value. Additionally, the standard allows a financial asset that meets the criteria to be valued at amortized cost may be designated at fair value through profit or loss under the fair value option, provided that it significantly reduces or eliminates an accounting mismatch. Also, the IFRS 9 eliminates the requirement to separate embedded derivatives primary financial asset. It therefore requires a hybrid contract is classified in its entirety on amortized cost or fair value.

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

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

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

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

IFRIC 14 - THE LIMIT ON A DEFINED BENEFIT ASSET, OBLIGATION TO MAINTAIN A MINIMUM LEVEL OF FUNDING AND THEIR INTERACTION

In November 2009, the IASB issued Amendments to IFRIC 14 that allows to record as an asset the advance payments made when an entity is subject to requirements to maintain a minimum level of funding and makes advance payments of contributions to cover these requirements. The amendment will apply to annual periods beginning on or after January 1, 2011.

Management of the Company believes that this regulation has no impact on its financial statements.

IFRIC 19 - CANCELLATION OF LIABILITIES WITH EQUITY INSTRUMENTS

In November 2009, the IASB issued IFRIC 19 to address accounting of total or partial cancellation of liabilities through the issuance of the debtor's equity instruments. The regulation clarifies the accounting for these operations from the standpoint of the issuer of the securities, noting that the equity instruments issued should be valued at fair value. If it is not possible to calculate this value, are valued at fair value of liabilities cancelled. The difference between liabilities cancelled and equity securities issued will be recorded in earnings.
The standard applies for annual periods beginning on or after July 1, 2010, allowing its early application.

Management of the Company believes that this regulation has no impact on its financial statements.

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As a result of annual improvement project, in May 2010 the IASB issued a set of amendments to some specific IFRS and interpretation. The modifications include accounting changes for purposes of presentation, recognition, measurement and terminology, in the standards below:

IFRS 3 Business Combinations
IFRS 7 Financial Instruments Disclosures
IAS 1 Presentation of Financial Statements
IAS 27 Consolidated and Separate Financial Statements
IFRIC 13 Customer Loyalty Programmes

Most amendments are applicable for business years starting on or after 1 July 2010 or 1 January 2011. The Company is evaluating the potential impact that its 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. Business combinations that occurred before the transition to IFRS were not restated, in accordance with the IFRS 1 exemption applied (see Note 29).

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

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

These consolidated financial statements include the balances of the Company and its only subsidiary, Transelec Norte S.A. The Company's interest in that subsidiary was 99.99% as of December 31, 2010, December 31, 2009 and January 1, 2009.

2.4) FOREIGN CURRENCY TRANSLATION

2.4.1) FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4.2) TRANSACTIONS AND BALANCES

Transactions carried out by each company in a currency other than its functional currency are recorded using the exchange rates in effect as of the date of each transaction. During the year, 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 subsidiary with functional currency other than the Chilean peso is performed as follows:

a) For assets and liabilities, the prevailing exchange rate on the closing date of the financial statements is used.
b) For items in the income statement, the average exchange rate for the period is used.

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

2.4.4) EXCHANGE RATES

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

Currency	Pesos per unit		
	December 31, 2010	December 31, 2009	January 1, 2009
Unidad de Fomento	21,455.55	20,942.88	21,452.57
US$	468.01	507.10	636.45
Euro	621.53	726.82	898.81

2.5) SEGMENTS REPORTING

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

2.6) PROPERTY, PLANT AND EQUIPMENT

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

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

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

c) Future disbursements that Transelec S.A. and its subsidiary must make to close their facilities are incorporated into the value of the asset at present value, recording the corresponding provision in accounting. On a annual basis, Transelec S.A. and subsidiary review their estimate of these future disbursements, increasing or decreasing the value of the asset based on the results of this estimate.

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

Items acquired before the date on which Transelec transitioned to IFRS include within the acquisition cost, adjustments for variations in the Chilean consumer price index (CPI) in accordance with Chilean GAAP, which were considered revaluations under prior GAAP, and that are allowed to be included within the deemed cost of Property, Plant and Equipment pursuant to the exemption contained in IFRS 1- First time adoption of IFRS (see Note 29.2).

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.

During the years covered by those financial statements, there was no impairment loss of goodwill.

2.7.2)RIGHTS OF WAY

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

2.7.3)COMPUTER SOFTWARE

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

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

2.8) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

An impairment loss is recognized for the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

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 that 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.

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 (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 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) FINANCIAL LIABILITIES

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

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

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

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

2.15) INCOME TAX AND DEFERRED TAXES

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

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

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 subsidiary 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 which can be refinanced over the long term at the Company's discretion through unconditionally available long-term credit agreements, these 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

Leases in which substantially all risks and benefits inherent to the property are transferred to the lessee are classified as finance leases. Other leases that do not meet this criterion are classified as operating leases. Operative leasing instalments are recognized in the income statement on a straight-line basis.

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

2.20.1) LESSOR

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

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

2.20.2) LESSEE

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

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

2.21) DISTRIBUTION OF DIVIDENDS

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

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

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

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

NOTE 3 - RISK MANAGEMENT POLICY

3.1) FINANCIAL RISK

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

3.1.1) MARKET RISK

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

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

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

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

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

3.1.1.1) INTEREST RATE RISK

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

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

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

The following table presents the Company's debt as of December 31, 2010, 31 December 2009 and January 1, 2009. The table indicates that all of the Company's debt is at fixed rates. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

				Amount in Original Currency (thousand)		
Debt	Currency or index	Interest Rate	Type of rate	December 31,2010	December 31, 2009	January 1, 2009
Bono Yankee	US$	7.88%	fixed	245,138	245,138	465,000
Bono Series B	UF	6.20%	fixed	-	3,040	3,104
Bono Series C	UF	3.50%	fixed	6,000	6,000	6,000
Bono Series D	UF	4.25%	fixed	13,500	13,500	13,500
Bono Series E	UF	3.90%	fixed	3,300	3,300	-
Bono Series F	CLP	4.80%	fixed	33,600,000	33,600,000	-
Bono Series H	UF	5.70%	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	-

The Company has mercantile current accounts with related companies denominated in US dollars that have a variable interest rate. Given the fact that the Company's net assets with variable interest rates are an insignificant portion of its total assets, the Company believes that its income is not exposed to significant risk from changes in market interest rates. However, increases in inflation could impact the cost of UF-denominated debt and, therefore, the Company's financial expenses. These impacts are to some extent offset by the mechanism of indexation of the Company's revenues, which are also adjusted for inflation using indexation formulas.

3.1.1.2) EXCHANGE RATE RISK

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

- The revenues of its subsidiary Transelec Norte are denominated in U.S. dollars.
- Transelec carries out several types of transactions in U.S. dollars (certain construction contracts, import purchases, etc.).
- Transelec maintains a portion of its debt denominated in U.S. dollars in order to finance the dollar-denominated assets of its subsidiary, among other uses.

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

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

	Liabilities		Assets	
	December 31,2010	December 31, 2009	December 31, 2010	December 31, 2009
	Million Ch$	Million Ch$	Million Ch$	Million Ch$
U.S. dollar (amounts associated with balance sheet entries)	100,716.80	117,509.64	98,452.50	118,808.83
U.S. dollar (amounts associated with income statement entries)	26,676.60	27,687.66	-	-
Chilean peso	733,826.40	803,708.48	1,655,610.30	1,701,882.18

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

3.1.1.2.1) SENSITIVITY ANALYSIS

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

Item (Currency)	Net income (gain)/loss Million $ Position Million$ Long / (Short)	Change (-10%)	Change (+10%)	OCI (gain)/loss Million $ Position Million$ Larga/(Corta)	Change (-10%)	Change (+10%)
Receivables (US$)	1,365	124	(136)			
Payables (US$)	(2,427)	(221)	243			
Cash (US$)	6,834	621	(683)			
Forwards (assets) (US$)	(9,360)	(851)	936			
Forwards (income)	-	-	-	(26,677)	(2,425)	2,668
Bonds (US$)	(55,070)	(5,006)	5,507	(66,220)	(6,020)	6,622
Swaps (US$)	23,795	2,163	(2,379)	-	-	-
Intercompany loans	-	-	-	-	-	-
Net investment	-	-	-	66,220	6,020	(6,622)
Other (US$)	5,924	539	(592)	-	-	-
Total	**(28,939)**	**(2,631)**	**2,896**	**(26,677)**	**(2,425)**	**2,668**

3.1.2) CREDIT RISK

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

However, Company's revenues and consequently receivables are highly concentrated in one client, as shown below:

Revenues	2010 TCh$	2009 TCh$
Principal Client	111,970,804	132,270,824
Others	65,281,730	53,764,090
Total	**177,252,534**	**186,034,914**
% Concentration	63.17%	71.10%

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

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

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

3.1.3) LIQUIDITY RISK

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 lines of credit for working capital (US$ 60 million, equivalent to ThCh$ 28,081). To date, these lines have not been used and are expected to be renewed upon maturity. These credit lines were in effect during the entire year 2009 and continue to be in effect as of December 31, 2010.

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, 2010, December 31, 2009 and January 1, 2009.

In thousand of Chilean pesos	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
	TCh$	TCh$	TCh$	TCh$	TCh$	TCh$
December 31, 2010	156,136,801	65,567,023	250,205,036	236,462,215	681,775,381	1,390,146,456
December 31, 2009	40,742,404	194,130,285	199,088,697	251,914,698	561,372,545	1,247,248,629
January 1, 2009	51,364,803	353,294,232	45,730,882	234,906,737	420,861,215	1,106,157,869

3.2) INTERNAL CONTROL

The Company has internal control mechanisms, risk management controls and economic-financial management controls in place to ensure that transactions are carried out in accordance with internally established policies, standards and procedures.

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

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

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS

a) As of December 31, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of		
	December 31, 2010	December 31, 2009	January 1, 2009
	ThCh$	ThCh$	ThCh$
Bank and cash balances	622,906	3,467,779	1,953,524
Short-term deposits	23,744,295	119,928,535	48,160,810
Reverse repurchase agreements and mutual funds	11,128,296	14,500,172	16,676,885
Total	**35,495,497**	**137,896,486**	**66,791,219**

Cash and cash equivalents included in the statement of financial position as of December 31, 2010, December 31, 2009 and January 1, 2009 do 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, 2010	December 31, 2009	January 1, 2009
Amount of cash and cash equivalents	U.S. dollars	6,727,918	1,755,899	14,392,314
Amount of cash and cash equivalents	Euros	20,197	47,190	477
Amount of cash and cash equivalents	Chilean pesos	28,747,382	136,093,397	52,398,428
Total		**35,495,497**	**137,896,486**	**66,791,219**

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, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

Balance in ThCh$ as of Item	December 31, 2010 Current ThCh$	December 31, 2009 Current ThCh$	January 1, 2009 Current ThCh$
Trade receivables	37,725,605	36,468,309	32,691,340
Miscellaneous receivables	291,093	330,259	489,448
Total trade and other receivables	**38,016,698**	**36,798,568**	**33,180,788**

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of December 31, 2010, December 31, 2009 and January 1, 2009, the aging of trade and other receivables is as follows:

	Balance as of December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Maturing in less than 30 days	29,742,111	20,353,070	11,192,942
Maturing in more than 30 days up to 1 year	8,274,587	16,445,498	21,987,846
Total	**38,016,698**	**36,798,568**	**33,180,788**

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

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, 2010 ThCh$	December 31, 2009 ThCh$	December 31, 2010 ThCh$	December 31, 2009 ThCh$	December 31, 2010 ThCh$	December 31, 2009 ThCh$
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Mercantile current account	N/A	Parent company	US$	-	50,352	48,204	17,053,819	15,618,680	19,602,660

a) Most significant transactions and their effect on income:

Transactions with unconsolidated related parties had the following effects on the income statement for the years ended December 31, 2010 and 2009:

				December 31, 2010 ThCh$		December 31, 2009 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	17,053,779	-	3,282,976	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans paid	1,108,682	-	3,235,467	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest accrued	413,679	413,679	514,276	514,276
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans granted	20,734,104	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans paid	20,734,104	-	-	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest accrued	65,088	65,088	-	-
76.559.580-0	Rentas Electricas I Ltda.	Indirect parent company	Loans received	-	-	10,981,620	-
76.559.580-0	Rentas Electricas I Ltda.	Indirect parent company	Loans paid	-	-	10,981,620	-
76.559.580-0	Rentas Electricas I Ltda	Indirect parent company	Interest accrued	-	-	256,671	(256,671)
76.559.580-0	Rentas Electricas I Ltda	Indirect parent company	Interest paid	-	-	256,671	-

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

7.2) BOARD OF DIRECTORS AND MANAGEMENT

In accordance with the Company's by-laws, the Board of Directors of Transelec is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on August 24, 2010. The current Chairman of the Board was elected at Board meeting dated August 26, 2010.

7.2.1)BOARD OF DIRECTORS' COMPENSATION

As established in Article No. 33 of Law No. 18,046 on Corporations, on the Second Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2010, 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 2009 and this waiver is maintained for 2010 year. During the year Directors Andrés Fontaine Talavera, Felipe Lamarca Claro y Thomas Kéller Lippold waived their positions as Directors of the Company and Mario Valcarce Duran and Bruno Philippi Irarrázabal were designated as Directors of the Company.

Accordingly, the following compensation was received by directors during the years ended December 31, 2010 and 2009:

	December 31,2010 ThCh$	December 31,2009 ThCh$
Blas Tomic Errázuriz	36,092	40,282
Juan Andrés Fontaine Talavera	15,867	40,282
Felipe Lamarca Claro	18,052	40,282
José Ramón Valente Vias	36,092	40,282
Alejandro Jadresic Marinovic	36,092	40,282
Mario Valcarce Duran	14,848	-
Bruno Philippi Irarrazabal	5,643	-

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 2010 and 2009 years, 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 five meetings in 2009 and four meetings for the year 2010.

As of December 31, 2010, the Audit Committee members included Chairman José Ramón Valente Vías, Directors Patrick Charbonneau, 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 Third Ordinary Shareholders' Meeting of Transelec S.A., held on April 28, 2010, 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 2010 and 2009:

	December 31, 2010 ThCh$	December 31, 2009 ThCh$
Juan Andrés Fontaine	5,071	5,304
José Ramón Valente	5,071	3,182

7.5) COMPENSATION OF KEY MANAGEMENT THAT ARE NOT DIRECTORS

MEMBERS OF KEY MANAGEMENT

Andrés Kuhlmann Jahn	Chief Executive Officer
Eduardo Andrade Hours	Vice-President of Business Development
Francisco Castro Crichton	Vice-President of Finance
Rodrigo Ackermann Marín	Vice-President of Sales
Alexandros Semertzakis Pandolfi	Vice-President of Engineering and Construction
Claudio Aravena Vallejo	Vice-President of Human Resources
Fernando Abara Elías	Vice-President of Legal Matters
Rodrigo Lopéz Vergara	Vice-President of Operations
Claudio Vera Acuña	Corporate Affairs Manager
Juan Carlos Araneda Tapia	Business Development Manager

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 years ended December 31, 2010 and 2009 is detailed as follows:

	December 31, 2010	December 31, 2009
Salaries	1,393,333	1,564,134
Short-term employee benefits	497,590	556,392
Long-term benefits	206,488	-
Total compensation received by key management personnel	**2,097,411**	**2,120,526**

NOTE 8 - INVENTORY

As of December 31, 2010, December 31, 2009 and January 1, this account is detailed as follows:

Classes of inventory		Balance as of	
	December 31, 2010	December 31, 2009	January 1, 2009
Safety equipment	39,139	39,584	42,270
Total	**39,139**	**39,584**	**42,270**

NOTE 9 - FINANCIAL LEASES

9.1) FINANCE LEASE RECEIVABLES

		Balance as of	
	December 31, 2010	December 31, 2009	January 1, 2009
	ThCh$	ThCh$	ThCh$
Current finance leases receivables	222,694	34,818	39,289
Non-current finance leases receivables	6,940,975	970,886	1,262,238
Total	**7,163,669**	**1,005,704**	**1,301,527**

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

January 1, 2009			
Period in Years	Nominal Value ThCh$	Interest receivable ThCh$	Present value ThCh$
Less than 1	39,289	138,769	178,058
1-5	206,497	505,736	712,233
Over 5	1,055,741	650,652	1,706,393
Total	**1,301,527**	**1,295,157**	**2,596,684**

December 31, 2009			
Period in Years	Nominal Value ThCh$	Interest receivable ThCh$	Present value ThCh$
Less than 1	34,818	107,052	141,870
1-5	182,999	384,483	567,482
Over 5	787,887	429,833	1,217,720
Total	**1,005,704**	**921,368**	**1,927,072**

31/12/2010			
Period in Years	Nominal Value ThCh$	Interest receivable ThCh$	Present value ThCh$
Less than 1	222,694	478,060	700,783
1-5	750,535	1,351,815	2,102,350
Over 5	6,190,440	3,654,526	9,844,937
Total	**7,163,669**	**5,484,401**	**12,648,070**

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:

	2010 ThCh$	2009 ThCh$
Real estate lease	589,749	569,323
Other leases	583,233	642,004
Total operating leases	**1,172,982**	**1,211,327**

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	601,494	2,594,838	-
Other leases	594,848	2,566,169	-
Total operating leases	**1,196,342**	**5,161,007**	**-**

NOTE 10 - INTANGIBLE ASSETS

The following tables detail the balances within this account as of December 31, 2010, December 31, 2009 and January 1, 2009:

Intangible assets, net	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Rights of way	139,817,492	136,863,850	138,270,679
Software	955,400	1,136,723	1,435,710
Goodwill	338,897,614	338,897,614	338,897,614
Total intangible assets, net	**479,670,506**	**476,898,187**	**478,604,003**

Intangible assets, gross	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Rights of way	139,817,492	136,863,850	138,270,679
Software	3,485,116	3,205,773	2,769,828
Goodwill	338,897,614	338,897,614	338,897,614
Total intangible assets	**482,200,222**	**478,967,237**	**479,938,121**

Accumulated amortization and impairment	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Software	(2,529,716)	(2,069,050)	(1,334,118)
Total accumulated amortization	**(2,529,716)**	**(2,069,050)**	**(1,334,118)**

The composition and movements of intangible assets during the year 2010 and 2009 have been:

YEAR 2010

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2010	136,863,850	1,136,723	338,897,614	476,898,187
MOVEMENTS IN IDENTIFIABLE INTANGIBLE ASSETS				
Additions	3,993,925	287,070	-	4,280,995
Transfer to receivables for financial leasing	(1,012,644)	-	-	(1,012,644)
Amortization	-	(460,666)	-	(460,666)
Translation adjustment	(27,639)	(7,727)	-	(35,366)
Increase (decrease)	-	-	-	-
Ending balance of intangible assets as of December 31, 2010	**139,817,492**	**955,400**	**338,897,614**	**479,670,506**

YEAR 2009

Movements in intangible assets	Rights of way ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2009	138,270,679	1,435,710	338,897,614	478,604,003
MOVEMENTS IN IDENTIFIABLE INTANGIBLE ASSETS				
Additions	-	454,017	-	454,017
Amortization	-	(734,932)	-	(734,932)
Translation adjustment	(94,458)	(18,072)	-	(112,530)
Increase (decrease)	(1,312,371)	-	-	(1,312,371)
Ending balance of intangible assets as of December 31, 2009	**136,863,850**	**1,136,723**	**338,897,614**	**476,898,187**

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, 2010 and December 31, 2009 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, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Land	19,949,131	19,409,549	19,051,979
Buildings and infrastructure	752,861,802	747,826,053	736,197,732
Machinery and equipment	319,851,833	313,694,962	320,795,434
Other property, plant and equipment	1,890,717	1,802,790	1,419,273
Property, plant and equipment, net	**1,094,553,483**	**1,082,733,354**	**1,077,464,418**

Property, plant and equipment, gross	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Land	19,949,131	19,409,549	19,051,979
Buildings and infrastructure	851,299,352	823,997,887	790,849,098
Machinery and equipment	390,316,173	364,968,212	354,319,834
Other property, plant and equipment	1,890,717	1,802,790	1,419,273
Total property, plant and equipment, gross	**1,263,455,373**	**1,210,178,438**	**1,165,640,184**

Accumulated depreciation and impairment Total accumulated depreciation and impairment, property, plant and equipment, net	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Buildings and infrastructure	(98,437,550)	(76,171,834)	(54,651,366)
Machinery and equipment	(70,464,340)	(51,273,250)	(33,524,400)
Total accumulated depreciation and impairment, property, plant and equipment	**(168,901,890)**	**(127,445,084)**	**(88,175,766)**

11.2) RECONCILIATION OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	Year 2010	Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
	Opening balance January 1, 2010	19,409,549	747,826,053	313,694,962	1,802,790	1,082,733,354
Movements	Additions	842,277	40,729,121	26,990,079	206,411	68,767,888
	Retirement	(187,123)	-	(689,507)	(3)	(876,633)
	Transfer to receivables for financial leasing	-	(6,247,700)	-	-	(6,247,700)
	Depreciation expense	-	(23,042,988)	(19,388,618)	-	(42,431,606)
	Forfeited or damage	-	(1,582,024)	-	-	(1,582,024)
	Translation adjustment	(115,572)	(4,162,054)	(755,083)	(117)	(5,032,826)
	Other increases (decreases)	-	(658,606)	-	(118,364)	(776,970)
	Ending balance as of December 31, 2010	**19,949,131**	**752,861,802**	**319,851,833**	**1,890,717**	**1,094,553,483**

Year 2009		Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
Opening balances January 1, 2009		19,051,979	736,197,732	320,795,434	1,419,273	1,077,464,418
Movements	Additions	740,000	47,658,830	16,569,858	333,424	65,302,112
	Transfers	-	-	-	-	-
	Retirement	-	-	(2,673,205)	-	(2,673,205)
	Depreciation expense	-	(23,598,952)	(17,836,145)	-	(41,435,097)
	Translation adjustment	(382,430)	(12,431,557)	(3,160,980)	(388)	(15,975,355)
	Other increases (decreases)	-	-	-	50,481	50,481
Ending balance as of December 31, 2009		**19,409,549**	**747,826,053**	**313,694,962**	**1,802,790**	**1,082,733,354**

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, 2010, December 31, 2009 and January 1, 2009, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totalling ThUS$ 113,914,107, ThUS$ 79,225,211, and ThUS$ 42,727,734, respectively.

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

	December 31, 2010	December 31, 2009
Capitalization rate (Annual basis) (%)	5.94%	5.91%
Capitalized interest costs (ThCh$)	3,770,083	2,144,073

Work in progress balances amounts to ThCh$ 88,580,003, ThCh$ 63,183,645 and ThCh$ 17,644,070 as of 31 December 2010, 31 December 2009 and January 1, 2009, 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, 2010, December 31, 2009 and January 1, 2009, is detailed as follows:

Temporal differences	Deferred tax assets			Deferred tax liabilities		
	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Depreciable fixed assets	31,882,193	40,750,950	52,416,096	3,280,720	3,592,529	4,555,561
Discount on bond placement	(1,973)	189,800	247,397	-	-	-
Bonds and swaps fair values	-	1,823,563	3,834,300	-	-	-
Forwards contracts	(62,578)	48,523	(63,663)	-	-	-
Prepaid bond expenses	-	(1,320,800)	(1,350,086)	-	-	-
Leased assets	(46,461)	36,798	104	-	-	-
Materials and spare parts	322,876	304,030	315,013	-	-	-
Mark-to-Market of swaps	(35,984)	82,625	(2,389,228)	-	-	-
Other prepaid expenses	3,369	15,245	23,923	-	-	-
Tax losses	7,229,118	4,268,180	6,790,725	-	-	-
Staff severance indemnities provision	(27,922)	(9,783)	(2,888)	-	-	-
Premium on bond placement	-	362,564	280,273	-	-	-
Deferred income	227,432	-	-			
Investment value provision	8,157	8,157	8,157	-	-	-
Lawsuit provision	48,356	81,545	20,197	-	-	-
Obsolescence provision	306,696	6,275	14,857	-	-	-
for assets under construction	-	(115,746)	(237,737)			
Assets under construction	1,592,876	453,561	598,454	-	-	-
Vacation provisions	179,711	155,377	159,804	-	-	-
Intangible assets	(9,821,334)	(10,172,022)	(10,398,955)	(156,040)	11,615	8,295
Adjustment of effective interest rate of bonds	(936,129)	(281,293)	(612,697)			-
Land	63,234	154,418	189,027	124,341	135,678	170,287
Total	**30,931,637**	**36,841,967**	**49,843,073**	**3,249,021**	**3,739,822**	**4,734,143**

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 years 2010 and 2009 are as follows:

Deferred tax movements	Asset ThCh$	Liability ThCh$
Balance as of January 1, 2009	49,843,073	4,734,143
Increase (decrease)	(11,685,735)	(898,169)
Translation adjustment	(1,315,371)	(96,152)
Other increases (decreases)	0	0
Balance as of December 31, 2009	36,841,967	3,739,822
Increase (decrease)	(5,910,330)	(179,560)
Translation adjustment	-	(311,241)
Other increases (decreases)	0	0
Balance as of December 31, 2010	**30,931,637**	**3,249,021**

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, 2010, December 31, 2009 and January 1, is as follows:

Interest bearing loans	December 31, 2010		December 31, 2009		January 1, 2009	
	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$	Current ThCh$	Non- current ThCh$
Bonds payable	123,346,425	645,854,193	8,138,164	827,829,938	14,061,333	780,403,139
Swap contract	17,594,820	-	755,381	15,255,750	2,231,896	8,508,807
Forward contract	-	-	290,520	-	-	-
Total	**140,941,245**	**645,854,193**	**9,184,065**	**843,085,688**	**16,293,229**	**788,911,946**

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 rate	Effective interest rate	Final maturity	Periodicity Interest payments	Periodicity Principal payments	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$	Placement in Chile or abroad
249	B1	190,000	UF	6.2%	-	03.01.2010	Semi-annual	Semi-annual	-	89,628	104,939	Chile
249	B2	2,850,000	UF	6.2%	-	03.01.2010	Semi-annual	Semi-annual	-	1,344,421	1,574,078	Chile
249	B1	-	UF	6.2%	-	03.01.2010	Semi-annual	Semi-annual	-	-	104,555	Chile
249	B2	-	UF	6.2%	-	03.01.2010	Semi-annual	Semi-annual	-	-	1,568,325	Chile
First issuance	Single	245,138,000	US$	8.2%	7.27%	04.15.2011	Semi-annual	At maturity	117,057,973	1,408,376	8,713,157	Foreign
481	C	6,000,000	UF	3.5%	4.03%	03.01.2010	Semi-annual	At maturity	1,659,393	1,449,223	1,488,765	Chile
480	D	13,500,000	UF	4.25%	4.37%	06.15.2011	Semi-annual	At maturity	531,380	495,457	507,514	Chile
598	E	3,300,000	UF	3.9%	3.82%	02.01.2011	Semi-annual	At maturity	1,117,461	1,110,515	-	Chile
598	F	33,600,000	$	5.7%	5.79%	02.01.2011	Semi-annual	At maturity	794,364	785,117	-	Chile
599	H	3,000,000	UF	4.8%	4.79%	02.01.2011	Semi-annual	At maturity	1,269,387	1,239,428	-	Chile
598	I	1,500,000	UF	3.5%	3.79%	03.01.2011	Semi-annual	At maturity	397,589	90,182	-	Chile
599	K	1,600,000	UF	4.6%	4.61%	03.01.2011	Semi-annual	At maturity	518,878	125,817	-	Chile
Total - short-term portion									**123,346,425**	**8,138,164**	**14,061,333**	
Swap contracts									17,594,820	755,381	2,231,896	
Forward contracts									-	290,520	-	
Total current									**140,941,245**	**9,184,065**	**16,293,229**	

Detail of other financial liabilities

Instrument registration number	Series	Nominal amount placed outstanding	Indexation unit	Nominal interest rate	Effective interest rate	Final maturity	Periodicity		December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$	Placement in Chile or abroad
							Interest payments	Principal payments				
First issuance	Single	245,138,000	US$	8.2%	7.27%	04.15.2011	Semi-annual	At maturity	-	126,575,852	298,891,175	Foreign
249	B1	190,000	UF	6.2%	-.-	03.01.2022	Semi-annual	At maturity	-	4,874,325	4,498,856	Chile
249	B2	2,850,000	UF	6.2%	-.-	03.01.2022	Semi-annual	At maturity	-	73,114,855	67,482,843	Chile
481	C	6,000,000	UF	3.5%	4.03%	09.09.2016	Semi-annual	At maturity	125,199,765	118,178,267	124,321,829	Chile
480	D	13,500,000	UF	4.25%	4.37%	12.15.2027	Semi-annual	At maturity	285,604,499	274,572,495	285,208,436	Chile
598	E	3,300,000	UF	3.9%	3.82%	08.01.2014	Semi-annual	At maturity	71,011,678	69,472,395	-	Chile
598	F	33,600,000,000	$	5.7%	5.79%	08.01.2014	Semi-annual	At maturity	33,501,321	33,426,451	-	Chile
599	H	3,000,000	UF	4.8%	4.79%	08.01.2031	Semi-annual	At maturity	64,399,322	62,750,493	-	Chile
598	I	1,500,000	UF	3.5%	3.79%	09.01.2014	Semi-annual	At maturity	31,843,001	30,999,455	-	Chile
599	K	1,600,000	UF	4.6%	4.61%	09.01.2031	Semi-annual	At maturity	34,294,607	33,865,350	-	Chile
Total - long-term portion									**645,854,193**	**827,829,938**	**780,403,139**	
Swap contracts									-,-	15,255,750	8,508,807	
Total - long term									**645,854,193**	**843,085,688**	**788,911,946**	

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$ 768,392,430, ThCh$ 825,484,723 and ThCh$ 779,474,625 as of December 31, 2010, December 31, 2009 and January 1, 2009, 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

A portion of the Company's debt in dollars is designated as a hedge of net investment in its subsidiary Transelec Norte S.A. As of December 31, 2010 and December 31, 2009, this amount totalled ThCh$ 38,820,147 and ThCh$ 42,062,555, respectively.

During the years 2010 and 2009, the balance of "Equity: Hedging Reserves" and differences in conversión of this debt is as follows:

	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Exchange rate differences recorded in equity	(112,079)	(174,759)	
Cash flow hedge	314,984	(404,868)	374,490
Net investment hedge	-	-	-
Balance of reserves from revaluation of assets and liabilities at the end of the year	**202,905**	**(579,627)**	**374,490**

13.4) OTHER ASPECTS

As of December 31, 2010 and December 31, 2009, Transelec had access to long-term lines of credit totalling ThCh$ 28,080,600 and ThCh$ 97,578,360, respectively.

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

NOTE 14 - TRADE AND OTHER PAYABLES

Trade and other payables as of December 31, 2010, December 31, 2009 and January 1, 2009, are detailed as follows:

Trade and other payables	Current			Non-current		
	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Trade and other payables	36,701,582	29,760,038	25,511,440	-	-	-
Total	**36,701,582**	**29,760,038**	**25,511,440**	**-**	**-**	**-**

The average payment period for suppliers in 2010 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, 2010				December 31, 2009				January 1, 2009			
	Asset		Liability		Asset		Liability		Asset		Liability	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Cash flow hedge	-	-	(379,499)	-	-	-	404,868	-	374,490	-	-	-
Non-hedge forwards	-	-	79,234	-	-	-	-	-	-	-	-	-
Non-hedge swaps	-	-	17,594,820	-	114,348	-	755,381	15,255,750	-	-	2,231,896	8,508,807
Total	**-**	**-**	**17,294,555**	**-**	**114,348**	**-**	**1,160,249**	**15,255,750**	**374,490**	**-**	**2,231,896**	**8,508,807**

15.2) OTHER INFORMATION

The following table details Transelec's derivatives as of December 31, 2010 and December 31, 2009, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh$	Fair value							December 31, 2010
		Before 1 year ThCh$	2011 ThCh$	2012 ThCh$	2013 ThCh$	2014 ThCh$	2015 ThCh$	Subsequent years ThCh$	Total ThCh$
Cash flow hedge	379,499	379,499	-	-	-	-	-	-	379,499
Non-hedge forwards	(79,234)	(79,234)	-	-	-	-	-	-	(79,234)
Non-hedge swaps	(17,594,820)	(17,594,820)	-	-	-	-	-	-	(17,594,820)

Financial derivatives	Fair value ThCh$	Fair value							December 31, 2009
		Before 1 year ThCh$	2011 ThCh$	2012 ThCh$	2013 ThCh$	2014 ThCh$	2015 ThCh$	Subsequent years ThCh$	Total ThCh$
Cash flow hedge	(404,868)	(404,868)	-	-	-	-	-	-	(404,868)
Non-hedge forwards	114,348	114,348	-	-	-	-	-	-	114,348
Non-hedge swaps	(16,011,131)	-	(16,011,131)	-	-	-	-	-	(16,011,131)

Financial derivatives	Fair value ThCh$	Fair value							January 1, 2009
		Before 1 year ThCh$	2011 ThCh$	2012 ThCh$	2013 ThCh$	2014 ThCh$	2015 ThCh$	Subsequent years ThCh$	Total ThCh$
Cash flow hedge	374,490	374,490	-	-	-	-	-	-	374,490
Non-hedge forward	-	-	-	-	-	-	-	-	-
Non-hedge swaps	(10,740,703)	-	(10,740,703)	-	-	-	-	-	(10,740,703)

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, 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, 2010:

Financial instruments measured at fair value	December 31, 2010	Fair value measured at the end of the reporting period using		
		Level 1 ThCh$	Level 2 ThCh$	Level 3 ThCh$
FINANCIAL ASSET				
Cash flow derivative	379,499	-	379,499	-
Total	**379,499**	**-**	**379,499**	**-**
FINANCIAL LIABILITIES				
Non hedge Forward	79,234	-	79,234	-
Non hedge Swaps	17,594,820		17,594,820	
Total	**17,674,054**	**-**	**17,674,054**	**-**

NOTE 16 - PROVISIONS

16.1) DETAIL OF PROVISIONS

As of December 31, 2010, December 31, 2009, and January 1, 2009 this account is detailed as follows:

Detail	Current			Non-current		
	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Staff severance indemnities	680,456	517,901	604,250	3,247,705	3,247,705	3,068,708
Accrued vacations	898,556	913,986	940,024	-	-	-
Profit sharing benefits	2,321,527	1,730,339	1,688,521	472,560	472,560	472,561
Other provisions	363,758	295,226	283,307	-	-	-
Total	**4,264,297**	**3,457,452**	**3,516,102**	**3,720,265**	**3,720,265**	**3,541,269**

16.2) PROVISION MOVEMENTS

In 2010 and 2009, provision movements are detailed as follows:

Movements in provisions	Staff severance indemnities	Profit sharing benefits	Accrued vacations	Other provisions	Total
Beginning balance as of January 1, 2010	3,765,606	2,202,899	913,986	295,226	7,177,717
MOVEMENTS IN PROVISIONS:					
Provisions during the year	453,214	3,682,798	550,967	68,532	4,755,511
Other rate increase (decrease)	-	-	-	-	-
Payments	(290,659)	(3,091,610)	(566,397)	-	(3,948,666)
Ending balance as of December 31, 2010	**3,928,161**	**2,794,087**	**898,556**	**363,758**	**7,984,562**

Movements in provisions	Staff severance indemnities	Profit sharing benefits	Accrued vacations	Other provisions	Total
Beginning balance as of January 1, 2009	3,672,958	2,161,082	940,024	283,307	7,057,371
MOVEMENTS IN PROVISIONS:					
Provisions during the year	455,063	2,834,499	428,552	1,830,473	5,548,587
Other rate increase (decrease)	-	-	-	-	-
Payments	(362,415)	(2,792,682)	(454,590)	(1,818,554)	(5,428,241)
Ending balance as of December 31, 2009	**3,765,606**	**2,202,899**	**913,986**	**295,226**	**7,177,717**

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

AS OF DECEMBER 31, 2010

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	680,456	449,451	284,343	2,513,911
Accrued vacations	898,556	-	-	-
Profit sharing benefits	2,321,527	472,560	-	-
Other provisions	363,758	-	-	-
Total	**4,264,297**	**922,011**	**284,343**	**2,513,911**

AS OF DECEMBER 31, 2009

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	517,901	324,770	974,312	1,948,623
Accrued vacations	913,986	-	-	-
Profit sharing benefits	1,730,339	472,560	-	-
Other provisions	295,226	-	-	-
Total	**3,457,452**	**797,330**	**974,312**	**1,948,623**

16.3) LAWSUITS AND ARBITRATION PROCEEDINGS

1) In Ordinary Official Letter N° 1210 dated February 21, 2003, the SEC filed charges for the alleged responsibility of Transelec in the interruption of electric service in the SIC on January 13, 2003, By Resolution No, 808, of April 27, 2004, the SEC imposed a fine of 560 UTA (five hundred and sixty unidades tributarias anuales), equivalent as of December 31, 2010, to ThCh$ 252,706 , against which an administrative reconsideration was filed, which was rejected. The Company appealed the complaint before the Santiago Court of Appeals and placed a deposit of 25% of the original fine. On January 3, 2011, Transelec S.A. presented discharges in the Supreme Court, where the cause is still pending.

2) On June 30, 2005, the SEC through Exempt Resolution No, 1117, applied the following sanctions to the Company: a fine of 560 UTA (five hundred and sixty unidades tributarias anuales), equivalent as of December 31, 2010 to ThCh$252,706, for allegedly not having coordinated its operations to ensure reliability of electric service, as determined in the investigation of the generalized failure of the SIC on November 7, 2003; and a fine of 560 UTA (five hundred and sixty unidades tributarias anuales), equivalent as of December 31, 2010, to ThCh$ 252,706, in the Company's condition as the owner of the facilities, for allegedly operating the facilities without adhering to the operation schedule set forth by the CDEC-SIC, without justified cause, as determined in the investigation of the generalized failure of the SIC on November 7, 2003. As of December 31, 2010 the Company had appealed the charges before the SEC, which is pending resolution, Management maintains that it is not liable for these events.

3) On December 31, 2005, the SEC through Ordinary Official Letter No, 1831, filed charges against the Company for alleged infringement of various provisions of the electrical regulations while operating its facilities, which allegedly caused the interruption of electrical supply in the SIC on March 21, 2005. By Exempt Resolution No, 220 dated February 7, 2006, the Superintendency fined the Company a total of UTA 560 (five hundred and sixty unidades tributarias anuales), equivalent as of December 31, 2010 to ThCh$ 252,706. An appeal was filed on February 16, 2006, which is still pending. As of December 31, 2010 the Honourable Supreme Court overturned the sanction, absolving Transelec from the fine. Favourable ruling for the Company.

4) On June 01, 2007, the SEC through Ordinary Official Letter No, 2523/ACC 251155/DOC 100503, filed charges against the Company for alleged infringement of various provisions of the electrical regulations (Art, 139 of DFL No, 4/20,018 of 2006 from the Ministry of Economy, relating to articles 205 and 206 of Supreme Decree 327/97 from the Ministry of Mining) while operating its facilities, which allegedly caused the interruption of electrical supply in the SIC on December 4, 2006. By SEC Exempt Resolution SEC No, 274, of February 11, 2009, the Company was fined 100 UTA (one hundred unidades tributarias anuales), equivalent as of December 31, 2010, to ThCh$ 45,126. An appeal was filed on February 27, 2009, which is still pending. On August 17, 2010 SEC decided not to consider the appeal filed by Transelec S.A. On October 26, 2010 Appeal Court of Santiago presented an extraordinary. On October 26, 2010 a special appeal was presented in the Santiago Court of Appeals in order to amend an administrative error that resulted in the rejection of the claim in court. As of December 31, 2010 the Company had filed discharges.

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

   As of December 31, 2010, the Company has established a provision for these contingent obligations of ThCh$ 2,376,727. This estimation considers the fact that similar cases are being heard in the Appeals Court and that the Appeals Court and Supreme Court have confirmed the decision of the SEC in similar cases, In addition, there are similar cases with a motion for reconsideration before the SEC for which the SEC has normally maintained the previously established fine.

NOTE 17 - POST-EMPLOYMENT AND OTHER BENEFIT OBLIGATIONS

17.1) DETAIL OF ACCOUNT

Post-employment and other benefit obligations	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Staff severance indemnity provision - current	680,456	517,901	604,250
Staff severance indemnity provision non - current	3,247,705	3,247,705	3,068,708
Total current and non-current obligations for post-employment benefits	**3,928,161**	**3,765,606**	**3,672,958**

17.2) DETAIL OF POST-EMPLOYMENT AND OTHER SIMILAR OBLIGATIONS

As of December 31, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

	Staff severance indemnity		
	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Present value of defined benefit plan obligations, opening balance	3,765,606	3,672,958	3,672,958
Current service cost of defined benefit plan obligations	189,310	194,955	-
Interest cost of defined benefit plan obligations	263,904	260,108	-
Payments of defined benefit plan obligation	(290,659)	(362,415)	-
Present value of defined benefit obligations, ending balance	**3,928,161**	**3,765,606**	**3,672,958**

17.3) BALANCE OF POST-EMPLOYMENT AND OTHER SIMILAR OBLIGATIONS

	Staff severance indemnity		
	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Present value of defined benefit obligations, ending balance	3,928,161	3,765,606	3,672,958
Present obligation with defined benefit plan funds	3,928,161	3,765,606	3,672,958
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	**3,928,161**	**3,765,606**	**3,672,958**

17.4) EXPENSES RECOGNIZED IN INCOME STATEMENT

	Staff severance indemnity		
	January 1, 2010 to December 31, 2010 ThCh$	January 1, 2009 to December 31, 2009 ThCh$	Income statement line item where recognized
Current service cost of defined benefit plan	189,310	194,955	Cost of sales - Administrative and sales expenses
Interest cost of defined benefit plan	263,904	260,108	Cost of sales - Administrative and sales expenses
Total expense recognized in income statement	**453,214**	**455,063**	

17.5) ACTUARIAL HYPOTHESIS

Detail	December 31, 2010 ThCh$	December 31, 2009 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, 2010, December 31, 2009, authorized, subscribed and paid share capital amounts to ThCh$ 838,211,823 and as of January 1, 2009 amounts to TCh$ 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

At the Ordinary Shareholders' Meeting held on April 30, 2009, shareholders unanimously approved the distribution of a final dividend of Ch$ 12,509,560,000 (equivalent to Ch$ 12,509.560 per share) for the year ended December 31, 2008, which was paid as an interim dividend in July 2008, and therefore they agreed not to distribute the distributable surplus of Ch$ 44,239,425,255.

On May 28, 2009, distribution of an interim dividend of Ch$ 15,108,000,000 (equivalent to Ch$ 15,108 per share), charged to earnings for 2009, was approved. As of December 31, 2009, this dividend has been paid in full.

On November 26, 2009, distribution of a second interim dividend of Ch$ 13,106,000,000, (equivalent to Ch$ 13,106 per share) charged to earnings for 2009, was approved. The dividend was paid on December 28, 2009.

At the Ordinary Shareholders' Meeting held on April 28, 2010, shareholders unanimously approved the distribution of a final dividend of Ch$ 19,119,869,539 (equivalent to Ch$ 19,119, 869539 per share) for the year ended December 31, 2009, which was paid on May 17, 2010.

On October 28, 2010, the distribution of interim dividend from the year 2010 was approved for Ch$ 36,009,000,000 equivalent to Ch$ 36,009 per share. As of 31 December 2010, the dividend has been paid in full.

18.4) OTHER RESERVES

Other reserves as of December 31, 2010 and December 31, 2009, are detailed as follows:

Description	December 31, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Translation adjustment	(135,034)	(204,469)	-
Cash flow hedge	379,499	19,732,725	(473,696)
Deferred taxes	(41,560)	98,537	(63,663)
Other increases in equity (1)	19,732,725	438,153	
Total	**19,935,630**	**19,153,097**	**374,490**

(1) Corresponds to price level restatement of capital for the year 2009 according to Circular No. 456 of the SVS, dated 20 June 2'008. This amount is reduced from paid-in capital according to the provisions of paragraph 2, Article 10 of Law 18,046.

18.5) CAPITAL MANAGEMENT

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

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

Capital requirements are determined based on the Company's financing needs, taking care to maintain an adequate level of liquidity and complying with financial covenants established in current debt contracts. The Company manages its capital structure and makes adjustments based on prevailing economic conditions in order to mitigate risks from adverse market conditions and take advantage of any opportunities that may arise to improve its liquidity position.

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

- Maintain individual and consolidated indebtedness levels (Total Equity/Total Capitalization and Total Debt/Total Capital) no greater than 0.7 based on the definitions of these terms in the respective prospectuses.

- Maintain minimum individual and consolidated equity of fifteen million UF equivalents to ThCh$ 321,833,250 as of December 31, 2010.

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 years ended December 31, 2010 and 2009:

Revenue	For the year ended	
	December 31, 2010	December 31, 2009
	ThCh$	ThCh$
Regulated revenues	93,472,946	89,955,918
Contractual revenues	76,421,924	80,704,583
Other revenues	7,357,664	15,374,413
Total revenues	**177,252,534**	**186,034,914**

19.2) OTHER OPERATING INCOME

The following table details operating income for the years ended December 31, 2010 and 2009:

Other operating income	For the year ended December 31, 2010 ThCh$	 December 31, 2009 ThCh$
Financial income	2,340,963	2,306,968
Other income	640,312	583,194
Total other operating income	**2,981,275**	**2,890,162**

NOTE 20 - RELEVANT INCOME STATEMENT ACCOUNTS

20.1) EXPENSES BY NATURE

Detail	For the year ended December 31, 2010 ThCh$	 December 31, 2009 ThCh$
Personnel expenses	13,500,431	12,432,210
Operating expenses	11,391,387	15,341,714
Maintenance expenses	4,162,806	3,338,794
Depreciation	44,474,296	44,843,234
Other	3,270,808	2,970,753
Total	**76,799,728**	**78,926,705**

20.2) PERSONNEL EXPENSES

As of December 31, 2010 and 2009, this account is detailed as follows:

Detail	For the year ended	
	December 31, 2010	December 31, 2009
Salaries and wages	11,584,383	9,653,407
Short-term employee benefits	1,419,297	432,196
Staff severance indemnity	458,605	490,234
Other long-term benefits	478,554	426,884
Other personnel expenses	4,499,235	3,758,987
Expenses capitalized on construction in progress	(4,939,643)	(2,329,498)
Total	**13,500,431**	**12,432,210**

20.3) DEPRECIATION AND AMORTIZATION

The following table details depreciation and amortization for the years ended December 31, 2010 and 2009:

Detail	For the year ended	
	December 31, 2010	December 31, 2009
Depreciation	42,431,606	41,435,097
Amortization	460,666	734,932
Losses from damages	1,582,024	2,673,205
Total	**44,474,296**	**44,843,234**

20.4) FINANCIAL RESULTS

The Company’s financial result for the years ended December 31, 2010 and 2009 is detailed as follows:

Detail	For the year ended	
	December 31, 2010	December 31, 2009
Financial income:	2,340,963	2,306,968
Commercial interest earned	764,918	637,652
Bank interest earned	1,104,011	1,669,316
Other income	472,034	-
Financial expenses:	(29,151,236)	(59,577,282)
Bond expenses	(27,377,538)	(56,447,104)
Mark-to-market of swaps	(1,535,263)	(2,368,782)
Other expenses	(238,435)	(761,396)
Gain (loss) from indexation of UF	(14,004,308)	16,930,785
Foreign exchange gains (losses), net	1,501,079	(1,663,380)
Total financial result, net	**(39,313,502)**	**(42,002,909)**

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 years 2010 and 2009:

Income tax expense (income)	For the year ended	
	December 31, 2010	December 31, 2009
Current tax expense	524,946	420,898
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	524,946	420,898
Deferred tax expense relating to origination and reversal of temporary differences	5,429,618	10,559,533
Other deferred tax expense	-	-
Deferred tax expense, net, total	5,429,618	10,559,533
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	**5,954,564**	**10,980,431**

Reconciliation of Tax Expense Using Statutory Rate	For the year ended	
with Tax Expense Using Effective Rate	December 31, 2010	December 31, 2009
Tax expense at statutory rate	(10,502,535)	(11,167,044)
Price level restatement of equity	3,137,827	-
Effect of change in income tax rate	1,055,977	-
Other differences	354,167	-
Total adjustments to tax expense using statutory rate	**4,547,971**	**186,613**
Tax Expense at effective Rate	**(5,954,564)**	**(10,980,431)**

	December 31, 2010	December 31, 2009
Statutory Tax Rate	17.00%	17.00%
Other Increase (Decrease) in Statutory Tax Rate	(7.36)	(0.28)
Adjustments to Statutory Tax Rate, Total	(7.36)	(0.28)
Effective Tax Rate	**9.64**	**16.72**

The tax rate used for the years 2010 and 2009 reconciliations corresponds to the 17% 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.

	2010 ThCh$	2009 ThCh$
Basic Earnings per Share		
Profit attributable to equity holders of parent	55,825,052	54,708,063
Earnings available to common shareholders, basic	55,825,052	54,708,063
Total basic shares	1,000,000	1,000,000
Basic earnings per share	**55,825**	**54,708**

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

NOTE 23 - SEGMENT REPORTING

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

Electricity transmission service falls under the legal framework that governs the electricity sector in Chile. This framework defines transmission systems and classifies transmission facilities into three categories (the trunk transmission system, the subtransmission system and additional systems), establishing an open access scheme for the first two systems and allowing additional lines that use rights of way and have national assets for public use along their paths to be used by third parties under non-discriminatory technical and economic conditions. The law also sets criteria and procedures for determining compensation that transmission facility owners are entitled to receive. Transelec's revenue from the trunk system consists of the "annual transmission value per segment" (VATT for its Spanish acronym), which is calculated every 4 years based on the "annual investment value" (AVI for its Spanish acronym), plus "operating, maintenance and administrative costs" (COMA for its Spanish acronym) for each trunk system segment.

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

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

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

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

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

	2010 ThCh$	2009 ThCh$
Regulated revenues	93,472,947	89,955,918
Contractual revenues	76,421,924	80,704,583
Other revenues	7,357,663	15,374,413
Total Revenues	**177,252,534**	**186,034,914**

Information about sales and principal customers

	2010		2009	
	ThCh$	%	ThCh$	%
Endesa	111,970,804	63.17%	132,270,824	71.10%
AES Gener Group	22,549,854	12.72%	25,262,294	13.58%
Colbun Group	17,158,482	9.68%	13,851,429	7.45%
Gastacama Chile S.A.	6,350,177	3.59%	4,767,856	2.56%
Energía Austral Ltda.	2,528,265	1.43%	1,903,343	1.02%
Transnet Group	2,097,678	1.18%	1,641,900	0.88%
Arauco Group	1,709,087	0.96%	2,119,736	1.14%
Pacific Hydro- La Huiguera	1,669,629	0.94%	558,925	0.30%
Enel Group (Panguipulli-Puyehue)	1,175,834	0.66%	1,089,192	0.59%
Compañía Barrick Chile Generación	813,235	0.47%	-	-
Others	9,229,489	5.20%	2,569,415	1.38%
Total Revenues	**177,252,534**	**100.00%**	**186,034,914**	**100.00%**

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

As of December 31, 2010, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$ 29,692,415 (ThCh$ 27,117,022 as of December 31, 2009). In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favour of the Company.

NOTE 25 - DISTRIBUTION OF PERSONNEL

As of December 31, 2010 and December 31, 2009, personnel employed by Transelec S.A. are detailed as follows:

	December 31, 2010				
	Manager and executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**13**	**294**	**161**	**468**	**450.0**

	December 31, 2010				
	Manager and executives	Professionals and technical personnel	Other employees	Total	Average of the year
Total	**11**	**250**	**166**	**427**	**398.5**

NOTE 26 - ENVIRONMENT

In accordance with environmental policies, Transelec S.A. and its subsidiary have no objections against its facilities. In addition, based on its new investment projects and in compliance with current legislation, the Company has initiated studies to prepare Environmental Impact Statements or Environmental Impact Studies. These documents are prepared and filed for approval from the Regional Environmental Commission (CONAMA) in accordance with General Environmental Laws No, 19,300 and 20,417 and their corresponding regulations.

During the years ended December 31, 2010 and 2009, the Company has made the following disbursements related to environmental matters:

Company making disbursement	Project	2010 ThCh$	2009 ThCh$
Transelec S.A.	Environmental impact studies	311,937	93,922
Total		**311,937**	**93,922**

NOTE 27 - CASH FLOWS

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

	31/12/2010 M$	31/12/2009 M$
Bonds indexation	37,386,770	(1,525,536)
Fair Value adjustments of swap	2,420,771	41,307,024
Other adjustments	2,083,693	(10,274,921)
Total	**41,891,234**	**29,506,573**

NOTE 28 - SUBSEQUENT EVENTS

On January 19, 2011, an essential event was reported to the SVS. On this date Transelec S.A., issued bonds in the local market, series L, M and N with the following characteristics:

1. Series L Bonds, code BNTRA-L, under the line of 10-year term bonds, registered in the Securities Registry under No. 598, in UF. These bonds were placed 5-year term, with a cover compound annual interest rate of 3.65%, that is, 1.8086% semi-annually, with an IRR of 3.74% and a spread of 0.99 %. The total amount placed, as of January 19, 2011 reached 2,500,000 U.F.

2. Bond Series M, code BNTRA-M, under the line of 30-year-term bonds, registered in the Securities Registry under No. 599, in UF. These bonds were placed at 21.5 years term, with a cover compound annual interest rate of 4.05%, that is, 2.0049% semi-annually, with an IRR of 4.20% and a spread of 0, 89%. The total amount placed, as of January 19, 2011 reached 1.5 million UF.

3. Bonds Series N, code BNTRA-N, under the bond line 30 year term bonds, registered with the Securities Registry under No. 599, in UF. These bonds were placed at 28-year term, with a cover compound annual interest rate of 3.95%, that is, 1.9559% semi-annually, with an IRR of 4.24% and a spread of 0.84%. The total amount placed, as of January 19, 2011 reached 3,000,000 UF.

   In all these placements Scotia Corredora de Bolsa Chile SA, JP Morgan Chase Bank NA, and Corpbanca S.A. Corredores de Bolsa S.A. acted as placement agents.

Funds obtained from the placement will be used to:

i) Repay bonds issued on the market in the United States of America, maturing in April 2011.

ii) Settle the outstanding balance of derivative instruments associated with the bonds which also expire in April 2011.

The remainders of the proceeds from this placement, if any, will be used in disbursements for development projects and transmission assets for other corporate purposes.

NOTE 29 - IFRS TRANSITION

29.1) BASIS OF IFRS TRANSITION

29.1.1) APPLICATION OF IFRS 1

The consolidated financial statements of Transelec S.A. and subsidiary for the year ended December 31, 2010 are their first consolidated financial statements in accordance with International Financial Reporting Standards; Transelec has applied IFRS 1 in preparing its financial statements.

The transition date of Transelec S.A. and subsidiary is January 1, 2009. The Company has prepared its opening statement of financial position under IFRS as of that date.

The IFRS adoption date of Transelec S.A. and subsidiary is January 1, 2010.

In accordance with IFRS 1, in preparing the aforementioned consolidated financial statements, all mandatory exceptions and some optional exemptions from retrospective IFRS application have been applied, which are detailed as follows.

29.2) EXEMPTIONS FROM RETROSPECTIVE APPLICATION

29.2.1) BUSINESS COMBINATIONS

Transelec S.A. has applied the exemption in IFRS 1 for business combinations and has not restated business combinations carried out before January 1, 2009- its transition date. Consequently, business combinations occurring before that date have not been restated.

29.2.2) FAIR VALUE OR REVALUATION AS DEEMED COST

Transelec decided to measure its items of property, plant and equipment as of the transition date at their depreciated cost, revalued in accordance with prior GAAP (Chilean GAAP), while its subsidiary chose to use fair value as deemed cost criterion. The difference between the fair value and the book value under Chilean GAAP is presented in equity within retained earnings.

29.2.3) TRANSLATION RESERVES

Transelec has decided not to use the exemption to value at zero any translation reserves arising before January 1, 2009 in accordance with Technical Bulletin No, 64 of the Chilean Association of Accountants.

29.2.4) LIABILITIES FOR RESTORATION OR DECOMMISSIONING

As of January 1, 2009, Transelec and its subsidiary have not identified any asset or operation for which it may incur decommissioning or similar costs and, therefore, this exemption has not been applied.

29.3) RECONCILIATION OF EQUITY AS OF TRANSITION DATE

	Reconciliation ThCh$
Equity as of January 1, 2009, Chilean GAAP	902,558,464
MTM of swap contracts	14,054,282
Debt at amortized cost	3,604,098
Price-level restatement of rights of way	(23,613,154)
Accumulated amortization of rights of way	10,085,848
Provision for minimum dividends	(4,467,107)
Actuarial value of staff severance indemnities	(1,581,848)
Deferred taxes	(12,598,456)
Other	61,200
Non-controlling interest	4,924
Effect of the conversion to IFRS	**(14,450,213)**
Equity as of January 01, 2009, IFRS	**888,108,251**

29.4) RECONCILIATION OF EQUITY AS OF DECEMBER 31, 2009 AND NET INCOME FOR THE YEAR THEN ENDED

	Reconciliation ThCh$
Equity as of December 31, 2009, Chilean GAAP	900,148,743
MTM of swap contracts	(486,032)
Accumulated amortization of rights of way	13,795,084
Debt at amortized cost	1,604,051
Actuarial value of staff severance indemnities	(1,730,414)
Deferred taxes	(11,924,538)
Capitalization of indirect labour	(385,387)
Accumulated amortization of goodwill acquired	8,712,539
Price-level restatement, net	9,082,427
Depreciation of property, plant and equipment	(885,399)
Non controlling interest	3,297
Effect of the conversion to IFRS	**17,785,628**
Equity as of December 31, 2009, IFRS	**917,934,371**

	Reconciliation ThCh$
Net Income for the year ended December 31, 2009, Chilean GAAP	47,238,270
Price-level restatement (net)	13,911,075
Capitalization of indirect personnel expenses	(385,387)
Amortization of goodwill acquired	8,712,539
Amortization of rights of way	3,784,840
MTM of swap contracts	(14,540,314)
Interest on debt at amortized cost	(2,000,047)
Actuarial value of staff severance indemnities	(148,567)
Deferred taxes (net)	(1,133,252)
Depreciation of property, plant and equipment	(885,399)
Other	154,119
Non controlling interest	186
Effect of the conversion to IFRS	**7,469,793**
Net Income for the year ended as of December 31, 2009, IFRS	**54,708,063**

29.5) EXPLANATION OF PRINCIPAL ADJUSTMENTS FOR IFRS TRANSITION

29.5.1) NON-CONTROLLING INTEREST

Accounting principles generally accepted in Chile applied in preparing of the previous financial statements (hereinafter “Chilean GAAP”) recognized non-controlling interests in the equity of subsidiaries as a separate account classified between liabilities and equity in the Company’s consolidated financial statements. Likewise, the consolidated statement of income under Chilean GAAP excluded non-controlling interest in the net income of subsidiaries as a separate line item.

Under IFRS, minority shareholders are part of the economic conglomerate and, therefore, their shares are considered to form part of the Statement of Changes in Equity and the Statement of Comprehensive Income.

29.5.2) VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Under Chilean GAAP property, plant and equipment are valued at price-level restated acquisition cost less accumulated depreciation and recognized impairment.

The Company decided to value its property, plant and equipment under IFRS at deemed cost at the transition date using revaluation under previous GAAP (price-level restated depreciated cost). Since then it applies the accounting policy described in Note No. 2.7, which allows, in accordance with IAS 16, that the assets are valued at cost less accumulated depreciation and accumulated impairment losses. In the case of the subsidiary the exemption in IFRS 1 that allows deemed cost to be established as fair value at one particular date (June 30, 2006 - date of business combination in which fair values of the assets were determined) was applied.

29.5.3) GOODWILL

Goodwill balance originated after January 1, 2004 was determined in accordance with Technical Bulletin No, 72 of the Chilean Association of Accountants and was amortized over 40 years.

Under IFRS 3, goodwill is initially valued at cost, which is defined as the difference between the cost of the business combination and the purchaser’s share of the net fair value of the purchased assets, liabilities and contingent liabilities. Goodwill is not amortized, but rather tested for impairment at least once per year. In accordance with IFRS 1, the Company has discontinued amortization and price-level restatement of goodwill as of the transition date and reversed the effects on income for the year ended December 31, 2009.

In accordance with the option provided under IFRS, business combinations prior to the transition date have not been restated, and no adjustments have been made to goodwill.

29.5.4) POST-EMPLOYMENT BENEFITS AND SERVICE AWARDS

As described in Note No. 2.17, Transelec has granted benefits to certain employees such as staff severance indemnities (guaranteed for certain termination causes).

These benefits were accounted for under Chilean GAAP at present value using the accrued benefit cost method. Under IFRS, such obligations are valued using actuarial methods (projected unit credit method).

29.5.5) PRICE-LEVEL RESTATEMENT

Chilean GAAP calls for application of the price-level restatement mechanism to express the financial statements in constant currency as of year end by adjusting for the effects of inflation. IAS 29 (“Financial Reporting in Hyperinflationary Economies”) applies such a mechanism only in cases where the entity is exposed to a hyperinflationary economy. Therefore, as Chile is not considered a hyperinflationary country, the effects of price-level restatement included in the financial statements have been eliminated.

29.5.6) DEFERRED TAXES

As described in Note 2.16, under IFRS the effects of deferred taxes for all temporary differences existing between the taxes and accounting balance sheets should be recorded using the liability method.

Although the method established in IAS 12 is similar to Chilean GAAP, the following IFRS adjustments need to be made:

i) Determination of deferred taxes on items not considered in the calculation under Technical Bulletin No. 60 (permanent differences under Chilean GAAP), but that qualify as temporary differences under IFRS; and

ii) Calculation of the tax effect of IFRS transition adjustments.

29.5.7) MINIMUM DIVIDEND

In accordance with Chilean GAAP, dividends are recorded in the Company’s financial statements when declared.

Article 79 of Law 18,046 on Corporations establishes that a publicly-held corporation must distribute at least 30% of its net income for the year as dividends to shareholders, unless shareholders of all shares issued with voting rights unanimously decide otherwise. In accordance with the provisions of IAS 37, there is a legally assumed obligation that requires accounting for a liability as of the end of the year (accounting for minimum dividend of 30% over net profit, considering interim dividends paid).

29.5.8) MARK-TO-MARKET (MTM) OF THE SWAP CONTRACTS

In accordance with the Chilean GAAP swap contracts considered cash flow hedges were valued at fair value and gains or losses from changes in this fair value were deferred as assets or liabilities until settlement of the contracts. Under IFRS swap contracts do not qualify for hedge accounting and changes in fair values of these derivatives were recognized in the income statement in the period in which they occurred.

29.5.9) AMORTIZATION OF RIGHTS OF WAY

Under Chilean GAAP and according to Technical Bulletin No. 55 of the Chilean Association of Accountants, the rights of way were amortized. Under IFRS amortization it is not allowed because this type of intangible asset has an indefinite useful life, therefore, the accumulated depreciation of the rights of way was reversed in the conversion to IFRS.

29.5.10) DEBT AT AMORTIZED COST

Under Chilean GAAP the interest on bonds and similar liabilities were accrued on the basis of nominal interest rates of the respective debts. Additionally, debt issuance expenditures as well as placement premiums and discounts were deferred and amortized on a straight-line basis over the period of the debt. Under IFRS the debt is valued at amortized cost using the effective interest rate method.

29.6) RECONCILIATION CASH FLOW STATEMENT AS OF DECEMBER 31, 2009

	2009 ThCh$ Chilean GAAP	2009 ThCh$ Adjustments	2009 ThCh$ IFRS
Net cash flows from operating activities	105,210,918	1,254,721	106,465,639
Net cash flows from investing activities	(76,823,476)	734,932	(76,088,544)
Net cash flows from financing activities	42,358,688	(1,630,516)	40,728,172
Net increase (decrease) in cash and cash equivalents	70,746,130	359,137	71,105,267
Price level restatement effect	1,895,337	(1,895,337)	-
Cash and cash equivalents at beginning of year	65,255,019	1,536,200	66,791,219
Cash and cash equivalents, ending balance	**137,896,486**	**-**	**137,896,486**

Adjustments correspond mainly to price level restatement required under Chilean GAAP but not recognized under IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

TRANSELEC S.A. AND SUBSIDIARY
AS OF DECEMBER 31, 2010

INTRODUCTION

In 2010, Transelec S.A. and subsidiary recorded net income of MCh$ 55,825 (MCh$ 54,708 in 2009), which is 2.0% higher than the comparison period. Operating revenues totaled MCh$ 177,253, which is 4.7% lower than in 2009 (MCh$ 186,035). EBITDA for the year was MCh$ 146,039, with an EBITDA over revenues margin of 82.4% (82.0% in 2009). The Company's non-operating loss and income taxes for the 2010 period represented a charge of MCh$ 44,628 (MCh$ 52,400 in 2009). This lower non-operating loss can be explained fundamentally by lower financial expenses (MCh$ 29,151 in 2010 compared to MCh$ 59,577 in 2009), partially offset by the loss generated by inflation-indexed assets and liabilities during 2010 (MCh$ 14,004), in contrast to the profit obtained in 2009 of MCh$ 16,931 in this same concept.

Earthquake that took place on February 27, 2010 resulted in total supply loss at all of Transelec's delivery points in the Central Interconnected System (SIC). These delivery points were gradually recovered between the day the earthquake occurred and 2:00 pm on February 28th.

In March 2010, the Company fully prepaid its series B bonds, which totaled UF 3.04 million (with 6.2% annual interest). Financing to prepay this debt was secured beforehand in December 2009 by issuing new bonds on the local market (series I for UF 1.5 million at 3.5% per annum and series K for UF 1.6 million at 4.6% per annum).

Transelec S.A. and subsidiary have prepared their financial statements as of December 31, 2010 in accordance with International Financial Reporting Standards (IFRS), which have been adopted wholly, explicitly and without reserves. Figures in this management discussion and analysis are expressed in millions of Chilean pesos, which is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

Items	December 2010 MM$	December 2009 MM$	Variation 2010/2009 %
Operating Revenues	177,253	186,035	-4.7%
Toll sales	169,650	165,810	2.3%
Work and services	7,603	20,225	-62.4%
Operating costs	-68,582	-72,511	-5.4%
Fixed costs	-24,491	-28,196	-13.1%
Depreciation	-44,091	-44,315	-0.5%
Administraton and sales expenses	-8,218	-6,415	28.1%
Operating Income	100,453	107,108	-6.2%
Financial Income	2,341	2,307	1.5%
Financial Costs	-29,151	-59,577	-51.1%
Foreign exchange differences, net	1,501	-1,663	-190.2%
Gain (loss) for indexed assets and liabilities	-14,004	16,931	-182.7%
Others	640	583	9.8%
Non-Operating Income	-38,673	-41,420	-6.6%
Income before Income Taxes	61,780	65,688	-6.0%
Income tax	-5,955	-10,980	-45.8%
Net Income	55,825	54,708	2.0%
EBITDA	**146,039**	**152,535**	**-4.3%**

EBITDA= Net Income + abs(Income tax) + abs(Depreciation) + abs(Non-Operating Income) + abs(Other Gains) + Leasing interest.

A) OPERATING INCOME

In 2010, sales reached MCh$ 177,253 (MCh$ 186,035 in the same period in 2009), which is a decrease of 4.7%. 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 2010, the Company provided lower engineering services to hydroelectric power plants in Aysén compared with those services rendered in 2009.

In 2010, cost of sales reached MCh$ 68,582 (MCh$ 72,511 in 2009). These costs are primarily related to maintaining and operating the Company's facilities. The Company also incurred in higher costs in 2009 to provide engineering services to hydroelectric power plants projects in Aysén. In percentage terms, the Company's costs consist of 64% depreciation of property, plant and equipment (61% in 2009), and the remaining 36% (39% in 2009) correspond to personnel costs and supplies and services contracted.

Administrative and selling expenses amounted to MCh$ 8,218 (MCh$ 6,415 in 2009) and consist of 95% (92% in 2009) in personnel expenses, work, supplies and services contracted, and 5% depreciation (8% in 2009).

B) NON-OPERATING INCOME

Net income recorded in 2010 was negatively impacted by the non-operating loss of MCh$ 38,673 (MCh$ 41,420 loss in 2009), which was generated mainly by financial expenses of MCh$ 29,151 (MCh$ 59,577 in 2009). This strong decrease in financial expenses is attributable primarily to: i) interest accrued in 2010 that was partially offset by the reversal of the difference between the book value of the series B1 and B2 bonds, prepaid in March 2010, and the value actually paid, resulting in a credit for that reversal of MCh$ 6,455 during 2010, ii) the negative result during 2010 from mark to market of the Company's swap contracts and settling of those derivative instruments amounted only to MCh$ 1,535, which resulted in a charge of MCh$ 17,164 in 2009, and, iii) in 2009 financial expenses included a charge of MCh$8,788 corresponding to the premium paid to buy a portion of the Yankee Bond. Other important items that affected the non-operating loss recorded in 2010 include: a) a charge from inflation indexed assets and liabilities of MCh$ 14,004 (credit of MCh$ 16,931 in 2009) and b) foreign currency translation, which resulted in a credit of MCh$ 1,501 in 2010 (compared to a charge of MCh$ 1,663 in 2009).

2. BALANCE SHEET ANALYSIS

Items	December 2010 MM$	December 2009 MM$	Variation 2010/2009 %
Current assets	79,312	180,370	-56.0%
Non-current assets	1,676,933	1,632,026	2.8%
Total Assets	**1,756,245**	**1,812,396**	**-3.1%**
Current liabilities	183,111	43,915	317.0%
Non current liabilities	653,618	850,546	-23.2%
Equity	919,517	917,934	0.2%
Total liabilities & Equity	**1,756,245**	**1,812,396**	**-3.1%**

The decrease in current assets as of December 2010 as compared to December 2009 is due to bonds issued by Transelec in December 2009 for UF 3.1 million to finance the early redemption of its series B bonds for UF 3.04 million, which occurred in March 2010.

The increase in current liabilities as of December 2010 reflects the fact that the Company's Yankee bonds and the related swap will mature within the next 12 months (April 2011).

VALUE OF PRINCIPAL OPERATING PROPERTY, PLANT AND EQUIPMENT

Assets	December 2010 MM$	December 2009 MM$	Variation 2010/2009 %
Land	19,949	19,410	2.8%
Building. nfraestucture. works in progress	851,299	823,998	3.3%
Machinery and equipment	390,316	364,968	6.9%
Other fixed assets	1,891	1,803	4.9%
Depreciation (less)	-168,902	-127,445	32.5%
Total	**1,094,553**	**1,082,733**	**1.1%**

OUTSTANDING DEBT

				Amount in original currency (million) Unpaid capital		
Debt	Currency or index	Interest rate	Type of rate	December 2010	December 2009	January 2009
Yankee bond	US$	7.88%	Fixed	245	245	465
Series B bond	UF	6.20%	Fixed	-,-	3	3
Series C bond	UF	3.50%	Fixed	6	6	6
Series D bond	UF	4.25%	Fixed	14	14	14
Series E bond	UF	3.90%	Fixed	3	3	-,-
Series F bond	CLP	4.80%	Fixed	33,600	33,600	-,-
Series H bond	UF	5.70%	Fixed	3	3	-,-
Series I bond	UF	3.50%	Fixed	2	2	-,-
Series K bond	UF	4.60%	Fixed	2	2	-,-

3. PRINCIPAL CASH FLOWS FOR THE PERIOD

Items	December 2010 MM$	December 2009 MM$	Variation 2010/2009 %
Cash flow araising from (used in) operating activities	118,463	106,466	11.3%
Cash flow araising from (used in) investing activities	-102,137	-76,089	34.2%
Cash flow araising from (used in) financing activities	-118,727	40,728	-391.5%
Net increase (decrease) of cash and cash equivalent	**-102,401**	**71,105**	**-244.0%**
Cash and cash equivalent at the begining of the period	137,896	66,791	106.5%
Cash and cash equivalent at the end of the period	**35,495**	**137,896**	**-74.3%**

The net negative cash flows from financing activities during 2010 of MCh$ 118,727 are due fundamentally to principal payments on debt (UF-denominated series B1 and B2 bonds, which were prepaid) and dividend payments. In 2009, the Company recorded net positive cash flows from financing activities of MCh$ 40,728, due principally to the placement of series E, F, H, I and K bonds, the purchase of a portion of the Yankee bonds issued by the Company in 2001, termination of certain swaps associated with that portion of the redeemed Yankee bonds, and dividend payments.

In 2010, investing activities generated net negative cash flows of MCh$ 102,137 because of net additions to property, plant and equipment. During 2009, investing activities generated negative cash flows of MCh$ 76,089, also as a result of net additions to property, plant and equipment.

The final balance of cash and cash equivalents as of December 31, 2010 amounted to MCh$ 35,495, from an opening balance of MCh$ 137,896. As of December 31, 2009, the final balance of cash and cash equivalents amounted to MCh$ 137,896, from an opening balance of MCh$ 66,791.

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

Bank	Amount US$ (up to)	Maturity
Scotiabank Sudamericano	15,000,000	11/6/11
DnBNnor	30,000,000	2/28/12
Scotiabank Sudamericano	15,000,000	3/31/11

4. RATIOS

Limit	Covenant	IFRS December 2010	Chile GAAP December 2009	Status
> 1.5	FNO/Financial Expenses (*)	5.27	3.21	OK
< 0.7	Capitalization Ratio (**)	0.45	0.47	OK
> ThUF15,000	Equity (in ThUF) (***)	43,089	43,171	OK

(*) FNO = Cash flows provided by (used in) operating activities + absolute value of financial expenses + absolute value of income tax expense; this ratio is a test of distribution of restricted payments.
(**) Total capitalization = Total debt + Noncontrolling interest + Equity
(***) Shareholders' equity = Total equity attributable to equity holders of the parent + Accumulated amortization of goodwill. Accumulated amortization of Goodwill from June 30, 2006 to December 31, 2010 amounted to MCh$24,970.

INDICATORS	December 2010	December 2009	Variation 2010/2009
PROFITABILITY			
Shareholders' Equity profitability	6.07%	5.96%	1.9%
Assets profitability	3.18%	3.02%	5.3%
Operating assets profitability	7.84%	8.78%	-10.7%
Earnings per share (Ch$)	55.82505	54.70808	2.0%
LIQUIDITY & INDEBTEDNESS			
Current Ratio	0.43	4.11	-89.5%
Acid-Test Ratio	0.43	4.11	-89.5%
Debt to Equity	0.91	0.97	-6.2%
% Short term debt	21.88	4.91	345.7%
% Log term debt	78.12	95.09	-17.9%
Financial expenses coverage	4.97	2.55	94.9%

The percentage of short-term debt increased in 2010 due to the Yankee bonds and their related swap being reclassified as short term since they mature in April 2011, which also explains the decrease in the Company's liquidity.

5. MARKET ANALYSIS

Transelec S.A. carries out its activities in the electricity market, which has been divided into three different 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 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 100% of the 500 kV electricity transport lines, 45% of the 220 kV lines and 94% of the 154 kV.

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; the General Electricity Services Law of 1982 (DFL(M) 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, as well as by 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. The second Trunk Transmission Study was conducted in 2010 to set tariffs for the 2011-2014 period.

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 December 31, 2010. The new subtransmission tariffs that will be in effect during the 2011-2014 period shall be set by the Ministry of Energy based on valuation studies on subtransmission facilities that began during 2010.

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:

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.

Decree 207, published January 15, 2008, established, among other matters, the Annual Transmission Value per Segment (VATT for its Spanish language acronym) and its indexation formulas for the four-year period from 2007 to 2010, as well as the conditions to be applied to determine payments for transmission services along trunk transmission systems. The provisions of this decree define a set of previously pending matters that allow trunk facility owners to receive VATT for their facilities. The second Trunk Transmission Study was conducted in 2010 to set tariffs and indexation formulas for the 2011-2014 period. The results of this study will be applicable during the first half of 2011 once the following has been completed: a public hearing, a technical report from the National Energy Commission (CNE for its Spanish language acronym) and presentations before the Panel of Experts.

In the case of subtransmission, Decree No. 320 of the Ministry of Economy, Development and Reconstruction, published in the Official Gazette on January 9, 2009, set the subtransmission tariffs and indexation formulas that were applied beginning January 14, 2009. During 2010, Subtransmission Studies were conducted in order to set tariffs and indexation formulas for the 2011-2014 period. The CNE will issue its Technical Report during January 2011 and its results will be applicable following presentation of any potential discrepancies before the Panel of Experts.

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.

APPLICATION OF ENVIRONMENTAL STANDARDS AND/OR POLICIES

Transelec is also subject to environmental regulations that, among other things, require it to conduct environmental impact studies for future projects and obtain the respective regulatory authorizations. Transelec cannot ensure that these environmental impact studies will be approved by government authorities within the periods and under the terms presented by the Company, or that delays or modifications will not occur in the proposed projects, or that the laws and regulations will not change or be interpreted in a manner that could adversely affect the Company's operations and plans.

The operations of Transelec are governed by Law No. 19,300, Chile's Environmental Bases ("Environmental Law"), enacted in 1994. Among other modifications, recent amendments created a new institutional structure, detailed below: (i) the Ministry of the Environment; (ii) the Council of Ministers on Sustainability; (iii) the Environmental Assessment Service; and (iv) the Superintendency of the Environment, institutions that are charged with regulating, assessing and supervising activities with environmental impact. These new institutions replaced the National Environmental Commission (CONAMA) and the Regional Environmental Commissions and are fully operational with the exception of: (i) supervision by and ability to issue sanctions of the Superintendency of the Environment, which is conditional on the forthcoming creation of the Environmental Courts; and (ii) new requirements for Environmental Impact Studies that grant new powers to environmental institutions but are still in the legislative review stage.

The modified Environmental Law requires entities that develop projects involving high voltage transmission lines and substations to participate in the Environmental Impact Assessment System (SEIA for its Spanish language acronym) and conduct independent environmental impact studies for any future project or activity that may affect the environment, and to file them with the new Environmental Assessment Service.

DELAYS IN 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.

TECHNOLOGICAL CHANGES

Transelec 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, which could in turn prevent recovery of part of the investments made.

FOREIGN EXCHANGE RISK

The following factors expose Transelec to foreign exchange risk:

- Income from its subsidiary Transelec Norte is denominated in US dollars.
- Transelec carries out diverse transactions in US dollars (awarding construction contracts, importing, etc.).
- Transelec maintains a portion of its debt in US dollars. This allows it, among other purposes, to finance its subsidiary's assets denominated in US dollars.

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:

	December 2010		December 2009	
In million pesos	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	99	101	119	118
Dollar (amounts associated with income statement items)	-.-	27	-.-	28
Chilean peso	1.656	734	1.702	804

(*) Indexation polynominals 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 RATE

Month	Average 2010 ($)	Last day 2010 ($)	Average 2009 ($)	Last day 2009 ($)
January	500.66	531.75	623.01	612.43
February	532.56	529.69	606.00	595.76
March	523.16	526.29	592.93	582.10
April	520.62	520.99	583.18	588.62
May	533.21	529.23	565.72	564.64
June	536.67	543.09	553.08	529.07
July	531.72	522.36	540.42	541.90
August	509.32	499.26	546.88	550.64
September	493.93	485.23	549.07	546.07
October	484.04	491.76	545.83	531.74
November	482.32	486.39	507.78	495.84
December	474.76	468.37	501.42	506.43
Average of the period	**510.25**	**511.20**	**559.61**	**553.77**

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.

CREDIT RISK

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

However, a significant portion of the Company's transmission income is concentrated in one customer. In effect, as of December 31, 2010, approximately 63.2% of income is invoiced to only one client (or its subsidiaries and related parties). As a result, changes in the financial situation of this client could affect the financial performance of Transelec S.A.

The Company believes no allowance for doubtful accounts is necessary as of period end.

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.

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.

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$ 60 million. As of December 31, 2010, these lines have not been used and are expected to be renewed upon maturity. These credit lines were in effect during the entire year 2009 and continue to be in effect as of December 31, 2010.

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 capital amortizations for the Company's financial liabilities according to their maturity as of December 31, 2010, December 31, 2009 and January 1, 2009:

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, 2010	114,727	0	136,587	128,733	388,346	768,393
December 31, 2009	1,340	129,001	139,487	147,773	409,224	826,825
January 1, 2009	1,373	299,381	5,490	147,894	326,585	780,722

INTEREST RATE RISK

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 financial expenses. These impacts are mitigated by the Company's income, which is partially indexed to local inflation using indexation polynomials.

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

CONSOLIDATED RELEVANT FACTS

TRANSELEC S.A. AND SUBSIDIARY
AS OF DECEMBER 31, 2010

TRANSELEC S.A.

On January 19 2010, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

Since the placement of bonds Series I and K issued on November 16 2009 was successful, Transelec S.A. will proceed to carry out the procedures in order to get the early redemption of the totality of Bonds B series, registered under number 249 in the securities Registrar of the Chilean Securities and Insurance Superintendency.

This early redemption will be carried out at maturity of next coupon, this is on Monday 1st March 2010 and the corresponding payments will be performed through the Banco de Chile as the Payer Bank.

On February 25th 2010, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

The Board of Directors of Transelec S.A. agreed unanimously through the attending members on the meeting held on this date, to set down the following Policy of Regular Operations, according to letter b) of the final subsection of article 147 of Law No 18,046:

POLICY ON REGULAR OPERATIONS OF TRANSELEC S.A. 'S LINE OF BUSINESS

1) In compliance with the set by article 147 of the Corporations Law (Ley de Sociedades Anónimas), the herein document contains a general policy of regular operations, defined by Transelec S.A.'s Board of Directors, regarding the regular operations as per its line of business.

2) All the company's operations with related parties, as per the definition in article 146 of the Corporations Law 18,046 (Ley de Sociedades Anónimas), must have the purpose of contributing to the company's interests and adjust to price, terms and conditions to those prevailing in the market.

3) Thus, the following operations with related parties shall be considered as regular ones, considering the company's line of business; therefore they can be carried out, according to the set in the law, without the requirements and procedures stated forth in article 147 of the same law:

A) Construction of projects in the Trunk, Subtransmission and Additional Systems, subject to regulated prices or those resulting from bidding processes.
B) Contracts of connection to the transmission system and the related services (operation; operation coordination; maintenance).
C) Toll contracts for the utilization of the transmission systems, subject to regulated prices.
D) The Financing operations entered into for the optimization of the cash administration and for the cash resources of the company (investment in mutual funds; facility agreements; time deposit).
E) Administration, financing advice and management agreements, collection and billing; services agreements for accounting, treasury, audit or internal controlling and insurance, as well as those related to the human resources management and tax advice, services agreement for the risk classification; and legal services agreements.

4) At the same time, the current policy sets forth that the following operations with related parties can be carried out without the requirements and procedures indicated in the law:

A) Those operations for not considerable amounts. The considerable amounts are all acts or agreements involving over 1% of the company's assets, provided that such act or agreement exceeds the equivalent to 2,000 Unidades de Fomento and, in always, when it is over 20,000 Unidades de Fomento. All those operations carried out in a 12 consecutive month's period, through one or more similar or complementary acts, where there are identical parties (including the related parties) or purpose, are presumed to be a single operation.

B) Those operations between legal entities, where Transelec S.A. owns direct or indirectly, at least 95% of the other party's property.

We herein state that this policy will be available for the shareholders at the company's headquarters and in the web site of the company www.transelec.cl.

On February 25th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held on this date, Transelec S.A.'s Board of Directors was informed about Mr. Juan Andrés Fontaine Talavera's waiver to his director position.

On March 25th 2010, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

Transelec S.A.'s Board of Directors, at the meeting held on March 25th 2010, agreed calling to a Shareholders Regular Meeting to be held on April 28th 2010, at 9:00 am, at the company's headquarters located in Av. Apoquindo 3721, sixth floor, Las Condes.

This meeting aims to inform the shareholders and request their approval for the following matters:

1) Annual Report, General Balance, Financing Statement and Report from the External Auditors, corresponding to the period finished on December 31 2009.

2) Definitive dividend distribution.

3) Dividend policy and information about the procedures for its payment.

4) Fees for the members of Board of Directors and the Audit Committee.

5) Appointment of External Auditors.

6) Newspaper to be used for the Shareholders Meeting call advertisement.

7) Other matters of interest for the company and within the Shareholders' competency.

On April 29th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On April 28th 2010, the regular shareholders' meeting was held, where the following was agreed:

1) Approve the Annual Report, the General Balance, the Financing Statement and the External Auditors Report, corresponding to the period finished on December 31 2009.
2) Approve the distribution as definitive dividend for the year 2009, the amount of $19,119,869.539, dividend to be paid from May 17 to the shareholders registered at the corresponding registrar on May 10 2010.
3) The dividend policy for year 2010 was informed.
4) The fees for the members of the Board of Directors and for the Audit Committee were set forth.
5) The appointment of the company Ernst & Young as external auditors was approved for year 2010.
6) The Diario Financiero newspaper was approved for publishing the shareholders general meetings advertisements.

On April 29th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On the meeting held on this same date, the company's Board of Directors was informed of Mr. Felipe Lamarca Claro's waiver to his director position.

On May 27th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held on this same date, the Company's Board of Directors agreed on appointing Mr. Mario Valcarce Durán as the company's regular director.

On June 24th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held this same date, the Company's Board of Directors was informed about Mr. Thomas Keller Lippold's waiver to his position as alternate director.

On July 29th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held this same date, the Company's Board of Directors was informed about Mr. Graeme Bevans' waiver to his position as alternate director.

On August 18th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

The shareholders agreed on calling to an extraordinary shareholders meeting for August 24th 2010, at 9:00 hrs, at the company's headquarters, located at Av. Apoquindo 3721, sixth floor, Las Condes.

This meeting aims to inform and request the shareholders' approval for the following matter:

To remove all the current members of the Board of Directors and elect the new regular directors and alternate directors.

On August 24th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On the same date, an extraordinary shareholders meeting was held, where the following was agreed:

To remove all the current members of the Board of Directors, regular and alternate ones, and elect in the position of regular Directors Messrs. 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; and their respective alternate Directors, Messrs. Richard Legault, Daniel Fette, Paul Dufresne, Richard Dinneny, Enrique Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

On August 26th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

At the meeting held on the same date, the Board of Directors elected as its President Mr. Jeffrey Blidner.

On October 1st 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

Transelec S.A.'s Board of Directors, at the meeting held on September 30 2010, agreed on calling to the Extraordinary Shareholders Meeting to be held on October 21 2010, at 9:00 hrs. at the company's headquarters located at Av. Apoquindo 3721, sixth floor, Las Condes.

This meeting aims to inform and request the shareholders' approval for the following matter:

Approve the company indebtedness, whether it is in UF, Chilean pesos or in North American dollars, through bank loans and/or an issuance of a mix of bank bonds and debts in the local market and/or in the north American market in north American dollars up to an equivalent to UF 10,000,000, by also approving the execution of all kind of documents related to the financing, and also to its modifications and amendments, and all the related acts and contracts.

On October 21 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On the same date, the company's extraordinary shareholders meeting was held, where they agreed on approving the Company's indebtedness, whether it is in UF, Chilean pesos or in North American dollars.

On November 2 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

Transelec S.A.'s Board of Directors, at the meeting held on October 28 2010, agrees on the distribution of an interim dividend to be charged on the exercise 2010, which is up to $36,009,000,000.-, in accordance to the set forth in the Dividend Policy approved by the company's board of directors at the Regular Shareholders Meeting held on April 2010.

TRANSELEC NORTE S.A.

On February 25th 2010, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

The Board of Directors of Transelec Norte S.A. agreed unanimously through the attending members on the meeting held on this date, to set down the following Policy of Regular operations, according to letter b) of the final subsection of article 147 of Law No 18,046:

POLICY ON REGULAR OPERATIONS OF TRANSELEC S.A. 'S LINE OF BUSINESS

1) In compliance with the set by article 147 of the Corporations Law (Ley de Sociedades Anónimas), the herein document contains a general policy of regular operations, defined by Transelec Norte S.A.'s board of directors, regarding the regular operations as per its line of business.

2) All the company's operations with related parties, as per the definition in article 146 of the Corporations Law 18,046 (Sociedades Anónimas), must have the purpose of contributing to the company's interests and adjust to price, terms and conditions to those prevailing in the market.

3) Thus, the following operations with related parties shall be considered as regular ones, as per the company's line of business; therefore they can be carried out, according to the set in the law, without the requirements and procedures stated forth in article 147 of the same law:

A) Construction of projects in the Trunk, Subtransmission and Additional Systems, subject to regulated prices or those resulting from bidding processes.
B) Contracts of connection to the transmission system and the related services (operation; operation coordination; maintenance).
C) Toll contracts for the utilization of the transmission systems, subject to regulated prices.
D) The Financing operations entered into for the optimization of the cash administration and for the cash resources of the company (investment in mutual funds; facility agreements; time deposit).
E) Administration, financing advice and management agreements, collection and billing; services agreements for accounting, treasury, audit or internal controlling and insurance, as well as those related to the human resources management and tax advice, services agreement for the risk classification; and legal services agreements.

4) At the same time, the current policy sets forth that the following operations with related parties can be carried out without the requirements and procedures indicated in the law:

A) Those operations for not considerable amounts. The considerable amounts are all acts or agreements involving over 1% of the company's assets, provided that such act or agreement exceeds the equivalent to 2,000 Unidades de Fomento and, in any case, when it is over 20,000 Unidades de Fomento. All those operations carried out in a 12 consecutive month's period, through one or more similar or complementary acts, where there are identical parties (including the related parties) or purpose, are presumed to be a single operation.
B) Those operations between legal entities, where Transelec Norte S.A. owns direct or indirectly, at least 95% of the other party's property.

We herein state that this policy will be available for the shareholders at the company's headquarters and in the web site of the parent company www.transelec.cl.

On February 25th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held on this date, Transelec Norte S.A.'s Board of Directors was informed about Mr. Juan Andrés Fontaine Talavera's waiver to his director position.

On March 25th 2010, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

Transelec S.A.'s Board of Directors, at the meeting held on March 25th 2010, agreed calling to a Shareholders Regular Meeting to be held on April 28th 2010, at 10:00 am, at the company's headquarters located in Av. Apoquindo 3721, sixth floor, Las Condes.

This meeting aims to inform the shareholders and request their approval for the following matters:

1) Annual Report, General Balance, Financing Statement and Report from the External Auditors, corresponding to the period finished on December 31 2009.

2) Definitive dividend distribution.

3) Dividend policy and information about the procedures to its payment.

4) Appointment of External Auditors.

5) Newspaper to be used for the Shareholders Meeting call advertisement.

6) Other matters of interest for the company and within the Shareholders' competency.

On April 29th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On April 28th 2010, the regular shareholders' meeting was held, where the following was agreed:

1) Approve the Annual Report, the General Balance, the Financing Statement and the External Auditors Report, corresponding to the period finished on December 31 2009.
2) Approve the distribution as definitive dividend for the year 2009, the amount of US$ 3,411,166.93, dividend to be paid from April 30 2010 to the shareholders registered at the corresponding registrar on April 23 2010.
3) The dividend policy for year 2010 was informed.
4) The appointment of the company Ernst & Young as external auditors was approved for year 2010.
5) The Diario Financiero newspaper was approved for publishing the shareholders general meetings advertisements.

On April 29th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On the meeting held on this same date, the company's Board of Directors was informed of Mr. Felipe Lamarca Claro's waiver to his director position.

On May 27th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held on this same date, the Company's Board of Directors agreed on appointing Mr. Mario Valcarce Durán as the company's regular director.

On June 24th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held this same date, the Company's Board of Directors was informed about the Mr. Thomas Keller Lippold's waiver to his position as alternate director.

On July 29th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

In the meeting held this same date, the Company's Board of Directors was informed about Mr. Graeme Bevans' waiver to his position as alternate director.

On August 18th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

The shareholders agreed on calling to an extraordinary shareholders meeting for August 24th 2010, at 9:30 hrs, at the company's headquarters, located at Av. Apoquindo 3721, sixth floor, Las Condes.

This meeting aims to inform and request the shareholders' approval for the following matter:

To remove all the current members of the Board of Directors and elect the new regular directors and alternate directors.

On August 24th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

On the same date, an extraordinary shareholders meeting was held, where the following was agreed:

To remove all the current members of the Board of Directors, regular and alternate ones, and elect in the position of regular Directors Messrs. 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; and their respective alternate Directors, Messrs. Richard Legault, Daniel Fette, Paul Dufresne, Richard Dinneny, Enrique Munita Luco, Juan José Eyzaguirre Lira, Federico Grebe Lira, Juan Paulo Bambach Salvatore and Juan Irarrázabal Covarrubias.

On August 26th 2010 and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, The General Rules No 30 and No 210 of such Superintendency, the following relevant fact was reported:

At the meeting held on the same date, the Board of Directors elected as its President Mr. Jeffrey Blidner.

10 FINANCIAL STATEMENTS TRANSELEC NORTE S.A.

DECEMBER 31, 2010 AND 2009

INDEX

US$	:	US dollars
Th US$	:	Thousand of US dollars
$	:	Chilean Pesos
U.F	:	Unidades de Fomento

STATEMENTS OF FINANCIAL POSITION

TRANSELEC NORTE S.A. , (Expressed in thousands of US dollars (ThUS$))

As of December 31, 2010, December 31, 2009 and January 1, 2009

ASSETS	Note	December 31, 2010 ThUS$	December 31, 2009 ThUS$	January 1, 2009 ThUS$
CURRENT ASSETS				
Cash and cash equivalents	(5)	5,832	16,821	12,578
Other financial assets	(10)	392	-	-
Other non-financial assets		2,010	55	4
Trade and other receivables				
Receivables from related parties	(6)	3,133	3,434	3,227
Current tax assets		78	145	-
Total current assets		11,445	20,455	15,809
NON-CURRENT ASSETS				
Other financial assets	(10)	12,268	400	452
Intangible assets other than goodwill	(8)	842	842	847
Property, plant and equipment	(9)	130,482	135,067	138,968
Total non-current assets		143,592	136,309	140,267
Total Assets		**155,037**	**156,764**	**156,076**

The accompanying notes numbers 1 to 23 form an integral part of these financial statement

STATEMENTS OF FINANCIAL POSITION

TRANSELEC NORTE S.A. , (Expressed in thousands of US dollars (ThUS$))

As of December 31, 2010, December 31, 2009 and January 1, 2009

NET EQUITY AND LIABILITIES	Note	December 31, 2010 ThUS$	December 31, 2009 ThUS$	January 1, 2009 ThUS$
CURRENT LIABILITIES				
Other financial liabilities		27	10	-
Trade payables and other payables	(12)	870	734	1,037
Payable to related parties	(7)	915	1,712	236
Current tax liabilities		-	-	116
Other non-financial liabilities	(12)	865	1,185	1,296
Total current liabilities		2,677	3,641	2,685
NON-CURRENT LIABILITIES				
Payables to related parties	(7)	77,014	77,000	77,000
Deferred tax liabilities	(11)	6,991	7,375	7,438
Total non-current liabilities		84,005	84,375	84,438
Total liabilities		86,682	88,016	87,123
EQUITY				
Paid-in capital	(13)	30,005	30,005	30,005
Retained earnings		38,350	38,743	38,948
Total net equity		68,355	68,748	68,953
Total Net Equity and Liabilities		**155,037**	**156,764**	**156,076**

The accompanying notes numbers 1 to 23 form an integral part of these financial statement

STATEMENTS OF COMPREHENSIVE INCOME

TRANSELEC NORTE S.A., (Expressed in thousands of US dollars (ThUS$))

For the years ended December 31, 2010, December 31, 2009

ESTADO DE RESULTADOS INTEGRALES POR FUNCIÓN	Nota	2010 MUS$	2009 MUS$
Operating revenues	(14)	19,051	18,612
Cost of sales		(7,506)	(6,143)
Gross margin		11,545	12,469
Administrative expenses		(3,332)	(2,794)
Other gains (losses), net		89	100
Financial income	(14)	901	217
Financial expenses	(15)	(6,128)	(6,201)
Foreign currency translation	(14)	367	176
Profit before taxes		3,442	3,967
Income tax expense	(16)	(557)	(639)
Profit from continuing operations		2,885	3,328
Profit from discontinued operations		-	-
Profit		2,885	3,328
PROFIT ATTRIBUTABLE TO			
Profit attributable to owners of parent		2,885	3,328
Profit	2,885	3,328	
EARNINGS PER SHARE			
BASIC EARNINGS PER SHARE			
Basic earnings per share from continuing operations	US$/s	3.85	4.44
Basic earnings per share from discontinued operations	US$/s	-	-
Basic earnings per share	US$/s	3.85	4.44
DILUTED EARNINGS PER SHARE			
Diluted earnings per share from continuing operations	US$/s	3.85	4.44
Diluted earnings per share from discontinued operations	US$/s	-	-
Earnings per share diluted	US$/s	3.85	4.44
STATEMENT OF COMPREHENSIVE INCOME			
Net Income		2,885	3,328
Other comprehensive income	-		-
Total comprehensive income		**2,885**	**3,328**

The accompanying notes numbers 1 to 23 form an integral part of these financial statement

STATEMENTS OF CHANGES IN EQUITY

TRANSELEC NORTE S.A., (Expressed in thousands of US dollars (ThUS$))

For the years ended December 31, 2010, December 31, 2009

	Paid -in Capital ThUS$	Retained earnings (accumulated losses) ThUS$	Equity attributable to owners of parent ThUS$	Total Equity ThUS$
Opening balance as of January 1,2010	30,005	38,743	68,748	68,748
Increase (decrease) from changes in accounting policies	-	-	-	-
Increase (decrease) from corrected errors	-	-	-	-
Restated opening balance	30,005	38,743	68,748	68,748
CHANGES IN EQUITY				
COMPREHENSIVE INCOME				
Income (loss)	-	2,885	2,885	2,885
Other comprehensive income	-	-	-	-
Comprehensive income	-	2,885	2,885	2,885
Dividends	-	(3,278)	(3,278)	(3,278)
Increase (decrease) from transfers and other changes	-	-	-	-
Total changes in equity	-	(393)	(393)	(393)
Closing balance as of December 31, 2010	**30,005**	**38,350**	**68,355**	**68,355**

The accompanying notes numbers 1 to 23 form an integral part of these financial statement

STATEMENTS OF CHANGES IN EQUITY

TRANSELEC NORTE S.A., (Expressed in thousands of US dollars (ThUS$))

For the years ended December 31, 2010, December 31, 2009

	Paid-in Capital ThUS$	Retained earnings (accumulated losses) ThUS$	Equity attributable to owners of parent ThUS$	Total Equity ThUS$
Opening balance as of January 1,2009	30,005	38,948	68,953	68,953
Increase (decrease) from changes in accounting policies	-	-	-	-
Increase (decrease) from corrected errors	-	-	-	-
Restated opening balance	30,005	38,948	68,953	68,953
CHANGES IN EQUITY				
COMPREHENSIVE INCOME				
Income (loss)	-	3,328	3,328	3,328
Other comprehensive income	-	-	-	-
Comprehensive income	-	3,328	3,328	3,328
Dividends	-	(3,533)	(3,533)	(3,533)
Increase (decrease) from transfers and other changes	-	-	-	-
Total changes in equity	-	(205)	(205)	(205)
Closing balance as of December 31, 2009	**30,005**	**38,743**	**68,748**	**68,748**

STATEMENTS OF CASH FLOWS

TRANSELEC NORTE S.A., (Expressed in thousands of US dollars (ThUS$))

For the years ended As of December 31, 2010 and 2009

INDIRECT STATEMENT OF CASH FLOWS	2010 ThUS$	2009 ThUS$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Profit	2,885	3,328
ADJUSTMENTS FOR RECONCILIATION OF INCOME (LOSS)		
Adjustments for income tax expense	557	639
Adjustments for decreases (increases) in trade receivables	300	(206)
Adjustments for decreases (increases) in accounts payable	(2,782)	1,154
Adjustments for depreciation and amortization expenses	5,841	4,298
Adjustments for other non-cash items	6,137	6,260
Total adjustments for reconciliation of income (loss)	10,053	12,145
Interest paid	(6,128)	(6,148)
Income tax paid	(436)	(830)
Net cash flows provided by operating activities	6,374	8,495
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(13,952)	(631)
Net cash flows used in investing activities	(13,952)	(631)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Dividends paid	(3,411)	(3,621)
Net cash flows used in financing activities	(3,411)	(3,621)
Net increase (decrease) in cash and cash equivalents	(10,989)	4,243
Cash and cash equivalents, beginning balance	16,821	12,578
Cash and cash equivalents, ending balance	**5,832**	**16,821**

The accompanying notes numbers 1 to 23 form an integral part of these financial statement

NOTES TO THE FINANCIAL STATEMENTS

TRANSELEC NORTE S.A. • December 31, 2010 and 2009 • (Expressed in thousands of US dollars (ThUS$))

NOTE 1 - GENERAL INFORMATION

Transelec Norte S.A. (hereinafter the Company) 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 financial statements for the year ended December 31, 2009 were approved by its Board of Directors at its meeting held on February 25, 2010, and were subsequently presented for consideration at the Ordinary Shareholders' Meeting held on April 28, 2010, where they were ultimately approved. These financial statements were prepared in accordance with generally accepted accounting principles in Chile issued by the Chilean Association of Accountants and standards issued by the SVS, which differ from those used for 2009 balances included in these financial statements since such balances have been restated in accordance with International Financial Reporting Standards (hereinafter IFRS). A detailed reconciliation of equity and net income for the year can be found in Note 23.

These financial statements, issued for the year ended December 31, 2010, were approved by the Board of Directors in Ordinary Meeting No.84, held on 16 March 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in preparing these interim 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 as issued by the International Accounting Standards Board (IASB).

Until December 31, 2009, the Company maintained its records and prepared its financial statements in accordance with accounting principles generally accepted in Chile and regulations issued by the SVS (Chilean GAAP). The effects of adopting IFRS are presented in Note 23.

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 his trial in the process of applying accounting policies. The areas involving a higher degree of trial or complexity or areas where assumptions and estimates are significant to the financial statements are described in Note 4.

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 2010:

IAS 24 - DISCLOSURE OF RELATED PARTIES

In November 2009, the IASB issued a revised IAS 24, "Related Party Disclosures (IAS 24 R). IAS 24 R has two basic changes: when there the relation is to be subsidiaries or related party to the government (or equivalent governmental institution) an exemption is included to disclose in notes to the financial statements these transactions. Additionally the definition of related party was reviewed, clarifying certain related party relationships that were not so clear in the previous standard. The revised standard is effective for annual years beginning on or after January 1, 2011, with earlier application permitted.

The Company is currently evaluating the potential impact that the adoption of IAS 24 R will have on its financial

IAS 32 - FINANCIAL INSTRUMENTS: CLASSIFICATION OF RIGHTS ISSUES (AMENDMENT)

In October 2009 the IASB published the document "Classification of rights issues" which changed certain sections of IAS 32 relating to preferential rights issue. The definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity´s non-derivative equity instruments, or to acquire a fixed number of the entity´s own equity instruments for a fixed amount in any currency is made to pro-rata to all current owners of the same class of equity instruments the entity's own products. The amendment is effective for annual periods beginning on or after February 1, 2010, early adoption is permitted.

Management of the Company believes that this regulation has no impact on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TRANSELEC NORTE S.A. • December 31, 2010 and 2009 • (Expressed in thousands of US dollars (ThUS$))

IFRS 7 - FINANCIAL INSTRUMENTS: DISCLOSURES

In October 2010, the IASB issued a series of modifications to help financial statement users to assess their exposure to transfers of financial assets, analyze the impact of risks on the financial position of the entity and promote transparency, especially on transactions involving the securitization of financial assets.

Entities are required to apply the changes to annual periods beginning on or after July 1, 2011.

The Company is currently evaluating the potential impact that the adoption of IFRS 7 will have on its financial Statements.

IFRS 9 - FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES

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

Entities are required to apply the changes to annual periods beginning on or after January 1, 2013.

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

FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

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

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

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

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

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

IFRIC 14 - THE LIMIT ON A DEFINED BENEFIT ASSET, OBLIGATION TO MAINTAIN A MINIMUM LEVEL OF FUNDING AND THEIR INTERACTION

In November 2009, the IASB issued Amendments to IFRIC 14 that allows to record as an asset the advance payments made when an entity is subject to requirements to maintain a minimum level of funding and makes advance payments of contributions to cover these requirements. The amendment will apply to annual periods beginning on or after January 1, 2011.

Management of the Company believes that this regulation has no impact on its financial statements.

IFRIC 19 - CANCELLATION OF LIABILITIES WITH EQUITY INSTRUMENTS

In November 2009, the IASB issued IFRIC 19 to address accounting of total or partial cancellation of liabilities through the issuance of the debtor's equity instruments. The regulation clarifies the accounting for these operations from the standpoint of the issuer of the securities, noting that the equity instruments issued should be valued at fair value. If it is not possible to calculate this value, are valued at fair value of liabilities canceled. The difference between liabilities canceled and equity securities issued will be recorded in earnings.

The standard applies for annual periods beginning on or after July 1, 2010, allowing its early application.

Management of the Company believes that this regulation has no impact on its financial statements.

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As a result of annual improvement project, in May 2010 the IASB issued a set of amendments to some specific IFRS and interpretation. The modifications include accounting changes for purposes of presentation, recognition, measurement and terminology, below:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

Most amendments are applicable for business years starting on or after 1 July 2010 or 1 January 2011. The Company is evaluating the potential impact that its adoption will have on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TRANSELEC NORTE S.A. • December 31, 2010 and 2009 • (Expressed in thousands of US dollars (ThUS$))

2.3 FOREIGN EXCHANGE TRANSACTIONS

2.3.1 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been prepared in US dollars, which is the Company's functional and presentation currency.

2.3.2 TRANSACTIONS AND BALANCES

The operations carried out by the Company in a currency other than its 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 receivable or payable 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.

2.3.3 EXCHANGE RATES AND INDEXATION UNITS

Assets and liabilities denominated in foreign currency and Unidades de Fomento (UF) had the following respective year-end exchange rates and values:

	December 31, 2010 US$	December 31, 2009 US$	January 1, 2009 US$
Chilean peso ($)	0.00213	0.00197	0.00157
Unidades de fomento (UF)	45.8442	41.2993	33.7066

2.4 SEGMENT REPORTING

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

2.5 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 price paid to acquire, the cost also includes, where 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.

Any future disbursements that Transelec Norte S.A. has to make in relation to the close of its facilities are incorporated into the value of the asset at the updated value, and the corresponding provision is recognized for accounting purposes. Transelec Norte S.A. 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 companies 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

2.6 ACTIVOS INTANGIBLES

2.6.1 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 period to determine if they remain indefinite. These assets are tested for impairment on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

TRANSELEC NORTE S.A. • December 31, 2010 and 2009 • (Expressed in thousands of US dollars (ThUS$))

2.6.2 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.

2.7 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.

The recoverable amount is the higher of its fair value less cost to sell and its value in use.

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 for 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.

2.8 LEASES

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

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.

2.8.1 LESSOR

OPERATING LEASES

The operating lease payments for these contracts are recognized as income on a straight-line basis.

FINANCIAL LEASES

These contracts are valued at the present value of the lease payments at an effective rate, which implies including expenses associated with the agreement's origin.

2.9 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: 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 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 does 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

NOTES TO THE FINANCIAL STATEMENTS

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.

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 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 as 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 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.

2.11 PAID-IN CAPITAL

Paid-in capital is represented by one class of ordinary shares with one vote per share.

Incremental costs directly attributable to new share issuances are presented in equity as a deduction, net of taxes, from income.

2.12 FINANCIAL LIABILITIES

The Company's financial liabilities include trade payables and other accounts payable, loans and liabilities of a 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.

NOTES TO THE FINANCIAL STATEMENTS

TRANSELEC NORTE S.A. • December 31, 2010 and 2009 • (Expressed in thousands of US dollars (ThUS$))

2.13 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 the Company 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 balance sheet date.

2.14 PROVISIONS

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

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

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligation. The discount rate used to determine the present value reflects current market 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, the Company has no obligations for environmental restoration and similar liabilities.

2.15 CLASSIFICATION OF CURRENT AND NON-CURRENT BALANCES

In the statement of financial position, balances are classified based on maturity (i.e. current balances mature in 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.

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

On the Company's Board meeting No. 78 held on September 30, 2010 also the option for treatment of first adoption of IFRS adjustments was approved. Net balances resulting from first adoption adjustments have been determined and recorded in terms of the option referred to above and in accordance with requirements of Circular No. 1945 and No. 1983 of the SVS.

NOTE 3 - RISK MANAGEMENT POLICY

3.1 FINANCIAL RISK

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 loan issued by its parent Transelec S.A. at a fixed 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 company earnings.

On Liabilities: The Company has no liabilities except for a loan from its parent company Transelec S.A., with a fixed interest rate. Therefore the Company´s liabilities are not affected as a result of increases in the interest rates do not impact its net income.

3.1.1.2 FOREIGN CURRENCY TRANSLATION RISK

The Company's functional currency is the US dollar and, therefore, the 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 sheet has fewer assets than liabilities in Chilean pesos equivalent to US$ 1.9 million This exposure in pesos translates into a gain/ (loss) for foreign currency translation of approximately US$ 40 thousand for each $ 10 variation in the peso-dollar rate.

3.1.2 CREDIT RISK

Credit risk for receivables from commercial activity is historically very limited given the short length of time before payment is due, which limits the accumulation of significant individual amounts.

However, there is a concentration of the Company's total transmission income of 65,2% 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

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.

In addition, the Company has an available credit line granted by its parent company, Transelec S.A. that allows meeting any cash needs.

3.2 INTERNAL CONTROL

The Company has internal control mechanisms, risk management controls and economic-financial management controls in place to ensure that transactions are carried out in accordance with internally established policies, standards and procedures as well as those issued by its parent 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 amounts of fixed assets to determine potential existence of impairment losses.
- The useful lives and residual values of the property, plant and equipment and intangibles.

REASONED ANALYSIS OF THE FINANCIAL STATEMENTS

TRANSELEC NORTE S. A.
AS OF DECEMBER 31, 2010

INTRODUCTION

In 2010, Transelec Norte S.A. recorded net income of ThUS$ 2,885, which is 13.3% lower than net income in 2009 (ThUS$ 3,328). Operating revenues totaled ThUS$ 19,051, 2.4% higher than in the same period in 2009, when operating revenues amounted to ThUS$ 18,612. EBITDA for the period reached to ThUS$ 14,697 with a margin over revenues of 77.1%. In 2010, the Company recorded a non-operating loss of ThUS$ 4,770, which is 16.4% lower than the comparison period.

Transelec Norte S.A. has prepared its financial statements as of December 31, 2010 in accordance with International Financial Reporting Standards, which have been adopted wholly, explicitly and without reserves. Figures in this reasoned analysis are expressed in thousands of United States dollars (US dollars), which is the functional currency of Transelec Norte S.A.

1. INCOME STATEMENT ANALYSIS

Items	December 2010 MUS$	December 2009 MUS$	Variation 2010/2009 %
Operating Revenues	19,051	18,612	2.4%
Toll sales	19,051	18,612	2.4%
Operating costs	-7,506	-6,143	22.2%
Fixed costs	-1,670	-1,848	-9.6%
Depreciation	-5,836	-4,295	35.9%
Administraton and sales expenses	-3,332	-2,794	19.2%
Operating Income	8,213	9,675	-15.1%
Non-Operating Income	-4,770	-5,708	-16.4%
Income before Income Taxes	3,442	3,967	-13.2%
Income tax	-557	-639	-12.9%
Net Income	2,885	3,328	-13.3%
EBITDA	**14,697**	**14,070**	**4.5%**

EBITDA= Net Income + abs(Income tax) + abs(Depreciation) + abs(Non-Operating Income) + abs(Other Gains) + Leasing interest.

A) OPERATING INCOME

In 2010, sales reached ThUS$ 19,051, which is 2.4% higher than ThUS$ 18,612 obtained in 2009. This income is mainly from sales of transmission capacity of the Company's facilities in the Great North Interconnected System (SING). It is worth mentioning that the Company's revenues are established in contracts.

Operating costs amounted to ThUS$ 7,506, which is 22.2% higher than ThUS$ 6,143 recorded in 2009, and consist of: 77.7% depreciation of property, plant and equipment and 22.3% other fixed costs corresponding basically to operating, maintenance and administrative services received from Transelec S.A. Costs in 2010 were higher than 2009 mainly due to an increase in depreciation.

B) NON-OPERATING INCOME

In 2010, the Company recorded a non-operating loss of ThUS$ 4,770, which is 16.4% lower than the comparison year. Decrease of non-operating loss is primarily due to an increase in financial income, which totaled ThUS$ 902 in 2010 and ThUS$ 217 in 2009, that, in turn, is explained by the recognition of the interest on the financial lease entered with Minera Carmen de Andacollo.

2. BALANCE SHEET ANALYSIS

Items	December 2010 MUS$	December 2009 MUS$	Variation 2010/2009 %
Current assets	11,445	20,455	-44.0%
Non-current assets	143,592	136,309	5.3%
Total Assets	**155,037**	**156,764**	**-1.1%**
Current liabilities	2,677	3,641	-26.5%
Non current liabilities	84,005	84,375	-0.4%
Equity	68,355	68,748	-0.6%
Total liabilities & Equity	**155,037**	**156,764**	**-1.1%**

VALUE OF PRINCIPAL OPERATING PROPERTY, PLANT AND EQUIPMENT

Assets	December 2010 MUS$	December 2009 MUS$	Variation 2010/2009 %
Land	2,957	2,957	0.0%
Building. nfraestucture. works in progress	124,247	123,021	1.0%
Machinery and equipment	24,372	24,371	0.0%
Other fixed assets	3	3	0.0%
Depreciation (less)	-21,096	-15,284	38.0%
Total	**130,482**	**135,068**	**-3.4%**

As of December 31, 2010, property, plant and equipment mainly consist of buildings, infrastructure, machinery and equipment.

3. PRINCIPAL CASH FLOWS FOR THE PERIOD

Items	December 2010 MUS$	December 2009 MUS$	Variation 2010/2009 %
Cash flow araising from (used in) operating activities	6,373	8,495	-25.0%
Cash flow araising from (used in) investing activities	-13,952	-631	2111.1%
Cash flow araising from (used in) financing activities	-3,411	-3,621	-5.8%
Net increase (decrease) of cash and cash equivalent	**-10,989**	**4,243**	**-359.0%**
Cash and cash equivalent at the begining of the period	16,821	12,578	33.7%
Cash and cash equivalent at the end of the period	**5,832**	**16,821**	**-65.3%**

For the year ended December 31, 2010, the Company recorded net negative cash flows of ThUS$ 10,989, which are mainly due to positive cash flows from operating activities of ThUS$ 6,373, offset by negative cash flows from investing activities of ThUS$ 13,952. In the same period in 2009, the Company recorded net positive cash flows of ThUS$ 4,243, which are mainly due to positive cash flows from operating activities of ThUS$ 8,495, offset by negative cash flows from investing activities of ThUS$ 631. In both 2010 and 2009, cash flows from financing activities included dividend payments of ThUS$ 3,411 and ThUS$ 3,621, respectively.

Investing activities in 2010 and 2009 are mainly associated with additions to property, plant and equipment and its net negative cash flows amounted to ThUS$ 13,952 and ThUS$ 631, respectively.

As of December 31, 2010, the final balance of cash and cash equivalents amounted to ThUS$ 5,832, from an opening balance of ThUS$ 16,821. The final balance of cash and cash equivalents as of December 31, 2009 amounted to ThUS$ 16,821, from an opening balance of ThUS$ 12,578.

4. RATIOS

INDICATORS	December 2010	December 2009	Variation 2010/2009
PROFITABILITY			
Shareholders' Equity profitability	4.22%	4.84%	-12.82%
Assets profitability	1.86%	2.12%	-12.36%
Operating assets profitability	6.25%	7.12%	-12.17%
Earnings per share (US$)	3.84666	4.43793	-13.32%
LIQUIDITY & INDEBTEDNESS			
Current Ratio	4.27	5.62	-23.92%
Acid-Test Ratio	2.18	4.62	-52.85%
Debt to Equity	1.27	1.28	-0.95%
% Short term debt	3.09	4.14	-25.33%
% Log term debt	96.91	95.86	1.09%
Financial expenses coverage	3.21	3.08	4.03%

5. THE MARKET

The business of Transelec Norte S.A. is mainly focused on commercialization of 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. Its market share in the SING transmission market of 220kV lines is 23.5%.

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:

TECHNOLOGICAL CHANGES

Transelec Norte S.A. is compensated for investments it makes in electrical transmission facilities through the annuity of the investment value 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.

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.

Decree 207, published January 15, 2008, established, among other matters, the Annual Transmission Value per Segment (VATT for its Spanish acronym) and its indexation formulas for the four-year period from 2007 to 2010, as well as the conditions to be applied to determine payments for transmission services along trunk transmission systems. The provisions of this decree define a set of previously pending matters that allow trunk facility owners to receive VATT for their facilities. The second Trunk Transmission Study was conducted in 2010 to set tariffs and indexation formulas for the 2011-2014 period. The results of this study will be applicable during the first half of 2011 once the following steps have been completed: a public hearing, a technical report from the National Energy Commission (CNE for its Spanish acronym) and presentations before the Panel of Experts.

In the case of subtransmission, Decree No. 320 of the Ministry of Economy, Development and Reconstruction, published in the Official Gazette on January 9, 2009, set the subtransmission tariffs and indexation formulas that were applied beginning January 14, 2009. During 2010, Subtransmission Studies were conducted in order to set tariffs and indexation formulas for the 2011-2014 period. The CNE will issue its Technical Report during January 2011 and its results will be applicable following presentation of any potential discrepancies before the Panel of Experts.

CONCENTRATION OF INCOME

The majority of Transelec Norte's revenues come from the companies Gas Atacama Generación Ltda. (GasAtacama) 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.

EXPOSURE TO EXCHANGE RATE VARIATIONS

Since the Company maintains its accounting and manages its principal financial commitments and income in US dollars, it is not significantly exposed to foreign exchange variation risks.

Application of Environmental Standards and/or Policies Could Adversely Affect Transelec.

Transelec Norte S.A. is also subject to regulatory environmental standards that, among other things, require it to conduct environmental impact studies for future projects and obtain corresponding regulatory authorizations. Transelec cannot ensure that these environmental impact studies will be approved by government authorities within the periods and under the terms presented by the Company, or that delays or modifications will not occur in the proposed projects, or that the laws and regulations will not change or be interpreted in a manner that could adversely affect the Company's operations and plans.

The operations of Transelec Norte S.A. are governed by Law No. 19,300, Chile's Environmental Bases ("Environmental Law"), enacted in 1994. Among other modifications, recent amendments created a new institutional structure, detailed below: (i) the Ministry of the Environment; (ii) the Council of Ministers on Sustainability; (iii) the Environmental Assessment Service; and (iv) the Superintendency of the Environment, institutions that are charged with regulating, assessing and supervising activities with environmental impact. These new institutions replaced the National Environmental Commission (CONAMA) and the Regional Environmental Commissions and are fully operational with the exception of: (i) supervision by and ability to issue sanctions of the Superintendency of the Environment, which is conditional on the forthcoming creation of the Environmental Courts; and (ii) new requirements for Environmental Impact Studies that grant new powers to environmental institutions but are still in the legislative review stage.

The modified Environmental Law requires entities that develop projects involving high voltage transmission lines and substations will be subject to the Environmental Impact Assessment System (SEIA for its Spanish acronym) and conduct independent environmental impact studies for any future project or activity that may affect the environment, and to file them with the new Environmental Assessment Service.

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 2010 Annual Report, in compliance with General Rule Nº 30, issued by the Superintendence of Securities and Insurance.

JEFFREY BLIDNER
President
Extranjero

BRUCE HOGG
Director
Extranjero

PATRICK CHARBONNEAU
Director
Extranjero

BRENDA EATON
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ALEJANDRO JADRESIC MARINOVIC
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ANDRÉS KUHLMANN JAHN
General Manager
Rut 6.554.568-3

2010 ANNUAL REPORT

GENERAL DIRECTION:
Corporate Affairs Division – Transelec

DESIGN:
Baobab Diseño Ltda.

PHOTO BY:
Thomas Wedderville and Transelec Archive.