

Interim Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile

March 31, 2011

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

Index

	Page
- Consolidated Statements of Financial Position	1
- Consolidated Statements of Income	3
- Consolidated Statements of Comprehensive Income	4
- Consolidated Statements of Changes in Equity	5
- Consolidated Indirect Statement of Cash Flow	7
- Notes to the Consolidated Financial Statements.....	8
Note 1 - General Information	8
Note 2 - Summary of Significant Accounting Principles	10
2.1 Basis of preparation of the consolidated financial statements	10
2.2 New standards and interpretations issued but not yet effective	10
2.3 Basis of consolidation	14
2.4 Foreign currency translation	15
2.5 Segments reporting	16
2.6 Property, plant and equipment	17
2.7 Intangible assets	18
2.8 Impairment of non-financial assets	19
2.9 Financial assets	20
2.10 Financial instruments and hedge activities	22
2.11 Inventory	25
2.12 Cash and cash equivalents	25
2.13 Paid-in capital	25
2.14 Financial liabilities	25
2.15 Income tax and deferred taxes	26
2.16 Employee benefits	27
2.17 Provisions	28
2.18 Classification of current and non-current balances	29
2.19 Revenue recognition	29
2.20 Leases	30
2.21 Distribution of dividends	31
Note 3 - Risk Management Policy	31
3.1 Financial risk	31
3.2 Internal control	39
Note 4 - Critical Estimates, Judgments or Criteria Employed By Management	39
Note 5 - Cash and Cash Equivalents	40

Note 6 - Trade and Other Receivables	41
Note 7 - Balances and Transactions with Related Parties	42
7.1 Balances and transactions with related parties	42
7.2 Board of Directors and management	44
7.3 Board expenses	45
7.4 Audit committee	45
7.5 Compensation of key management that are not Directors	46
Note 8 - Inventory	47
Note 9 - Financial Leases	47
9.1 Finance lease receivables	47
9.2 Operating leases payable	49
Note 10 - Intangible Assets	50
Note 11 - Property, Plant and Equipment	52
11.1 Detail of accounts	52
11.2 Reconciliation of changes in property, plant and equipment	53
11.3 Additional information on property, plant and equipment	54
Note 12 - Deferred Taxes	55
12.1 Detail of deferred tax assets and liabilities	55
12.2 Deferred tax movements in statement of financial position	56
Note 13 - Financial Liabilities	57
13.1 Other financial liabilities	57
13.2 Detail of other financial liabilities	58
13.3 Hedge debt	60
13.4 Other aspects	60
Note 14 - Trade and Other Payables	61
Note 15 - Derivative Instruments	61
15.1 Hedge assets and liabilities	62
15.2 Other Information	63
15.3 Fair value hierarchies	65
Note 16 - Provisions	66
16.1 Detail of provisions	66

16.2	Provision movements	66
16.3	Lawsuits and arbitration proceedings	67
	Note 17 - Post-Employment and Other Benefit Obligations	70
17.1	Detail of account	70
17.2	Detail of post-employment and other similar obligations	70
17.3	Balance of post-employment and other similar obligations	71
17.4	Expenses recognized in income statement	71
17.5	Actuarial hypothesis	72
	Note 18 - Equity	72
18.1	Subscribed and paid capital	72
18.2	Number of subscribed and paid shares	72
18.3	Dividends	73
18.4	Other reserves	73
18.5	Capital management	74
	Note 19 - Income	75
19.1	Revenue	75
19.2	Other operating income	75
	Note 20 - Relevant Income Statement Accounts	76
20.1	Expenses by nature	76
20.2	Personnel expenses	76
20.3	Depreciation and amortization	77
20.4	Financial results	77
	Note 21 - Income Tax Result	79
	Note 22 - Earnings per Share	80
	Note 23 - Segment Reporting	80
	Note 24 - Third-Party Guarantees, Other Contingent Assets and Liabilities and Other Commitments	83
	Note 25 - Distribution of Personnel	83
	Note 26 - Environment	84
	Note 27 - Cash flows	84
	Note 28 - Subsequent Events	85

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position

As of March 31, 2011 and December 31, 2010

(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

ASSETS	Note	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Current Assets			
Cash and cash equivalents	(5)	191,879,705	35,495,497
Other financial assets		231,440	222,694
Other non-financial assets		3,626,453	2,777,184
Trade and other receivables	(6)	29,989,691	38,016,698
Receivables from related parties	(7)	685,011	-
Inventory	(8)	39,069	39,139
Current tax assets		2,780,291	2,761,133
Total current assets		229,231,660	79,312,345
Non-Current Assets			
Other financial assets		7,288,222	7,178,387
Other non-financial assets		65,701,946	47,544,881
Receivables from related parties	(7)	17,151,354	17,053,819
Intangible assets other than goodwill	(10)	140,894,537	140,772,892
Goodwill	(10)	338,897,614	338,897,614
Property, plant and equipment	(11)	1,091,277,812	1,094,553,483
Deferred tax assets	(12)	28,986,397	30,931,637
Total non-current assets		1,690,197,882	1,676,932,713
Total Assets		1,919,429,542	1,756,245,058

The accompanying notes numbers 1 to 28 are an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Financial Position

As of March 31, 2011 and December 31, 2010

(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

EQUITY AND LIABILITIES	Note	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Current Liabilities			
Other financial liabilities	(13)	146,561,871	140,941,245
Trade and other payables	(14)	32,263,535	36,701,582
Current provisions for employee benefits	(16)	2,627,354	4,264,297
Other non-financial liabilities		2,073,264	1,203,738
Total current liabilities		183,526,024	183,110,862
Non-current Liabilities			
Other financial liabilities	(13)	796,163,487	645,854,193
Deferred tax liabilities	(12)	3,301,549	3,249,021
Non-current provisions for employee benefits	(16)	3,720,265	3,720,265
Other non-financial liabilities		1,059,653	794,111
Total non-current liabilities		804,244,954	653,617,590
Total liabilities		987,770,978	836,728,452
Equity			
Paid-in capital	(18)	838,211,823	838,211,823
Retained earnings	(18)	73,787,549	61,365,952
Other reserves	(18)	19,655,907	19,935,630
Total equity attributable to owners of the parent		931,655,279	919,513,405
Non-controlling interest		3,285	3,201
Total equity		931,658,564	919,516,606
Total Equity and Liabilities		1,919,429,542	1,756,245,058

The accompanying notes numbers 1 to 28 are an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Income

For the three month periods ended March 31, 2011 and 2010

(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

Consolidated income statement by function	Note	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Operating revenues	(19)	45,543,491	41,653,400
Cost of sales	(20)	<u>(16,806,027)</u>	<u>(17,425,508)</u>
Gross Margin		28,737,464	24,227,892
Administrative expenses	(20)	(1,900,774)	(1,718,919)
Other gains (losses), net	(19)	265,767	204,139
Financial income	(19)	837,281	320,986
Financial costs	(20)	(9,170,299)	(2,492,526)
Foreign exchange differences, net	(20)	(490,947)	(870,128)
Gain (loss) for indexed assets and liabilities	(20)	<u>(3,418,005)</u>	<u>(1,475,867)</u>
Profit Before Income Taxes		<u>14,860,487</u>	<u>18,195,577</u>
Income tax expense	(21)	(2,272,760)	(2,634,662)
Profit from continuing operations		<u>12,587,727</u>	<u>15,560,915</u>
Profit (loss) from discontinued operations		<u>-</u>	<u>-</u>
Profit		<u>12,587,727</u>	<u>15,560,915</u>
Profit attributable to			
Profit attributable to owners of parent		12,587,720	15,560,862
Profit attributable to non-controlling interest		<u>7</u>	<u>53</u>
Profit		<u>12,587,727</u>	<u>15,560,915</u>
Earnings per share			
Basic earnings per share			
Basic earnings per share from continuing operations	(\$/s)	<u>12,587.727</u>	<u>15,560.915</u>
Basic earnings (loss) per share from discontinued operations	(\$/s)	<u>-</u>	<u>-</u>
Basic earnings per share	(\$/s)	<u>12,587.727</u>	<u>15,560.915</u>
Diluted earnings per share			
Diluted earnings per share from continuing operations	(\$/s)	<u>12,587.727</u>	<u>15,560.915</u>
Diluted earnings (loss) per share from discontinued operations		<u>-</u>	<u>-</u>
Diluted earnings per share (\$/s)		<u>12,587.727</u>	<u>15,560.915</u>

The accompanying notes numbers 1 to 28 are an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Comprehensive Income

For the years ended March 31,

(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
PROFIT	12,587,727	15,560,915
Foreign Currency Translation		
Gains (losses) on foreign currency translation differences, before taxes	137,072	5,828
Cash flow hedges		
Gains (losses) on cash flow hedges, before taxes	(477,559)	(327,534)
Income taxes related to components of other comprehensive income		
Income taxes related to foreign currency translation differences	60,764	1,983,152
Other comprehensive income	(279,723)	1,661,446
Total comprehensive income	12,308,004	17,222,361
Comprehensive income attributable to owners of the parent	12,307,997	17,222,142
Comprehensive income attributable to non controlling interest	7	219
Total comprehensive income	12,308,004	17,222,361

The accompanying notes numbers 1 to 28 are an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Changes in Equity

For the three month periods ended March 31, 2011 and 2010

(Expressed in thousands of Chilean pesos (ThCh\$))

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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

The accompanying notes numbers 1 to 28 are an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Changes in Equity

For the three month periods ended March 31, 2011 and 2010

(Expressed in thousands of Chilean pesos (ThCh\$))

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Movements	Issued capital	Reserve for foreign currency translation differences	Reserve for cash flow hedges	Other reserves	Total Other reserves	Retained earnings	Equity attributable to owners of parent	Non controlling interest	Total Equity
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance as of January 1, 2010	857,944,548	(1,748,499)	(404,868)	-	(2,153,367)	62,521,718	918,312,899	3,486	918,316,385
Increase (decrease for changes in accounting policies)	-	-	-	-	-	-	-	-	-
Increase (decrease for changes correction of miscalculations)	-	-	-	-	-	-	-	-	-
Opening balance restated	857,944,548	(1,748,499)	(404,868)	-	(2,153,367)	62,521,718	918,312,899	3,486	918,316,385
Changes in equity:									
Comprehensive income	-	-	-	-	-	-	-	-	-
Profit	-	-	-	-	-	15,560,862	15,560,862	53	15,560,915
Other comprehensive income	-	1,988,980	(327,534)	-	1,661,446	-	1,661,446	-	1,661,446
Total Comprehensive Income	-	1,988,980	(327,534)	-	1,661,446	15,560,862	17,222,308	53	17,222,361
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes	-	-	-	-	-	(1,788,944)	(1,788,944)	120	(1,788,824)
Total changes in equity	-	1,988,980	(327,534)	-	1,661,446	13,771,918	15,433,364	173	15,433,537
Closing balance as of March 31, 2010	857,944,548	240,481	(732,402)	-	(491,921)	76,293,636	933,746,263	3,659	933,749,922

The accompanying notes numbers 1 to 28 are an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Indirect Statements of Cash Flows

For the periods ended March 31, 2011 and 2010

(Expressed in thousands of Chilean pesos (ThCh\$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Note	March31, 2011 ThCh\$	March31, 2010 ThCh\$
Cash Flows Provided by (Used in) Operating Activities			
Profit		12,587,727	15,560,915
Adjustments for reconciliation of net income :			
Adjustments for income tax expense		2,272,760	2,634,662
Adjustments for decreases (increases) in trade receivables		8,027,006	2,354,768
Adjustments for decreases (increases) in trade payables		(4,438,047)	(3,382,592)
Adjustments for depreciation and amortization expenses		10,781,130	12,086,990
Adjustments for provisions		(1,636,943)	(1,293,170)
Adjustments for unrealized foreign currency translation gains (losses)		(20,552)	724,724
Adjustments non-controlling interest		(7)	(53)
Adjustments for other non-cash items	(27)	14,667,018	(1,022,643)
Total adjustments for reconciliation of income		29,652,365	12,102,686
Interests paid		(7,416,927)	(8,528,321)
Income taxes paid		-	-
Net cash flows provided by operating activities		34,823,165	19,135,280
Cash Flows Used in Investing Activities			
Additions of property, plant and equipment		(6,040,338)	(2,495,604)
Cash advances and loans to third		(18,174,058)	(16,983,991)
Cash flows provided by (used in) investing activities		(24,214,396)	(19,479,595)
Cash Flows Provided by (Used in) Financing Activities			
Proceeds from long term loans		146,934,648	-
Loans with related parties		-	-
Payment of loans to related entities		-	-
Bonds payments		-	(63,597,907)
Dividends payments		-	-
Other disbursements (Swap contracts liquidation)		(1,159,209)	-
Net cash flows provided by (used in) financing activities		145,775,439	(63,597,907)
Net Increase (Decrease) in Cash and Cash Equivalents		156,384,208	(63,942,222)
Cash and Cash Equivalents, Opening Balance		35,495,497	137,896,494
Cash and Cash Equivalents, Closing Balance		191,879,705	73,954,272

The accompanying notes numbers 1 to 28 are an integral part of these consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(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 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 1 - General Information (continued)

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

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

These interim consolidated financial statements were approved by the Board of Directors in Ordinary Meeting No.67 held on May 18, 2011.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles

The principal accounting policies applied in preparing these financial statements consolidated are detailed below. These policies have been based on IFRS in effect as of March 31, 2011 and applied uniformly for periods presented.

2.1 Basis of preparation of the consolidated financial statements

These financial statements have been prepared in accordance with IFRS, including International Accounting Standard 34 (IAS 34) issued by the International Accounting Standards Board (IASB). The figures in these financial statements and their notes are expressed in thousands of Chilean pesos, which is the functional currency of the Company.

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

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

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

2.2 New standards and interpretations issued but not yet effective

Below is a summary of new standards, interpretations and improvements to IFRS issued by the IASB that are not yet effective as of on 31 March 2011:

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.2 New standards and interpretations issued (continued)

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.

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 January 1, 2013.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.2 New standards and interpretations issued (continued)

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

Financial Instruments: Recognition and Measurement

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

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

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

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

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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

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.

IFRS 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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

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 the years 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.3 Basis of consolidation (continued)

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

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

These consolidated financial statements include the balances of the Company and its only subsidiary, Transelec Norte S.A. The Company's interest in that subsidiary was 99.99% as of March 31, 2011 and December 31, 2010.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.4 Foreign currency translation (continued)

2.4.3 Subsidiary conversion with functional currency other than the Chilean Peso

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

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

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

2.4.4 Exchange rates

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

Currency	Pesos per unit	
	March 31, 2011	December 31, 2010
Unidad de Fomento	21,578.26	21,455.55
US\$	479.46	468.01
Euro	680.47	621.53

2.5 Segments reporting

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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 an 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.

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.6 Property, plant and equipment (continued)

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:

	<u>Range of estimated useful life</u>	
	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 were impairment losses of goodwill.

2.7.2 Rights of way

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.7 Intangible assets (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.9 Financial assets (continued)

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

A financial asset is derecognized when:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.9 Financial assets (continued)

In the case of financial assets classified at available-for-sale, in order to determine if the assets have been impaired, it will be considered if a significant or prolonged decrease in fair value of the assets below cost has occurred.

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is reclassified from equity and recognized in the income statement. Impairment losses recognized in the income statement for equity instruments are not reversed in the income statement.

2.10 Financial instruments and hedge activities

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

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

The types of hedges are as follows:

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.10 Financial instruments and hedge activities (continued)

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 derivatives 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.10 Financial instruments and hedge activities (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.11 Inventory

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

2.12 Cash and cash equivalents

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

2.13 Paid-in capital

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

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

2.14 Financial liabilities

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

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.16 Employee benefits (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.18 Classification of current and non-current balances

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

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

2.19 Revenue recognition

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

2.20 Leases

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 2 - Summary of Significant Accounting Principles (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

The following table presents the Company's debt as of March 31, 2011 and December 31, 2010. 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.

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand)	
				March 31, 2011	December 31, 2010
Bono Yankee	US\$	7,88%	fixed	245,138	245,138
Bono Series C	UF	3,50%	fixed	6,000	6,000
Bono Series D	UF	4,25%	fixed	13,500	13,500
Bono Series E	UF	3,90%	fixed	3,300	3,300
Bono Series F	CLP	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
Bono Series L	UF	3,65%	fixed	2,500	-
Bono Series M	UF	4,05%	fixed	1,500	-
Bono Serie N	UF	3,95%	fixed	3,000	-

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

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	
	March 31, 2011 Million Ch\$	December 31, 2010 Million Ch\$	March 31, 2011 Million Ch\$	December 31, 2010 Million Ch\$
U.S. dollar (amounts associated with balance sheet entries)	100,633.20	100,716.80	93,360.20	98,452.50
U.S. dollar (amounts associated with income statement entries)	13,664.60	26,676.60	-	-
Chilean peso	884,781.50	733,826.40	1,823,713.00	1,655,610.30

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Exchange rate risk (continued)

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

3.1.1.2 Foreign currency translation risk

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.2 Foreign currency translation risk (continued)

3.1.1.2.1 Sensitivity analysis (continued)

Item (Currency)	Position Million\$	Net income (gain)/loss Million \$		Position Million\$	OCI (gain)/loss Million \$	
	Long / (Short)	Change (-10%)	Change (+10%)	Long / (Short)	Change (-10%)	Change (+10%)
Receivables (US\$)	1,256	114	(126)	-	-	-
Payables (US\$)	(2,377)	(216)	238	-	-	-
Cash (US\$)	4,950	450	(495)	-	-	-
Forwards (assets) (US\$)	(1,055)	(96)	105	-	-	-
Forwards (income)	-	-	-	(13,665)	(1,242)	1,366
Bonds (US\$)	(54,321)	(4,938)	5,432	(67,724)	(6,157)	6,772
Swaps (US\$)	24,849	2,259	(2,485)	-	-	-
Net investment	-	-	-	67,724	6,157	(6,772)
Other (US\$)	5,761	524	(576)	-	-	-
Total	(20,937)	(1,903)	2,093	(13,665)	(1,242)	1,366

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

3.1.2 Credit risk

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

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

Revenues	March 31, 2011 TCh\$	March 31, 2010 TCh\$
Endesa Group	20,074,574	16,019,933
AES Gener	5,427,317	7,232,573
Colbún Group	4,642,656	8,817,728
Others	15,398,944	9,583,166
Total	45,543,491	41,653,400
% Concentration	66.19%	76.99%

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

3.1 Financial risk (continued)

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 2010 and continue to be in effect as of March 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 March 31, 2011 and December 31, 2010.

In thousand of Chilean pesos	Less than 1 y Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 years	Total
March 31, 2011	117,534,000	-	191,121,000	129,470,000	487,669,000	925,794,000
December 31, 2010	156,136,801	65,567,023	250,205,036	236,462,215	681,775,381	1,390,146,456

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 3 - Risk Management Policy (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 5 - Cash and Cash Equivalents

a) As of March 31, 2011 and December 31, 2010, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Bank and cash balances	647,920	622,906
Short-term deposits	39,665,720	23,744,295
Reverse repurchase agreements and mutual funds	151,566,065	11,128,296
Total	191,879,705	35,495,497

Cash and cash equivalents included in the statement of financial position as of March 31, 2011 and December 31, 2010 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 in ThCh\$ as of	
		March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Amount of cash and cash equivalents	U.S. dollars	4,596,660	6,727,918
Amount of cash and cash equivalents	Euros	20,432	20,197
Amount of cash and cash equivalents	Chilean pesos	187,262,613	28,747,382
Total		191,879,705	35,495,497

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 6 - Trade and Other Receivables

As of March 31, 2011 and December 31, 2010, this account is detailed as follows:

Item	Balance as of	
	March 31, 2011 Current ThCh\$	December 31, 2010 Current ThCh\$
Trade receivables	29,564,414	37,725,605
Miscellaneous receivables	425,277	291,093
Total trade and other receivables	<u>29,989,691</u>	<u>38,016,698</u>

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of March 31, 2011 and December 31, 2010, the aging of trade and other receivables is as follows:

	Balance as of	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Maturing in less than 30 days	17,450,846	29,742,111
Maturing in more than 30 days up to 1 year	12,538,845	8,274,587
Total	<u>29,989,691</u>	<u>38,016,698</u>

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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:

a) Receivables from related parties

Taxpayer ID Number	Company	Description	Term of transaction	Relationship	Currency	Balance as of			
						Current		Non-Current	
						March 31, 2011 ThCh\$	December 31, 2010 ThCh\$	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
76.559.580-0	Transec Holdings Rentas Electricas Ltda	Mercantile current account	N/A	Parent company	US\$	685,011	-	17,151,354	17,053,819

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 7 - Balances and Transactions with Related Parties (continued)

7.1 Balances and transactions with related parties (continued)

b) Most significant transactions and their effect on income:

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

Taxpayer ID Number	Company	Relationship	Description of transaction	March 31, 2011		December 31, 2010	
				Amount	Effect on income	Amount	Effect on income
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans granted	501,627	-	17,053,779	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans paid	-	-	1,108,682	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest accrued	183,564	183,564	413,679	413,679
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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 7 - Balances and Transactions with Related Parties (continued)

7.2 Board of Directors and management

In accordance with the Company's by-laws, the Board of Directors of Transelec is composed of nine members appointed by shareholders at the respective shareholders' meeting. They hold their positions for two years and may be re-elected. The current Board of Directors was elected in the Ordinary General Shareholders' Meeting on August 24, 2010. The current Chairman of the Board was elected at Board meeting dated 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 2010 and this waiver is maintained for 2011 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 Irrázabal were designated as Directors of the Company.

Accordingly, the following compensation was received by directors during the periods 2011 and 2010:

	March 31, 2011	March 31, 2010
	ThCh\$	ThCh\$
Blas Tomic Errázuriz	8,190	8,874
Juan Andrés Fontaine Talavera	-	8,874
Felipe Lamarca Claro	-	8,874
José Ramón Valente Vias	8,190	8,874
Alejandro Jadresic Marinovic	8,190	8,874
Mario Valcarce Duran	8,190	-
Bruno Philippi Irrázabal	8,190	-

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 7 - Balances and Transactions with Related Parties (continued)

7.3 Board expenses

During the 2011 and 2010 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 one meetings in 2010 and one meetings for the periods 2011.

As of March 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 2011 and 2010:

	March 31, 2011	March 31, 2010
	ThCh\$	ThCh\$
Juan Andrés Fontaine	-	5,071
José Ramón Valente	4,680	5,071

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 7 - Balances and Transactions with Related Parties (continued)

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 periods 2011 and 2010 is detailed as follows:

	March 31, 2011	March 31, 2010
Salaries	341,999	361,911
Short-term employee benefits	126,964	130,852
Long-term benefits	53,238	-
Total compensation received by key management personnel	<u>522,201</u>	<u>492,763</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 8 - Inventory

As of March 31, 2011, December 31, 2010 this account is detailed as follows:

Classes of inventory	Balance as of	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Safety equipment	39,069	39,139
Total	<u>39,069</u>	<u>39,139</u>

Note 9 - Financial Leases

9.1 Finance lease receivables

	Balance as of	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Current finance leases receivables	231,440	222,694
Non-current finance leases receivables	7,050,809	6,940,975
Total	<u>7,282,249</u>	<u>7,163,669</u>

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 9 - Finance Leases (continued)

9.1 Finance lease receivables (continued)

March 31, 2011			
Period in Years	Nominal Value	Interest receivable	Present value
	ThCh\$	ThCh\$	ThCh\$
Less than 1	813,758	1,509,594	2,323,352
1-5	873,798	1,279,987	2,153,785
Over 5	5,594,693	2,706,197	8,300,890
Total	7,282,249	5,495,778	12,778,027

December 31, 2010			
Period in years	Nominal value	Interest receivable	Present value
	ThCh\$	ThCh\$	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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 9 - Leases (continued)

9.2 Operating leases payable

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

	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Real estate lease	159,939	140,739
Other leases	145,820	141,412
Total operating leases	<u>305,759</u>	<u>282,151</u>

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

	Up to 1 year	1 to 5 years	More than 5 years
Real estate lease	167,025	339,895	368,377
Other leases	152,280	309,890	334,946
Total operating leases	<u>319,305</u>	<u>649,785</u>	<u>703,323</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 10 - Intangible Assets

The following tables detail the balances within this account as of March 31, 2011 and December 31, 2010:

Intangible assets, net	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Rights of way	139,942,024	139,817,492
Software	952,513	955,400
Goodwill	338,897,614	338,897,614
Total intangible assets, net	<u>479,792,151</u>	<u>479,670,506</u>
Intangible assets, gross	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Rights of way	139,942,024	139,817,492
Software	3,600,913	3,485,116
Goodwill	338,897,614	338,897,614
Total intangible assets	<u>482,440,551</u>	<u>482,200,222</u>
Accumulated amortization and impairment	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Software	(2,648,400)	(2,529,716)
Total accumulated amortization	<u>(2,648,400)</u>	<u>(2,529,716)</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 10 - Intangible Assets (continued)

The composition and movements of intangible assets during the period 2011 and 2010 have been:

Period 2011

Movements in intangible assets	Rights of way ThCh\$	Software ThCh\$	Goodwill ThCh\$	Net intangible assets ThCh\$
Opening balance as of January 1, 2011	139,817,492	955,400	338,897,614	479,670,506
Movements in identifiable intangible assets				
Additions	116,436	113,576	-	230,012
Amortization	-	(118,006)	-	(118,006)
Translation difference	8,096	1,543	-	9,639
Increase (decrease)	-	-	-	-
Ending balance of intangible assets as of March 31, 2011	139,942,024	952,513	338,897,614	479,792,151

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

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the carrying value of these assets recorded as of March 31, 2011 and December 31, 2010 to be recovered.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 11 - Property, Plant and Equipment

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Land	20,421,242	19,949,131
Buildings and infrastructure	753,736,456	752,861,802
Machinery and equipment	315,260,974	319,851,833
Other property, plant and equipment	1,859,140	1,890,717
Property, plant and equipment, net	<u>1,091,277,812</u>	<u>1,094,553,483</u>
Property, plant and equipment, gross	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Land	20,421,242	19,949,131
Buildings and infrastructure	858,003,021	851,299,352
Machinery and equipment	390,634,623	390,316,173
Other property, plant and equipment	1,859,140	1,890,717
Total property, plant and equipment, gross	<u>1,270,918,026</u>	<u>1,263,455,373</u>
Accumulated depreciation and impairment	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Total accumulated depreciation and impairment, property, plant and equipment, net		
Buildings and infrastructure	(104,266,565)	(98,437,550)
Machinery and equipment	(75,373,649)	(70,464,340)
Total accumulated depreciation and impairment, property, plant and equipment	<u>(179,640,214)</u>	<u>(168,901,890)</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 11 - Property, Plant and Equipment (continued)

11.2 Reconciliation of changes in property, plant and equipment

Period 2011	Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
Opening balance January 1, 2011	19,949,131	752,861,802	319,851,833	1,890,717	1,094,553,483
Movement					
Additions	438,259	5,293,903	78,165	-	5,810,327
Retirement	-	(121,347)	-	(105,179)	(226,526)
Depreciation expense	-	(5,645,539)	(4,891,392)	-	(10,536,931)
Translation adjustment	33,852	1,347,637	222,368	36	1,603,893
Other increases (decreases)	-	-	-	73,566	73,566
Ending balance as of March 31, 2011	20,421,242	753,736,456	315,260,974	1,859,140	1,091,277,812
Year 2010	Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
Opening balances January 1, 2010	19,409,549	747,826,053	313,694,962	1,802,790	1,082,733,354
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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 11 - Property, Plant and Equipment (continued)

11.3 Additional information on property, plant and equipment

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

As of March 31, 2011 and December 31, 2010, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totalling ThUS\$ 123,620,700, ThUS\$ 113,914,107, respectively.

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

	March 31, 2011	March 31, 2010
Capitalization rate (Annual basis) (%)	6.17%	5.91%
Capitalized interest costs (ThCh\$)	1,318,255	894,434

Work in progress balances amounts to ThCh\$ 153,273,262, ThCh\$ 94,501,532 and as of March 31, 2011, March 31, 2010, respectively.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 12 - Deferred Taxes

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of March 31, 2011 and December 31, 2010, is detailed as follows:

Temporal differences	Deferred tax assets		Deferred tax liabilities	
	March 31, 2011 ThCh\$	December 31, 2010 TCh\$	March 31, 2011 ThCh\$	December 31, 2010 TCh\$
Depreciable fixed assets	29,436,251	31,882,193	2,337,886	3,280,720
Discount on bond placement	-	(1,973)	-	-
Bonds and swaps fair values	-	-	-	-
Forwards contracts	32,973	(62,578)	-	-
Prepaid bond expenses	(209,261)	-	-	-
Leased assets	(253,279)	(46,461)	988,134	-
Materials and spare parts	325,413	322,876	-	-
Mark-to-Market of swaps	(4,611)	(35,984)	-	-
Other prepaid expenses	2,118	3,369	-	-
Tax losses	8,243,770	7,229,118	-	-
Staff severance indemnities provision	(49,973)	(27,922)	-	-
Premium on bond placement	-	-	-	-
Deferred income	274,728	227,432	-	-
Investment value provision	8,157	8,157	-	-
Lawsuit provision	48,636	48,356	-	-
Obsolescence provision	254,755	306,696	-	-
Provision	-	-	-	-
Assets under construction	1,687,832	1,592,876	-	-
Vacation provisions	136,699	179,711	-	-
Intangible assets	(9,768,512)	(9,821,334)	(152,770)	(156,040)
Adjustment of effective interest rate of bonds	(1,278,643)	(936,129)	-	-
Land	99,344	63,234	128,299	124,341
Total	28,986,397	30,931,637	3,301,549	3,249,021

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 12 - Deferred Taxes (continued)

12.2 Deferred tax movements in statement of financial position

The movements of balances of deferred taxes in the consolidated statement of financial position for the periods 2011 and 2010 are as follows:

Deferred tax movements	Asset ThCh\$	Liability ThCh\$
Balance as of January 1, 2010	36,841,967	3,739,822
Increase (decrease)	(5,910,330)	(179,560)
Translation adjustment	-	(311,241)
Balance as of December 31, 2010	30,931,637	3,249,021
Increase (decrease)	(1,945,240)	(26,960)
Translation adjustment	-	79,488
Balance as of March 31, 2011	<u>28,986,397</u>	<u>3,301,549</u>

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 13 - Financial Liabilities

13.1 Other financial liabilities

The current and non-current portion of this account as of March 31, 2011 and December 31, 2010, is as follows:

Interest bearing loans	March 31, 2011		December 31, 2010	
	Current ThCh\$	Non- current ThCh\$	Current ThCh\$	Non- current ThCh
Bonds payable	128,755,436	796,163,487	123,346,425	645,854,193
Total bonds payable	128,755,436	796,163,487	123,346,425	645,854,193
Swap contract	17,641,571	-	17,594,820	-
Forward contract	164,864	-	-	-
Total	146,561,871	796,163,487	140,941,245	645,854,193

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 13 - Financial Liabilities (continued)

13.2 Detail of other financial liabilities

The detail of other financial liabilities is as follows:

Instrument registration number	Series	Nominal amount placed outstanding	Indexation unit	Nominal interest rate	Effective interest rate	Final maturity	Periodicity		Par value		Placement in Chile or abroad
							Interest payments	Principal payments	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$	
First issuance	Single	245,138,000	US\$	788%	7.27%	15.04.2011	Semiannually	At the end	122,044,841	117,057,973	Abroad
481	C	6,000,000	UF	3.50%	4.03%	01.08.2014	Semiannually	At the end	429,882	1,659,393	Chile
480	D	13,500,000	UF	4.25%	4.37%	01.08.2014	Semiannually	At the end	3,628,002	531,380	Chile
598	E	3,300,000	UF	3.90%	3.82%	01.08.2031	Semiannually	At the end	447,283	1,117,461	Chile
598	F	33,600,000	\$	5.70%	5.79%	01.09.2014	Semiannually	At the end	315,619	794,364	Chile
599	H	3,000,000	UF	4.80%	4.79%	01.09.2031	Semiannually	At the end	507,667	1,269,387	Chile
598	I	1,500,000	UF	3.50%	3.79%	15.12.2015	Semiannually	At the end	102,941	397,589	Chile
599	K	1,600,000	UF	4.60%	4.61%	15.06.2032	Semiannually	At the end	134,046	518,878	Chile
598	L	2,500,000	UF	3.65%	3.92%	15.12.2038	Semiannually	At the end	401,480	-	Chile
599	M	1,500,000	UF	4.05%	4.26%	15.04.2011	Semiannually	At the end	256,931	-	Chile
599	N	3,000,000	UF	3.95%	4.29%	01.03.2022	Semiannually	At the end	486,744	-	Chile
Total - short-term portion									128,755,436	123,346,425	
Swap contracts									17,641,571	17,594,820	
Forward contracts									164,864	-	
Total current									146,561,871	140,941,245	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 13 - Financial liabilities (continued)

13.2 Detail of other financial liabilities (continued)

Instrument Registration Number	Series	Nominal amount placed outstanding	Indexation Unit	Nominal interest rate	Effective interest rate	Final maturity	Periodicity		Par value		Placement in Chile or abroad
							Interest payments	Principal payments	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$	
481	C	6,000,000	UF	3.50%	4.03%	09.09.2016	Semiannually	At the end	126,167,095	125,199,765	Chile
480	D	13,500,000	UF	4.25%	4.37%	15.12.2027	Semiannually	At the end	287,237,947	285,604,499	Chile
598	E	3,300,000	UF	3.90%	3.82%	01.08.2014	Semiannually	At the end	71,393,303	71,011,678	Chile
598	F	33,600,000,000	\$	5.70%	5.79%	01.08.2014	Semiannually	At the end	33,512,477	33,501,321	Chile
599	H	3,000,000	UF	4.80%	4.79%	01.08.2031	Semiannually	At the end	64,767,174	64,399,322	Chile
598	I	1,500,000	UF	3.50%	3.79%	01.09.2014	Semiannually	At the end	32,061,867	31,843,001	Chile
599	K	1,600,000	UF	4.60%	4.61%	01.09.2031	Semiannually	At the end	34,486,918	34,294,607	Chile
598	L	2,500,000	UF	3.65%	3.92%	15.12.2015	Semiannually	At the end	53,496,436	-	Chile
599	M	1,500,000	UF	4.05%	4.26%	15.06.2032	Semiannually	At the end	31,561,975	-	Chile
599	N	3,000,000	UF	3.95%	4.29%	15.12.2038	Semiannually	At the end	61,478,295	-	Chile
Total - long-term portion											
Total - long term									796,163,487	645,854,193	

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh\$ 955,315,132 and ThCh\$ 768,392,430 as of March 31, 2011 and December 31, 2010, 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 13 - Financial Liabilities (continued)

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 March 31, 2011 and December 31, 2010, this amount totalled ThCh\$ 39,769,893 and ThCh\$ 38,820,147, respectively.

	March 31, 2011	December 31, 2010
Exchange rate differences recorded in equity	1,630	(141,789)
Cash flow hedge	(78,448)	344,694
Net investment hedge	-	-
Balance of reserves from revaluation of assets and liabilities at the end of the year	<u>(76,818)</u>	<u>202,905</u>

13.4 Other aspects

As of March 31, 2011 and December 31, 2010, Transelec had access to long-term lines of credit totalling ThCh\$ 28,768,000 and ThCh\$ 28,081,000, 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 14 - Trade and Other Payables

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

Trade and other payables	Current		Non-current	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Trade and other payables	32,263,535	36,701,582	-	-
Total	32,263,535	36,701,582	-	-

The average payment period for suppliers in 2011 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 15 - Derivative Instruments (continued)

15.1 Hedge assets and liabilities

	March 31, 2011				December 31, 2010			
	Asset		Liability		Asset		Liability	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cash flow hedge	-	-	98,060	-	-	-	(379,499)	
Non-hedge forwards	-	-	66,804	-	-	-	79,234	
Non-hedge swaps	-	-	17,641,571	-	-	-	17,594,820	
Total	-	-	17,806,435	-	-	-	17,294,555	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 15 - Derivative Instruments (continued)

15.2 Other Information

The following table details Transelec's derivatives as of March 31, 2011 and December 31, 2010, including their fair values as well as their notional and contractual values by maturity:

Financial derivatives	Fair value ThCh\$	Fair value							March 31, 2011	
		Before 1 year ThCh\$	2011 ThCh\$	2012 ThCh\$	2013 ThCh\$	2014 ThCh\$	2015 ThCh\$	Subsequent years ThCh\$	Total ThCh\$	
Cash flow hedge	(98,060)	(98,060)	-	-	-	-	-	-	(98,060)	
Non-hedge forwards	(66,804)	(66,804)	-	-	-	-	-	-	(66,804)	
Non-hedge swaps	(17,641,571)	(17,641,571)	-	-	-	-	-	-	(17,641,571)	

Financial derivatives	Fair value ThCh\$	Fair value							December 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)	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 15 - Derivative Instruments (continued)

15.2 Other information (continued)

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated. In the periods presented, March 31, 2011 and December 31, 2010, 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 15 - Derivative Instruments (continued)

15.3 Fair value hierarchies

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

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

Financial instruments measured at fair value	March 31, 2011	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	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Cash flow derivative	98,060	-	98,060	-
Non hedge Forward	66,804	-	66,804	-
Non hedge Swaps	17,641,571	-	17,641,571	-
Total	17,806,435	-	17,806,435	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 16 - Provisions

16.1 Detail of provisions

As of March 31, 2011 and December 31, 2010 this account is detailed as follows:

Detail	Current		Non-current	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Staff severance indemnities	616,955	680,456	3,247,705	3,247,705
Accrued vacations	696,556	898,556	-	-
Profit sharing benefits	932,052	2,321,527	472,560	472,560
Other provisions	381,791	363,758	-	-
Total	2,627,354	4,264,297	3,720,265	3,720,265

16.2 Provision movements

In 2011 and 2010, 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, 2011	3,928,161	2,794,087	898,556	363,758	7,984,562
Movements in provisions:					
Provisions during the year	43,262	854,115	126,914	18,033	1,042,324
Other rate increase (decrease)	-	-	-	-	-
Payments	(106,763)	(2,243,590)	(328,914)	-	(2,679,267)
Ending balance as of March 31, 2011	3,864,660	1,404,612	696,556	381,791	6,347,619

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 16 - Provisions (continued)

16.2 Provision movements (continued)

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

As of March 31, 2011

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities	616,955	442,185	279,746	2,525,774
Accrued vacations	696,556	-	-	-
Profit sharing benefits	932,052	472,560	-	-
Other provisions	381,791	-	-	-
Total	2,627,354	914,745	279,746	2,525,774

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

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 March 31, 2010, to ThCh\$ 253,976 , against which a 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 16 - Provisions (continued)

16.3 Lawsuits and arbitration proceedings (continued)

- 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 March 31, 2010 to ThCh\$253,976, 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\$ 253,976, 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. On 8 September 2009, presented an administrative recourse in the Honorable Court of Appeals of Santiago, which at 31 March 2011 has not been resolved. The administration maintains that it is not responsibility in these events.
- 3) 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 November 15, 2010, Transelec requested that the SEC annul exempt resolutions No. 274 and 2163, to amend an administrative error that caused the claim to be rejected by the Court of Appeals. As of March 31, 2011, the administrative request has not been resolved. On September 6, 2010, Transelec filed an administrative appeal before the Santiago Court of Appeals, which was rejected. On November 15, 2010, Transelec requested that the SEC annul exempt resolutions No. 274 and 2163, to amend an administrative error that caused the claim to be rejected by the Court of Appeals. As of March 31, 2011, the administrative request has not been resolved

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 16 - Provisions (continued)

16.3 Lawsuits and arbitration proceedings (continued)

- 4) Regarding the delay in commissioning the Rodeo-Chena project, and in accordance with the bidding terms and conditions, which stipulate a fine of US\$30,000 per day of delay with a maximum of 60 days, and given that on various occasions authorities have rejected the Company's arguments that this delay should qualify as force majeure, a provision has been established for this fine of US\$2,113,500.
- 5) As of March 31, 2011, 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.
- 6) On July 15, 2010, the Superintendency of Electricity and Fuels (SEC) brought charges against Transelec Norte S.A. for a failure in the Tarapacá-Cóndores line on January 12, 2009. The corresponding defense was then presented. On February 28, 2011, through Exempt Resolution No. 625, the SEC fined Transelec Norte a total of UTA 300 (three hundred annual tax units), equivalent as of March 31, 2011 to ThCh\$ 136,058. On March 14, 2011, an administrative motion for reversal was filed. Management maintains that it is not liable for these events.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 17 - Post-Employment and Other Benefit Obligations

17.1 Detail of account

Post-employment and other benefit obligations	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Staff severance indemnity provision - current	616,955	680,456
Staff severance indemnity provision non - current	<u>3,247,705</u>	<u>3,247,705</u>
Total current and non-current obligations for post-employment benefits	<u>3,864,660</u>	<u>3,928,161</u>

17.2 Detail of post-employment and other similar obligations

As of March 31, 2011 and December 31, 2010, this account is detailed as follows:

	Staff severance indemnity	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Present value of defined benefit plan obligations, opening balance	3,928,161	3,765,606
Current service cost of defined benefit plan obligations	18,071	189,310
Interest cost of defined benefit plan obligations	25,191	263,904
Payments	<u>(106,763)</u>	<u>(290,659)</u>
Present value of defined benefit obligations, ending balance	<u>3,864,660</u>	<u>3,928,161</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 17 - Post-Employment and Other Benefit Obligations (continued)

17.3 Balance of post-employment and other similar obligations

	Staff severance indemnity	
	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Present value of defined benefit obligations, ending balance	3,864,660	3,928,161
Present obligation with defined benefit plan funds	3,864,660	3,928,161
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	3,864,660	3,928,161

17.4 Expenses recognized in income statement

	Staff severance indemnity		Income statement line item where recognized
	January 1, 2011 to March 31, 2011 ThCh\$	January 1, 2010 to December 31, 2010 ThCh\$	
Current service cost of defined benefit plan	18,071	189,310	Cost of sales - Administrative and sales expenses
Interest cost of defined benefit plan	25,191	263,904	Cost of sales - Administrative and sales expenses
Total expense recognized in income statement	43,262	453,214	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 17 - Post-Employment and Other Benefit Obligations (continued)

17.5 Actuarial hypothesis

Detail	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Discount rate used	3.2%	3.2%
Inflation rate	4%	4%
Future salary increase	2.0%	2.0%
Mortality table	B-2006	B-2006
Disability table	PDT1985-Category II	
Rotation table	ESA-77	

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

Note 18 - Equity

18.1 Subscribed and paid capital

As of March 31, 2011 and December 31, 2010, authorized, subscribed and paid share capital amounts to ThCh\$ 838,211,823.

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 18 - Equity (continued)

18.3 Dividends

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. At December 31, 2010, the dividend was paid in full.

18.4 Other reserves

Other reserves as of March 31, 2011 and December 31, 2010, are detailed as follows:

Description	March 31,	December 31,
	2011	2010
	ThCh\$	ThCh\$
Translation adjustment	2,038	(135,034)
Deferred taxes	(98,060)	379,499
Cash flow hedge	19,204	(41,560)
Other increases in equity (1)	19,732,725	19,732,725
Total	<u>19,655,907</u>	<u>19,935,630</u>

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 18 - Equity (continued)

18.5 Capital management

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

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

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

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 equivalent to ThCh\$ 323,673,900 as of March 31, 2011.

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 19 - Income

19.1 Revenue

The following table details revenue for the three month periods ended March 31, 2011 and 2010:

Revenue	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Regulated revenues	19,207,621	16,806,310
Contractual revenues	23,953,468	22,919,875
Other revenues	2,382,402	1,927,215
Total revenues	<u>45,543,491</u>	<u>41,653,400</u>

19.2 Other operating income

The following table details operating income for the three month periods ended March 31, 2011 and 2010:

Other operating income	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Financial income	837,281	320,986
Other income	265,767	204,139
Total other operating income	<u>1,103,048</u>	<u>525,125</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 20 - Relevant Income Statement Accounts

20.1 Expenses by nature

Detail	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Personnel expenses	3,106,824	3,095,140
Operating expenses	3,955,075	2,717,284
Maintenance expenses	263,599	776,648
Depreciation	10,657,625	12,054,489
Other	723,678	513,301
Total	<u>18,706,801</u>	<u>19,156,862</u>

20.2 Personnel expenses

As of March 31, 2011 and 2010, this account is detailed as follows:

Detail	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Salaries and wages	3,291,516	2,695,333
Short-term employee benefits	139,759	81,298
Staff severance indemnity	43,134	114,651
Other long-term benefits	232,928	180,035
Other personnel expenses	942,853	834,482
Expenses capitalized on construction in progress	<u>(1,543,366)</u>	<u>(810,659)</u>
Total	<u>3,106,824</u>	<u>3,095,140</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 20 - Relevant Income Statement Accounts (continued)

20.3 Depreciation and amortization

The following table details depreciation and amortization for the periods ended March 31, 2011 and 2010:

Detail	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Depreciation	10,538,941	10,575,483
Amortization	118,683	133,307
Losses from damages	123,506	1,378,200
Total	10,781,130	12,086,990

20.4 Financial results

The Company's financial result for the periods ended March 31, 2011 and 2010 is detailed as follows:

Detail	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Financial income:	837,281	320,986
Commercial interest earned	183,564	-
Bank interest earned	586,821	212,044
Other income	66,896	108,942
Financial expenses:	(9,170,299)	(2,492,526)
Bond expenses	(9,151,087)	(2,413,947)
Mark-to-market of swaps	-	-
Other expenses	(19,212)	(78,579)
Gain (loss) from indexation of UF	(3,418,005)	(1,475,867)
Foreign exchange gains (losses), net	(490,947)	(870,128)
Positive	582,911	1,080,285
Negative	(1,073,858)	(1,950,413)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Total financial result, net	<u>(12,241,970)</u>	<u>(4,517,535)</u>
-----------------------------	---------------------	--------------------

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 21 - Income Tax Result

The following table reconciles income taxes resulting from applying statutory tax rate to the "Profit Before Taxes" to the income tax expense recorded in the Consolidated Income Statement for the periods 2011 and 2010:

Income tax expense (income)	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Current tax expense	87,207	152,644
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	87,207	152,644
Deferred tax expense relating to origination and reversal of temporary differences	2,185,553	2,482,018
Other deferred tax expense	-	-
Deferred tax expense, net, total	2,185,553	2,482,018
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense	2,272,760	2,634,662
Reconciliation of Tax Expense Using Statutory Rate with Tax Expense Using Effective Rate	For the three months ended	
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Tax expense at statutory rate	(2,972,097)	(3,093,248)
Price level restatement of equity	839,384	458,586
Effect of change in income tax rate	214,500	-
Other differences	(354,547)	-
Total adjustments to tax expense using statutory rate	699,337	458,586
Tax Expense at effective Rate	(2,272,760)	(2,634,662)
	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Statutory Tax Rate	20.00%	17.00%
Other Increase (Decrease) in Statutory Tax Rate	(4.71)%	(2.52)%
Adjustments to Statutory Tax Rate, Total	(4.71)	(2.52)%
Effective Tax Rate	15.29%	14.48%

The tax rate used for the years 2011 and 2010 reconciliations corresponds to the 20% and 17%, respectively, corporate tax rate that entities should pay on taxable profits based on current tax regulations.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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.

	March 31, 2011 ThCh\$	December 31, 2010 ThCh\$
Basic Earnings per Share		
Profit attributable to equity holders of parent	12,587,727	15,560,915
Earnings available to common shareholders, basic	12,587,727	15,560,915
Total basic shares	1,000,000	1,000,000
Basic earnings per share	12,587.727	15,560.915

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.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 23 - Segment Reporting (continued)

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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 23 - Segment Reporting (continued)

Information about products and services

	March 31, 2011	March 31, 2010
	ThCh\$	ThCh\$
Regulated revenues	19,207,621	16,806,310
Contractual revenues	23,953,468	22,919,875
Other revenues	2,382,402	1,927,215
Total revenues	45,543,491	41,653,400

Information about sales and principal customers

	2011		2010	
	ThCh\$	%	ThCh\$	%
Endesa Group	20,074,574	44.08%	16,019,933	38.46%
AES Gener Group	5,427,317	11.92%	7,232,573	17.36%
Colbun Group	4,642,656	10.19%	8,817,728	21.17%
Other	8,836,314	19.40 %	6,141,440	14.75 %
Gastacama Chile S.A.	1,327,845	2.92%	1,314,632	3.16%
Energía Austral Ltda.	1,563,909	3.43%	528,742	1.27%
Transnet Group	466,595	1.02%	558,084	1.34%
Arauco Group	319,873	0.70%	115,711	0.28%
Pacific Hydro- La Higuera	2,212,996	4.86%	864,205	2.07%
Group (Panguipulli-Puyehue)	218,685	0.48%	47,587	0.11%
Compañía Barrick Chile Generación	457,772	1.00%	12,765	0.03%
Total Revenues	45,543,491	100.00%	41,653,400	100.00%

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 24 - Third-Party Guarantees, Other Contingent Assets and Liabilities and Other Commitments

As of March 31, 2011, the Company has received performance guarantees from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh\$ 27,589,642 (ThCh\$ 24,842,864 as of March 31, 2010), In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favour of the Company.

Note 25 - Distribution of Personnel

As of March 31, 2011 and December 31, 2010, personnel employed by Transelec S.A. are detailed as follows:

	March 31, 2011			Total	Average of the year
	Manager and executives	Professionals and technical personnel	Other employees		
Total	13	297	168	478	474.7

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

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 periods March 31, 2011 and 2010, the Company has made the following disbursements related to environmental matters:

Company making disbursement	Project	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Transelec S.A.	Environmental impact studies	109,217	33,593
Total		109,217	33,593

Note 27 - Cash flows

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

	March 31, 2011 ThCh\$	March 31, 2010 ThCh\$
Bonds indexation	14,030,889	(1,022,643)
Fair Value adjustments of swap	46,751	-
Other adjustments	589,378	-
Total	14,667,018	(1,022,643)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010

(Translation of financial statements originally issued in Spanish-See Note 2.1)

Note 28 - Subsequent Events

On April 14, the company paid US\$ 245.1 million plus interest upon maturity of the entirety of its debt in Yankee bonds. Also, on the same date, it paid US\$ 38.2 million upon maturity of a swap for US\$ 50 million that the Company maintained with Citibank (currently Banco de Chile). The company used funds raised from a bond placement in January 2011 for UF 7 million to make these payments.

On April 28, 2011, an ordinary general meeting of the Company's shareholders was held, at which time shareholders agreed to:

- 1) Approve the Annual Report, Balance Sheet, Financial Statements and External Auditor Report for the period ended December 31, 2010.
- 2) Approve the distribution of a final dividend for 2010 of Ch\$19,815,903,600, which will be paid beginning May 27, 2011, to shareholders registered in the respective registry on May 20, 2011.
- 3) Communicate the dividend policy for the year 2011.
- 4) Fix compensation for the Board of Directors and Audit Committee.
- 5) Approve the appointment of Ernst & Young as the Company's external auditors for 2011.
- 6) Approve the appointment of Diario Financiero for publishing notices of general shareholders' meetings.

On April 28, 2011, an ordinary general meeting of the Company's subsidiary's shareholders was held, at which time shareholders agreed to:

- 1) Approve the Annual Report, Balance Sheet, Financial Statements and External Auditor Report for the period ended December 31, 2010.
- 2) Approve the distribution of a final dividend for 2010 of US\$2,885,478.70, which will be paid beginning May 27, 2011, to shareholders registered in the respective registry on May 20, 2011.
- 3) Communicate the dividend policy for the year 2011.
- 4) Approve the appointment of Ernst & Young as the company's external auditors for 2011.
- 5) Approve the appointment of Diario Financiero for publishing notices of general shareholders' meetings.

Between March 31, 2011 and the presentation date of these financial statements, the Company is not aware of any other significant events of a financial or accounting nature that could affect the Company's equity or the interpretation of these financial statements.



TRANSELEC S.A. AND SUBSIDIARY

MANAGEMENT DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2011

INTRODUCTION

During the first quarter of 2011, Transelec S.A. and subsidiary recorded net income of MCh\$ 12,588 (MCh\$ 15,562 in 2010), which is 19.1% lower than the comparison period. Operating revenues totaled MCh\$ 45,543, which is 9.3% higher than the comparison period (MCh\$ 41,653). EBITDA for the period was MCh\$ 37,950, with an EBITDA over revenues margin of 83.3% (83.5% in 2010). The Company's non-operating loss and income taxes for the 2011 period represented a charge of MCh\$ 14,249 (MCh\$ 6,948 in 2010). This higher non-operating loss can be explained fundamentally by higher financial expenses (MCh\$ 9,170 in first quarter 2011 compared to MCh\$ 2,492 in the comparison period), and by a higher loss from inflation-indexed assets and liabilities during 2011 (MCh\$ 3,418), in contrast to the loss of only MCh\$ 1,476 recorded in first quarter 2010.

In January 2011, Transelec issued bonds on the Chilean market for a total of UF 7 million (Serie L for UF 2.5 million at 3.65% per annum, Serie M for UF 1.5 million at 4.05% per annum and Serie N for UF 3.0 million at 3.95% per annum) to raise funds in advance to pay the principal on its Yankee bonds at maturity; the last coupon payment is due April 15, 2011.

In March 2011, local banks and Transelec signed a Committed Credit Line for up to UF 3 million which will be used to finance disbursements associated with its Investment Plan.

Transelec S.A. and subsidiary have prepared their financial statements as of March 31, 2011 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 (MCh\$), given the fact that the peso (Ch\$) is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

Items	March 2011 MCh\$	March 2010 MCh\$	Variation 2011/2010 %
Operating Revenues	45,543	41,653	9.3%
Toll sales	43,161	39,734	8.6%
Work and services	2,382	1,919	24.1%
Operating costs	-16,806	-17,426	-3.6%
Fixed costs	-6,124	-5,437	12.6%
Depreciation	-10,682	-11,989	-10.9%
Administraton and sales expenses	-1,901	-1,719	10.6%
Operating Income	26,837	22,509	19.2%
Financial Income	837	321	160.9%
Financial Costs	-9,170	-2,492	268.0%
Foreign exchange differences, net	-491	-870	-43.6%
Gain (loss) for indexed assets and liabilities	-3,418	-1,476	131.6%
Others	266	204	30.2%
Non-Operating Income	-11,976	-4,313	177.7%
Income before Income Taxes	14,860	18,196	-18.3%
Income tax	-2,273	-2,635	-13.7%
Net Income	12,588	15,562	-19.1%
EBITDA	37,950	34,800	9.1%

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

a) Operating Income

In the first three months of 2011, sales reached MCh\$ 45,543 (MCh\$ 41,653 in the same period in 2010), which is an increase of 9.3%. 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 the first quarter of 2011, the Company provided engineering and other services that accounted for 5.2% of total sales; in the comparison period, such other services only amounted to 4.6% of total revenue.

In 2011, cost of sales reached MCh\$ 16,806 (MCh\$ 17,426 in 2010). These costs are primarily related to maintaining and operating the Company's facilities. In percentage terms, 64% of the Company's costs correspond to depreciation of property, plant and equipment (69% in 2010), while the remaining 36% (31% in 2010) consists of personnel costs, supplies and services contracted.

Administrative and selling expenses amounted to MCh\$ 1,901 (MCh\$ 1,719 in 2010) and consist primarily of personnel expenses and expenses for contracted work, supplies and services (95% in 2011 and 94% in 2010), and depreciation (5% in 2011 and 6% in 2010).

b) Non-Operating Income

Net income recorded in the first quarter of 2011 was negatively impacted by the non-operating loss of MCh\$ 11,976 (MCh\$ 4,313 in 2010), which was generated mainly by financial expenses of MCh\$ 9,170 (MCh\$ 2,492 in 2010). This sharp increase in financial expenses is attributable primarily to interest accrued in 2010 being 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. Another important item that affected the non-operating loss recorded during the first quarter of 2011 was a charge from inflation-indexed assets and liabilities of MCh\$ 3,418 (compared to a charge of MCh\$ 1,476 in 2010).

2. BALANCE SHEET ANALYSIS

Items	March 2011 MCh\$	December 2010 MCh\$	Variation 2011/2010 %
Current assets	229,232	79,312	189.0%
Non-current assets	1,690,198	1,676,933	0.8%
Total Assets	1,919,430	1,756,245	9.3%
Current liabilities	183,526	183,111	0.2%
Non current liabilities	804,245	653,618	23.0%
Equity	931,659	919,517	1.3%
Total liabilities & Equity	1,919,430	1,756,245	9.3%

The increase in current assets as of March 2010 as compared to December 2010 is due to funds raised from issuing UF 7.0 million in bonds in January 2011 to finance the principal payment on its Yankee bond of US\$245 million and its associated swap, which mature in April 2011.

The increase in non-current liabilities as of March 2011 as compared to December 2010 can also be explained by the recognition of the recently issued bonds (L, M and N series) for UF 7 million.

VALUE OF PRINCIPAL OPERATING PROPERTY, PLANT AND EQUIPMENT

Assets	March 2011 MCh\$	December 2010 MCh\$	Variation 2011/2010 %
Land	20,421	19,949	2.4%
Building, Infraestructure, works in progress	858,003	851,299	0.8%
Machinery and equipment	390,635	390,316	0.1%
Other fixed assets	1,859	1,891	-1.7%
Depreciation (less)	-179,640	-168,902	6.4%
Total	1,091,278	1,094,553	-0.3%

OUTSTANDING DEBT

Debt	Currency or index	Interest rate	Type of rate	Amount in original currency (million) Unpaid capital	
				March 2011	December 2010
Yankee bond	US\$	7.88%	Fixed	245.1	245.1
Series C bond	UF	3.50%	Fixed	6.0	6.0
Series D bond	UF	4.25%	Fixed	13.5	13.5
Series E bond	UF	3.90%	Fixed	3.3	3.3
Series F bond	CLP	4.80%	Fixed	33,600.0	33,600.0
Series H bond	UF	5.70%	Fixed	3.0	3.0
Series I bond	UF	3.50%	Fixed	1.5	1.5
Series K bond	UF	4.60%	Fixed	1.6	1.6
Series L bond	UF	3.65%	Fixed	2.5	--
Series M bond	UF	4.05%	Fixed	1.5	--
Series N bond	UF	3.95%	Fixed	3.0	--

3. PRINCIPAL CASH FLOWS FOR THE PERIOD

Items	March 2011 MCh\$	March 2010 MCh\$	Variation 2011/2010 %
Cash flow arising from (used in) operating activities	34,823	19,135	82.0%
Cash flow arising from (used in) investing activities	-24,214	-19,480	24.3%
Cash flow arising from (used in) financing activities	145,775	-63,598	-329.2%
Net increase (decrease) of cash and cash equivalent	156,385	-63,942	-344.6%
Cash and cash equivalent at the beginning of the period	35,495	137,896	-74.3%
Cash and cash equivalent at the end of the period	191,880	73,954	159.5%

The net positive cash flows from financing activities recorded in the first quarter of 2011 of MCh\$ 145,775 are due primarily to funds raised from issuing the series L, M and N bonds for UF 7 million. In 2010, financing activities generated negative cash flows of MCh\$ 63,598 as a result of payments made on the series B bonds totaling UF 3.04 million.



In the first three months of 2011, investing activities generated net negative cash flows of MCh\$ 24,214 because of net additions to property, plant and equipment. In the comparison period, investing activities generated negative cash flows of MCh\$ 19,480, also as a result of net additions to property, plant and equipment.

The final balance of cash and cash equivalents as of March 31, 2011 amounted to MCh\$ 191,880, from an opening balance of MCh\$ 35,495. As of March 31, 2010, the final balance of cash and cash equivalents amounted to MCh\$ 73,954, from an opening balance of MCh\$ 137,896.

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 (up to)	Maturity	Type of Credit
Scotiabank Sudamericano	US\$15.000.000	06-11-2011	Working Capital
DnBNnor	US\$30.000.000	28-02-2012	Working Capital
Scotiabank Sudamericano	US\$15.000.000	31-03-2011	Working Capital
Scotiabank-Corpbanca	UF 3.000.000	03-03-2012	Project Financing

In March 2011, local banks (Scotiabank and Corpbanca) and Transelec signed a Committed Credit Line for up to UF 3 million which is intended to be used to finance disbursements associated with Transelec's 2011 Investment Plan. Withdrawals can be made within 12 month from starting date and amortizations must be done within 7 years, as a maximum.

4. RATIOS

Limit	Covenant	March 2011	December 2010	Status
> 1,5	FNO/Financial Expenses (**)	4.62	5.27	OK
< 0,7	Capitalization Ratio (***)	0.50	0.45	OK
> ThUF15,000	Shareholder's Equity (in ThUF)	43,658	43,089	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 + Non controlling 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 March 31, 2011 amounts to MCh\$ 24,970.

INDICATORS	March 2011	December 2010	Variation 2011/2010
Profitability			
Shareholders' Equity profitability *	5.40%	6.07%	-11.0%
Assets profitability *	2.62%	3.18%	-17.6%
Operating assets profitability *	8.72%	8.16%	6.9%
Earnings per share (\$) *	50.35091	55.82505	-9.8%
Liquidity & Indebtedness			
Current Ratio	1.25	0.43	190.7%
Acid-Test Ratio	1.25	0.43	188.5%
Debt to Equity	1.06	0.91	16.5%
% Short term debt	18.58	21.88	-15.1%
% Log term debt	81.42	78.12	4.2%
Financial expenses coverage	4.14	13.97	-70.4%

* Yearly basis

The increase in the Company's liquidity ratios is due to increased cash available after placing the L, M and N series bonds in January 2011. These funds will be used to pay the principal on its Yankee bond and its associated swap upon maturity in April 2011.

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 Central Interconnected System (SIC) and the Great North Interconnected System (SING). This transmission system transports the electricity that supplies approximately 99% of Chile's population. The Company owns 100% of the 500 kV electricity transport lines, 45% of the 220 kV lines and 94% of the 154 kV lines.

The legal framework that governs the electrical transmission business in Chile is contained in DFL No. 4/2006, which establishes the modified, coordinated and systemized text of Decree with Force of Law No. 1 from the Ministry of Mining, issued in 1982; and the General Electricity Services Law. (DFL(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. As of the date of this management discussion and analysis, the decree setting trunk tariffs for the 2011-2014 period has not yet been issued.

Decree No. 320 from the Ministry of Economy, Development and Reconstruction, which sets tariffs for subtransmission facilities, was published in the Official Gazette on January 9, 2009 and the new tariffs begin to be applied on January 14, 2009 and will be in effect until October 31, 2010. The new subtransmission tariffs that will be in effect during the period from November 2010 to October 2014 shall be set by the Ministry of Energy based on valuation studies on subtransmission facilities that began during 2010. As of the date of this management discussion and analysis, the decree setting subtransmission tariffs for the November 2010 - October 2014 period has not yet been issued.

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; results from this study will be the base to set tariffs and indexation formulas for the 2011-2014 period. The results of this study will be applicable during the second 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 be used as the base for the setting of the tariffs and indexation formulas for the period November 2010 - October 2014. The CNE will issue its technical report in the first semester of 2011, then any potential discrepancies will be heard and solved by the Panel of Experts. After the completion of these steps, a new decree with the new set of tariffs will be enacted; these new tariffs will be applicable retroactively since November 1st, 2010.

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

The operations of Transelec are governed by Law No. 19,300, Chile's Environmental Bases ("Environmental Law"), enacted in 1994. The Environmental Law requires entities that develop projects involving high voltage transmission lines and substations to be subject to the Environmental Impact Assessment System (SEIA for its Spanish language acronym) and conduct Environmental Impact Studies (EIA for its Spanish language acronym) or Environmental Impact Assessment (DIA for its Spanish language acronym) for any future project or activity that may affect the environment, and to file them with the new Environmental Assessment Service.

Among other modifications, recent amendments created a new environmental institutional structure, new documents to be filed (or the modification of some of the existing documents); hence, Transelec must adapt its procedures to these new requirements. In particular, current structure consists: (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 in charge of the regulation, assessing and supervising activities with environmental impact. These new institutions replaced the National Environmental Commission (CONAMA) and the Regional Environmental Commissions (COREMA) 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 and for Environmental Impact Assessment, and new duties and rights for the Environmental Services that grant them new powers; these new requirements and powers will be applicable once a By-law will be enacted, that, in turn, will occur once the Contraloría General de la República reviewed it.

Notwithstanding Transelec accomplish environmental requirements established in the Law Transelec cannot ensure that these environmental impact studies or assessments filed with Environmental Authorities will be approved by government authorities within the periods and under the terms presented by the Company, or, given any public opposition, any delays or modifications will not occur in the proposed projects, or laws and regulations will not change or be interpreted in a manner that could adversely affect the Company's operations and plans.

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 annuity of the valuation of the existing facilities (AVI), valuation that is reviewed each 4 years for the regulated branches (those that are not subject to a contract). Any important technological changes in the equipment at its facilities could lower this valuation, which could in turn prevent recovery 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:

In million pesos	March 2011		December 2010	
	Assets	Liabilities	Assets	Liabilities
Dollar (amounts associated with balance sheet items)	93.360	100.633	98.453	100.717
Dollar (amounts associated with income statement items)	-	13.665	-	26.677
Chilean peso	1.823.713	884.782	1.655.610	733.826

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

EXCHANGE RATE

Month	Average 2010 (\$)	Last day 2010 (\$)	Average 2009 (\$)	Last day 2009 (\$)
January	489.44	483.32	500.66	531.75
February	475.69	475.63	532.56	529.69
March	479.65	482.08	523.16	526.29
Average of the period	481.59	480.34	518.79	529.24

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

Revenues	March 31, 2011 TCh\$	March 31, 2010 TCh\$
Endesa Group	20,074,574	16,019,933
AES Gener	5,427,317	7,232,573
Colbún Group	4,642,656	8,817,728
Others	15,398,944	9,583,166
Total	45,543,491	41,653,400
% Concentration	66.19%	76.99%

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

The Company believes no allowance for doubtful accounts is necessary as of 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 March 31, 2011, these lines have not been used and are expected to be renewed upon maturity. These credit lines were in effect during the entire year 2010 and continue to be in effect as of March 31, 2011.

In addition, since March 2011, Transelec has available a committed credit line for up to UF 3 million, that is intended to be used to finance the disbursements associated with its 2011 investment plan.

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 March 31, 2011 and 2010:



In million pesos	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
March 31, 2011	117,534	0	191,121	129,470	487,669	925,793
December 31, 2010	114,727	0	136,587	128,733	388,345	768,392

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.

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

That on that same date, Transelec S.A. placed bonds in the local market of L, M and N series, against 10 and 30 years lines , registered at the SVS under numbers 598 and 599, respectively.

2) On March 17th 2011, and according to article 9 and subsection 2 of article 10 of the law No 18,045 of Securities Market, the following relevant fact was reported:

Transelec S.A.'s Board of Directors, at the meeting held on March 16th 2011, agreed on calling to the Annual Shareholders Meeting, to be held on April 28th 2011, 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 on the following matters:

- 1) Annual Report, General Balance, Financial Statements and Report from the External Auditors, corresponding to the period finished on December 31st 2010.
- 2) Definitive dividend distribution.
- 3) Dividend policy and information about the payment procedures.
- 4) Fees to be paid to the Board of Directors and the Audit Committee
- 5) Appointment of External Auditors.
- 6) Newspaper to be used for the Shareholders Meeting call.
- 7) Other matters of interest for the company and within the Shareholders' competency.

TRANSELEC NORTE S.A.

RELEVANT FACTS

On March 17th 2011, and according to article 9 and subsection 2 of article 10 of the law No 18,045 on Securities Market, the following relevant fact was reported:

Transelec Norte S.A.'s Board of Directors, at the meeting held on March 16th 2011, agreed on calling to the Annual Shareholders Meeting, to be held on April 28th 2011, 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 on the following matters:

- 1) Annual Report, General Balance, Financial Statements and Report from the External Auditors, corresponding to the period finished on December 31 2010.
- 2) Definitive dividend distribution.
- 3) Dividend policy and information about the payment procedures.
- 4) Appointment of External Auditors.
- 5) Newspaper to be used for the Shareholders Meeting call.
- 6) Other matters of interest for the company and within the Shareholders' competency.