TRANSELEC S.A. AND SUBSIDIARY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period ended June 30, 2010

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

Interim Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Period ended June 30, 2010

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Report of Independent Auditors

(Translation of a report originally issued in Spanish - See Note 2)

To the Directors and Shareholders of
Transelec S.A.:

We have reviewed the interim consolidated statement of financial position as of June 30, 2010 of Transelec S.A. and subsidiary, and the related interim consolidated statements of comprehensive income for the six- and three-month periods ended June 30, 2010 and 2009, of changes in equity and cash flows for the six-month periods then ended. The Management of Transelec S.A. and subsidiary is responsible for the preparation and presentation of these interim consolidated financial statements and their corresponding notes in accordance with IAS 34 "Interim Financial Reporting" (IAS 34) incorporated in the International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

We conducted our review in accordance with generally accepted auditing standards in Chile for a limited review of interim financial information. A review of interim financial information consists primarily of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is expressing an opinion on the financial statements taken as a whole. Accordingly, we do not express such audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, incorporated in the IFRS.

We have previously performed an audit, in accordance with generally accepted auditing standards in Chile, of the consolidated statement of financial position of Transelec S.A. and subsidiary as of December 31, 2009, the consolidated opening statement of financial position as of January 1, 2009 and the corresponding consolidated statements of comprehensive income, of changes in equity and cash flows for the year ended December 31, 2009, that management has prepared as part of the Company's conversion process to IFRS.

Miguel Vicencio T. ERNST & YOUNG LTDA.

Santiago, Chile
July 23, 2010

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Finacial Position

As of June 30, 2010, December 31, 2009 and January 1, 2009

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

ASSETS	Note	June 30, 2010 ThCh$$	December 31, 2009 ThCh$$	January 1, 2009 ThCh$$
Current Assets				
Cash and cash equivalents	(5)	57,674,656	137,896,486	66,791,219
Other non-financial assets		982,912	738,598	524,762
Trade and other receivables	(6)	34,445,026	38,872,534	33,180,788
Receivables from related parties	(7)	-	50,352	48,204
Inventory	(8)	39,584	39,584	42,270
Current tax assets		2,708,160	2,772,469	2,319,462
Total current assets		95,850,338	180,370,023	102,906,705
Non-Current Assets				
Other financial assets		223,469	233,953	319,220
Other non-financial assets	(7)	14,719,524	11,990,470	9,074,726
Receivables from related parties		16,853,452	15,618,680	19,602,660
Intangible assets other than goodwill	(10)	138,338,.468	138,000,573	139,706,389
Goodwill	(10)	338,897,614	338,897,614	338,897,614
Property, plant and equipment	(11)	1,123,654,800	1,090,442,342	1,077,464,418
Deferred tax assets	(12)	33,638,707	36,841,967	49,843,073
Total non-current assets		1.666.326.034	1,632,025,599	1,634,908,100
Total Assets		**1,762,176,372**	**1,812,395,622**	**1,737,814,805**

The accompanying notes are an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Finacial Position

As of June 30, 2010, December 31, 2009 and January 1, 2009

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

EQUITY AND LIABILITIES	Note	June 30, 2010 ThCh$$	December 31, 2009 ThCh$$	January 1, 2009 ThCh$$
Current Liabilities				
Other financial liabilities	(13)	158,205,539	9,184,065	16,293,229
Trade and other payables	(14)	28,063,141	29,760,038	25,511,440
Current tax liabilities		174,027	1,513,921	2,724,089
Current provisions for employee benefits	(16)	3,017,726	3,457,452	3,516,102
Other non-financial liabilities		45,969	-	4,474,336
Total current liabilities		189,506,402	43,915,476	52,519,196
Non-current Liabilities				
Other financial liabilities	(13)	638,251,105	843,085,688	788,911,946
Deferred tax liabilities	(12)	3,941,131	3.739.822	4,734,143
Non-current provisions for employee benefits	(16)	3,720,265	3,720,265	3,541,269
Other non-financial liabilities		1,156,486	-	-
Total non-current liabilities		647,068,987	850,545,775	797,187,358
Total liabilities		836,575,389	894,461,251	849,706,554
Equity				
Paid-in capital	(18)	838,211,823	838,211,823	857,944,548
Retained earnings		68,175,177	60,565,965	29,784,289
Other reserves		19,210,278	19,153,097	374,490
Total equity attributable to owners of the parent		925,597,278	917,930,885	888,103,327
Non-controlling interest		3,705	3,486	4,924
Total equity		925,600,983	917,934,371	888,108,251
Total Equity and Liabilities		**1,762,176,372**	**1,812,395,622**	**1, 737,814,805**

The accompanying notes are an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Income Statements

For the six and three month periods ended June 30, 2010 and 2009

(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**	**Six months ended June 30, 2010**	**Six months ended June 30, 2009**	**Three months ended June 30, 2010**	**Three months ended June 30, 2010**
Operating revenues	(19)	86,012,894	87,011,458	44,359,495	43,326,727
Cost of sales		(35,653,189)	(32,633,275)	(18,227,681)	(17,373,031)
GROSS MARGIN		**50,359,705**	**54,378,183**	**26,131,814**	**25,953,696**
Administrative expenses		(3,176,456)	(3,213,740)	(1,457,537)	(1,415,875)
Other gains (losses), net		414,984	297,538	221,844	326,439
Financial income	(19)	561,160	1,653,341	240,174	557,318
Financial costs	(20)	(8,402,882)	(32,441,556)	(5,921,355)	(9,782,274)
Foreign currency translation	(20)	(1,534,901)	(781,198)	(664,773)	(1,019,706)
Gain (loss) for indexed assets and liabilities	(20)	(6,919,829)	16,809,818	(5,443,962)	877,433
Income Before Income Taxes	(21)	**31,301,781**	**36,702,386**	**13,106,205**	**(15,497,031)**
Income tax expense	(21)	(4,300,208)	(5,760,513)	(1,665,547)	(1,933,904)
Income from continuing operations		27,001,573	30,941,873	11,440,658	13,563,127
Income (loss) from discontinued operations		-	-	-,-	-,-
Income attributable to		27,001,573	30,941,873	11,440,658	13,563,127
Income attributable to owners of parent		27,001,501	30,941,743	11,440,639	13,562,769
Income attributable to non-controlling interest		72	130	19	358
Net income		**27,001,573**	**30,941,873**	**11,440,658**	**13,563,127**
Earnings per share					
Basic earnings per share					
Basic earnings per share from continuing operations ($/a)		27,001.573	30,941.873	11,440.658	13,563.127
Basic earnings (loss) per share from discontinued operations		-	-	-	-
Basic earnings per share ($/a)		27,001.573	30,941.873	11,440.658	13,563.127
Diluted earnings per share		-	-	-	-
Diluted earnings per share from continuing operations ($/a)		27,001.573	30,941.873	11,440.658	13,563.127
Diluted earnings (loss) per share from discontinued operations		-	-	-	-
Diluted earnings per share ($/a)		27,001.573	30,941.873	11,440.658	13,563.127

The accompanying notes are an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statement of Comprehensive Income

For the six and three month periods ended June 30, 2010 and 2009
(Expressed in thousands of Chilean pesos (ThCh$))
(Translation of financial statements originally issued in Spanish-See Note 2.1)

	Six months ended June 30, 2010	**Six months ended June 30, 2009**	**Three months ended June 30, 2010**	**Three months ended June 30, 2010**
NET INCOME	27,001,573	30,941,873	11,440,658	13,563,127
Cash flow hedge				
Gains (losses) on foreign currency translation differences, before Taxes	206,010	(122,766)	200,182	(97,219)
Cash flow hedges				
Gains (losses) on cash flow hedges, before taxes	(148,829)	848,730	178,704	(667,186)
Income taxes related to components of other comprehensive income				
Income taxes related to foreign currency translation differences from other comprehensive income				
Other comprehensive income	57,181	725,964	378,886	(764,405)
Total comprehensive income	**27,058,754**	**31,667,837**	**11,819,544**	**12,798,722**
Comprehensive income attributable to owners of the parent	27,058,682	31,667,707	11,819,691	12,799,156
Comprehensive income attributable to non controlling interest	72	130	(147)	(434)
Total comprehensive income	**27,058,754**	**31,667,837**	**11,819,544**	**12,798,722**

The accompanying notes are an integral part of these interim consolidated financial statements

TRANSELEC S.A. AND SUBSIDIARY

Statement of Changes in Equity

For the six month period ended June 30, 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**	**Other reserves**	**Retained earnings (accumulated losses)**	**Equity attributable to owners of parent**	**Non controlling interest**	**Total Equity**
	ThCh$	**ThCh$**	**ThCh$**			**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Opening balance as current period 1, 2010	-.-		-						
Changes in equity	838,211,823	(174,760)	(404,868)	19,732,725	19,153,097	60,565,965	917,93,885	3,486	917,934,371
Increase (decrease for changes in accounting policies						-		-	-.-
Increase (decrease for changes correction of miscalculations	-.-						-.-		
Opening balance restated	838,211,823	(174,760)	(404,868)	19,732,725	19,153,097	60,565,965	917,930,885	3,486	917,934,371
Changes in equity	-					-			
Comprehensive income	-								
Income (loss)	-	-	-			27,001,501	27,001,501	72	27,001,573
Other comprehensive income		206,010	(148,829)		57,181	-.-	57,181	-.-	57,181
Comprehensive Income		206,010	(148,829)		57,181	27,001,501	27,058,682	72	27,058,754
Dividends						(19,119,870)	(19,119,870)	-.-	(19,119,870)
Increase (decrease) from transfers and other changes		-	-						
Other Changes						(272,419)	(272,419)	147	(272,272)
Total changes in equity		206,010	(148,829)		57,181	7, 609,212	7,666,393	219	7,666,612
Closing balance as of June 30, 2010	838,211,823	31,250	(553,697)	19,732,725	19,210,278	68,175,177	925,597,278	3,705	925,600,983

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

TRANSELEC S.A. AND SUBSIDIARY

Statement of Changes in Equity

For the six month period ended June 30, 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 (accumulated losses)	Equity attributable to owners of parent	Non controlling interest	Total Equity
	ThCh$	ThCh$	ThCh$			ThCh$	ThCh$	ThCh$	ThCh$
Opening balance as current period 1, 2009	-.-		-						
Changes in equity	857,944,548	-	374,490		374,490	29,784,289	888,103,327	4,924	888,108,251
Increase (decrease for changes in accounting policies	-					-	-	-	-.-
Increase (decrease for changes correction of miscalculations									
Opening balance restated	**857,944,548**	**-**	**374,490**		**374,490**	**29,784,289**	**- 888,103,327**	**4,924**	**888,108,251**
Changes in equity	-					-			
Comprehensive income	-						-		
Income (loss)	-	-	-			30,941,743	30,941,743	130	
Other comprehensive income		(122,766)	848,730		725,964		725,964		30,941,873
Comprehensive Income		**(122,766)**	**848,730**		**725,964**	**30,941,743**	**31,667,707**	**130**	**31,667,837**
Dividends						(10,640,893)	(10,640,893)		(10,640,893)
Increase (decrease) from transfers and other changes	(19,732.725)	-	-	19,732,725	19,732,725	(294,402)	(294,402)	(1,405)	(295,807)
Total changes in equity	**(19,732.725)**	**(122,766)**	**848,730**	**19,732,725**	**20,458,689**	**20,006,448**	**20,732,412**	**(1,275)**	**20,731,137**
Closing balance as of June 30, 2009	**838,211,823**	**(122,766)**	**1,223,220**	**19,732,725**	**20,833,179**	**49,790,737**	**908,835,739**	**3,649**	**908,839,388**

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

TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Indirect Statements of Cash Flows

For the six months periods ended June 30, 2010 and 2009

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

	Six months ended June 30, 2010 ThCh$	Six months ended June 30, 2009 ThCh$
Cash Flows Provided by (Used in) Operating Activities		
Net income	27,001,573	30,941,873
Adjustments for reconciliation of net income :		
Adjustments for income tax expense	4,300,208	5,760,513
Adjustments for decreases (increases) in trade receivables	4,427,508	(6,248,695)
Adjustments for decreases (increases) in trade payables	(3,089,843)	8,109,675
Adjustments for depreciation and amortization expenses	22,891,572	21,169,366
Adjustments for provisions	(386,674)	(2,995,397)
Adjustments for unrealized foreign currency translation gains (losses)	(1,777,707)	223,357
Adjustments no-controlling interest	(72)	(130)
Adjustments for non-cash items	20,699,670	11,305,079
Total adjustments for reconciliation of income	47,064,662	37,323,768
Dividends paid	(19,119,870)	(15,108,000)
Interests paid	(20,082,147)	(21,427 ,806)
Net cash flows provided by operating activities	34,864,218	31,729,835
Cash Flows Provided by (Used in) Investing Activities		
Additions of property, plant and equipment	(51,488,155)	(25,544,025)
Net cash flows used in investing activities	(51,488,155)	(25,544,025)
Cash Flows Provided by (Used in) Financing Activities		
Loans from related parties	-	10,981,489
Payment of loans	(63,597,893)	(673,975)
Net cash flows provided by (used in) financing activities	(63,597,893)	10,307,514
Net Increase (Decrease) in Cash and Cash Equivalents	(80,221,830)	16,493,324
Cash and Cash Equivalents, Opening Balance	137,896,486	66,791,219
Cash and Cash Equivalents, Closing Balance	57,674,656	83,284,543

The accompanying notes are an integral part of these interim consolidated financial statements

Note 1 - General Information

Rentas Eléctricas III Limitada was formed as a limited liability company by public deed on June 6, 2006. On March 26, 2007, it changed its name to Rentas Eléctricas III S.A. and became a corporation. On June 30, 2007, it 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.

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.

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.

Note 1 - General Information (continued)

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

These interim consolidated financial statements, issued for the three-month period ended March 31, 2010, were approved by the Board of Directors in Ordinary Meeting No. 52/10 held on April 29, 2010.

Note 2 - Summary of Significant Accounting Principles

The principal accounting policies applied in preparing these interim financial statements consolidated are detailed below. Unless otherwise noted, these policies have been based on IFRS in effect as of June 30, 2010 and applied uniformly for all periods presented.

2.1 Basis of preparation of the interim 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 group's 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.

Note 2 - Summary of Significant Accounting Principles (continued)

2. 1 Basis of preparation of intermediate consolidated financial statements (continued)

In preparing these intermediate 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

The following accounting standards have been issued by the IASB as of the date of issuance of these intermediate consolidated financial statements, but application is not mandatory:

Standards and Amendments	Content	Date of Mandatory Application (for periods beginning)
IFRS 9	Financial instruments	January 1, 2013
Revised IAS 24	Related parties	January 1, 2011
IFRIC 14	Minimum Funding Requirements	January 1, 2011
Amendments and improvements		
IFRS 1	First time adoption	January 1, 2011
IFRS 3	Business combination	January 1, 2011
IFRS 7	Financial Instruments: Disclosures	January 1, 2011
IAS 1	Presentation of Financial Statements	January 1, 2011
IAS 24	Related parties	January 1, 2011
IAS 27	Consolidated and separate financial statements	January 1, 2011
IAS 32	Financial Instruments - Presentation	January 1, 2011
IAS 34	Interim Financial Reporting	January 1, 2011
IFRIC 13	Customer Loyalty Programs	January 1

The Company's Management estimates that adopting the aforementioned standards, amendments and interpretations will not have a significant impact on the consolidated financial statements of Transelec S.A. and subsidiary in the period of their initial application.

Note 2 - Summary of Significant Accounting Principles (continued)

2.3 Principles of consolidation

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

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

At the date of acquisition, the assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity are recorded at fair value. In the event that there is a positive difference between the acquisition cost and the fair value of the assets and liabilities of the acquired entity, including contingent liabilities, corresponding to the parent's share, this difference is recorded as goodwill. In the event that the difference is negative, it is recorded with a credit to income. Business combinations that occurred before the transition to IFRS were not restated, in accordance with the IFRS 1 exemption applied (see Note 28).

The value of non-controlling interest in equity and the results of the consolidated subsidiary are presented, respectively, under the headings "Net Equity: non-controlling interest" in the consolidated statement of financial position and "Gain (loss) attributable to non-controlling interest" in the consolidated income statement.

2.4. Foreign exchange transactions

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.

Note 2 - Summary of Significant Accounting Principles (continued)

2.4.2 Transactions and balances

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

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

2.4.3 Subsidary 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).

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 June 30, 2010, December 31, 2009 and January 1, 2009.

Note 2 - Summary of Significant Accounting Principles (continued)

2.4.4 Exchange rates

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

Currency	Pesos per unit		
	June 30, 2010	December 31, 2010	January 1, 2009
Unidad de Fomento	21,202.16	20,942.88	21,452.57
US$	547.19	507.10	636.46
Euro	669.51	726.82	898.81

2.5 Segments reporting

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

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

c) Future disbursements that Transelec S.A. and its subsidiary must make to close their facilities are incorporated into the value of the asset at present value, recording the corresponding provision in accounting. On a yearly 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 (see Note 28.2).

Note 2 - Summary of Significant Accounting Principles (continued)

2.6 Property, plant and equipment (continued)

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

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

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

	Range for estimated useful life	
	Minimum	**Maximum**
Buildings and infrastructure	20	50
Machinery and equipment	15	40
Other assets	3	15

2.7 Intangible assets

2.7.1 Goodwill

The goodwill represents the difference between the acquisition cost and the fair value of the net assets acquired in a business combination. Goodwill is not amortized; instead, at each period 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 periods covered by those financial statements, there was no evidence of impairment of goodwill.

Note 2 - Summary of Significant Accounting Principles (continued)

2.7.2 Easements

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

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.

2.8. Impairment loss of non-financial assets.

Assets with an indefinite useful life, such as land and easements, 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).

Note 2 - Summary of Significant Accounting Principles (continued)

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.

Impairment of goodwill is not reversed.

2.9. Financial assets

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

- Trade and other receivables, including Receivables from related parties: are non-derivative financial assets with fixed or determinable payments that are not quoted in n active market. Such financial assets are carried at amortised cost using the effective interest rate method
- Investments held to maturity: non derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold and is capable of holding until their maturity. After initial recognition these assets are valued at its amortized cost as defined in the preceding paragraph.

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

- Financial assets at fair value through profit and 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 in the statement of consolidated financial position, with changes in value recorded directly in income when they occur.

Note 2 - Summary of Significant Accounting Principles (continued)

2.9. Financial assets (continued)

- Available-for-sale investments: These are financial assets specifically designated as available for sale or that do not fit within any of the three preceding categories and consist almost entirely of financial investments in shares/equity instruments (See Note 5). 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 lesser 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" (see Note 5) 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 less than the acquisition cost, if there is objective evidence that the asset has been more than temporarily impaired, the difference is recorded directly in the income statement.

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

  A financial asset is derecognized when:

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

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

2.9. Financial assets (continued)

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 reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

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 net 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 period end. Any gains or losses from variations in these fair values are recognized in the statement of comprehensive income unless the derivative is designated as a hedge instrument, in which case recognition of the gain or loss depends on the nature of the hedge relationship.

The types of hedges are as follows:

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

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

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

2.10.1 Fair value hedge

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

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

Note 2 - Summary of Significant Accounting Principles (continued)

2.10.2 Cash flow hedges

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

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

2.10.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for on a similar basis to cash flow hedges. Foreign currency translation originated by a net investment in a foreign entity and derived from the hedge transaction should be registered in equity reserve (under “Other reserves” heading) until the investment's disposal. Gains or

losses relating to the ineffective portion are recognized immediately in the income statement in the line item “Other gains (losses)”.

Losses and gains accumulated in equity are included in the income statement when the hedged foreign operation is disposed of.

Note 2 - Summary of Significant Accounting Principles (continued)

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

2.11 Inventory

Inventory is valued at the lower of cost and net realisable value.

Note 2 - Summary of Significant Accounting Principles (continued)

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

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

Financial liabilities are initially recognised at its fair value. In the case of loans they also include the direct transactions costs.

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

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

2.15 Income tax and deferred taxes

Income tax expense or benefit for the period 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 period, after allowable deductions have been made, plus any changes in deferred tax assets and liabilities and tax credits, both for tax losses and deductions.

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

Note 2 - Summary of Significant Accounting Principles (continued)

2.15 Income tax and deferred taxes (continued)

Current taxes and changes in deferred tax assets and liabilities not from business combinations are recorded in income or in net 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 balance sheet 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 utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Any deductions that can be applied at a given moment as current tax liabilities are credited to income within the income tax account, except when doubts exist about their tax realization, in which case they are not recognized until they are effectively materialized, or when they correspond to specific tax incentives, in which case they are recorded as subsidies. As of each period end, the company reviews the deferred taxes it has recorded, both assets and liabilities, in order to determine that they remain current and make any necessary corrections based on the results of this analysis.

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.

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 balance sheet date, of the time value of money, as well as the specific risk related to the particular liability, if appropriate. Increases in provisions due to the passage of time are recognized in interest expense.

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

Note 2 - Summary of Significant Accounting Principles (continued)

2.18 Classification of current and non-current balances

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

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

2.19 Revenue recognition

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

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

Note 2 - Summary of Significant Accounting Principles (continued)

2.20 Leases

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

Operative leasing installments of these contracts are recognised in the income statement during the term of the contract, unless another basis is more representative.

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.

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. See Note 9.

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. See detail in Note 9.2.

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

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

Note 3 - Risk Management Policy

3.1 Financial risk

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

3.1.1 Market risk

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

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

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

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

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

3.1.1.1 Interest rate risk

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

3.1 Financial risk (continued)

3.1.1 Market risk (continued)

3.1.1.1 Interest rate risk (continued)

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

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

The following table presents the Company's debt as of June 30, 2010 and 2009. The table shows that all of the Company's debt is at fixed rates. However, in the case of UF-indexed debt, variations in inflation rates could potentially impact the Company's financial expenses.

				Amount in Original Currency (thousand)		
Debt	Currency or index	Interest Rate	Type of rate	June 30, 2010	December 31, 2009	January 01, 2009
Bono Yankee	US$	7.88%	fixed	245,138	245,138	465,000
Bono Serie B	UF	6.20%	fixed	-	3,040	3,104
Bono Serie C	UF	3.50%	fixed	6,000	6,000	6,000
Bono Serie D	UF	4.25%	fixed	13,500	13,500	13,500
Bono Serie E	UF	3.90%	fixed	3,300	3,300	-
Bono Serie F	CLP	4.80%	fixed	33,600,000	33,600,000	-
Bono Serie H	UF	5.70%	fixed	3,000	3,000	-
Bono Serie I	UF	3.50%	fixed	1,500	1,500	-
Bono Serie K	UF	4.60%	fixed	1,600	1,600	-

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

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)

3.1.1.1.1 Sensitivity analysis

a) Net assets at floating rates

Net assets at floating rates	June 30, 2010 ThCh$ 57,674.66 Net Income (gain)/loss		December 31, 2009 ThCh$ 137,896.49 Net Income (gain)/loss		January 01, 2009 ThCh$ 66,791.22 Net Income (gain)/loss	
	Change of - 50 bps (base 360)	Change of - 50bps (base 360)	Change of + 50 bps (base 360)	Change of - 50bps (base 360)	Change of + 50bps (base 360)	Change of - 50bps (base 360)
Before tax impact of a change in interest rates (gain)/loss	(36.02)	36.07	(86.13)	86.24	(41.72)	41.77

b) Net assets at fixed rates

Changes in the value of swap contracts maintained for trading are recorded in net income, while changes in the value of contracts qualifying for hedge accounting as well as changes in the value of contracts designated for sale are recorded in other comprehensive income accounts.

June 30, 2010Assets (liabilities) at fixed rates (notional)	ThCh$(14,311.32) Income (gain)/loss		ThCh$ OCI (gain)/loss	
	Change of -50 bps	Change of +50bps	Change of -50 bps	Change of + 50bps
Before tax impact of a change in interest rates (gain)/loss	(169.3)	168	-	-

June 30, 2009Assets (liabilities) at fixed rates (notional)	ThCh$(47,210) Income (gain)/loss		ThCh$$ OCI (gain)/loss -	
	Change of -50 bps	Change of +50bps	Change of -50 bps	Change of + 50bps
Before tax impact of a change in interest rates (gain)/loss	(391.2)	384.3	-	-

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 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 period end:

	Liabilities		Assets	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	ThCh$	ThCh$	ThCh$	ThCh$
U.S. dollar (amounts associated with balance sheet entries)	113,554.71	117,509.64	112,672.70	118,808.83
U.S. dollar (amounts associated with income statement entries)	27,906.70	27,687.66	-	-
Chilean peso	725,229.77	803,708.48	1,651,930.98	1,701,882.18

b) Periodically selling, in advance, a portion of its revenues indexed to US dollars, because a significant part of the Company's income is fixed in US dollars (which are indexed every 6 months) and its operating costs are in local currency.

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

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 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 foreign currencies. 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 2,5% implies a weakening of the Chilean peso with respect to the foreign currency, which negatively impacts the income statement or in other comprehensive income.

Item (Currency)	Position Long / (Short)	Net income (gain)/loss Change (-10%)	Net income (gain)/loss Change (+10%)	Position Long / (Short)	OCI (gain)/loss Change (-1%)	OCI (gain)/loss Change (+1%)
Receivables (US$)	1,680	153	(168)			
Payables (US$)	(3,867)	(352)	387			
Cash (US$)	13,035	1,185	(1,304)			
Forwards (assets) (US$)	18,386	1.671	(1,839)			
Forwards (income)		-.-	-.-	(27,907)	(2,537)	2,791
Bonds (US$)	(57,911)	(5,265)	5,791	(79,597)	(7,236)	7,960
Swaps (US$)	27,820	2,529	(2,782)		-.-	-.-
Intercompany loans		-.-	-.-		-.-	-.-
Fixed assets		-.-	-.-	79,597	7,236	(7,960)
Works in progress		-.-	-.-		-.-	-.-
Other (US$)	(25)	(2)	2		-.-	-.-
Total	(882)	(81)	87	(27,907)	(2,537)	2,791

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 one client, as shown below:

Revenues	For the six-month period ended June 30, 2010	For the six-month period ended June 30, 2009
	TCh$	TCh$
Principal Client	64,466,378	62,468,112
Others	21,546,516	24,543,346
Total	86,012,894	87,011,458
% Concentration	74.95%	71,79%

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

The Company believes no allowance for doubtful accounts was necessary as of June 30, 2010, December 31, 2009 and January 1, 2009.

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.

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 MCh$ 32,831.40) and investments, acquisitions and/or refinancing (UF 3,206,453, equivalent to MCh$67,983.70). To date, these lines have not been used and are expected to be renewed upon maturity. These credit lines were in effect during the entire year 2009 and continue to be in effect as of June 30, 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 June 30, 2010, December 31, 2009 and January 1, 2009.

Maturity of debt (capital) for bonds issued in UF, Ch$ and US$						
In thous. of Chilean pesos	**Less than 1 y**	**1 to 3 years**	**3 to 10 years**	**5 to 10 years**	**More than 10 years**	**Total**
June 30, 2010	134,137,062	-.-	135,370,368	127,213,000	383,759,056	780,479,486
December 31, 2009	1,340,344	129,000,685	139,487,202	147,773,000	409,223,836	826,825,067
January 1, 2009	1,372,566	299,380,664	5,490,263	147,894,000	326,584,826	780,722,319

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.

Note 5 - Cash and Cash Equivalents

a) As of June 30, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of		
	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Bank and cash balances	2,423,265	3,467,779	1,953,524
Short-term deposits	41,707,243	119,928,535	48,160,810
Reverse repurchase agreements and mutual funds	13,544,148	14,500,172	16,676,885
Total	57,674,656	137,896,486	66,791,219

Cash and cash equivalents included in the statement of financial position as of June 30, 2010, December 31, 2009 and January 1, 2009 do not differ from that 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		
		June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Amount of cash and cash equivalents	U.S. dollars	13,129,294	1,755,899	14,392,314
Amount of cash and cash equivalents	Euros	19,542	47,190	477
Amount of cash and cash equivalents	Chilean pesos	44,525,820	136,093,397	52,398,428
Total		57,674,656	137,896,486	66,791,219

Note 6 - Trade and Other Receivables

As of June 30, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

	Balance in ThCh$ as of		
	June 30, 2010 Current ThCh$	December 31, 2009 Current ThCh$	January 01, 2009 Current ThCh$
Item			
Trade receivables	31,656,128	36,468,309	32,691,340
Notes receivable	-	-	-
Miscellaneous receivables	2,788,898	2,404,225	489,448
Total trade and other receivables	34,445,026	38,872,534	33,180,788

Refer to Note 8.1 for the amounts, terms and conditions of receivables from related parties. As of June 30, 2010, December 31, 2009 and January 1, 2009, the balance of unimpaired past due trade receivables is as follows:

		Balance as of	
	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Maturing in less than 30 days	24,796,306	20,353,070	11,192,942
Maturing in more than 30 days up to 1 year	6,859,822	16,115,239	21,498,398
Total	31,656,128	36,468,309	32,691,340

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

						Balance as of					
						Current			Non-Current		
Taxpayer ID Number	Company	Description	Term of transaction	Relationship	Currency	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	March 31, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Mercantile current account		Parent company	US$	-	50,352	48,204	16,853,452	15,618,680	19,602,660

These transactions are adjusted as established in articles No. 44 and 49 of Law No. 18,046 on Corporations.

b) Payables to related parties

						Balance as of					
						Current			Non-Current		
Taxpayer ID Number	Company	Description	Term of transaction	Relationship	Currency	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$

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

7.1 Balances and transactions with related parties (continued)

c) Most significant transactions and their effect on income:

Transactions with unconsolidated related parties had the following effects on the income statement:

Taxpayer ID Number	Company	Relationship	Description of transaction	June 30, 2010 ThCh$ Amount	June 30, 2010 ThCh$ Effect on income statement	June 30, 2009 ThCh$ Amount	June 30, 2009 ThCh$ Effect on income statement
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans granted	76,717	-	2,202,765	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans collected	263,857	-	2,129,910	-
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Interest accrued	185,243	185,243	313,434	313,434
76.559.580-0	Rentas Electricas I Ltda.	Indirect parent company	Loans received			10,981,620	
76.559.580-0	Rentas Electricas I Ltda.	Indirect parent company	Interest accrued			25,765	(25,765)

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 reelected. The Board of Directors was elected in the Ordinary General Shareholders' Meeting on April 1, 2008. The Chairman, Vice Chairman and Secretary of the Board were appointed on a Board meeting held that same day.

7.2.1 Board of directors' compensation

As established in Article No. 33 of Law No. 18,046 on Corporations, in the Second Ordinary Shareholders' Meeting of Transelec S.A., held April 30, 2009, shareholders established annual gross compensation for the Company's directors of the equivalent of US$ 70,000, regardless of the number of sessions actually attended or held. Allowances are paid on a quarterly basis.

Directors Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived their respective allowances for 2009 and this waiver is maintained for 2010 period. During the period directors Andrés Fontaine Talavera, Felipe Lamarca Claro y Thomas Séller Lippold waived their positions as directors of the Company and Mario Valcarce Duran was designated as Director of the Company.

Accordingly, the following compensation was received by directors during the six-month periods ended June 30, 2010 and 2009:

	06.30.2010 ThCh$	06.30.2009 ThCh$
Blas Tomic Errázuriz	18,052	21,345
Juan Andrés Fontaine Talavera	18,052	21,345
Felipe Lamarca Claro	18,052	21,345
José Ramón Valente Vias	18,052	21,345
Alejandro Jadresic Marinovic	18,052	21,345

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

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

7.3 Board expenses

During the the 2010 and 2009 periods, 2009, 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 reelected. 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. During the year 2009, the Committee held five meetings.

As of June 30, the Audit Committee members included Chairman José Ramón Valente Vías, Directors Patrick Charbonneau, Brenda Eaton and Juan Andrés Fontaine Talavera and Secretary Fernando Abara Elías. The Committee members are entitled to receive compensation as determined by shareholders at the Ordinary Shareholders' Meeting.

In the Third Ordinary Shareholders' Meeting of Transelec S.A., held April 30, 2009, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

The following compensation was received by members of the Audit Committee during 2010 and 2009:

	06.30.2010 ThCh$	**06.30.2009 ThCh$**
Juan Andrés Fontaine	5,071	5,304
José Ramón Valente	5,071	3,182

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

7.5 Compensation of key management that are not directors

Members of Upper Management

Andrés Kuhlmann Jahn	Chief Executive Officer
Eduardo Andrade Hours	Vice-President of Operations
Francisco Castro Crichton	Vice-President of Finance
Rodrigo Ackermann Marín	Vice-President of Sales and Development
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
Claudio Vera Acuña	Corporate Affairs 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 six-month periods ended June 30 2010 and 2009, is detailed as follows:

	June 30, 2010	June 30, 2009
Salaries	704,394	819,638
Short-term employee benefits	251,057	269,359
Long-term benefits	68,665	-
Total compensation received by key management personnel	1,024,116	1,088,997

Note 8 - Inventory

As of June 30, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

	Balance as of		
Classes of inventory	**June 30, 2010**	**December 31, 2009**	**January 01, 2009**
Safety equipment	39,584	39,584	42,270
Total	39,584	39,584	42,270

Note 9 - Leases

9.1 Financial leasing receivables

	Balance as of		
	June 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Current finance leases receivable	39,564	34,818	39,289
Non-current financial leases receivable	1,027,363	970,886	1,262,238

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. Upon termination of the agreement, ownership of the assets will be transferred to the lessee upon payment of an amount equal to the last lease payment.

01.01.2009			
Period in Years	**Nominal Value ThCh$**	**Interest receivable ThCh$**	**Present value ThCh$**
Less than 1	39,289	138,769	178,058
1-5	206,497	505,736	712,233
Over 5	1,055,741	650,652	1,706,393
Total	1,301,527	1,295,157	2,596,684

Note 9 - Financial Leasing (continued)

9.1 Financial leasing receivables (continued)

12.31.2009			
Period in years	**Nominal value ThCh$**	**Interest receivable ThCh$**	**Present value ThCh$**
Less than 1	34,818	107,052	141,870
1-5	182,999	384,483	567,482
Over 5	787,887	429,833	1,217,720
Total	1,005,704	921,368	1,927,072

06.30.2010			
Period in years	**Nominal value ThCh$**	**Interest receivable ThCh$**	**Present value ThCh$**
Less than 1	39,624	113,462	153,086
1-5	147,613	311,646	459,259
Over 5	879,691	510,843	1,390,534
Total	1,066,928	935,951	2,002,879

The Company reviewed the transfer of risks and benefits for each agreement to identify if any embedded leases existed. As of the date of issuance of these financial statements, no embedded leases were found in these agreements.

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:

	June 30, 2010 ThCh$	**June 30, 2009 ThCh$**
Real estate lease	287,232	285,042
Other leases	276,921	302,450
Total operating leases	564,153	587,492

Note 9 - Financial Leasing (continued)

9.2 Operating leases payable (continued)

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

	Up to 1 year	1 to 3 years	3 to 5 years
Real estate lease	591,315	1,184,921	1,176,808
Other leases	570,088	1,142,385	1,134,563
Total operating leases	1,161,403	2,327,306	2,311,371

Note 10 - Intangible Assets

The following tables detail the balances within this account as of June 30, 2010, December 31, 2009 and January 1, 2009:

Intangible assets, net	June 30, 2010	December 31, 2009	January 01, 2009
Easements	137,299,875	136,863,850	138,270,679
Software	1,038,593	1,136,723	1,435,710
Goodwill	338,897,614	338,897,614	338,897,614
Total intangible assets, net	477,236,082	476,898,187	478,604,003

Intangible assets, gross	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Easements	137,299,875	136,863,850	138,270,679
Software	3,357,949	3,205,773	2,769,828
Goodwill	338,897,614	338,897,614	338,897,614
Total intangible assets	479,555,438	478,967,237	479,938,121

Accumulated amortization and impairment	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Software	(2,319,356)	(2,069,050)	(1,334,118)
Total accumulated amortization	(2,319,356)	(2,069,050)	(1,334,118)

Note 10 - Intangible Assets (continued)

Intangible assets have experienced the following movements during the six months ended June 30, 2010 and the year 2009:

Six months ended June 30, 2010

Movements in intangible assets	Easements 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	-	146,774	-	146,774
Amortization	-	(250,306)	-	(250,306)
Translation adjustment	436,025	5,402	-	441,427
Increase (decrease)		-	-	
Ending balance of intangible assets as of June 30, 2010	137,299,875	1,038,593	338,897,614	477,236,082

Year 2009

Movements in intangible assets	Easements ThCh$	Software ThCh$	Goodwill ThCh$	Net intangible assets ThCh$
Opening balance as of January 1, 2009	138,270,679	1,435,710	338,897,614	478,604,003
Movements in identifiable intangible assets	-	-	-	-
Additions	-	454,017	-	454,017
Amortization	-	(734,932)	-	(734,932)
Translation adjustment	(1,406,829)	(18,072)	-	(1,424,901)
Increase (decrease)	-	-	-	-
Ending balance of intangible assets as of December 31, 2009	136,863,850	1,136,723	338,897,614	476,898,187

Based on estimates made by Management, projections of cash flows attributable to intangible assets allow the net value of these assets recorded as of June 30, 2010, December 31, 2009 and January 1, 2009 to be recovered.

Note 11 - Property, Plant and Equipment

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Land	19,528,589	19,409,549	19,051,979
Buildings and infrastructure	786,713,677	755,535,041	736,197,732
Machinery and equipment	316,968,655	313,694,962	320,795,434
Other property, plant and equipment	443,879	1,802,790	1,419,273
Property, plant and equipment, net	1,123,654,800	1,090,442,342	1,077,464,418

Property, plant and equipment, gross	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Land	19,528,589	19,409,549	19,051,979
Buildings and infrastructure	875,010,093	831,706,875	790,849,098
Machinery and equipment	378,046,232	364,968,212	354,232,539
Other property, plant and equipment	443,879	1,802,790	1,506,568
Total property, plant and equipment, gross	1,273,028,793	1,217,887,426	1,165,640,184

Accumulated depreciation and impairment	**June 30, 2010**	**December 31, 2009**	**January 01, 2009**
Total accumulated depreciation and impairment, property, plant and equipment, net			
Land	-	-	-
Buildings and infrastructure	(88,296,416)	(76,171,834)	(54,651,366)
Machinery and equipment	(61,077,577)	(51,273,250)	(33,524,400)
Other property, plant and equipment	-	-	
Total accumulated depreciation and impairment, property, plant and equipment	(149,373,993)	(127,445,084)	(88,175,766)

Note 11 - Property, Plant and Equipment (continued)

11.2 Useful lives

Useful lives per assets' class	Minimum Life	Maximum Life
Buildings and infrastructure	20	50
Machinery and equipment	15	40
Other assets	3	15

11.3 Reconciliation of changes in property, plant and equipment

	Six months ended June 30, 2010	Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
	Opening balance January 1, 2010	19,409,549	755,535,041	313,694,962	1,802,790	1,090,442,342
Movements	Additions	512	38,598,634	12,695,691	46,544	51,584,141
	Transfers	-	-	-	-	-
	Retirement	-	-	(35,877)	(1,345,700)	(1,381,577)
	Depreciation expense	-	(12,124,582)	(9,801,327)	-	(21,925,909)
	Translation adjustment	118,528	4,704,584	415,206	-	5,238,318
	Other increases (decreases)	-	-	-	(59,755)	(59,755)
	Ending balance as of June 30, 2010	19,528,589	786,713,677	316,968,655	443,879	1,123,654,800

	Year 2009	Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment, net
	Opening balances as of January 1, 2009	19,051,979	736,197,732	320,795,434	1,419,273	1,077,464,418
Movements	Additions	740,000	65,950,095	16,569,858	333,424	83,593,377
	Transfers	-	-	-	-	-
	Retirement	-	-	(2,673,205)	-	(2,673,205)
	Depreciation expense	-	(21,520,468)	(17,836,145)	-	(39,356,613)
	Translation adjustment	(382,430)	(25,092,318)	(3,160,980)	(388)	(28,636,116)
	Other increases (decreases)	-	-	-	50,481	50,481
	Ending balance as of December 31, 2009	19,409,549	755,535,041	313,694,962	1,802,790	1,090,442,342

Note 11 - Property, Plant and Equipment (continued)

11.4 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 June 30, 2010, December 31, 2009 and January 1, 2009, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totaling ThUS$ 106,163,007, ThUS$ 79,225,211, and ThUS$ 42,727,734, respectively.

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

	June 30, 2010	**December 31, 2009**	**January 01, 2009**
Capitalization rate (Annual basis) (%)	**8.47%**	**5.91%**	**15.12%**
Capitalized interest costs (ThCh$)	2,245,780	2,144,073	2,231,128
Total	2,245,780	2,144,073	2,231,128

Note 12 - Deferred Taxes

12.1 Detail of deferred tax assets and liabilities

The origin of the deferred taxes recorded as of June 30, 2010, December 31, 2009 and January 1, 2009, is detailed as follows:

	Deferred tax assets			Deferred tax liabilities		
Temporal differences	**June 30, 2010 ThC$**	**December 31, 2009 TCh$**	**January 1st, 2009 TCh$**	**June 30, 2010 ThC$**	**December 31, 2009 TCh$**	**January 1st, 2009 TCh$**
Depreciable fixed assets	38.691.683	40,750,950	52,416,096	3,782,192-	3,592,529	4,555,561
Discount on bond placement	176,188	189,800	247,397	-	-	-
Bonds and swaps fair values	-	1,823,563	3,834,300	-	-	-
Forwards contracts	47,174	48,523	(63,663)	-	-	-
Prepaid bond expenses	-	(1,320,800)	(1,350,086)	-	-	-
Leased assets	22,830	36,798	104	-	-	-
Materials and spare parts	309,106	304,030	315,013	-	-	-
Mark-to-Market of swaps	194,734	82,625	(2,389,228)	-	-	-
Other prepaid expenses	5,727	15,245	23,923	-	-	-
Tax losses	4,184,854	4,268,180	6,790,725	-	-	-
Staff severance indemnities provision	12,101	(9,783)-	(2,888)	-	-	-
Premium on bond placement	-	362,564	280,273	-	-	-
Investment value provision	8,157	8,157	8,157	-	-	-
Lawsuit provision	50,156	81,545	20,197	-	-	-
Obsolescence provision	235,044	6,275	14,857	-	-	-
Provision for assets under construction	(136,496)	(115,746)	(237,737)	-		
Assets under construction	302,143	453,561	598,454	-	-	-
Vacation provisions	139,949	155,377	159,804	-	-	-
Intangible assets	(9,836,202)	(10,172,022)	(10,398,955)	12,534	11,615	8,295
Adjustment of effective interest rate of bonds	(830,070)	(281,293)	(612,697)			-
Land	61,629	154,418	189,027	146,405	135,678-	170,287
Total	33,638,707	36,841,967	49,843,073	3,941,131	3,739,822	4,734,143

Note 12 - Deferred Taxes (continued)

12.2 Deferred tax movements in statement of financial position

The following table details the movements of deferred taxes accounts during six month period ended June 30, 2010 and the year 2009:

Deferred tax movements	**Asset ThCh$**	**Liability ThCh$**
Balance as of January 1, 2009	49,843,073	4,734,143
Increase (decrease)	(11,685,735)	(898,169)
Translation adjustment	(1,315,371)	(96,152)
Other increases (decreases)	-	-
Balance as of December 31, 2009	36,841,967	3,739,822
Increase (decrease)	(3,610,939)	(94,358)
Translation adjustment	407,679	295,667
Other increases (decreases)	-	-
Balance as of June 30, 2010	33,638,707	3,941,131

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

Note 13 - Financial liabilities

13.1 Classes of interest-bearing loans

The current and non-current portion of this account as of June 30, 2010, December 31, 2009 and January 1, is as follows:

Interest bearing loans	**June 30, 2010**		**December 31, 2009**		**January 01, 2009**	
	Current ThCh$	**Non- current ThCh$**	**Current ThCh$**	**Non- current ThCh**	**Current ThCh$**	**Non- current ThCh**
Bonds payable	143,661,227	638,251,105	8,138,164	827,829,938	14,061,333	780,403,139
Total bonds payable	143,661,227	638,251,105	8,138,164	827,829,938	14,061,333	780,403,139
Swap contract	14,311,319	-	755,381	15,255,750	-	8,508,807
Forward contract	232,993	-	290,520	-	2,231,896	
Total	158,205,539	638,251,105	9,184,065	843,085,688	16,293,229	788,911,946

Note 13 - Financial Liabilities (continued)

13.2 Detail of bonds payable

Bonds payable as of the periods indicated below are as follows:

13.2.1 Current portion of long term bonds

Instrument registration nber	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	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	
249	B1	-	UF	6.2%	-.-	03.01.2010	Semiannual	Semiannual	-	89,628	104,939	Chile
249	B2	-	UF	6.2%	-.-	03.01.2010	Semiannual	Semiannual	-	1,344,421	1,574,078	Chile
249	B1	-	UF	6.2%	-.-	03.01.2010	Semiannual	Semiannual	-		104,555	Chile
249	B2	-	UF	6.2%	-.-	03.01.2010	Semiannual	Semiannual	-		1,568,325	Chile
First issuance	Single	304,710	US$	8.2%	7.27%	04.15.2010	Semiannual	At maturity	137,507,747	1,408,376	8,713,157	Foreign
481	D	165,603	UF	4.25%	4.37%	06.15.2010	Semiannual	At maturity	491,078	495,457	507,514	Chile
480	C	17,225	UF	3.5%	4.03%	09.01.2010	Semiannual	At maturity	1,622,762	1,449,223	1,488,765	Chile
598	E	21,109	UF	3.9%	3.82%	08.01.2010	Semiannual	At maturity	1,101,358	1,110,515	-	Chile
598	F	311,872,000	$	5.7%	5.79%	08.01.2010	Semiannual	At maturity	791,414	785,117	-	Chile
599	H	23,534	UF	4.8%	4.79%	08.01.2010	Semiannual	At maturity	1,246,595	1,239,428	-	Chile
598	I	4,306	UF	3.5%	3.79%	08.31.2010	Semiannual	At maturity	390,150	90,182	-	Chile
599	K	6,008	UF	4.6%	4.61%	09.01.2010	Semiannual	At maturity	510,123	125,817	-	Chile
Total - short-term portion									143,661,227	8,138,164	14,061,333	
Swap contracts									14,311,319	755,381	2,231,896	
Forward contracts									232,993	290,520	-	
Total									158,205,539	9,184,065	16,293,229	

Note 13 - Financial liabilities (continued)

13.2 Detail of bonds payable (continued)

13.2.2 Long-term bonds

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	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	
First issuance	Single	245,138,000	US$	7.875%	8.79%	04.15.2011	Semiannual	At maturity	-	126,575,852	298,891,175	Foreign
249	B1	190,000	UF	6.2%	-.-	03.01.2022	Semiannual	At maturity	-	4,874,325	4,498,856	Chile
249	B2	2,850,000	UF	6.2%	-.-	03.01.2022	Semiannual	At maturity	-	73,114,855	67,482,843	Chile
481	D	13,500,000	UF	4.25%	4.37%	12.15.2027	Semiannual	At maturity	282,152,213	274,572,495	285,208,436	Chile
480	C	6,000,000	UF	3.5%	4.03%	09.01.2016	Semiannual	At maturity	123,465,430	118,178,267	124,321,829	Chile
598	E	3,300,000	UF	3.8%	3.82%	08.01.2014	Semiannual	At maturity	70,192,521	69,472,395	-	Chile
598	F	33,600,000,000	$	5.7%	5.79%	08.01.2014	Semiannual	At maturity	33,487,813	33,426,451	-	Chile
599	H	3,000,000	UF	4.7%	4.8%	08.01.2031	Semiannual	At maturity	63,638,578	62,750,493	-	Chile
598	I	1,500,000	UF	3.5%	3.79%	08.01.2014	Semiannual	At maturity	31,427,212	30,999,455	-	Chile
599	K	1,600,000	UF	4.6%	4.60%	09.01.2031	Semiannual	At maturity	33,887,338	33,865,350	-	Chile
Total - long-term portion									638,251,105	827,829,938	780,403,139	
Swap contracts									-,-	15,255,750	8,508,807	
Total									638,251,105	843,085,688	788,911,946	

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$814,413,202 , ThCh$ 829,731,992 and ThCh$ 735,955,256 as of June 30, 2010, December 31, 2009 and January 1, 2009, respectively.

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 June 30, 2010 and December 31, 2009, this amount totaled ThCh$ 43,502,520 and ThCh$ 42,062,555, respectively.

	June 30, 2010	**December 31, 2009**	**January 01, 2009**
Balance of reserves from revaluation of assets and liabilities at the beginning of the period			
Exchange rate differences recorded in net equity	31,251	(174,759)	
Cash flow hedge	(553,698)	(404,868)	374,490
Net investment hedge			
Other			
Balance of reserves from revaluation of assets and liabilities at the end of the period	(522,447)	(579,627)	374,490

13.4 Other aspects

As of June 30, 2010 and December 31, 2009, Transelec had access to long-term lines of credit totaling ThCh$ 100,815,129 and ThCh$ 97,578,360, respectively.

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

Note 14 - Trade and Other Payables

Trade and other payables as of June 30, 2010, December 31, 2009 and January 1, 2009, are detailed as follows:

	Current			Non-current		
Trade and other payables	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Trade and other payables	28,063,141	29,760,038	25,511,440	-	-	-
Total	28,063,141	29,760,038	25,511,440	-	-	-

The average payment period for suppliers in 2010 was 30 days and, therefore, the fair value of these liabilities does not differ significantly from their book value.

Note 15 - Derivative Instruments

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

- Cash flow hedging instruments: Those that hedge the cash flows of the hedged underlying item.

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

Note 15 - Derivative Instruments (continued)

15.1 Hedge Assets and Liabilities

	June 30, 2010				December 31, 2009				January 1, 2009			
	Asset		Liability		Asset		Liability		Asset		Liability	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Cash flow hedge												
	-	-	553,699	-	-	-	404,868	-	374,490	-		
Non-hedge forwards												
Non-hedge swaps	320,705	-	14,311,319		114,348	-	755,381	15,255,750	-	-	2,231,896	8,508,807
Total	320,705	-	14,865,018		114,348	-	1,160,249	15,255,750	374,490	-	2,231,896	8,508,807

Note 15 - Derivative Instruments (continued)

15.2 Other Information

The following table details Transelec's derivatives as of June 30, 2010 and December 31, 2009, including their fair values as well as their notional and contractual values by maturity:

				Notional value				06.30.2010
Financial derivatives	**Fair value ThCh$**	**Before 1 year ThCh$**	**2011 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2014 ThCh$**	**Subsequent years ThCh$**	**Total ThCh$**
Cash flow hedge	(553,699)	(553,699)						(553,699)
Non-hedge forwards	320,706	320,706						320,706
Non-hedge swaps	(14,311,319)	(14,311,319)	-	-	-	-	-	(14,311,319)

				Notional value				30.06.2010
Financial derivatives	**Fair value ThCh$**	**Before 1 year ThCh$**	**2011 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2014 ThCh$**	**Subsequent years ThCh$**	**Total ThCh$**
Cash flow hedge	(404,868)	(404,868)						(404,868)
Non-hedge forwards	114,348	114,348		-	-	-	-	114,348
Non-hedge swaps	(16,011,131)		(16,011,131)					(16,011,131)

Note 15 - Derivative Instruments (continued)

15.2 Other information (continued)

		Notional value						30.06.2010
Financial derivatives	**Fair value ThCh$**	**Before 1 year ThCh$**	**2011 ThCh$**	**2012 ThCh$**	**2013 ThCh$**	**2014 ThCh$**	**Subsequent years ThCh$**	**Total ThCh$**
Cash flow hedge	374,490	374,490		-	-	-	-	374,490
Non-hedge forward				-	-	-	-	
Non-hedge swaps	(10,740,703)		(10,740,703)	-	-	-	-	(10,740,703)

The contractual notional amount of these contracts does not represent the risk assumed by Transelec as it is only in response to the basis with which derivative settlements are calculated, As of the end of the first quarter half of 2010 and year-end 2009, Transelec had not recognized any gains or losses for ineffective cash flow hedges.

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 June 30, 2010:

Financial instruments measured at fair value		**Fair value measured at the end of the reporting period using**		
	June 30, 2010	**Level 1 ThCh$**	**Level 2 ThCh$**	**Level 3 ThCh$**
Financial asset	-	-	-	-
Cash flow derivative	-	-	-	-
Total	-	-	-	-
Financial liabilities	-	-	-	-
Cash flow hedge derivatives	232,993		232,993	-
Total	232,993		232,993	-

Note 16 - Provisions

16.1 Detail of provisions

As of June 30, 2010, December 31, 2009, and January 01, 2009 this account is detailed as follows:

	Current			Non-current		
Detail	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Staff severance indemnities	596,032	517,901	604,250	3,247,705	3,247,705	3,068,708
Accrued vacations	823,229	913,986	940,024	-	-	-
Profit sharing benefits	1,257,929	1,730,339	1,688,521	472,560	472,560	472,561
Other provisions	340,536	295,226	283,307	-	-	-
Total	3,017,726	3,457,452	3,516,102	3,720,265	3,720,265	3,541,269

16.2 Provision movements

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

Movements in provisions	**Staff severance indemnities**	**Profit sharing benefits**	**Accrued vacations**	**Other provisions**	**06,30,2010 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 period	220,735	1,793,361	226,403	28,370	2,285,809
Other rate increase (decrease)	-	-	-	-	-
Payments	(142,604)	(2,265,771)	(317,160)	-	(2,725,535)
Ending balance as of June 30, 2010	3,843,737	1,730,489	823,229	340,536	6,737,991

Movements in provisions	**Staff severance indemnities**	**Profit sharing benefits**	**Accrued vacations**	**Other provisions**	**12,31,2009 Total**
Beginning balance as of January 1, 2009	3,672,958	2,161,082	940,024	283,307	7,057,371
Movements in provisions:					
Provisions during the period	455,063	2,834,499	428,552	1,830,473	5,548,587
Other rate increase (decrease)	-	-	-	-	-
Payments	(362,415)	(2,792,682)	(454,590)	(1,818,554)	(5,428,241)
Ending balance as of December 31, 2009	3,765,606	2,202,899	913,986	295,226	7,177,717

Note 16 - Provisions (continued)

16.2 Provision movements (continued)

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

As of June 30, 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	596,032	324,770	974,312	1,948,623
Accrued vacations	823,229	-	-	-
Profit sharing benefits	1,257,929	472,560	-	-
Other provisions	340,536	-	-	-
Total	3,017,726	797,330	974,312	1,948,623

As of December 31, 2009

Detail	Less than 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years
Staff severance indemnities	517,901	324,770	974,312	1,948,623
Accrued vacations	913,986	-	-	-
Profit sharing benefits	1,730,339	472,560	-	-
Other provisions	295,226	-	-	-
Total	3,457,452	797,330	974,312	1,948,623

16.3 Lawsuits and arbitration proceedings

1. In Ordinary Official Letter No, 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 June 30, 2010, to ThCh$ 249,198, 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, The Company maintains that it is not liable for this situation since it considers it an act of God or case of *force majeure*.

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 June 30, 2010 to ThCh$249,198, for allegedly not having coordinated its operations to ensure reliability of electric service, as determined in the investigation of the generalized failure of the SIC on November 7, 2003; a fine of 560 UTA (five hundred and sixty unidades tributarias anuales), equivalent as of June 30, 2010, to ThCh$ 249,198, in the Company's condition as the owner of the facilities, for allegedly operating the facilities without adhering to the operation schedule set forth by the CDEC-SIC, without justified cause, as determined in the investigation of the generalized failure of the SIC on November 7, 2003, As of June 30, 2010 the Company had appealed the charges before the SEC, which is pending resolution, Management maintains that it is not liable for these events.

3. On December 31, 2005, the SEC through Ordinary Official Letter No, 1831, filed charges against the Company for alleged infringement of various provisions of the electrical regulations while operating its facilities, which allegedly caused the interruption of electrical supply in the SIC on March 21, 2005.

   By Exempt Resolution No, 220 dated February 7, 2006, the Superintendency fined the Company a total of UTA 560 (five hundred and sixty unidades tributarias anuales), equivalent as of June 30, 2010 to ThCh$ 249,198. An appeal was filed on February 16, 2006, which is still pending, As of June 30, 2010, the Company had presented its required defense.

Note 16 - Provisions (continued)

16.3 Lawsuits and arbitration proceedings (continued)

4. On June 01, 2007, the SEC through Ordinary Official Letter No, 2523/ACC 251155/DOC 100503, filed charges against the Company for alleged infringement of various provisions of the electrical regulations (Art, 139 of DFL No, 4/20,018 of 2006 from the Ministry of Economy, relating to articles 205 and 206 of Supreme Decree 327/97 from the Ministry of Mining) while operating its facilities, which allegedly caused the interruption of electrical supply in the SIC on December 4, 2006, By SEC Exempt Resolution SEC No, 274, of February 11, 2009, the Company was fined 100 UTA (one hundred unidades tributarias anuales), equivalent as of March 31, 2010, to ThCh$ 44,500, An appeal was filed on February 27, 2009, which is still pending, As of June 30, 2010, the Company had presented its required defense.

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

   As of June 30, 2010, the Company has established a provision for these contingent obligations of ThCh$ 2,206,992, This estimation considers the fact that similar cases are being heard in the Appeals Court and that the Appeals Court and Supreme Court have confirmed the decision of the SEC in similar cases, In addition, there are similar cases with a motion for reconsideration before the SEC for which the SEC has normally maintained the previously established fine.

Note 17 - Post-Employment and Other Benefit Obligations

17.1 Detail of account

Post-employment and other benefit obligations	**June 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Staff severance indemnity provision (S-T)	596,031	517,900	604,250
Staff severance indemnity provision (L-T)	3,230,764	3,230,764	3,051,767
Total current and non-current obligations for post-employment benefits	3,826,795	3,748,664	3,656,017

17.2 Detail of post-employment and other similar obligations

As of June 30, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

	Staff severance indemnity		
	June 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Present value of defined benefit plan obligations, opening balance	3,748,664	3,656,017	3,656,017
Current service cost of defined benefit plan obligations	99,110	194,955	-
Interest cost of defined benefit plan obligations	121,625	260,107	-
Settlement of defined benefit plan obligations	(142,604)	(362,415)	-
Present value of defined benefit obligations, ending balance	3,826,795	3,748,664	3,656,017

17.3 Balance of post-employment and other similar obligations

	Staff severance indemnity		
	June 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Present value of defined benefit obligations, ending balance	3,826,795	3,748,664	3,656,017
Present obligation with defined benefit plan funds	3,826,795	3,748,664	3,656,017
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	3,826,795	3,748,664	3,656,017

Detail	**June 30, 2009 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Discount rate used	**3.2%**	**3.2%**	**3.2%**
Inflation rate	4%	4%	4%
Future salary increase	2.0%	2.0%	2.0%
Mortality table	B-2006	B-2006	
Disability table	PDT1985-Category II		
Rotation table	ESA-77		

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

17.4 Expenses recognized in income statement

	Staff severance indemnity		**Income statement line item where recognized**
	January 01, 2010 to June 30, 2010 ThCh$	**January 01, 2009 to June 30, 2009 ThCh$**	
Current service cost of defined benefit plan	107,678	97,478	Cost of sales - Administrative and sales expenses
Interest cost of defined benefit plan	121,625	130,052	Cost of sales - Administrative and sales expenses
Total expense recognized in income statement	229,303	227,530	

17.5 Actuarial hypothesis

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

Note 18 - Net Equity

18.1 Subscribed and paid capital

As of June 30, 2010, December 31, 2009, authorized, subscribed and paid share capital amounts to ThCh$ 838,211,823 and as of January 1st,2009 amounts to TCh$ 857,944,548.

18.2 Number of subscribed and paid shares

	Number of shares subscribed	Number of shares paid	Number of shares with voting rights
Sole series	1,000,000	1,000,000	1,000,000

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

18.3 Dividends

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

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

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

At the Ordinary Shareholders' Meeting held on April 28, 2010, shareholders unanimously approved the distribution of a final dividend of

Ch$19,119,869,539 for the year ended December 31, 2009, which was paid on May 17, 2010.

18.4 Other Reserves

Other reserves as of June 30, 2010 and December 31, 2009, are detailed as follows:

Description	June 30, 2010 ThCh$	December 31, 2009 ThCh$	January 1, 2009 ThCh$
Translation adjustment	31,251	(174,759)	-
Deferred taxes	-	-	-
Cash flow hedge	(553,698)	(404,868)	374,490
Total	(522,447)	(579,627)	374,490

18.5 Capital management

Capital management refers to the Company's administration its net 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 to ThCh$318,032,400 as of June 30, 2010.

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

Note 19 - Income

19.1 Revenue

Revenue in the six-month periods ended June 30, 2010 y 209 is detailed follows:

Revenue	**Balance as of**	
	June 30, 2010	**June 30, 2009**
Regulated income	44,453,623	44,808,914
Contractual income	38,072,091	33,740,267
Other income	3,487,180	8,462,277
Total revenue	86,012,894	87,011,458

19.2 Other operating income

Other operating income during the 2010 and 2009 periods is detailed follows:

Other operating income	**Balance as of**	
	June 30, 2010	**June 30, 2009**
Financial income	561,160	1,653,341
Other income	448,349	385,295
Translation adjustments		
Total other operating income	1,009,509	2,038,636

Note 20 - Relevant Income Statement Accounts

20.1 Expenses by nature

Detail	Balance as of June 30, 2010	Balance as of June 30, 2009
Personnel expenses	6,664,416	5,940,511
Operating expenses	5,315,758	6,139,748
Maintenance expenses	1,887,763	1,445,605
Depreciation	22,851,560	21,169,366
Other financial expenses	10,069,569	19,175,476
Mark-To-Market Swap contracts	(1,666,687)	13,266,080
Gain (loss) for indexed assets and liabilities	6,919,829	(16,809,818)
Total	52,042,208	50.326.968

20.2 Personnel expenses

As of June 30, 2010 and 2009, this account is detailed as follows:

Detail	Balance as of June 30, 2010	Balance as of June 30, 2009
Salaries and wages	5,490,536	4,645,667
Short-term employee benefits	741,066	124,582
Staff severance indemnity	229,303	227,530
Other long-term benefits	203,511	209,194
Other personnel expenses	-	733,538
Total	6,664,416	5,940,511

Note 20 - Relevant Income Statement Accounts (continued)

20.3 Depreciation and amortization

This income statement account as of June 30, 2010 and 2009 is detailed as follows:

Detail	Balance as of June 30, 2010	Balance as of June 30, 2009
Depreciation	21,505,861	21,169,366
Amortization	-	-
Losses for damages	1,345,699	-
Total	22,851,560	21,169,366

20.4 Financial results

The Company's financial result as of June 30, 2010 and 2009 is detailed as follows:

Detail	Balance as of June 30, 2010	Balance as of June 30, 2009
Financial income:	561,160	1,653,341
Commercial interest earned	-	-
Bank interest earned	337,411	1,292,395
Other income	223,749	360,946
Financial expenses:	(8,402,882)	(32,441,556)
Bond expenses	(8,295,757)	(32,342,126)
Other expenses	(107,125)	(99,430)
Gain (loss) for indexation	(6,919,829)	16,809,818
Foreign currency translation:	(1,534,901)	(781,198)
Positive		
Negative	(1,534,901)	(781,198)
Total financial result	(16,269,452)	(14,759,595)

Note 21 - Income Tax Result

The following table reconciles income taxes resulting from applying the general current tax rate to the "Net Income Before Taxes" to the income tax expense recorded in the Consolidated Income Statement for the 2010 and 2009 periods:

Income tax expense (income)	**Balance as of**	
	June 30, 2010	**June 30, 2009**
Current tax expense	256,780	277,004
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	256,780	277,004
Deferred tax expense (income) relating to origination and reversal of temporary differences	4,043,428	5,483,509
Other deferred tax expense		
Deferred tax expense, net, total	4,043,428	5,483,509
Effect of change in tax situation of the entity or its shareholders		
Income tax expense (income)	4,300,208	5,760,513

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense Using Effective Rate	**Balance as of**	
	June 30, 2010	**June 30, 2009**
Tax expense using statutory rate	(5,321,303)	(6,239,406)
Effect on tax result of IFRS adoption		
Permanent differences	1,021,095	478,893
Effect on deferred taxes of IFRS adoption		
Total adjustments to tax expense using statutory rate	1,021,095	478,893
Tax Expense Using Statutory Rate	(4,300,208)	(5,760,513)

	June 30, 2010	**June 30, 2009**
Statutory Tax Rate	17.00%	17.00%
Other Increase (Decrease) in Statutory Tax Rate	(3.26)	(1.5)
Adjustments to Statutory Tax Rate, Total	(3.26)	(1.5)
Effective Tax Rate	13,74%	15,50%

The tax rate used for the 2010 and 2009 reconciliations corresponds to the 17% corporate tax rate that entities should pay on taxable profits based on current tax regulations.

Note 22 - Earnings per Share

Basic earnings per share is calculated by dividing net income 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.

	June 30, 2010 ThCh$	June 30, 2009 ThCh$
Basic Earnings (Loss) per Share		
Profit (loss) attributable to equity holders of parent	27,001,573	30,941,873
Earnings available to common shareholders, basic	27,001,573	30,941,873
Total basic shares	1,000,000	1,000,000
Basic earnings (loss) per share	27,001,573	30,941,873

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

Note 23 - Segment Information

The Company and its subsidiary are dedicated exclusively to providing electricity transmission services, and operate in the Chilean transmission system.

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

As of June 30, 2010, the Company has received performance bonds from contractors and third parties, primarily to guarantee performance of construction and maintenance works, amounting to ThCh$ 25,624,818 (ThCh$ 22,612,080 in period 2009), In addition, in order to guarantee repayment of housing loans, mortgages have been constituted in favor of the Company.

Note 25 - Distribution of Personnel

As of June 30, 2010 and December 31, 2009, personnel employed by Transelec S.A. are detailed as follows:

	June 30, 2010				
	Manager and executives	Profesionals and technical personnel	Other employees	Total	Average of the year
Total	**12**	**272**	**162**	**446**	**438.6**

	December 31, 2009				
	Manager and executives	Profesionals and technical personnel	Other employees	Total	Average of the year
Totales	**11**	**250**	**166**	**427**	**398.5**

Note 26 - Environment

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

During the six-month periods ended June 30, 2010 and 2009, the Company has made the following disbursements related to environmental matters:

Company making disbursement	Project	June 30, 2010 ThCh$	June 30, 2009 ThCh$
Transelec S.A.	Environmental impact studies	32,430	42,198
Total		32,430	42,198

Note 27 - Subsequent Events

Between June 30, 2010 and the presentation date of these consolidated financial statements, the Company is not aware of any significant events of a financial or accounting nature that could affect the Company's equity or the interpretation of these financial statements.

Note 28 - IFRS Transition

28.1 Basis of IFRS transition

28.1.1 Application of IFRS 1

The consolidated financial statements of Transelec S.A. and subsidiary for the period ended June 30, 2010 are their first consolidated intermediate financial statements in accordance with International Financial Reporting Standards, Transelec has applied IFRS 1 in preparing its financial statements.

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

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

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

28.2 Exemptions from Retrospective Application Selected by Transelec S.A. and Subsidiary

28.2.1 Business combinations

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

28.2.2 Fair value or revaluation as deemed cost

Transelec decided to measure its items of property, plant and equipment as of the transition date at their depreciated cost, revalued in accordance with prior GAAP (Chilean GAAP), while its subsidiary chose to use fair value as deemed cost criterion. The difference between the fair value and the book value under Chilean GAAP is presented in equity within retained earnings. At that moment, Transelec S.A. and subsidiary adopted the policy described in Note 2,7.

28.2.3 Translation reserves

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

28.2.4 Liabilities for restoration or decommissioning

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

Note 28 - IFRS Transition (continued)

28.3 Reconciliation of Net Equity as of Transition Date (between Chilean GAAP and IFRS):

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

Note 28 - IFRS Transition (continued)

28.4 Reconciliation of Net Equity and Income as of Date of Most Recent Yearly Financial Statements (Chilean GAAP to IFRS)

	Reconciliation ThCh$
Net Equity as of December 31, 2009, Chilean GAAP	900,148,743
MTM of swap contracts	(486,032)
Price-level restatement of equity	13,795,084
Price-level restatement of easements	1,604,051
Accumulated amortization of easements	(1,730,414)
Debt at amortized cost	(11,924,538)
Actuarial value of staff severance indemnities	(385,387)
Price-level restatement of retained earnings	8,712,539
Deferred taxes	9,082,427
Other	(885,399)
Non controlling interest	3,297
Difference between Chilean GAAP and IFRS	
Effect of the conversion to IFRS	17,785,628
Net Equity as of December 31, 2009, IFRS	917,934,371

Note 28 - IFRS Transition (continued)

28.4 Reconciliation of Net Equity and Net Income as of December 31, 2009 (Chilean GAAP to IFRS) (continued)

	Reconciliation ThCh$
Net Income for the year ended as of December 31, 2009, Chilean GAAP	47,238,270
Price-level restatement (net)	13,911,075
Capitalization of indirect personnel expenses	(385,387)
Amortization of goodwill acquired	8,712,539
Amortization of easements	3,784,840
MTM of swap contracts	(14,540,314)
Interest on debt at amortized cost	(2,000,047)
Actuarial value of staff severance indemnities	(148,567)
Deferred taxes (net)	(1,133,252)
Depreciation of property, plant and equipment	(885,399)
Other	154,128
Non controlling interest	186
Effect of the conversion to IFRS	7,469,762
Net Income for the year endedn as of December 31, 2009, IFRS	54,708,072

Note 28 - IFRS Transition (continued)

28.5 Reconciliation of Net Equity and Income (under Chilean GAAP) as of June 30, 2009:

	Reconciliation ThCh$
Net Equity as of 06/30/2009, Chilean GAAP	895,864,752
MTM of swap	788,203
Price-level restatement of equity	11,916,029
Price-level restatement of easements	3,736,242
Accumulated amortization of easements	(1,655,349)
Debt at amortized cost	(14,874,845)
Actuarial value of staff severance indemnities	(166,732)
Price-level restatement of retained earnings	4,356,269
Deferred taxes (net)	(11,685,640)
Other	(2,814,341)
Non controlling interest	3,520
Effect of the conversion to IFRS	12,974,636
Net Equity as of June 30, 2009 under IFRS	908,839,388

Note 28 - IFRS Transition (continued)

28.5 Reconciliation of Net Equity and Net Income (under Chilean GAAP) as of June 30, 2009 (continued):

	Reconciliation ThCh$
Net Income for the six months ended June 30, 2009 under Chilean GAAP	28,266,048
Price-level restatement (net)	14,662,741
Capitalization of indirect personnel expenses	(166,732)
Amortization of goodwill acquired	4,356,269
Amortization of easements	1,891,372
MTM of swap contracts	(13,266,080)
Interest on debt at amortized cost	132,144
Actuarial value of staff severance indemnities	(73,501)
Deferred taxes (net)	(1,937,018)
Depreciation of property, plant and equipment	(2,814,341)
Other	(109,159)
Non controlling interest	130
Effect of the conversion to IFRS	2,675,825
Net Income for the six months ended June 30, 2009 under IFRS	30,941,873

Note 28 - IFRS Transition (continued)

28.6 Explanation of principal adjustments for IFRS transition

28.6.1 Non -controlling interest,

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

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

28.6.2 Valuation of property, plant and equipment

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

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

28.6.3 Goodwill

Goodwill balances originated after January 1, 2004 were determined in accordance with Technical Bulletin No, 72 of the Chilean Association of Accountants and were amortized in the same way,

Note 28 - IFRS Transition (continued)

28.6 Explanation of principal adjustments for IFRS transition (continued)

28.6.3 Goodwill (continued)

Under IFRS 3, goodwill is initially valued at cost, which is defined as the difference between the cost of the business combination and the purchaser's share of the net fair value of the purchased assets, liabilities and contingent liabilities, Goodwill is not amortized, but rather tested for impairment at least once per year, In accordance with IFRS 1, the Company has discontinued amortization and price-level restatement of these accounts as of the transition date and reversed the effects on income for the year ended December 31, 2008.

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

28.6.4 Post-employment benefits and service awards

As described in Note No. 2,17, Transelec has granted benefits to certain employees such as staff severance indemnities (guaranteed for certain termination causes),

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

28.6.5 Price-level restatement

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

Note 28 - IFRS Transition (continued)

28.6 Explanation of principal adjustments for IFRS transition (continued)

28.6.6 Deferred taxes

As described in Note 2,16, under IFRS the effects of deferred taxes for all temporary differences existing between the tax and accounting balance sheets should be recorded using the liability method.

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

i) Determination of deferred taxes on items not considered in the calculation under TB 60 (permanent differences under Chilean GAAP), but that qualify as temporary differences under IFRS; and

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

28.6.7 Minimum dividend

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

Article 79 of Law 18,046 on Corporations establishes that a publicly-held corporation must distribute at least 30% of its net income for the year as dividends to shareholders, unless shareholders of all shares issued with voting rights unanimously decide otherwise, In accordance with the provisions of IAS 37, the minimum dividend according to the regulations in force has been accounted for.

Note 28 - IFRS Transition (continued)

28.6 Explanation of principal adjustments for IFRS transition (continued)

28.6.8 Mark-to-Market (MTM) of the swap contracts

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

28.6.9 Amortization of easements

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

28.6.10 Debt at amortized cost

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