transelec

TRANSELEC S.A. AND SUBSIDIARY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period ended September 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 September 30, 2010

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TRANSELEC S.A. AND SUBSIDIARY

Interim Consolidated Statements of Finacial Position

As of September 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	September 30, 2010 ThCh$$	December 31, 2009 ThCh$$	January 1, 2009 ThCh$$
Current Assets				
Cash and cash equivalents	(5)	67,233,091	137,896,486	66,791,219
Other non-financial assets		2,377,269	2,812,564	524,762
Trade and other receivables	(6)	43,886,801	36,798,568	33,180,788
Receivables from related parties	(7)	1,026,040	50,352	48,204
Inventory	(8)	39,585	39,584	42,270
Current tax assets		2,732,423	2,772,469	2,319,462
Total current assets		117,295,209	180,370,023	102,906,705
Non-Current Assets				
Other financial assets		237,412	233,953	319,220
Other non-financial assets		27,659,224	19,699,458	9,074,726
Receivables from related parties	(7)	16,861,661	15,618,680	19,602,660
Intangible assets other than goodwill	(10)	140,617,554	138,000,573	139,706,389
Goodwill	(10)	338,897,614	338,897,614	338,897,614
Property, plant and equipment	(11)	1,109,468,856	1,082,733,354	1,077,464,418
Deferred tax assets	(12)	31,774,337	36,841,967	49,843,073
Total non-current assets		1,665,516,658	1,632,025,599	1,634,908,100
Total Assets		**1,782,811,867**	**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 September 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	September 30, 2010 ThCh$$	December 31, 2009 ThCh$$	January 1, 2009 ThCh$$
Current Liabilities				
Other financial liabilities	(13)	147,178,532	9,184,065	16,293,229
Trade and other payables	(14)	36,630,282	29,760,038	25,511,440
Current provisions for employee benefits	(16)	3,959,083	3,457,452	3,516,102
Other non-financial liabilities		2,416,346	1,513,921	7,198,425
Total current liabilities		190,184,243	43,915,476	52,519,196
Non-current Liabilities				
Other financial liabilities	(13)	642,476,253	843,085,688	788,911,946
Deferred tax liabilities	(12)	3,425,569	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		-	-	-
Total non-current liabilities		649,622,087	850,545,775	797,187,358
Total liabilities		839.806.330	894,461,251	849,706,554
Equity				
Paid-in capital	(18)	838,211,823	838,211,823	857,944,548
Retained earnings	(18)	84,035,100	60,565,965	29,784,289
Other reserves	(18)	20,755,303	19,153,097	374,490
Total equity attributable to owners of the Parent		943,002,226	917,930,885	888,103,327
Non-controlling interest		3,311	3,486	4,924
Total equity		943,005,537	917,934,371	888,108,251
Total Equity and Liabilities		**1,782,811,867**	**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 nine and three month periods ended September 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**	**Nine months ended September 30, 2010**	**Nine months ended September 30, 2009**	**Three months ended September 30, 2010**	**Three months ended September 30, 2010**
Operating revenues	(19)	131,610,536	132,985,437	45,597,642	45,973,979
Cost of sales		(50,502,465)	(49,353,823)	(14,849,276)	(16,720,548)
GROSS MARGIN		**81,108,071**	**83,631,614**	**30,748,366**	**29,253,431**
Administrative expenses		(6,379,354)	(5,266,876)	(3.202.898)	(2,053,136)
Other gains (losses), net		632,300	308,658	217,316	11,120
Financial income	(19)	1,623,159	1,990,951	1,061,999	337,610
Financial costs	(20)	(19,516,312)	(50,449,576)	(11,113,430)	(18,008,020)
Foreign currency translation	(20)	984,200	(1,690,889)	2,519,101	(909,691)
Gain (loss) for indexed assets and liabilities	(20)	(10,770,335)	20,060,246	(3,850,506)	3,250,428
Income Before Income Taxes		**47,681,729**	**48,584,128**	**16,379,948**	**11,881,742**
Income tax expense	(21)	(5,122,240)	(7,621,185)	(822,032)	(1,860,672)
Income from continuing operations		42,559,489	40,962,943	15,557,916	10,021,070
Income (loss) from discontinued operations		-	-	-	-
Net Income		**42,559,489**	**40,962,943**	**15,557,916**	**10,021,070**
Income attributable to					
Income attributable to owners of parent		42,559,378	40,962,772	15,557,877	10,021,029
Income attributable to non-controlling interest		111	171	39	41
Net income		**42,559,489**	**40,962,943**	**15,557,916**	**10,021,070**
Earnings per share					
Basic earnings per share					
Basic earnings per share from continuing operations ($/a)		42,559.489	40,962.943	15,557.916	10,021.070
Basic earnings (loss) per share from discontinued operations ($/a)		-	-	-	-
Basic earnings per share ($/a)		**42,559.489**	**40,962.943**	**15,557.916**	**10,021.070**
Diluted earnings per share		-	-	-	-
Diluted earnings per share from continuing operations ($/a)		42,559.489	40,962.943	15,557.916	10,021.070
Diluted earnings (loss) per share from discontinued operations		-	-	-	-
Diluted earnings per share ($/a)		**42,559.489**	**40,962.943**	**15,557.916**	**10,021.070**

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

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Three months ended September 30, 2010	Three months ended September 30, 2010
NET INCOME	**42,559,489**	**40,962,943**	**15,557,916**	**10,021,070**
Foreign Currency Translation				
Gains (losses) on foreign currency translation differences, before Taxes	116,577	(78,300)	(89,433)	44,466
Cash flow hedges				
Gains (losses) on cash flow hedges, before taxes	1,813,792	(331,186)	1,962,621	(1,179,916)
Income taxes related to components of other comprehensive income				
Income taxes related to foreign currency translation differences from other comprehensive income	(328,163)	69,613	(328,163)	69,613
Other comprehensive income	**1,602,206**	**(339,873)**	**1,545,025**	**(1,065,837)**
Total comprehensive income	**44,161,695**	**40,623,070**	**17,102,941**	**8,955,233**
Comprehensive income attributable to owners of the parent	44,161,574	40,622,905	17,102,892	8,955,198
Comprehensive income attributable to non controlling interest	121	165	49	35
Total comprehensive income	**44,161,695**	**40,623,070**	**17,102,941**	**8,955,233**

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

TRANSELEC S.A. AND SUBSIDIARY

Statement of Changes in Net Equity

For the nine month period ended September 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 January 1 st, 2010	838,211,823	(174,760)	(404,868)	19,732,725	19,153,097	60,565,965	917,930,885	3,486	917,934,371
Increase (decrease for changes in accounting policies	-	-	-	-	-	-	-	-	-
Increase (decrease for changes correction of miscalculations	-	-	-	-	-	-	-	-	-
Opening balance restated	838,211,823	(174,760)	(404,868)	19,732,725	19,153,097	60,565,965	917,930,885	3,486	917,934,371
Changes in equity									
Comprehensive income	-	-	-	-	-	-	-	-	-
Income (loss)	-	-	-	-	-	42,559,378	42,559,378	111	42,559,489
Other comprehensive income		96,759	1,505,447		1,602,206	-.-	1,602,206	-	1,602,206
Comprehensive Income	-	**96,759**	**1,505,447**	-	**1,602,206**	**42,559,378**	**44,161,584**	**111**	**44,161,695**
Dividends						(19,119,870)	(19,119,870)	-	(19,119,870)
Increase (decrease) from transfers and other changes	-	-	-	-	-	29,627	29,627	(286)	29,341
Other Changes	-	-	-	-	-	-	-	-	-
Total changes in equity	-	96,759	1,505,447	-	1,602,206	23,469,135	25,071,341	(175)	25,071,166
Closing balance as of September 30, 2010	838,211,823	(78,001)	1,100,579	19,732,725	20,755,303	84,035,100	943,002,226	3,311	943,005,537

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

TRANSELEC S.A. AND SUBSIDIARY

Statement of Changes in Net Equity

For the nine month period ended September 30, 2009

(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 January 1st, 2009	857,944,548	-	374,490	-	374,490	29,784,289	888,103,327	4,924	888,108,251
Increase (decrease for changes in accounting policies	-	-	-	-	-	-	-	-	-
Increase (decrease for changes correction of miscalculations	-	-	-	-	-	-	-	-	-
Opening balance restated	**857,944,548**	**-**	**374,490**	**-**	**374,490**	**29,784,289**	- **888,103,327**	**4,924**	**888,108,251**
Changes in equity									
Comprehensive income	-	-	-	-	-	-	-	-	-
Income (loss)	-	-	-	-	-	40,962,772	40,962,772	171	40,962,943
Other comprehensive income		(64,989)	(274,884)		(339,873)		(339,873)		(339,873)
Comprehensive Income	**-**	**(64,989)**	**(274,884)**	**-**	**(339,873)**	**40,962,772**	**40,622,899**	**171**	**40,623,070**
Dividends	-	-	-	-	-	(10,640,893)	(10,640,893)	-	(10,640,893)
Increase (decrease) from transfers and other changes	-	-	-	-	-	(381,260)	(381,260)	(1,276)	(382,536)
Total changes in equity	**-**	**(64,989)**	**(274,884)**	**-**	**(339,873)**	**29,940,619**	**29,600,746**	**(1,105)**	**29,599,641**
Closing balance as of September 30, 2009	**857,944,548**	**(64,989)**	**99,606**	**-**	**34,617**	**59,724,908**	**917,704,073**	**3,819**	**917,707,892**

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 nine months periods ended September 30, 2010 and 2009

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

	Nine months ended September 30, 2010 ThCh$	Nine months ended September 30, 2009 ThCh$
Cash Flows Provided by (Used in) Operating Activities		
Net income	**42,559,489**	**40,962,943**
Adjustments for reconciliation of net income :		
Adjustments for income tax expense	5,122,240	7,621,185
Adjustments for decreases (increases) in trade receivables	(7,164,218)	(15,624,176)
Adjustments for decreases (increases) in trade payables	6,869,732	150,875
Adjustments for depreciation and amortization expenses	33,565,387	32,023,741
Adjustments for provisions	501,632	12,138
Adjustments for unrealized foreign currency translation gains (losses)	339,179	1,656,451
Adjustments no - controlling interest	(111)	(171)
Adjustments for non-cash items	29,524,557	25,719,828
Total adjustments for reconciliation of income	**68,758,398**	**51,559,871**
Interests paid	(27,648,121)	(28,757,445)
Income taxes paid	(343,728)	(488,785)
Net cash flows provided by operating activities	**83,326,038**	**63,276,584**
Cash Flows Provided by (Used in) Investing Activities		
Additions of property, plant and equipment	(71,271,670)	(44,687,974)
Cash Flows Provided by (Used in) Investing Activities	**(71,271,670)**	**(44,687,974)**
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from long term loans	-.-	165,379,114
Loans with related parties	-.-	10,981,620
Bonds payments	(63,597,893)	(121,717,774)
Dividends payments	(19,119,870)	(15,108,000)
Other disbursements (Swap contracts liquidation)	-.-	(39,544,932)
Net cash flows provided by (used in) financing activities	**(82,717,763)**	**(9,972)**
Net Increase (Decrease) in Cash and Cash Equivalents	(70,663,395)	18,578,638
Cash and Cash Equivalents, Opening Balance	137,896,486	66,791,219
Cash and Cash Equivalents, Closing Balance	**67,233,091**	**85,369,857**

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

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

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

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

The Company 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 nine-month period ended September 30, 2010, were approved by the Board of Directors in Ordinary Meeting No. 59 held on October 28, 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 September 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 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.

Note 2 - Summary of Significant Accounting Principles (continued)

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, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement	January 1,2011

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 statement of comprehensive income.

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 September 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		
	September 30, 2010	December 31, 2009	January 1, 2009
Unidad de Fomento	21,339.99	20,942.88	21,452.57
US$	483.65	507.10	636.45
Euro	659.46	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- First time adoption of IFRS (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, and its amortization is included in the income statement under costs of sales.

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)

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

Impairment of goodwill is not reversed.

2.9. Financial assets

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

- Trade and other receivables, including Receivables from related parties: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at 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, the Company 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 at its fair value 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. These investments are recorded in the statement of consolidated financial position at fair value when it can be reliably determined. In the case of interests in unlisted companies, normally the market value cannot be reliably determined and, thus, when this occurs, they are valued at acquisition cost or a lower amount if evidence of impairment exists. Changes in fair value, net of taxes, are recorded with a charge or credit to an Equity Reserve known as "Available-for-sale financial assets" until the investment is disposed of, at which time the amount accumulated in this account for that investment is fully charged to the income statement. Should the fair value be lower than the acquisition cost, if there is objective evidence that the asset has been more than temporarily impaired, the difference is recorded directly in the income statement.

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

A financial asset is derecognized when:

- 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, for example delayed payments.

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

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is reclassified from 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)”. The company applies this policy for the hedge of its investment in the subsidiary Transelec Norte S.A., which is not a foreign operation but has a different functional currency than the Parent Company (US Dollars).

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 acquisition cost using the weighted average price or net realisable value if this is lower.

2.12 Cash and cash equivalents

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

2.13 Paid-in capital

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

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

Note 2 - Summary of Significant Accounting Principles (continued)

2.14 Financial liabilities

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

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

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

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

2.15 Income tax and deferred taxes

Income tax expense or benefit for the 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.

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.

Note 2 - Summary of Significant Accounting Principles (continued)

2.15 Income tax and deferred taxes (continued)

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.

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.

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.

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.

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

Debt	Currency or index	Interest Rate	Type of rate	Amount in Original Currency (thousand) September 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 significant risk from changes in market interest rates. However, increases in inflation could impact the cost of UF-denominated debt and, therefore, the Company's financial expenses. These impacts are to some extent offset by the mechanism of indexation of the Company's revenues, which are also adjusted for inflation using indexation formulas.

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	September 30, 2010 ThCh$ 67,233.09 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	(83.80)	84.30	(86.13)	86.24	(41.72)	41.77

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	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
	Million Ch$	Million Ch$	Million Ch$	Million Ch$
U.S. dollar (amounts associated with balance sheet entries)	103,676.20	117,509.64	102,260.70	118,808.83
U.S. dollar (amounts associated with income statement entries)	12,333.10	27,687.66	-	-
Chilean peso	733,697.30	803,708.48	1,678,118.40	1,701,882.18

b) Polynomials indexing the income of the Company contain formulas for setting these revenues in the short term, differ from the long-term indexing. In order that the short-term indexing is consistent with long-term indexing, the company, periodically (every six months) sell a percentage of their semi-annual fixed dollar income by income forwards.

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 (US Dollar) and their effect on income or equity. This exchange rate sensitivity (10%) is used to internally report the Company's foreign exchange risk to key management personnel and represents management's valuation of the possible change in US Dollar exchange rate. The sensitivity analysis includes asset and liability balances in currencies other than the Company's functional currency. A positive number indicates an increase in income or other comprehensive income when the Chilean peso is strengthened with respect to the foreign currency. A negative 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 Milloin$ Long / (Short)	Net income (gain)/loss Million $ Change (-10%)	Change (+10%)	Position Million$ Long / (Short)	OCI (gain)/loss Million $ Change (-1%)	Change (+1%)
Receivables (US$)	1,295	118	(130)			
Payables (US$)	(5,050)	(459)	505			
Cash (US$)	346	31	(35)			
Forwards (assets) (US$)	30,470	2,770	(3,047)			
Forwards (income)	-	-	-	(12,333)	(1,121)	1,233
Bonds (US$)	(54,927)	(4,993)	5,493	(68,765)	(6,251)	6,876
Swaps (US$)	25,066	2,279	(2,507)	-	-	-
Intercompany loans	-	-	-	-	-	-
Fixed assets	-	-	-	68,765	6,251	(6,876)
Other (US$)	1,384	126	(138)	-.-	-.-	-.-
Total	(1,416)	(128)	141	(12,333)	(1,121)	1,233

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 nine-month period ended September 30, 2010	For the nine-month period ended September 30, 2009
	TCh$	**TCh$**
Principal Client	87,479,267	88,881,891
Others	37,186,942	36,127,801
Total	**124,666,209**	**125,009,692**
% Concentration	70.17%	71.10%

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

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

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$ 29.019). 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 September 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 September 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 Year**	**1 to 3 Years**	**3 to 5 Years**	**5 to 10 Years**	**More than 10 years**	**Total**
September 30, 2010	118,560,994	-.-	136,031,952	128,039,940	386,253,819	768,886,705
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 September 30, 2010, December 31, 2009 and January 1, 2009, this account is detailed as follows:

Cash and Cash Equivalents	Balance as of		
	September 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 1, 2009 ThCh$**
Bank and cash balances	745,847	3,467,779	1,953,524
Short-term deposits	55,654,174	119,928,535	48,160,810
Reverse repurchase agreements and mutual funds	10,833,070	14,500,172	16,676,885
Total	**67,233,091**	**137,896,486**	**66,791,219**

Cash and cash equivalents included in the statement of financial position as of September 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		
		September 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Amount of cash and cash equivalents	U.S. dollars	235,065	1,755,899	14,392,314
Amount of cash and cash equivalents	Euros	18,790	47,190	477
Amount of cash and cash equivalents	Chilean pesos	66,979,236	136,093,397	52,398,428
Total		**67,233,091**	**137,896,486**	**66,791,219**

Note 6 - Trade and Other Receivables

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

	Balance in ThCh$ as of		
	September 30, 2010 Current ThCh$	**December 31, 2009 Current ThCh$**	**January 01, 2009 Current ThCh$**
Item			
Trade receivables	43,378,127	36,468,309	32,691,340
Notes receivable	-	-	-
Miscellaneous receivables	508,674	330,259	489,448
Total trade and other receivables	**43,886,801**	**36,798,568**	**33,180,788**

Refer to Note 7 for the amounts, terms and conditions of receivables from related parties. As of September 30, 2010, December 31, 2009 and January 1, 2009, the balance of unimpaired past due trade receivables is as follows:

	Balance as of		
	September 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Maturing in less than 30 days	34,584,604	20,353,070	11,192,942
Maturing in more than 30 days up to 1 year	8,793,523	16,115,239	21,498,398
Total	**43,378,127**	**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	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
76.559.580-0	Transelec Holdings Rentas Electricas Ltda	Mercantile current account	N/A	Parent company	US$	1,026,040	50,352	48,204	16,861,661	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.

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

7.1 Balances and transactions with related parties (continued)

b) Most significant transactions and their effect on income:

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

Taxpayer ID Number	Company	Relationship	Description of transaction	September 30, 2010 ThCh$		September 30, 2009 ThCh$	
				Amount	Effect on income statement	Amount	Effect on income statement
76.560.200-9	Transelec Holdings Rentas Ltda.	Parent company	Loans granted	844,825	-	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	333,140	333,140	423,444	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			241,678	(241,678)
76.559.580-0	Rentas Electricas I Ltda	Indirect parent company	Interest paid			71,304	

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 August 24, 2010. .The current chairman of the board was elected at board meeting dated August 26, 2010.

7.2.1 Board of directors' compensation

As established in Article No. 33 of Law No. 18,046 on Corporations, in the Second Ordinary Shareholders' Meeting of Transelec S.A., held April 28, 2010, shareholders established annual gross compensation for the Company's directors of the equivalent of US$ 70,000, regardless of the number of sessions actually attended or held. Allowances are paid on a quarterly basis.

Directors Jeffrey Blidner, Bruce Hogg, Patrick Charbonneau and Brenda Eaton waived their respective allowances for 2009 and this waiver is maintained for 2010 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 and Bruno Philippi Irarrázabal were designated as Directors of the Company.

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

	September 30,2010 ThCh$	**September 30,2010 ThCh$**
Blas Tomic Errázuriz	27,628	30,651
Juan Andrés Fontaine Talavera	15,867	30,651
Felipe Lamarca Claro	18,052	30,651
José Ramón Valente Vias	27,628	30,651
Alejandro Jadresic Marinovic	27,628	30,651

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 2010 and 2009 periods, 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 September 30, 2010, the Audit Committee members included Chairman José Ramón Valente Vías, Directors Patrick Charbonneau, Brenda Eaton and Secretary Fernando Abara Elías. The Committee members are entitled to receive compensation as determined by shareholders at the Ordinary Shareholders' Meeting.

In the Third Ordinary Shareholders' Meeting of Transelec S.A., held April 28, 2010, shareholders established annual gross compensation for the Committee members at US$ 10,000, regardless of the number of sessions actually attended or held.

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

	September 30, 2010 ThCh$	September 30, 2010 ThCh$
Juan Andrés Fontaine	5,071	5,304
José Ramón Valente	5,071	3,182

7.5 Compensation of Upper management that are not directors

Members of Upper Management

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

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

Compensation of key management personnel by concept for the six-month periods ended September 30 2010 and 2009, is detailed as follows:

	September 30, 2010	September 30, 2009
Salaries	1,046,256	1,211,253
Short-term employee benefits	374,323	402,607
Long-term benefits	137,571	-
Total compensation received by upper management personnel	**1,558,150**	**1,613,860**

Note 8 - Inventory

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

Classes of inventory	Balance as of September 30, 2010	December 31, 2009	January 01, 2009
Safety equipment	39,585	39,584	42,270
Total	**39,585**	**39,584**	**42,270**

Note 9 – Leases

9.1 Financial leasing receivables

	Balance as of September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Current finance leases receivable	37,660	34,818	39,289
Non-current financial leases receivable	1,416,476	970,886	1,262,238
Total	**1,454,136**	**1,005,704**	**1,301,527**

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

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**

09.30.2010			
Period in years	**Nominal value ThCh$**	**Interest receivable ThCh$**	**Present value ThCh$**
Less than 1	38,200	258,172	296,372
1-5	144,520	707,427	851,947
Over 5	1,271,416	1,881,352	3,152,768
Total	**1,454,136**	**2,846,951**	**4,301,087**

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 leasing payable

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

	September 30, 2010 ThCh$	September 30, 2009 ThCh$
Real estate lease	439,456	426,992
Other leases	427,901	481,503
Total operating leases	**867,357**	**908,495**

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	603,129	1,225,152	1,274,513
Other leases	588,408	1,192,938	1,241,002
Total operating leases	**1,191,537**	**2,418,090**	**2,515,515**

Note 10 - Intangible Assets

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

Intangible assets, net	**September 30, 2010**	**December 31, 2009**	**January 01, 2009**
Easements	139,602,318	136,863,850	138,270,679
Software	1,015,236	1,136,723	1,435,710
Goodwill	338,897,614	338,897,614	338,897,614
Total intangible assets, net	**479,515,168**	**476,898,187**	**478,604,003**

Intangible assets, gross	**September 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Easements	139,602,318	136,863,850	138,270,679
Software	3,439,866	3,205,773	2,769,828
Goodwill	338,897,614	338,897,614	338,897,614
Total intangible assets	**481,939,798**	**478,967,237**	**479,938,121**

Accumulated amortization and impairment	**September 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Software	(2,424,630)	(2,069,050)	(1,334,118)
Total accumulated amortization	**(2,424,630)**	**(2,069,050)**	**(1,334,118)**

Note 10 - Intangible Assets (continued)

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

Nine months ended September 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	-	238,786	-	238,786
Amortization	-	(357,113)	-	(357,113)
Translation adjustment	(16,580)	(3,160)	-	(19,740)
Increase (decrease)	2,755,048	-	-	2,755,048
Ending balance of intangible assets as of September 30, 2010	**139,602,318**	**1,015,236**	**338,897,614**	**479,515,168**

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 September 30, 2010 and December 31, 2009 to be recovered.

Note 11 - Property, Plant and Equipment

11.1 Detail of accounts

This account is detailed as follows:

Property, plant and equipment, net	**September 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Land	20,376,197	19,409,549	19,051,979
Buildings and infrastructure	766,038,845	747,826,053	736,197,732
Machinery and equipment	322,611,794	313,694,962	320,795,434
Other property, plant and equipment	442,020	1,802,790	1,419,273
Property, plant and equipment, net	**1,109,468,856**	**1,082,733,354**	**1,077,464,418**

Property, plant and equipment, gross	**September 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Land	20,376,197	19,409,549	19,051,979
Buildings and infrastructure	859,122,723	823,997,887	790,849,098
Machinery and equipment	388,205,653	364,968,212	354,232,539
Other property, plant and equipment	442,020	1,802,790	1,506,568
Total property, plant and equipment, gross	**1,268,146,593**	**1,210,178,438**	**1,165,640,184**

Accumulated depreciation and impairment	**September 30, 2010**	**December 31, 2009**	**January 01, 2009**
Total accumulated depreciation and impairment, property, plant and equipment, net			
Land	-	-	-
Buildings and infrastructure	(93,083,878)	(76,171,834)	(54,651,366)
Machinery and equipment	(65,593,859)	(51,273,250)	(33,524,400)
Other property, plant and equipment	-	-	
Total accumulated depreciation and impairment, property, plant and equipment	**(158,677,737)**	**(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 September 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**	**747,826,053**	**313,694,962**	**1,802,790**	**1,082,733,354**
Additions	1,035,980	37,637,898	24,598,167	46,545	63,318,590
Transfers	-	-	-	-	-
Retirement	-	(34,711)	(691,465)	(1,345,700)	(2,071,876)
Depreciation expense	-	(17,248,235)	(14,453,912)	-	(31,702,147)
Translation adjustment	(51,326)	(1,932,084)	(361,298)	-	(2,344,708)
Other increases (decreases)	(18,006)	(210,076)	(174,660)	(61,615)	(464,357)
Ending balance as of September 30, 2010	**20,376,197**	**766,038,845**	**322,611,794**	**442,020**	**1,109,468,856**

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**
Additions	740,000	58,241,107	16,569,858	333,424	75,884,389
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**	**747,826,053**	**313,694,962**	**1,802,790**	**1,082,733,354**

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 September 30, 2010, December 31, 2009 and January 1, 2009, the Company maintained commitments to acquire tangible assets related to EPC construction contracts totaling ThUS$ 95,807,456, ThUS$ 79,225,211, and ThUS$ 42,727,734, respectively.

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

	September 30, 2010	**December 31, 2009**	**January 01, 2009**
Capitalization rate (Annual basis) (%)	**7.87%**	**5.91%**	**15.12%**
Capitalized interest costs (ThCh$)	3,574,066	2,144,073	2,231,128
Total	**3,574,066**	**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 September 30, 2010, December 31, 2009 and January 1, 2009, is detailed as follows:

	Deferred tax assets			Deferred tax liabilities		
Temporal differences	**September 30, 2010 ThC$**	**December 31, 2009 TCh$**	**January 1st, 2009 TCh$**	**September 30, 2010 ThC$**	**December 31, 2009 TCh$**	**January 1st, 2009 TCh$**
Depreciable fixed assets	38,004,424	40,750,950	52,416,096	3,285,087	3,592,529	4,555,561
Discount on bond placement	165,553	189,800	247,397	-	-	-
Bonds and swaps fair values	-	1,823,563	3,834,300	-	-	-
Forwards contracts	6,983	48,523	(63,663)	-	-	-
Prepaid bond expenses	-	(1,320,800)	(1,350,086)	-	-	-
Leased assets	(45,757)	36,798	104	-	-	-
Materials and spare parts	321,207	304,030	315,013	-	-	-
Mark-to-Market of swaps	102,710	82,625	(2,389,228)	-	-	-
Other prepaid expenses	3,937	15,245	23,923	-	-	-
Tax losses	3,012,658	4,268,180	6,790,725	-	-	-
Staff severance indemnities provision	(17,763)	(9,783)	(2,888)	-	-	-
Premium on bond placement	-	362,564	280,273	-	-	-
Investment value provision	8,157	8,157	8,157	-	-	-
Lawsuit provision	55,039	81,545	20,197	-	-	-
Obsolescence provision	235,044	6,275	14,857	-	-	-
Provision for assets under construction	169,764	(115,746)	(237,737)	-		
Assets under construction	183,771	453,561	598,454	-	-	-
Vacation provisions	152,112	155,377	159,804	-	-	-
Intangible assets	(9,732,251)	(10,172,022)	(10,398,955)	11,078	11,615	8,295
Adjustment of effective interest rate of bonds	(931,261)	(281,293)	(612,697)			-
Land	80,010	154,418	189,027	129,404	135,678	170,287
Total	31,774,337	36,841,967	49,843,073	3,425,569	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 nine month period ended September 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)	(5,067,630)	(141,311)
Translation adjustment	-	(172,942)
Other increases (decreases)	-	-
Balance as of September 30, 2010	**31,774,337**	**3,425,569**

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

Note 13 - Financial liabilities

13.1 Other Financial Liabilities

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

Interest bearing loans	September 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 (1)	129,099,381	642,476,253	8,138,164	827,829,938	14,061,333	780,403,139
Total bonds payable	**129,099,381**	**642,476,253**	**8,138,164**	**827,829,938**	**14,061,333**	**780,403,139**
Swap contract	17,526,682	-	755,381	15,255,750	2,231,896	8,508,807
Forward contract	552,469	-	290,520	-	-	-
Total	**147,178,532**	**642,476,253**	**9,184,065**	**843,085,688**	**16,293,229**	**788,911,946**

(1) Includes discounts in bonds placement, stamp taxes and commissions

Note 13 - Financial Liabilities (continued)

13.2 Detail of other financial liabilities

The detail of other financial liabilities are as follows:

Instrument registration number	Series	Nominal amount placed outstanding	Indexation unit	Nominal interest rate	Effective interest rate	Final maturity	Periodicity		Par value			Placement in Chile or abroad
							Interest payments	Principal payments	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	
249	B1	190,000	UF	6.2%	-	03.01.2010	Semiannual	Semiannual	-	89,628	104,939	Chile
249	B2	2,850,000	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	245,138,000	US$	8.2%	7.27%	10.15.2010	Semiannual	At maturity	123,691,936	1,408,376	8,713,157	Foreign
481	C	6,000,000	UF	3.5%	4.03%	03.01.2010	Semiannual	At maturity	396,871	1,449,223	1,488,765	Chile
480	D	13,500,000	UF	4.25%	4.37%	12.15.2010	Semiannual	At maturity	3,552,451	495,457	507,514	Chile
598	E	3,300,000	UF	3.9%	3.82%	02.01.2011	Semiannual	At maturity	435.098	1,110,515	-	Chile
598	F	33,600,000,000	$	5.7%	5.79%	02.01.2011	Semiannual	At maturity	310,231	785,117	-	Chile
599	H	3,000,000	UF	4.8%	4.79%	02.01.2011	Semiannual	At maturity	493,665	1,239,428	-	Chile
598	I	1,500,000	UF	3.5%	3.79%	03.01.2011	Semiannual	At maturity	95,117	90,182	-	Chile
599	K	1,600,000	UF	4.6%	4.61%	03.01.2011	Semiannual	At maturity	124,012	125,817	-	Chile
Total - short-term portion									**129,099,381**	**8,138,164**	**14,061,333**	
Swap contracts									17,526,682	755,381	2,231,896	
Forward contracts									552,469	290,520	-	
Total short term									**147,178,532**	**9,184,065**	**16,293,229**	

Note 13 - Financial liabilities (continued)

13.2 Detail of other financial liabilities (continued)

Instrument Registration Number	Series	Nominal amount placed outstanding	Indexation Unit	Nominal interest rate	Effective interest rate	Final maturity	Periodicity		Par value			Placement in Chile or abroad
							Interest payments	Principal payments	September 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	C	6,000,000	UF	3.5%	4.03%	09.09.2016	Semiannual	At maturity	124,525,437	118,178,267	124,321,829	Chile
480	D	13,500,000	UF	4.25%	4.37%	12.15.2027	Semiannual	At maturity	283,986,432	274,572,495	285,208,436	Chile
598	E	3,300,000	UF	3.8%	3.82%	08.01.2014	Semiannual	At maturity	70,629,207	69,472,395	-	Chile
598	F	33,600,000,000	$	5.7%	5.79%	08.01.2014	Semiannual	At maturity	33,501,321	33,426,451	-	Chile
599	H	3,000,000	UF	4.7%	4.8%	08.01.2031	Semiannual	At maturity	64,052,466	62,750,493	-	Chile
598	I	1,500,000	UF	3.5%	3.79%	09.01.2014	Semiannual	At maturity	31,671,495	30,999,455	-	Chile
599	K	1,600,000	UF	4.6%	4.60%	09.01.2031	Semiannual	At maturity	34,109,895	33,865,350	-	Chile
Total - long-term portion									**642,476,253**	**827,829,938**	**780,403,139**	
Swap contracts									-,-	15,255,750	8,508,807	
Total – long term									**642,476,253**	**843,085,688**	**788,911,946**	

The fair value of current and non-current bonds payable, both secured and unsecured, amounts to ThCh$798,483,175 , ThCh$ 829,731,992 and ThCh$ 735,955,256 as of September 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 September 30, 2010 and December 31, 2009, this amount totaled ThCh$ 40,178.042 and ThCh$ 42,062,555, respectively.

	September 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	78,001	(174,760)	
Cash flow hedge	(1,100,579)	(404,868)	374,490
Net investment hedge			
Other			
Balance of reserves from revaluation of assets and liabilities at the end of the period	**(1,022,578)**	**(579,628)**	**374,490**

13.4 Other aspects

As of September 30, 2010 and December 31, 2009, Transelec had access to long-term lines of credit totaling ThCh$ 29,019,000 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 September 30, 2010, December 31, 2009 and January 1, 2009, are detailed as follows:

Trade and other payables	Current			Non-current		
	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	Setember 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Trade and other payables	36,630,282	29,760,038	25,511,440	-	-	-
Total	**36,630,282**	**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

	September 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	**1,325,998**	-	-	-	-	-	506,085	-	374,490	-	-	-
Non-hedge forwards	-	-	1,878,466	-	-	-	-	-	-	-	-	-
Non-hedge swaps	-	-	17,526,682	-	114,348	-	755,381	15,255,750	-	-	2,231,896	8,508,807
Total	**1,325,998**	**-**	**19,405,148**	**-**	**114,348**	**-**	**1,261,466**	**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 September 30, 2010 and December 31, 2009, including their fair values as well as their notional and contractual values by maturity:

		Notional value						09.30.2010
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	1,325,998	1,325,998	-	-	-	-	-	1,325,998
Non-hedge forwards	(1,878,466)	(1,878,466)	-	-	-	-	-	(1,878,466)
Non-hedge swaps	(17,526,682)	(17,526,682)	-	-	-	-	-	(17,526,682)

		Notional value						31.12.2009
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						01.01.2009
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 September 30, 2010:

Financial instruments measured at fair value		**Fair value measured at the end of the reporting period using**		
	September 30, 2010	**Level 1 ThCh$**	**Level 2 ThCh$**	**Level 3 ThCh$**
Financial asset	-	-	-	-
Cash flow derivative	1,325,998	-	1,325,998	-
Total	**1,325,998**	**-**	**1,325,998**	**-**
Financial liabilities	-	-	-	-
Non hedge Forward	1,878,466	-	1,878,466	-
Non hedge Swaps	17,526,682		17,526,682	
Total	**19,405,148**	**-**	**19,405,148**	**-**

Note 16 - Provisions

16.1 Detail of provisions

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

Detail	Current			Non-current		
	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Staff severance indemnities	670,830	517,901	604,250	3,247,705	3,247,705	3,068,708
Accrued vacations	856,967	913,986	940,024	-	-	-
Profit sharing benefits	2,072,398	1,730,339	1,688,521	472,560	472,560	472,561
Other provisions	358,888	295,226	283,307	-	-	-
Total	**3,959,083**	**3,457,452**	**3,516,102**	**3,720,265**	**3,720,265**	**3,541,269**

16.2 Provision movements

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

Movements in provisions	Staff severance indemnities	Profit sharing benefits	Accrued vacations	Other provisions	Total
Beginning balance as of January 1, 2010	3,765,606	2,202,899	913,986	295,226	7,177,717
Movements in provisions:					
Provisions during the period	339,986	2,825,654	427,202	63,662	3.656,504
Other rate increase (decrease)	-	-	-	-	-
Payments	(187,057)	(2,483,595)	(484,221)	-	(3,154,873)
Ending balance as of September 30, 2010	**3,918,535**	**2,544,958**	**856,967**	**358,888**	**7,679,348**

Movements in provisions	Staff severance indemnities	Profit sharing benefits	Accrued vacations	Other provisions	Total
Beginning balance as of January 1, 2009	3,672,958	2,161,082	940,024	283,307	7,057,371
Movements in provisions:					
Provisions during the 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 September 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	670,830	324,770	974,312	1,948,623
Accrued vacations	856,967	-	-	-
Profit sharing benefits	2,072,398	472,560	-	-
Other provisions	358,888	-	-	-
Total	**3,959,083**	**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 September 30, 2010, to ThCh$ 251,691 , 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 September 30, 2010 to ThCh$251,691 , for allegedly not having coordinated its operations to ensure reliability of electric service, as determined in the investigation of the generalized failure of the SIC on November 7, 2003; a fine of 560 UTA (five hundred and sixty unidades tributarias anuales), equivalent as of September 30, 2010, to ThCh$ 251,691 , 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 September 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 September 30, 2010 to ThCh$ 251,691. An appeal was filed on February 16, 2006, which is still pending, As of September 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 September 30, 2010, to ThCh$ 44,945 , An appeal was filed on February 27, 2009, which is still pending, As of September 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 September 30, 2010, the Company has established a provision for these contingent obligations of ThCh$ 2,128,211 , 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	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Staff severance indemnity provision (S-T)	670,830	517,900	604,250
Staff severance indemnity provision (L-T)	3,247,705	3,247,705	3,068,708
Total current and non-current obligations for post-employment benefits	**3,918,535**	**3,765,606**	**3,672,958**

17.2 Detail of post-employment and other similar obligations

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

	Staff severance indemnity		
	September 30, 2010 ThCh$	**December 31, 2009 ThCh$**	**January 01, 2009 ThCh$**
Present value of defined benefit plan obligations, opening balance	3,765,606	3,672,958	3,672,958
Current service cost of defined benefit plan obligations	131,128	194,955	-
Interest cost of defined benefit plan obligations	208,859	260,108	-
Settlement of defined benefit plan obligations	(187,057)	(362,415)	-
Present value of defined benefit obligations, ending balance	**3,918,535**	**3,765,606**	**3,672,958**

17.3 Balance of post-employment and other similar obligations

	Staff severance indemnity		
	September 30, 2010 ThCh$	December 31, 2009 ThCh$	January 01, 2009 ThCh$
Present value of defined benefit obligations, ending balance	3,918,535	3,765,606	3,672,958
Present obligation with defined benefit plan funds	3,918,535	3,765,606	3,672,958
Fair value of defined benefit plan assets, ending balance	-	-	-
Net actuarial gains/losses not recognized in balance sheet	-	-	-
Balance of defined benefit obligations, ending balance	3,918,535	3,765,606	3,672,958

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 September 30, 2010 ThCh$	**January 01, 2009 to September 30, 2009 ThCh$**	
Current service cost of defined benefit plan	131,128	127,059	Cost of sales - Administrative and sales expenses
Interest cost of defined benefit plan	208,858	202,378	Cost of sales - Administrative and sales expenses
Total expense recognized in income statement	**339,986**	**329,437**	

17.5 Actuarial hypothesis

Detail	**September 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		

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 September 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 (equivalent to Ch$12,509.560 per share) for the year ended December 31, 2008, which was paid as an interim dividend in July 2008, and therefore they agreed not to distribute the distributable surplus of Ch$44,239,425,255.

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

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

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

18.4 Other Reserves

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

Description	**September 30, 2010 ThCh$**	**December 31, 2009 ThCh$**	**January 1, 2009 ThCh$**
Translation adjustment	(78,001)	(174,760)	-
Deferred taxes	-	-	-
Cash flow hedge	1,100,579	(404,868)	374,490
Total	**1,022,578**	**(579,628)**	**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 equivalent to ThCh$320,099,850 as of September 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 September 30, 2010 y 209 is detailed follows:

Revenue	Balance as of	
	September 30, 2010	September 30, 2009
Regulated income	56,431,657	58,437,198
Contractual income	70,189,720	59,308,670
Other income	4,989,159	15,239,569
Total revenue	**131,610,536**	**132,985,437**

19.2 Other operating income

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

Other operating income	Balance as of	
	September 30, 2010	September 30, 2009
Financial income	1,623,159	1,990,951
Other income	695,656	377,517
Translation adjustments	-	-
Total other operating income	**2,318,815**	**2,368,468**

Note 20 - Relevant Income Statement Accounts

20.1 Expenses by nature

Detail	Balance as of September 30, 2010	Balance as of September 30, 2009
Personnel expenses	10,250,946	9,129,085
Operating expenses	8,829,114	10,627,876
Maintenance expenses	2,827,136	2,363,012
Depreciation	33,694,596	32,019,180
Other financial expenses	18,256,998	47,138,213
Mark-To-Market Swap contracts	1,259,314	3,311,363
Gain (loss) for indexed assets and liabilities	10,770,335	(20,060,246)
Total	**85,888,438**	**84,528,483**

20.2 Personnel expenses

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

Detail	Balance as of September 30, 2010	Balance as of September 30, 2009
Salaries and wages	8,424,030	7,077,775
Short-term employee benefits	585,228	975,945
Staff severance indemnity	343,954	329,436
Other long-term benefits	345,242	315,885
Other personnel expenses	552,491	430,044
Total	**10,250,945**	**9,129,085**

Note 20 - Relevant Income Statement Accounts (continued)

20.3 Depreciation and amortization

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

Detail	Balance as of September 30, 2010	Balance as of September 30, 2009
Depreciation	32,219,688	31,628,006
Amortization	-	-
Losses for damages	1,474,908	391,174
Total	**33,694,596**	**32,019,180**

20.4 Financial results

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

Detail	Balance as of September 30, 2010	Balance as of September 30, 2009
Financial income:	**1,623,159**	**1,990,951**
Commercial interest earned	801,052	530,354
Bank interest earned	637,102	1,460,597
Other income	185,005	-
Financial expenses:	**(19,516,312)**	**(50,449,576)**
Bond expenses	(19,397,762)	(50,030,132)
Other expenses	(118,550)	(419,444)
Gain (loss) for indexation	**(10,770,335)**	**20,060,246**
Foreign currency translation:	**984,200**	**(1,690,889)**
Positive	984,200	-
Negative	-	(1,690,889)
Total financial result	**(27,679,288)**	**(30,089,268)**

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**	
	September 30, 2010	**September 30, 2009**
Current tax expense	409,182	364,810
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	**409,182**	**364,810**
Deferred tax expense (income) relating to origination and reversal of temporary differences	4,713,058	7,256,375
Other deferred tax expense		
Deferred tax expense, net, total	**4,713,058**	**7,256,375**
Effect of change in tax situation of the entity or its shareholders	-	-
Income tax expense (income)	**5,122,240**	**7,621,185**

Reconciliation of Tax Expense Using Statutory Rate with Tax Expense Using Effective Rate	**Balance as of**	
	September 30,2010	**September 30,2009**
Tax expense using statutory rate	(8,105,894)	(7,770,601)
Effect on tax result of IFRS adoption		
Permanent differences	2,983,654	149,416
Effect on deferred taxes of IFRS adoption		
Total adjustments to tax expense using statutory rate	**2,983,654**	**149,416**
Tax Expense Using Statutory Rate	**(5,122,240)**	**(7,621,185)**

	September 30,2010	**September 30,2009**
Statutory Tax Rate	17.00%	17.00%
Other Increase (Decrease) in Statutory Tax Rate	(6.26)	(1.31)
Adjustments to Statutory Tax Rate, Total	**(6.26)**	**(1.31)**
Effective Tax Rate	**10.74**	**15.69**

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.

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.
Due to a change in the legal regulations for the years 2011 and 2012, the income tax rate will rise from 17% to 20% and 18.5% respectively. From the business year 2013 and thereafter it will return to the rate of 17%. The effect generated by these changes in rates, resulted in a higher profit of ThCh$ 873,066.

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.

Basic Earnings (Loss) per Share	September 30,2010 ThCh$	September 30, 2009 ThCh$
Profit (loss) attributable to equity holders of parent	42,559,489	40,962,943
Earnings available to common shareholders, basic	42,559,489	40,962,943
Total basic shares	1,000,000	1,000,000
Basic earnings (loss) per share	42,559.489	40,962.943

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 September 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$ 34,858,195 (ThCh$ 21,846,001 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 September 30, 2010 and December 31, 2009, personnel employed by Transelec S.A. are detailed as follows:

	September 30, 2010				
	Manager and executives	**Profesionals and technical personnel**	**Other employees**	**Total**	**Average of the year**
Total	**13**	**282**	**167**	**462**	**444.3**

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

Company making disbursement	Project	September 30, 2010 ThCh$	September 30, 2009 ThCh$
Transelec S.A.	Environmental impact studies	230,372	59,959
Total		**230,372**	**59,959**

Note 27 - Subsequent Events

On October 1, 2010, the Superintendent was informed that the Board of Directors of Transelec S.A., in a session held September 30, 2010, agreed to inform the SVS of the material event that an extraordinary shareholders' meeting had been called for October 21, 2010 at 9:00 at the Company's offices located at Apoquindo 3721, 6th floor, Las Condes.

The objective of this meeting is to submit the following matters to the shareholders for their information and approval:

To approve the Company's indebtedness, either in UF, Chilean pesos or United States dollars, by means of securing bank loans and/or issuing a combination of bonds and bank debt on the local market and/or the US market in United States dollars up to a total equivalent to UF 10,000,000, and also approving the signing of all types of documents related to such financing as well as their amendments and clarifications and all related acts and contracts.

On October 22, 2010, the Superintendent was informed that an extraordinary Shareholders' Board was celebrated in these date, in which was agreed:

1) Ratify the decision adopted by the Board of the Company in its Extraordinary meeting No. 58, , dated September 30, 2010, in which they approved the Company´s indebtedness, either in UF, in Chilean pesos or U.S. dollars, which could be materialized through bank loans and / or issuance of a combination of bonds and bank debt, either with placements of bonds under the Lines of Bonds to be issued under Law 18,045 of 1981 and its amendments and / or the United States of America (under rule 144A or registered with the SEC) and / or through bank loans, provided that together do not exceed the equivalent of UF 10,000,000, whether the debt is obtained at UF, in U.S. dollars or Chilean pesos. The Board also approved the holding of any documents relating to financing, as well as clarifications and modifications and all related documents and contracts. They also approved that management can contract with the banks, the audit firm and other participants required for the transaction. In any case, the aforementioned authorization will be for one year to complete all necessary procedures to obtain financing.

2) The Board also agreed to authorize the Board of Directors of the Company to establish the amount, characteristics, opportunities, specific terms and conditions of future bond issuance in the local market or in the United States, which should be limited in any event to the maximum amount allowed, and correspond to market conditions at the time of issuance.

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

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 September 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 December 31, 2009 (Chilean GAAP to IFRS)

	Reconciliation ThCh$
Net Equity as of December 31, 2009, Chilean GAAP	**900,148,743**
MTM of swap contracts	(486,032)
Accumulated amortization of easements	13,795,084
Debt at amortized cost	1,604,051
Actuarial value of staff severance indemnities	(1,730,414)
Deferred taxes	(11,924,538)
Activation of indirect labor	(385,387)
Accumulated amortization of goodwill acquired	8,712,539
Price-level restatement, net	9,082,427
Depreciation of property, plant and equipment	(885,399)
Non controlling interest	3,297
Effect of the conversion to IFRS	**17,785,628**
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	**7,469,802**
Net Income for the year endedas of December 31, 2009, IFRS	**54,708,072**

Note 28 - IFRS Transition (continued)

28.5 Reconciliation of Net Equity and Income as of September 30, 2009 (Chilean GAAP to IFRS):

	Reconciliation ThCh$
Net Equity as of September 30, 2009 , Chilean GAAP	**899,447,462**
MTM of swap	(1,428,612)
Accumulated amortization of easements	12,506,950
Debt at amortized cost	2,088,378
Actuarial value of staff severance indemnities	(1,670,403)
Deferred taxes	(13,036,942)
Activation of indirect labor	(273,870)
Accumulated amortization of goodwill acquired	6,500,963
Price-level restatement, net	17,869,197
Depreciation of property, plant and equipment	(4,299,050)
Non controlling interest	3,819
Effect of the conversion to IFRS	**18,260,430**
Net Equity as of September 30, 2009 under IFRS	**917,707,892**

Note 28 - IFRS Transition (continued)

28.5 Reconciliation of Net Equity and Net Income as of September 30, 2009 (Chilean GAAP to IFRS) (continued):

	Reconciliation ThCh$
Net Income for the six months ended September 30, 2009 under Chilean GAAP	**37,406,876**
Price-level restatement (net)	16,986,023
Capitalization of indirect personnel expenses	(273,870)
Amortization of goodwill acquired	6,500,963
Amortization of easements	2,793,110
MTM of swap contracts	(15,482,895)
Interest on debt at amortized cost	(1,515,719)
Actuarial value of staff severance indemnities	(116,585)
Deferred taxes (net)	(1,036,081)
Depreciation of property, plant and equipment	(4,299,050)
Non controlling interest	171
Effect of the conversion to IFRS	**3,555,067**
Net Income for the six months ended September 30, 2009 under IFRS	**40,962,943**

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, 2009.

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, there is a legally assumed obligation that requires accounting for a liability as of the end of the year (accounting for minimum dividend of 30% over net profit, considering provisory dividends paid).

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.

TRANSELEC S.A. AND SUBSIDIARY

REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2010

INTRODUCTION

During the nine-month period ended September 30, 2010, Transelec S.A. and subsidiary obtained net income of MMCh$ 42,559 (MMCh$ 40,963 in 2009), which is 3.9% higher than the comparison period. Operating revenues totaled MMCh$ 131,611, which represents a decrease of MMCh$ 1,375 (1.0%) in comparison to the same period in 2009 (MMCh$ 132,985). EBITDA for the period was MMCh$ 108,423, with an EBITDA margin of 82.4% (83.0% in 2009). The Company's non-operating loss and income taxes for the 2010 period represented a charge of MMCh$ 32,169 (MMCh$ 37,402 in 2009). This decrease in non-operating loss can be explained fundamentally by lower financial expenses (MMCh$ 19,516 in 2010 compared to MMCh$ 50,450 in 2009), partially offset by the loss generated by indexed assets and liabilities during 2010 (MMCh$ 10,770), in contrast to the gain obtained in 2009 of MMCh$ 20,060.

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

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

Transelec S.A. and its subsidiary Transelec Norte S.A. have prepared their financial statements as of September 30, 2010 in accordance with International Accounting Standard 34 (IAS 34), which has been adopted in Chile wholly, explicitly and without reserves as Chilean International Accounting Standard No. 34 (NICCH 34). Figures in this reasoned analysis are expressed in million of Chilean pesos (MMCh$), as Ch$ is the functional currency of Transelec S.A.

1. INCOME STATEMENT ANALYSIS

Items	September 2010 MM$	September 2009 MM$	Variation 2010/2009 %
Operating Revenues	131.611	132.985	-1,0%
Toll sales	126.840	121.943	4,0%
Work and services	4.770	11.042	-56,8%
Operating costs	-50.502	-49.354	2,3%
Fixed costs	-17.104	-18.309	-6,6%
Depreciation	-33.398	-31.045	7,6%
Administraton and sales expenses	-6.379	-5.267	21,1%
Operating Income	**74.729**	**78.365**	**-4,6%**
Non-Operating Income	**-27.047**	**-29.781**	**-9,2%**
Income before Income Taxes	**47.682**	**48.584**	**-1,9%**
Income tax	-5.122	-7.621	-32,8%
Net Income	**42.559**	**40.963**	**3,9%**
EBITDA	**108.423**	**110.384**	**-1,8%**

a) Operating Income

In the first nine months of 2010, sales reached MMCh$ 131,611 (MMCh$ 132,985 in the same period in 2009), which is a decrease of MCh$ 1,375. It is important to note that revenues are mainly obtained from sales of the transmission capacity of the Company's facilities, but also include sales of services related to its main activity. During 2010, the Company provided engineering services for hydroelectric power plants in Aysén, but lower in the amount of MMCh$5,290 compared to the same period in 2009.

In the nine-month period between January and September 2010, operating costs reached MMCh$ 50,502 (MMCh$ 49,354 in 2009). These costs are primarily related to maintaining and operating the

Company's facilities. The Company also incurred costs in 2009 to provide engineering services to hydroelectric power plants in Aysén. In percentage terms, the Company's costs consist of: 66.1% depreciation of property, plant and equipment (62.9% in 2009), 20.1% personnel costs (18.4% in 2009) and 13.8% supplies and services contracted (18.7% in 2009). Depreciation increased by MMCh$ 1,937 during the first nine months of 2010 as compared to the same period in 2009, due mainly to equipment and parts retired or replaced because of damage from February 27th earthquake.

Administrative and selling expenses amounted to MMCh$ 6,379 (MMCh$ 5,267 in 2009) and consist of 50.1% personnel costs (53.0% in 2009), 45.3% work, supplies and services contracted (30.2% in 2009), and 4.6% depreciation (16.8% in 2009).

b) Non-Operating Income

Net income was negatively impacted by the non-operating loss of MMCh$ 27,047 (MMCh$ 29,781 in 2009) recorded for the nine-month period ended September 30, 2010, which was generated mainly by financial expenses of MMCh$ 19,516 (MMCh$ 50,450 in 2009). This strong decrease in financial expenses is attributable primarily to: i) interest accrued in 2010 that was partially offset by the reversal of the difference between the book value of the series B1 and B2 bonds, prepaid in March 2010, and the value actually paid, resulting in a credit for that reversal of MMCh$ 6,455 during 2010, ii) the negative result during 2010 from mark to market of the Company's swap contracts and settling those derivative instruments for just MMCh$ 1,259, which resulted in a charge of MMCh$ 18,106 in 2009. Other important items that affected the non-operating loss recorded in 2010 include: a) a charge from indexed assets and liabilities of MMCh$ 10,770 (credit of MMCh$ 20,060 in 2009), b) foreign currency translation, which resulted in a credit of MMCh$ 984 in 2010 (charge of MMCh$ 1,691 in 2009) and c) financial income of MMCh$ 1,623 (MMCh$ 1,991 in 2009).

2. BALANCE SHEET ANALYSIS

Items	September 2010 MM$	December 2009 MM$	Variation 2010/2009 %
Current assets	117.295	180.370	-35,0%
Non-current assets	1.665.517	1.632.026	2,1%
Total Assets	**1.782.812**	**1.812.396**	**-1,6%**
Current liabilities	190.184	43.915	333,1%
Non current liabilities	649.622	850.546	-23,6%
Equity	943.006	917.934	2,7%
Total liabilities & Equity	**1.782.812**	**1.812.396**	**-1,6%**

Although there is a decrease in current assets as of September 2010 as compared to December 2009, it is important to note that the Company prepaid its series B bonds in March 2010 for UF 3.04 million. Funds for these premium payments were secured beforehand in December 2009 when Transelec issued bonds for UF 3.10 million. Likewise, current liabilities as of September 2010 reflect the fact that the Company's Yankee bonds will mature within the next 12 months (April 2011).

VALUE OF PRINCIPAL OPERATING PROPERTY, PLANT AND EQUIPMENT

Assets	September 2010 MM$	December 2009 MM$	Variation 2010/2009 %
Land	20.376	19.410	5,0%
Building, nfraestucture, works in progress	859.123	823.998	4,3%
Machinery and equipment	388.206	364.968	6,4%
Other fixed assets	442	1.803	-75,5%
Depreciation (less)	-158.678	-127.445	24,5%
Total	**1.109.469**	**1.082.733**	**2,5%**

OUTSTANDING DEBT

Debt	Currency or index	Interest rate	Type of rate	Amount in original currency (million) Unpaid capital September 2010	December 2009	January 2009
Yankee bond	US$	7,88%	Fixed	245	245	465
Series B bond	UF	6,20%	Fixed	-.-	3	3
Series C bond	UF	3,50%	Fixed	6	6	6
Series D bond	UF	4,25%	Fixed	14	14	14
Series E bond	UF	3,90%	Fixed	3	3	-.-
Series F bond	CLP	5,70%	Fixed	33.600	33.600	-.-
Series H bond	UF	4,80%	Fixed	3	3	-.-
Series I bond	UF	3,50%	Fixed	2	2	-.-
Series K bond	UF	4,60%	Fixed	2	2	-.-

3. PRINCIPAL CASH FLOWS FOR THE PERIOD

Items	September 2010 MM$	September 2009 MM$	Variation 2010/2009 %
Cash flow araising from (used in) operating activities	83.326	63.277	31,7%
Cash flow araising from (used in) investing activities	-71.272	-44.688	59,5%
Cash flow araising from (used in) financing activities	-82.718	-10	829566,6%
Net increase (decrease) of cash and cash equivalent	**-70.663**	**18.579**	**-480,3%**
Cash and cash equivalent at the begining of the period	137.896	66.791	106,5%
Cash and cash equivalent at the end of the period	**67.233**	**85.370**	**-21,2%**

Net negative cash flows from financing activities during the period from January 1 to September 30, 2010 of MMCh$ 82,718 are mainly due to principal payments on debt (UF-denominated series B1 and B2 bonds) and dividend payments. In the 2009 period, the Company recorded net negative cash flows from financing activities of MMCh10, mainly due to the issuance of local Series E, F and H, to the purchase of a portion of the Yankee Bonds issued by the Company in 2001, the early redemption of certain swaps associated with the portion of the acquired Yankee bonds, and dividend payments.

In the current period, investing activities generated net negative cash flows of MMCh$ 71,272 mainly due to net additions to property, plant and equipment. In the same period in 2009, investing activities generated negative cash flows of MMCh$ 44,688, also as a result of net additions to property, plant and equipment.

The final balance of cash and cash equivalents as of September 30, 2010 amounted to MMCh$ 67,233, from an opening balance of MMCh$ 137,896. In 2009, the final balance of cash and cash equivalents amounted to MMCh$ 85,370 from an opening balance of MCh$ 66,791.

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

Bank	Amount (up to)	Maturity
Scotiabank Sudamericano	US$ 15,000,000	11-06-2010
DnBNnor	US$ 30,000,000	02-28-2012
Scotiabank Sudamericano	US$ 15,000,000	03-31-2011

4. RATIOS

Limit	Covenant	IFRS September 2010	Chile GAAP September 2009	Status
> 1,5	FNO/Financial Expenses (**)	2,97	3,21	OK
< 0,7	Total Debt / Total Capitalization (***)	0,45	0,47	OK
> ThUF15.000	Shareholder's Equity (in UF)	44.189	43.171	OK

(*) FNO= Cash flor araising (used in) operatng activities + abs(financial expense) + abs(income tax); this ratio is a Distribution Test for Restricted Payments.
(**) Total Capitalization = Total Debt+ Non controlling interest+ Shareholder's Equity
(***) Shareholder's Equity = Total equito attributable to owners of the parent + Amortization of the goodwill

INDICATORS	September 2010	December 2009	Variation 2010/2009
Profitability			
Shareholders' Equity profitability	6,02%	5,96%	1,0%
Assets profitability	3,18%	3,02%	5,3%
Operating assets profitability	7,98%	8,78%	-9,1%
Earnings per share ($)	56,74457	54,70808	3,7%
Liquidity & Indebtedness			
Current Ratio	0,62	4,11	-84,9%
Acid-Test Ratio	0,62	4,11	-85,0%
Debt to Equity	0,89	0,97	-8,2%
% Short term debt	22,65	4,91	361,3%
% Log term debt	77,35	95,09	-18,7%
Financial expenses coverage	5,56	2,55	117,8%

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

5. MARKET ANALYSIS

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

Transelec's business is mainly related to commercializing the capacity of its facilities to transport and transform electricity, in accordance with established quality standards. The transmission system of Transelec S.A. and subsidiary, which stretches 2,900 kilometers between Arica in the 1st Region to the Island of Chiloé in the 10th Region, encompasses the majority of the trunk transmission lines and substations in the SIC and the SING. This transmission system transports the electricity that supplies approximately 99% of Chile's population. The Company owns 100% of the 500 kV electricity transport lines, 51.1% of the 220 kV lines and 94.5% of the 154 kV.

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

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

Finally, Law 19,940 established that the new payment regime for the use of trunk facilities would become effective as of March 13, 2004 and determined a transitory period that was in effect until the first trunk transmission decree was issued. Thus, from 2004 to 2007, collection and payment for use of transmission facilities was carried out provisionally using subsequent recalculations in accordance with legal and regulatory standards in effect until Short Law I was published. On January 15, 2008, a decree from the Ministry of Economy, Development and Reconstruction was published that set the new Investment Value (VI), Annuity of the Investment Value (AVI), Operation, Maintenance and Administration Costs (COMA) and Annual Transmission Value per Segment (VATT) for the trunk facilities for the period from March 14, 2004 to December 31, 2010, as well as the indexation formulas applicable during that period. New rates for the trunk transmission system began being applied in April 2008 and during 2008 trunk income was recalculated for the period from March 13, 2004 to December 31, 2007. The determination of trunk facilities and their Annual Transmission Value per Segment (VATT) is updated every four years using an internationally-tendered study. Such a study is being carried out in 2010 to set tariffs for the 2011-2014 period.

Decree No. 320 from the Ministry of Economy, Development and Reconstruction, which sets tariffs for subtransmission facilities, was published in the Official Gazette on January 9, 2009 and the new tariffs begin to be applied on January 14, 2009 and will be in effect until December 31, 2010. The new subtransmission tariffs that will be in effect during the 2011-2014 period shall be set by the Ministry of Energy based on valuation studies on subtransmission facilities that are being conducted during 2010.

6. MARKET RISK FACTORS

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

Regulatory Framework
The laws governing the electricity transmission business in Chile were amended by the enactment of Law 19,940, referred to as Short Law I, published March 13, 2004.

Even though some application-related aspects of Short Law I still need to be defined in the electricity regulations, which have not yet been fully prepared, the most relevant methodological aspects for establishing tolls for trunk facilities to be paid by each user company, as well as mechanisms for payment and recalculation, are defined in decree No. 207, issued July 9, 2007 by the Ministry of Economy, Development and Reconstruction published in the Official Gazette on January 15, 2008. With respect to tolls for subtransmission facilities, although some application-related aspects of the new calculation method are still to be defined in the electricity regulations, which have not yet been prepared, decree No. 320 from the Ministry of Economy, Development and Reconstruction that sets subtransmission tariffs and indexation formulas, published in January 2009, contains provisions regarding application that have allowed payment amounts and mechanisms for the facilities to be established.

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

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

Delays in Construction of New Transmission Facilities
The success of the program for extending the trunk transmission network and building new facilities will depend on numerous factors, including financing cost and availability. Although Transelec has experience with large-scale construction projects, construction of new facilities could

be negatively affected by factors commonly associated with such projects including delays in obtaining regulatory authorizations, scarcity of equipment, materials or labor, etc. Any of these factors could cause delays in the partial or total completion of the capital investment program, and could increase the costs of the projects.

Technological Changes

Transelec is compensated for investments it makes in electrical transmission facilities through the annuity of the investment value of the existing facilities (AVI). Any important technological changes in the equipment at its facilities could lower this valuation, which could in turn prevent recovery part of the investments made.

Foreign Exchange Risk

The following factors expose Transelec to foreign exchange risk:

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

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

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

	September 2010		December 2009	
In million pesos	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Dollar (amounts associated with balance sheet items)	102	104	119	118
Dollar (amounts associated with income statement items)	-.-	12	-.-	28
Chilean peso	1.678	734	1.702	804

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

EXCHANGE RATE

Month	Average 2010 ($)	Last day 2010 ($)	Average 2009 ($)	Last day 2009 ($)
January	500,66	531,75	623,01	612,43
February	532,56	529,69	606	595,76
March	523,16	526,29	592,93	582,1
April	520,62	520,99	583,18	588,62
May	533,21	529,23	565,72	564,64
June	536,67	543,09	553,08	529,07
Julio	531,72	522,36	540,42	541,9
Agosto	509,32	499,26	546,88	550,64
Septiembre	493,93	485,23	549,07	546,07
Average of the period	**524,48**	**530,17**	**587,32**	**578,77**

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

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

However, a significant portion of the Company's transmission income is concentrated in one customer. In effect, as of September 30, 2010, approximately 70.17% of income is invoiced to only one client (or its subsidiaries and related parties). As a result, changes in the financial situation of this client could affect the financial performance of Transelec S.A.

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

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

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

In order to guarantee that Transelec is able to quickly react to investment opportunities and pay its obligations by their maturity dates, in addition to its cash balances and short-term receivables, the Company has committed lines of credit for working capital for US$ 60 million (equivalent to MMCh$ 29,019). 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 September 30, 2010.

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

The following table outlines capital amortizations for the Company's financial liabilities according to their maturity as of September 30, 2010, December 31, 2009 and January 1, 2009:

In million pesos	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
September 30, 2010	118.561	-.-	136.032	128.040	386.254	768.887
december 31, 2009	1.340	129.001	139.487	147.773	409.224	826.825
January 1, 2009	1.373	299.381	5.490	147.894	326.585	780.722

Interest Rate Risk

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

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

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

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