Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
September 30, 2008 and 2007

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

September 30, 2008 and 2007

(Translation of financial statements originally issued in Spanish-See Note 2)

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Consolidated Financial Statements

ThCh$	:	Thousand of Chilean pesos
UF	:	Unidad de Fomento (an inflation-indexed, Chilean-peso denominated monetary unit set daily in advance on the basis of the previous month’s inflation rate),
ThUS$	:	Thousands of United States dollars

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of September 30, 2008 and 2007

(Translation of financial statements originally issued in Spanish—See Note 2b)

ASSETS		September 30, 2008 ThCh$	September 30, 2007 ThCh$
Current Assets			
Cash		1,022,518	545,200
Time deposits	(33)	41,588,050	43,394,923
Marketable securities	(4)	3,770,635	9,489,443
Trade accounts receivable, net	(5)	32,364,396	19,706,446
Miscellaneous receivables	(5)	593,671	946,873
Notes and accounts receivable from related companies	(6)	54,586	35,896,116
Inventory, net		42,327	46,340
Recoverable taxes	(7)	3,436,715	2,653,549
Prepaid expenses		129,567	116,610
Deferred taxes	(7)	3,963,400	4,716,758
Other current assets	(8)	2,548,666	11,688,266
Total current assets		89,514,531	129,200,524
Property Plant and Equipment			
Land		17,693,252	17,241,733
Buildings and infrastructure		795,518,617	789,005,809
Machinery and equipment		330,589,836	315,787,429
Other property, plant and equipment		1,496,896	1,556,224
Less: Accumulated depreciation		(78,150,343)	(42,673,232)
Total property, plant and equipment	(10)	1,067,148,258	1,080,917,963
Other Assets			
Investments in other companies	(11)	211,644	157,952
Goodwill	(12)	334,326,585	269,046,419
Long-term receivables	(5)	1,384,159	10,087,748
Notes and accounts receivable from related companies	(6)	16,935,710	31,661,797
Long-term deferred taxes	(7)	53,663,629	60,984,153
Intangibles	(13)	157,748,158	157,804,449
Less: Amortization	(13)	(8,927,263)	(4,986,455)
Others	(14)	9,458,073	10,372,966
Total other assets		564,800,695	535,129,029
Total assets		1,721,463,484	1,745,247,516

The accompanying notes 1 to 32 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of September 30, 2008 and 2007

(Translation of financial statements originally issued in Spanish—See Note 2b)

LIABILITIES AND SHAREHOLDERS' EQUITY		September 30, 2008 ThCh$	September 30, 2007 ThCh$
Current Liabilities			
Short-term bonds	(16)	22,100,131	16,009,268
Dividends payable		-	-
Accounts payable		32,288,465	28,842,408
Miscellaneous payables		-	13,396,645
Notes and accounts payable to related companies	(6)	284,263	1,266,249
Provisions	(17)	2,763,347	2,465,897
Withholdings		132,203	2,363,002
Income Tax		20,098	-
Other current liabilities	(15)	1,423,835	597,177
Total current liabilities		59,012,342	64,940,646
Long-term Liabilities			
Long-term bonds	(16)	784,725,959	801,176,832
Miscellaneous accounts payable		-	11,039,404
Long-term provisions	(17)	1,486,861	1,625,139
Other long-term liabilities		1,554,221	1,640,685
Total long-term liabilities		787,767,041	815,482,060
Minority interest	(19)	4,728	4,814
Shareholders' equity			
Paid-in capital	(20)	787,827,868	801,765,233
Capital revaluation reserve		54,360,123	40,890,027
Other reserves		(774,480)	-
Retained earnings		1,676,364	95,712
Net income		45,407,501	30,158,419
Interim dividends		(13,818,003)	(8,089,395)
Total shareholders' equity		874,679,373	864,819,996
Total liabilities and shareholders' equity		1,721,463,484	1,745,247,516

The accompanying notes 1 to 32 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Income

For the nine-month periods ended September 30, 2007 and 2008

(Translation of the financial statements originally issued in Spanish- See Note 2b)

		September 30, 2008 ThCh$	September 30, 2007 ThCh$
Operating Income			
Sales		134,519,966	106,529,985
Cost of sales		(41,930,352)	(40,235,018)
Gross margin		92,589,614	66,294,967
Less: Administrative and selling expenses		(4,074,053)	(3,257,703)
Net operating income		88,515,561	63,037,264
Non-operating Income			
Interest income		9,297,051	4,538,708
Other non-operating income	(21)	28,990	4,263,838
Interest expenses		(29,646,976)	(28,780,123)
Less: Amortization of goodwill	(12)	(6,619,443)	(5,368,712)
Other non-operating expenses	(21)	(1,334,043)	(3,850,248)
Price-level restatement, net	(22)	(2,303,204)	1,032,482
Foreign currency translation, net	(23)	366,916	(104,991)
Non-operating income		(30,210,709)	(28,269,046)
Income before income taxes		58,304,852	34,768,218
Income taxes	(7)	(12,897,199)	(4,609,637)
Income before minority interest		45,407,653	30,158,581
Minority interest	(19)	(152)	(162)
Net income		45,407,501	30,158,419

The accompanying notes 1 to 32 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the nine-month periods ended September 30, 2008 and 2007

(Translation of financial statements originally issued in Spanish- See note 2b)

		September 30, 2008 ThCh$	September 30, 2007 ThCh$
Cash Flows from Operating Activities			
Net income		45,407,501	30,158,419
Income from sale of assets		380,144	(342,108)
Income on sale of property, plant and equipment		380,144	(342,108)
Charges (credits) to income that do not represent cash flows			
Depreciation	(10)	25,995,571	25,255,110
Amortization of intangible assets	(13)	2,849,702	2,868,949
Write-offs and provisions		-	347,743
Amortization of goodwill	(12)	6,619,443	5,368,712
Price-level restatement, net	(22)	2,303,204	(1,032,482)
Foreign currency translation, net	(23)	(366,916)	104,991
Other credits to income other than cash flows		(4,660,964)	(5,168,386)
(Increase) decrease in assets that affect cash flows			
Trade accounts receivable		(7,469,228)	(6,480,393)
Inventory		2,995	2,402
Other assets		(518,409)	(10,350,819)
Increase (decrease) in liabilities that affect cash flows			
Accounts payable related to operating income		(20,968,340)	881,491
Interest payable		12,763,847	5,981,106
Income taxes payable		18,373,254	236,691
VAT and other taxes payable		(2,376,522)	675,791
Minority interest	(19)	152	92
Net cash provided by operating activities		78,335,434	48,507,309
Cash Flows from Financing Activities			
Bonds payable		-	123,824,849
Dividends paid		(21,373,769)	(22,364,177)
Bonds payable paid		(1,330,331)	(126,465,352)
Net cash flows used in financing activities		(22,704,100)	(25,004,680)

The accompanying notes 1 to 32 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the nine-month periods ended September 30, 2008 and 2007

(Translation of financial statements originally issued in Spanish- See note 2b)

	September 30, 2008 ThCh$	**September 30, 2007 ThCh$**
Cash Flows from Investing Activities		
Sale of property, plant and equipment	10,392,335	2,241,774
Collection of documented loans to related companies	78,211,016	42,844,309
Additions to property, plant and equipment	(35,070,038)	(12,374,227)
Payment of capitalized interest	(2,216,202)	(674,220)
Permanent investments	-	(84,325)
Documented loans to related companies	(18,662,704)	(62,055,098)
Other investment disbursements	(74,479,162)	-
Net cash flows used in investing activities	(41,824,755)	(30,101,787)
Total positive (negative) net cash flows for the year	13,806,579	(6,599,158)
Effect of price-level restatement on cash and cash equivalents	(588,141)	(3,287,575)
Net increase (decrease) in cash and cash equivalents	13,218,438	(9,886,733)
Cash and cash equivalents, beginning of the year	34,802,362	73,969,252
Cash and cash equivalents, end of the year	48,020,800	64,082,519

The accompanying notes 1 to 32 form an integral part of these financial statements

Note 1 - Business Description

Rentas Eléctricas III Limitada was formed as a limited liability company by public instrument on June 6, 2006.

On March 26, 2007, the Company changed its name to Rentas Eléctricas III S.A. and became a corporation. On June 30, 2007, it changed its name to its current name, Transelec S.A.

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 SVS. Simultaneously, it registered 1,000,000 shares, which corresponds to the total number of shares issued, subscribed and fully paid.

Its subsidiary Transelec Norte S.A. was listed as number 939 in the SVS and is subject to its supervision.

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 electrical transmission business previously conducted by the above mentioned subsidiary.

The Company has the exclusive objective of exploiting and developing electric systems, on its own, or on behalf of third parties, to transport or transmit electrical energy. For this purpose it may obtain, acquire and use the respective concessions and permits and exercise all the rights and faculties that the prevailing legislation confers on electrical companies. It's line of business also includes: commercialization of the capacity to transport the electricity of the lines and the capacity of the substations and equipment associated with them in order for the generating stations, both domestic and foreign, to be able to transmit the electrical energy they produce and have it reach their withdrawals; providing engineering or management consulting services related with the company's business line; and developing other business and industrial activities related to the facilities associated with the transmission of electricity. The Company may act directly or through subsidiaries or other related companies, both in Chile and abroad.

Note 2 - Summary of Significant Accounting Principles

a) Period covered

These consolidated financial statements cover the nine-month periods ended September 30, 2008 and 2007.

b) Basis of preparation

These consolidated financial statements as of September 30, 2008 and 2007 have been prepared in accordance with generally accepted accounting principles in Chile ("Chilean GAAP") issued by the Chilean Association of Accountants and specific instructions and regulations issued by the SVS. In case of discrepancy, the specific instructions and regulations issued by the SVS will prevail. Certain accounting practices applied by the Company that conform to Chilean GAAP may not conform to generally accepted accounting principles in the United States ("US GAAP") or International Financial Reporting Standards ("IFRS").

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

c) Basis of presentation

For comparison purposes, the figures of the consolidated financial statements for the previous year were restated off-balance sheet by the percentage variation of the Consumers Price Index for the twelve-month period ended on September 30, 2008, which was 9.3%.

For the purpose of recognizing deferred taxes associated to consolidation adjustments due to the valuation of the property, plant and equipment of the subsidiary at fair value, a reclassification was performed in the financial statements for the period ended September 30, 2007, consisting of increasing goodwill by ThCh$4,107,944 to recognize a liability for the same amount in long-term deferred taxes.

d) Basis of consolidation

The effects on unrealized income and transactions and balances with the subsidiary have been eliminated, and the participation percentage of the minority investor has been recognized and presented as Minority Interest.

Note 2 - Summary of Significant Accounting Principles (continued)

d) Basis of consolidation (continued)

With respect to this investment, the difference between the investments maintained in Chilean pesos and the shareholders' equity of the subsidiary in United States dollars has been recognized with a charge to Accumulated Foreign Currency Translation, in Other Shareholders' Equity Reserves.

In accordance with Technical Bulletin No. 64 issued by the Chilean Association of Accountants, the Company has considered bonds issued abroad up to an amount of US$30,002,000 as a foreign exchange fluctuation hedge instrument. Foreign currency translation, net of price-level restatement, has been recorded against Cumulative Translation Adjustment, in the Other Equity Reserves account.

These consolidated financial statements include the balances of the following subsidiary whose participation is as follows:

	Direct Participation	
Corporation	**September 30, 2008 %**	**September 30, 2007 %**
Transelec Norte S.A.	99.99	99.99

e) Price-level restatement

These financial statements have been restated in order to reflect variations in the purchasing power of the Chilean peso during the respective period. For this purpose, and in conformity with current Chilean regulations, non-monetary assets and liabilities and shareholders' equity accounts have been restated in constant period-end pesos and reflected in income. In accordance with Chilean tax regulations and accounting practices, the restatements were calculated based on the official Chilean Consumer Price Index (CPI) for the period ended as informed by the National Institute of Statistics, applied with a one-month lag, which was 6.9% for the 2008 period (5.1% for the 2007 period). In addition, income and expense accounts have been restated to period- end values.

Note 2 - Summary of Significant Accounting Principles (continued)

f) Basis of conversion

Balances in foreign currency have been considered as monetary items and have been converted at the current exchange rate as of financial statement closing date. Indexed balances have been adjusted by the item's adjustability index or by the index agreed upon for that purpose.

As of September 30, 2008 and 2007, assets and liabilities in foreign currency and Unidades de Fomento ("UF") have been translated into Chilean pesos as of the closing exchange or conversion rates, detailed as follows:

	Ch$ per unit	
	September 30, 2008	**September 30, 2007**
Unidad de Fomento	20,988.34	19,178.94
United States dollar	551.31	511.23
Euro	775.51	729.29

g) Time deposits

Investments in time deposits are recorded at price-level restated cost plus accrued interest as of period-end.

h) Marketable securities

Marketable securities include investments in mutual funds valued at the unit price as of period-end.

i) Allowance for doubtful accounts

The Company deems that it is unnecessary to record an allowance for doubtful accounts as of period-end.

Note 2 - Summary of Significant Accounting Principles (continued)

j) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost based on fair value as of June 30, 2006, price-level restated at period-end. Financing costs for property, plant and equipment at construction sites are capitalized during the construction period. During the 2008 period, financial costs amounting to ThCh$2,216,202 have been capitalized (ThCh$674,220 in 2007).

k) Depreciation of property, plant and equipment

The depreciation of property, plant and equipment has been calculated using the straight-line method, based on the estimated useful lives of the respective assets.

l) Lease contract

The financial leasing operation corresponds to assets that were constructed by the Company, at the express request of the lessee. Upon termination of the contract, ownership will be transferred to the lessee, upon payment of an amount equal to the last installment. This contract has been recorded in conformity with Technical Bulletin No. 22 of the Chilean Association of Accountants and is classified in miscellaneous receivables and long-term receivables.

m) Intangibles

Intangibles include rights-of-way, valued at acquisition cost based on their fair value as of June 30, 2006, price-level restated as of the end of the period. These assets are amortized using the straight-line method over a period of 40 years, in conformity with Technical Bulletin No. 55, issued by the Chilean Association of Accountants.

n) Goodwill

Goodwill presents the greater cost incurred on the acquisition of shares of HQI Transelec Chile S.A. (dissolved company) and Transelec Norte S.A. in relation to its equity value calculated as of the purchase date, in accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants.

Note 2 - Summary of Significant Accounting Principles (continued)

n) Goodwill (continued)

This greater cost is amortized over a 40-year period, term which was authorized by the SVS on July 23, 2007, through Official Letter No. 7749 of the same date.

As per the Purchase Agreement of the shares of HQI Transelec Chile S.A. and the publication in the Official Gazette of January 15, 2008 of Decree No. 207 issued by the Ministry of Economy, Economic Development and Reconstruction that sets the installations of the trunk system, areas of common influence, annual transmission value; by segment and its components with their indexation formulas for the four-year period from 2007 to 2010. The sum of ThUS$160,808 was recognized as of March 31, 2008 as goodwill, due to the price adjustment related to the valuation of certain trunk assets. In addition, as of June 30, 2008 the sum of ThCh$3,100,000 was recognized as goodwill for the concept of price adjustments agreed upon on June 30, 2006 and associated to recalculation of regulated trunk income for the period from March 13, 2004 to June 30, 2006.

o) Resale agreements

Other current assets include purchase commitments with resale agreements valued at the investment value plus price-level restatements and interest.

p) Bonds payable

The long-term portion of this item includes the liability determined based on the fair value as of June 30, 2006, for the placement of bonds issued by the Company at their par value plus price-level restatement, and the short-term portion includes accrued interest at period-end. The difference between the book value and the placement value is recognized over the term of these liabilities and is shown in Other Current Liabilities and Other Long-term Liabilities.

q) Current and deferred income taxes

The Company has recognized its tax liabilities in accordance with current Chilean tax regulations.

The effects of deferred taxes originated from differences between the financial and tax balance sheets, are recorded for all temporary differences considering the tax rate that will.

Note 2 - Summary of Significant Accounting Principles (continued)

q) Current and deferred income taxes (continued)

be effective on the estimated date of reversal, as established in Technical Bulletin No. 60 issued by the Chilean Association of Accountants.

r) Staff severance indemnities

The provision for staff severance indemnities to cover the contractual obligations for personnel having completed 15 years of service is shown based on the present value by applying the accrued cost method, at an annual interest rate of 6.5%, and an average period of service of 40 years, plus an average of 75% of the benefit for staff with less than 15 years of service.

s) Vacation provision

In accordance with Technical Bulletin No. 47 issued by the Chilean Association of Accountants, the Company records personnel vacation on an accrued basis.

t) Operating income

Operating income is mainly income arising from the sale of electric transmission capacity of the Company's facilities, which includes the transmission service provided but not billed at each period-end, which is valued at the selling prices as stipulated in current contracts and toll reports issued by the "Centro de Despacho Económico de Carga del Sistema Interconectado Central" (CDEC - SIC) and by the Centro de Despacho Económico de Carga del Sistema Interconectado del Norte Grande (CDEC-SING), which are an autonomous generating industry group that coordinates the operation of electricity generation companies in the SIC, these are two of Chile's major interconnected electricity systems. As of January 1, 2008, operating income also includes income received as a product of recalculation of tolls to tariff income from previous years. Those amounts are shown in Trade Accounts Receivable within Current Assets.

u) Accounting estimates

In the process of its operations, the Company must make accounting estimates to determine its accounts receivable and payable for the concept of tariff income. The final billing of these accounts receivable and payable can exceed one year and originate eventual losses or gains in amounts that are estimated to be insignificant.

Note 2 - Summary of Significant Accounting Principles (continued)

v) Derivative contracts

Future currency and swap contracts have been recorded at their fair value, in accordance with Technical Bulletin No. 57 of the Chilean Association of Accountants.

w) Computer software

Computer software has been acquired in computer packages, which are amortized over a 3-year period.

x) Statements of cash flows

Cash and cash equivalents presented in the statements of cash flows correspond to cash, time deposits, marketable securities and financial titles with resale agreements.

Cash flows from operating activities include all cash flows related to the Company's line of business, and in general all cash flows that are not defined as from investment or financing. It should be noted that the operating concept used in these statements is broader than that used in the statements of income.

Cash flows from financing and investing activities include all those cash flows not defined as operational.

y) Debt security issuance and placement expenses

The Company has recorded the expenses for issuance and placement of debt instruments incurred in the current period under Other Current Assets and Other Long-term Assets. These expenses are amortized using the straight-line method over the duration of the liabilities.

Companies Included in Consolidation:

Taxpayer No.	Company Name	PARTICIPATION PERCENTAGE			
		September 30, 2008			September 30,2007
		Direct	Indirect	Total	Total
99521950-6	Transelec Norte S.A.	99.99	-	99.99	99.99

Note 3 - Accounting Changes

During the period from January 1 to September 30, 2008, there have been no accounting changes in relation to the previous period that could significantly affect their interpretation.

Note 4 - Marketable Securities

Details of marketable securities are as follows:

	September 30, 2008 ThCh$	**September 30, 2007 ThCh$**
FM Banco Scotiabank	382,749	-
FM Banchile	585,369	5,111,410
FM ITAU	1,955,989	-
FM BICE	846,528	-
FM Banco Santander	-	4,378,033
Total marketable securities	3,770,635	9,489,443

Note 5 - Short and Long-Term Receivables

Short and long-term receivables correspond to transactions, detailed as follows:

Short-term trade accounts receivable

	September 30, 2008 ThCh$	**September 30, 2007 ThCh$**
Trade accounts receivable from tolls	32,364,396	19,706,446
Total	32,364,396	19,706,446

Note 5 - Short and Long-term Receivables (continued)

The following table details receivables between 90 days and 1 year, which include the accruals receivable related to tariff income differences in the amount of ThCh$22,764,382 as of September 30, 2008 (ThCh$8,065,339 in 2007). Accounts Payable includes provisions payable for the differences in value related to tariff income for the amount of ThCh$16,795,486 as of September 30, 2008 and includes recalculation of the 2007 agreement with Endesa in the amount of ThCh$2,624,000 (ThCh$11,840,313 in 2007).

Short and long-term receivables

	Current							Long-Term	
	Up to 90 days		90 days to 1 year		Subtotal	Total current (net)			
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007		September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Trade Receivable	9,600,014	11,641,107	22,764,382	8,065,339	32,364,396	32,364,396	19,706,446	-	-
Misc. Receivables	593,671	946,873	-	-	593,671	593,671	946,873	1,384,159	10,087,748
						Total Long-term Receivables		1,384,159	10,087,748

Note 6 - Balances and Transactions with Related Companies

The most significant transactions and balances with related companies are as follows:

Notes and Accounts Receivable

Rentas Eléctricas I Limitada

Corresponds to expenses and payments made on behalf of Rentas Eléctricas I Limitada for the amount of ThCh$5,337 as of September 30, 2008 (ThCh$31,811 in 2007).

Transelec Holdings Rentas Limitada

The balance receivable as of September 30, 2008 is mainly due to a series of loans, credited to a mercantile account, which has a short-term balance of ThCh$49,249 (ThCh$24,506,070 in 2007) and a long-term balance of ThCh$16,935,710 (ThCh$31,661,797 in 2007).

The loan is expressed and will be paid in US dollars and accrues interest of 5.6%, considering a 360-day year.

There are some credits in the mercantile current account in Chilean pesos for an accumulated amount as of September 30, 2007 of ThCh$11,358,235, which accrues an interest of 6.5% considering a 360-day year.

Notes and Accounts Payable

Transelec Holdings Rentas Limitada

The balance as of September 30, 2008 of ThCh$284,263, corresponds to payments made on behalf of Transelec.

The balance as of September 30, 2007 of ThCh$1,266,249 corresponds to interest accrued on a loan granted on June 30, 2006, for ThUS$ 400,000 which accrues yearly interest of 6.24%.

The following is the balance and the most relevant transactions with related companies.

Note 6 - Balances and Transactions with Related Companies (continued)

a) Notes and accounts receivable

Taxpayer ID	Company	Short-term September 30, 2008 ThCh$	Short-term September 30, 2007 ThCh$	Long-term September 30, 2008 ThCh$	Long-term September 30, 2007 ThCh$
76.559.580-0	Rentas Eléctricas I Limitada	5,337	31,811	-	-
76.560.200-9	Transelec Holdings Rentas Limitada	49,249	35,864,305	16,935,710	31,661,797
	Total	54,586	35,896,116	16,935,710	31,661,797

b) Transactions with related companies

Company	Taxpayer ID	Relationship	Description of the Transaction	September 30, 2008 Amount	September 30, 2008 (Charge)/ Credit to Income	September 30, 2007 Amount	September 30, 2007 (Charge)/Credit to Income
Transelec Holdings Rentas Ltda.	76.560.200-9	Parent	Loans Granted	18,333,445	-	66,045,613	-
Transelec Holdings Rentas Ltda.	76.560.200-9	Parent	Loans Collected	78,211,018	-	45,693,222	-
Transelec Holdings Rentas Ltda.	76.560.200-9	Parent	Interest Earned	1,790,795	(1,790,795)	2,746,619	(2,746,619)
Rentas Eléctricas I Ltda.	76.559.580-0	Indirect Parent	Loans Granted	33,537	-	31,237	-
Rentas Eléctricas I Ltda.	76.559.580-0	Indirect Parent	Interest Earned	2,652	(2,652)	575	(575)
ETC Holdings Ltda.	0-E	Indirect Parent	Loans Granted	53,410	-	-	-
ETC Holdings Ltda.	0-E	Indirect Parent	Loan Recovery	53,410	-	-	-

Note 6 - Balances and Transactions with Related Companies (continued)

c) Notes and accounts payable

Taxpayer ID	Company	Current		Long-term	
		September 30, 2008 ThCh$	**September 30, 2007 ThCh$**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**
76.560.200-9	Transelec Holdings Rentas Limitada	284,263	1,266,249	-	-
	Total	284,263	1,266,249	-	-

Note 7 - Current and Deferred Income Taxes

a) General information

As of September 30, 2008 and 2007, the Parent Company has not accrued any income tax due to a tax loss of ThCh$21,889,185 for the period. In the 2007 period, there was a tax loss of ThCh$26,060,324.

On September 30, 2007, the Company absorbed its subsidiary Transelec S.A. (formerly Rentas Eléctricas IV S.A.), which at that date recorded a loss of ThCh$2,747,532.

Its subsidiary as of September 30, 2008, has accrued income tax on accrued income for the period for the amount of ThCh$299,234 (ThCh$365,988 in 2007) considering a taxable base of ThCh$1,760,203 (ThCh$2,152,871 in 2007).

As of September 30, 2008 and 2007, the provision is presented under Current Assets under the concept of Recoverable Taxes, according to the following detail:

Recoverable taxes	September 30, 2008 ThCh$	September 30, 2007 ThCh$
First category tax	(299,234)	(365,988)
Non-deductible expenses Art. 21	(16,098)	(3,593)
Prepaid tax installments due to absorbed net income (third parties)	-	353,003
Monthly prepaid tax installments	2,683,017	2,670,127
Remaining Value Added Tax Credit	1,069,030	
Total	3,436,715	2,653,549

Note 7 - Current and Deferred Income Taxes (continued)

b) Deferred taxes

SVS Circular No. 1,466 establishes the application of Technical Bulletin No. 60 issued by the Chilean Association of Accountants starting January 1, 2000.

As described in Note 2q), deferred taxes have been restated as of September 30, 2008 to recognize the effect of the income tax rate changes introduced by the tax reform published in September 2001.

Description	**September 30, 2008**			
	Deferred tax assets		**Deferred tax liabilities**	
Temporary differences	**Short-term ThCh$**	**Long-term ThCh$**	**Short-term ThCh$**	**Short-term ThCh$**
Vacation provision	99,433	-	-	-
Leased assets		27,621	-	-
Staff severance indemnity provision	-	-	-	266,974
Other events	11,144	61,993	-	-
Tax loss	3,721,161	-	-	-
Income from bond placement premiums	-	278,762	-	-
Revaluation of property, plant and equipment (absorption)	-	54,834,979	-	-
Fair value bonds and swaps	-	3,929,781	-	-
Bond placement discount	-	254,901	-	-
Forward contracts	131,662	-	-	-
Bond issuance expenses	-	-	-	1,349,490
Fair value adjustment for subsidiary property, plant and equipment	-	-	-	4,107,944
Total	3,963,400	59,388,037	-	5,724,408

Note 7 - Current and Deferred Income Taxes (continued)

b) Deferred taxes (continued)

Description	**September 30, 2007**			
	Deferred tax assets		**Deferred tax liabilities**	
Temporary differences	**Short-term ThCh$**	**Long-term ThCh$**	**Short-term ThCh$**	**Long-term ThCh$**
Vacation provision	121,140	-	-	-
Staff severance indemnity provision	-	-	-	235,288
Other events	9,974	41,525	-	-
Tax loss	4,430,255	-	-	-
Revaluation of plant, property and equipment (absorption)	-	48,701,686	-	-
Fair value bonds and swap	-	4,993,817	-	-
Bond placement discount	-	634,160	-	-
Forward contracts	86,268	-	-	-
Bond issuance expenses	-	-	-	1,447,065
Other property, plant & equipment valuation diff,	-	5,459,711	-	-
Other assets valuation difference	-	366,474	-	-
Leased liabilities		-	-	200,761
Goodwill adjustment	-	2,669,894	-	-
Lower income	69,121	-	-	-
Fair value adjustment of subsidiary's PP&E	-	-	-	-
Total	4,716,758	62,867,267	-	1,883,114

c) Income tax

Item	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**
Income tax expense (income tax provision)	(315,332)	(369,581)
Tax expense adjustment (previous period)	-	-
Effect of deferred tax assets or liabilities for the period	(12,581,867)	(4,240,056)
Total	(12,897,199)	(4,609,637)

Note 8 - Other Current Assets

Details of other current assets are as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Securities under resale agreements	1,639,597	10,652,953
Bond issuance expenses	549,677	848,664
Bond placement discount	278,883	-
Other	80,509	186,649
Total	2,548,666	11,688,266

Note 9 - Information about Investments under Repurchase (VCR) and Resale Securities Agreements (CRV)

As of September 30, 2008, the composition of these transactions is detailed as follows:

	Dates								
Code	Inception	Maturity	Counterpart	Currency of origin	Subscription Value	Rate	Final Value ThCh$	Identification of instruments	Market Value ThCh$
CRV	09/23/2008	10/02/2008	HSBC	Pesos	1,637,000	0.68	1,640,339	BCP	1,639,597

Note 10 - Property, Plant, and Equipment

Property, plant and equipment is detailed as follows

The depreciation expense for the 2008 period amounted to ThCh$25,995,571 (ThCh$25,255,110 in 2007), Th$25,818,436 (ThCh$25,115,938 in 2007), was charged to Operating Costs and ThCh$177,135 (ThCh$139,172 in 2007), was charged to administrative and selling expenses.

Description		September 30, 2008			September 30, 2007	
	Gross value ThCh$	Accumulated depreciation ThCh$	Net value ThCh$	Gross value ThCh$	Accumulated Depreciation ThCh$	Net Value ThCh$
Land	17,693,252	-	17,693,252	17,241,733	-	17,241,733
Buildings and infrastructure						
Buildings	14,745,542	(909,412)	13,836,130	14,341,760	(530,008)	13,803,752
Access roads	640,450	(24,611)	615,839	640,418	(8,600)	631,818
Lines	611,852,911	(36,100,141)	575,752,770	609,173,769	(18,508,755)	590,665,014
Houses and apartments	95,148	(5,350)	89,798	95,143	(2,971)	92,172
Non-hydraulic civil projects	122,713,787	(7,339,281)	115,374,506	119,966,686	(4,251,300)	115,715,386
Works in progress	45,470,779	-	45,470,779	44,788,033	-	44,788,033
Total Buildings and infrastructure	795,518,617	(44,378,795)	751,139,822	789,005,809	(23,309,634)	765,696,175
Machinery and equipment						
Telecommunications equipment	8,050,340	(2,045,264)	6,005,076	7,472,746	(1,291,918)	6,180,828
Furniture, machinery and office equipment	158,926	(48,154)	110,772	151,160	(24,438)	126,722
Service furniture and equipment	45,152	(7,171)	37,981	31,029	(3,335)	27,694
Tools and instruments	1,460,416	(196,174)	1,264,242	1,265,755	(105,600)	1,160,155
Power generation unit	1,205,076	(181,926)	1,023,150	1,206,347	(103,941)	1.102.406
Electrical equipment	281,346,495	(21,013,183)	260,333,312	269,435,031	(12,232,219)	257,202,812
Mechanical, protection and measurement equipment	34,756,139	(8,525,111)	26,231,028	33,297,443	(4,867,160)	28,430,283
Transport and loading equipment	390,143	(115,211)	274,932	365,967	(61,076)	304,891
Computers	761,373	(458,975)	302,398	703,033	(208,555)	494,478
Software and computer programs	2,415,776	(1,180,379)	1,235,397	1,858,918	(465,356)	1,393,562
Total machinery and equipment	330,589,836	(33,771,548)	296,818,288	315,787,429	(19,363,598)	296,423,831
Subtotal plant, property and equipment	1,143,801,705	(78,150,343)	1,065,651,362	1,122,034,971	(42,673,232)	1,079,361,739
Other property, plant and equipment						
Construction materials	1,496,896	-	1,496,896	1,556,224	-	1,556,224
Total other property, plant and equipment	1,496,896	-	1,496,896	1,556,224	-	1,556,224
Total property, plant, and equipment	1,145,298,601	(78,150,343)	1,067,148,258	1,123,591,195	(42,673,232)	1,080,917,963

Note 11 - Investments in Other Companies

The following receivables correspond to Transelec S.A.'s 6.25% participation in Centro de Despacho Económico de Carga del Sistema Eléctrico Interconectado Central Limitada (CDEC-SIC Ltda.), whose exclusive objective is to administrate and operate the power stations and transmission lines that are interconnected within the electric system and coordinate the direction and operation of that electrical system. The value of that investment as of September 30, 2008 is ThCh$42,324 (ThCh$18,516 in 2007). It also includes the 14.29% participation of Transelec Norte S.A. in the CDEC-SING, whose exclusive objective is to manage and operate the Center for Economic Dispatch of the interconnected electrical system in the SING and to manage and operate this electrical system. The value of this investment as of September 30, 2008 amounts to ThCh$169,320 (ThCh$139,436 in 2007).

Taxpayer No.	Company	Participation percentage	Book Value	
			September 30, 2008 ThCh$	September 30, 2007 ThCh$
77.286.570-8	CDEC – SIC LTDA	6.2500	42,324	18,516
77.345.310-1	CDEC - SING LTDA	14.2900	169,320	139,436

Note 12 - Goodwill

a) Goodwill is summarized as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
HQI Transelec Chile S.A.	285,555,526	285,853,203
Price adjustment as of 03/31/2008 (net of deferred taxes)	63,971,244	-
Price adjustment provision as of 06/30/2008	3,211,600	-
Absorption adjustment as of 06/30/2007	-	(2,669,893)
Adjustment for deferred taxes fair value of subsidiary's PP&E	4,144,905	-
Accumulated amortization of goodwill	(22,556,690)	(14,136,891)
Total	334,326,585	269,046,419

This account corresponds to goodwill on the acquisition of HQI Transelec Chile S.A., by the Company, after adjusting the financial statements of the subsidiary in accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants.

Note 12 - Goodwill (continued)

a) Goodwill is summarized as follows: (continued)

As of March 30, 2008 the sum of ThUS$160,808 was provisioned product of the price adjustments related to valuation of certain trunk segments and on June 30 the sum of ThCh$3,100,000 was provisioned for the concept of recalculation of regulated trunk income, for the period from March 13, 2004 to June 30, 2006, both provisioned, in accordance with the share sale agreement between Hydro-Quebec and Rentas Eléctricas IV Ltda., currently Transelec, S.A.

This difference will be amortized over a maximum period of 40 years.

The total amount paid on this operation amounted to ThCh$ 942,160,997.

b) The origin of goodwill and its amortization is as follows:

Taxpayer No.	Company	September 30, 2008 Amortization during the period ThCh$	September 30, 2008 Balance of goodwill ThCh$	September 30, 2007 Amortization during the period ThCh$	September 30, 2007 Balance of goodwill ThCh$
77,498,870-K	HQI Transelec Chile S.A.	6,619,443	334,326,585	5,368,712	269,046,419
	Total	6,619,443	334,326,585	5,368,712	269,046,419

Note 13 - Intangibles

The composition of intangibles as of September 30, 2008 and 2007 is detailed as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Rights of way	157,748,158	157,804,449
Less: Accumulated amortization	(8,927,263)	(4,986,455)
Total	148,820,895	152,817,994

The amortization charge to income amounted to ThCh$2,849,702 (ThCh$2,868,949 in 2007).

Note 14 - Other Assets

The balance as of September 30, 2008 and 2007 is as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Discount on Issuance of UF Bonds	1,928,943	-
Anticipated expenses UF Bonds Series D and C	7,368,790	10,151,471
Anticipated expenses general facilities	136,943	195,922
Other	23,397	25,573
Total	9,458,073	10,372,966

Note 15 - Other Current Liabilities

The balance as of September 30, 2008 and 2007 is as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Forward contracts	774,480	507,462
Balance of price adjustment HQI, HQ PUNO, IFC	560,037	-
Premium on placement of UF series D Chilean peso bonds	85,554	85,601
Other	3,764	4,114
Total	1,423,835	597,177

Note 16 - Short and Long-term Promissory Notes and Bonds

a) During 2001, the Company made a public offering of bonds in the local market according to the following details:

On April 2, 2001 the Company registered the first bond issuance for a maximum of UF 10,000,000 with the SVS under No. 249. From this initial amount, UF 9,200,000 was finally placed on April 11, 2001.

Note 16 - Short and Long-term Promissory Notes and Bonds (continued)

As of September 30, 2008 the risk ratings for this bond issuance are as follows:

Rating Agency	Rating
Fitch Chile Clasificadora de Riesgo Ltda.	A
Feller-Rate Clasificadora de Riesgo Ltda.	A+
Clasificadora de Riesgo Humphreys Ltda.	A+

Terms of Issuance
Issuer: HQI Transelec Chile S.A.
Securities issued: Bearer bonds in Chilean pesos denominated in Unidades de Fomento,
Maximum issued: Ten million Unidades de Fomento (UF 10,000,000) divided as follows:

Series A

- Series A-1: Up to UF3,000,000, (3,000 bonds of UF1,000 each).
- Series A-2: Up to UF4,000,000, (400 bonds of UF10,000 each).

During 2001, the Company made a public offering of bonds in the local market according to the following details: (continued)

Series B

- Series B-1: Up to UF1,000,000, (1,000 bonds of UF1,000 each).
- Series B-2: Up to UF3,000,000, (300 bonds of UF10,000 each).

Indexation: Variation of the Unidad de Fomento

Amortization period: Series A, 6 years and Series B, 21 years (6-year grace period and 1 and 15 years for capital amortization, respectively).

Amortization of capital: Series A, in a single installment, upon expiration and Series B, biannual, increasing since September 1, 2007.

Early redemption: Series A without early redemption and Series B effective as of September 1, 2009, on any of its denominated dates of payment of interest or interest and capital amortization.

Note 16 - Short and Long-term Promissory Notes and Bonds (continued)

Interest rate: Series A and B bonds accrue a 6.20% annual interest rate on the outstanding capital, expressed in Unidades de Fomento. Interest is calculated over a period of 360 days, upon maturity and payable semi-annually in two semesters of 180 days each.

Interest payments: Semi-annual payments, maturing on March 1 and September 1 yearly, beginning on September 1, 2001. The interest accrued during the 2008 period amounts to ThCh$331,535 (ThCh$1,679,562 in 2007) and is presented in Current liabilities.

Guarantees: This issuance has no special guarantees, except the general guarantee on all the issuer's assets.

Placement term: 36 months, as of the date of registration with the SVS.

As of March 1, 2007, the capital of the Series A-1 and A-2 Bonds was paid.

b) The Company issued and placed notes in the international market on April 17, 2001, detailed as follows:

The risk ratings obtained as of September 30, 2008 are as follows:

Rating Agency	**Rating**
Standard and Poor's Rating Group	BBB-
Fitch Ibca, Duff & Phelps	BBB-
Moody's Investors Service Inc.	BAA3

Issuer: HQI Transelec Chile S.A.
Securities issued: US$ Yankee Bonds traded in the United States

Issue value: Four hundred and sixty five million dollars (ThUS$465,000) in a single series.
Indexation: Variation of the United States dollars.
Capital amortization: At maturity on April 15, 2011.
Nominal interest rate: 7.875% annual.

Note 16 - Short and Long-term Promissory Notes and Bonds (continued)

Interest payments: Interest payments are due every six months, on April 15 and October 15 of each year, starting October 15, 2001. Interest accrued for the 2008 period amount to ThCh$9,638,503 (ThCh$9,769,002 in 2007) and is presented in Current liabilities.

c) During 2006, the company issued bonds for public offering in the Chilean market, as follows:

On November 9, 2006, the Company registered the first bond issuance for a maximum of UF 19,500,000 with the SVS under No. 481. From this amount, UF 13,500,000 was finally placed on the market on December 14, 2006.

The bond issuance risk ratings, as of September 30, 2008, are as follows:

Rating Agency	Rating
Fitch Chile Clasificadora de Riesgo Ltda.	A
Feller-Rate Clasificadora de Riesgo Ltda.	A+
Clasificadora de Riesgo Humphreys Ltda.	A+

During 2006, the company issued bonds for public offering in the Chilean market, as follows: (continued)

Terms of Issuance

Issuer: Nueva Transelec S.A.

Securities issued: Bearer bonds in Chilean pesos, denominated in Unidades de Fomento.
Maximum Issuance: Thirteen million five hundred thousand Unidades de Fomento (UF 13,500,000).

Series D: Up to UF 13,500,000, (13,500 bonds of UF1,000 each).

Amortization period: 21 years.

Capital Amortization: in one single installment, as of maturity on December 15, 2027.

Early redemption: Total or partial, from December 15, 2011.

Note 16 - Short and Long-term Promissory Notes and Bonds (continued)

Interest Rate: On the outstanding capital expressed in Unidades de Fomento at an annual interest rate of 4.25%, calculated based on a 360-day years, compound semi-annually, each semester consisting of 180 days.

Payment of interest: Interest payments will be due every six months – expiring on June 15, and December 15 of each year starting on June 15, 2007.

Interest accrued for the 2008 period amounts to ThCh$3,508,826 (ThCh$3,504,519 in 2007) and is presented in Current Liabilities.

These bonds have no specific guarantee, except a general guarantee on all of the Issuer's assets.

Placement term: 36 months from the date of registration in the Securities Registry of the SVS.

d) On March 2007, the absorbed Company issued bonds for public offering in the Chilean market, as follows:

On January 22, 2007 the company registered in the Securities Registry of the SVS under No. 480, the first issuance of bonds for a maximum of UF 6,000,000. On March 21, 2007, UF 6,000,000 was finally placed.

As of September 30, 2008 the bond issuance risk ratings obtained are as follows:

- Feller-Rate Clasificadora de Riesgo Ltda.	A+
- Humphreys Clasificadora de Riesgo Ltda.	A+
- Fitch Ratings Clasificadora de Riesgo Ltda.	A

Terms of Issuance

Issuer: Transelec S.A.

Securities issued: Bearer bonds in Chilean pesos, denominated in Unidades de Fomento.

- Maximum issuance: six million Unidades de Fomento (UF 6,000,000).
- Series C: Up to UF 6,000,000, (6,000 bonds of UF1,000 each).

Note 16- Short and Long-term Promissory Notes and Bonds (continued)

Amortization period: 9.5 years

Capital Amortization: in one single installment, as of maturity on September 1, 2016.

Early redemption: total or partial, from March 1, 2010.

Interest rate: on the outstanding capital expressed in UF at an annual interest rate of 3.5%, calculated based on a 360-day year, expired, compounded semi-annually, with each semester consisting of 180 days.

Interest payment: interest payment will be due every six months, on March 1, and September 1 of each year beginning on September 1, 2007.

Interest accrued as of 2008 period-end amounts to ThCh$364,137 (ThCh$363,690 in 2007) and is presented in Current liabilities.

It has no specific guarantee, except a general guarantee on all of the issuer’s assets.

Note 16 - Short and Long-term Obligations (Promissory Notes and Bonds) (continued)

Placement term: 36 months from the date of registration in the Securities Registry of the SVS

e) The detail of bonds is as follows:

Registration or identification No. of the instrument	Series	Current nominal amount placed	Bond Indexation unit	Interest rate	Maturity date	Periodicity		Par value	Par value	Placement in Chile or abroad
						Interest payment	Amortization payment	September 30, 2008 ThCh$	September 30, 2007 ThCh$	
Long term bonds - short term portion										
249	B1	987	UF	6.20%	03-01-2009	Semiannually	Semiannually	28,604	21,122	Chile
249	B2	14,809	UF	6.20%	03-01-2009	Semiannually	Semiannually	429,062	316,834	Chile
First issuance	Single	17,482,910	US$	7.88%	10-15-2008	Semiannually	Upon final payment	12,804,935	9,769,002	Abroad
Swap Contracts	11 Contracts	33,317	UF	6.94%	10-15-2008	Semiannually	Upon final payment	3,110,278	692,504	Chile
249	B1	2,000	UF	6.20%	03-01-2009	Semiannually	Semiannually	57,947	41,926	Chile
249	B2	30,000	UF	6.20%	03-01-2009	Semiannually	Semiannually	869,198	628,877	Chile
249	B1	2,000	UF	6.20%	09-01-2009	Semiannually	Semiannually	57,947	41,925	Chile
249	B2	30,000	UF	6.20%	09-01-2009	Semiannually	Semiannually	869,198	628,876	Chile
481	D	167,180	UF	4.25%	12-15-2008	Semiannually	Upon final payment	3,508,826	3,504,513	Chile
480	C	17,350	UF	3.50%	03-01-2009	Semiannually	Upon final payment	364,136	363,689	Chile
Total - short-term portion								22,100,131	16,009,268	
Long-term bonds										
249	B1	190,000	UF	6.20%	03-01-2022	Semiannually	Semiannually	4,492,208	4,649,601	Chile
249	B2	2,850,000	UF	6.20%	03-01-2022	Semiannually	Semiannually	67,383,121	69,744,022	Chile
First issuance	Single	465,000,000	US$	7.88%	04-15-2011	Semiannually	Upon final payment	261,372,667	271,330,094	Abroad
481	D	13,500,000	UF	4.25%	12-15-2027	Semiannually	Upon final payment	283,342,590	282,994,849	Chile
480	C	6,000,000	UF	3.50%	09-01-2016	Semiannually	Upon final payment	125,930,040	125,775,488	Chile
Swap contracts	11 Contracts	8,921,219	UF	6.15%	04-14-2011	Semiannually	Upon final payment	42,205,333	46,682,778	Chile
Total - long-term								784,725,959	801,176,832	

Note 17 - Provisions and Write-offs

Details of provisions as of September 30, 2008 and 2007 are as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
a) Short-term provisions		
Staff severance indemnities provision (Note 17)	473,358	299,948
Accrued payroll	1,705,089	1,453,358
Vacation accrual	584,900	712,591
Total	2,763,347	2,465,897
b) Long-term provisions		
Staff severance indemnities provision (Note 17)	1,486,861	1,625,139
Total	1,486,861	1,625,139

Note 18 - Staff Severance Indemnities

The balance of the account as of September 30, 2008 and 2007 is detailed as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Opening balance	1,946,052	1,877,174
Price-level restatement	12,003	95,736
Provisions	213,980	161,700
Payments	(211,816)	(209,523)
Total	1,960,219	1,925,087
Short-term	473,358	299,948
Long-term	1,486,861	1,625,139
Total	1,960,219	1,925,087

Note 19 - Minority Interest

a) As of September 30, 2008 and 2007, the Minority Interest is the participation of the other shareholders according to the following detail:

	Equity		**Participation percentage**		**Participation**	
	September 30, 2008 ThCh$	**September 30, 2007 ThCh$**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**
Transelec Holdings Rentas Ltda,	47,278,540	48,129,693	0.01%	0.01%	4,728	4,814

b) The minority interest corresponding to the participation of the other shareholders in the results of the subsidiary Transelec S.A. is as follows:

	Income for the period		**Participation percentage**		**Participation**	
	September 30, 2008 ThCh$	**September 30, 2007 ThCh$**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**	**September 30, 2007 ThCh$**	**September 30, 2008 ThCh$**
Transelec Holdings Rentas Ltda,	1,057,384	1,613,594	0.01%	0.01%	152	162

Note 20 - Changes in Shareholders' Equity

As of September 30, 2008 and 2007, equity accounts had the following movements:

a) Capital

On September 6, 2006, Rentas Eléctricas III Ltda, was formed with paid-in capital of US$1,600 in its equivalent in local currency, contributed by the partners as follows: Brookfield Power Inc, contributed the sum of US$16.00 corresponding to 1.0% of the company's equity interests, and Brookfield Asset Management Inc, contributed US$1,584, corresponding to 99.0% of the company's equity interests.

Note 20 - Changes in Shareholders' Equity (continued)

a) Capital (continued)

On June 15, 2006, Brookfield Asset Management Inc, sold, ceded and transferred 99.0% of the Company's equity interests to Rentas Eléctricas II Ltda, for US$1,584. Brookfield Power Inc, sold, ceded and transferred to 0.99% of the Company's equity interests to Rentas Eléctricas II Ltda, for US$15.84. Brookfield Power Inc, sold, ceded and transferred, 0.01% of the Company's equity interests to Rentas Eléctricas I Ltda for US$0.16. Due to the aforementioned transfers, Brookfield Asset Management Inc, and Brookfield Power Inc, withdrew from the Company, leaving Rentas Eléctricas II Ltda, with 99.99% and Rentas Eléctricas I Ltda, with 0.01% of the equity interests of Rentas Eléctricas III Ltda. In addition, on that date capital was increased to US$ 1,332,441,365.

On September 30, 2006, Rentas Eléctricas II Ltda, and Rentas Eléctricas I Ltda, agreed to increase the company's capital by US$14,156,270. The partners are obligated to contribute pro rata to their participation in the Company, US$14,154,854 and US$1,416 respectively. As of June 30, 2007, those contributions were fully paid.

As per public deed dated March 26, 2007, the Company was transformed from a limited liability company to a corporation, under the name Rentas Eléctricas III S.A., with capital amounting to ThCh$733,545,501, divided in 1,000,000 common shares, with no par value. The referred capital has been subscribed and paid in full by the limited liability company that was transformed, who became shareholders of Rentas Eléctricas III S.A. The beginning schedule of shareholders is as follows: a) Transelec Holdings Rentas Limitada, 999,900 shares, equivalent to Ch$733,472,146,050, and b) Rentas Eléctricas I Limitada, 100 shares, equivalent to Ch$73,354,551. Total shares subscribed and paid in full amounted to 1,000,000.

b) Dividends

The first Ordinary Shareholders' Meeting held on April 30, 2007, agreed to distribute ThCh$12,509,756 as a final dividend for the year ended December 31, 2006, which would be paid on May 10, 2007, As of September 30, 2007 this dividend was fully paid.

The third Extraordinary Board Meeting held on May 4, 2007 agreed to distribute ThCh$7,130,147 (historical value) as an interim dividend with a charge to net income for the period ended March 31, 2007, to be paid as of May 14, 2007. As of September 30, 2007 this dividend is fully paid.

Note 20 - Changes in Shareholders' Equity (continued)

b) Dividends (continued)

The Company's Board, in a meeting on October 24, 2007, agreed to distribute a second interim dividend of ThCh$15,315,000 charged to 2007 income. The Company began paying the dividend on November 22, 2007. As of December 31, 2007 all shareholders were paid in full.

The Ordinary Shareholders' Meeting held on April 24, 2008 approved the distribution of ThCh$8,894,152 as remainder of the final dividend for 2007, equivalent to Ch$8,894.15153 per share, dividend that will be paid as of May 20, 2008 to the shareholders registered in the respective registry on May 13, 2008.

The Company's Board of Directors Meeting held on May 29, 2008 agreed to the distribution of ThCh$12,040,000 as an interim dividend for the period ended March 31, 2008, which will be paid as of June 23, 2008 to the shareholders registered in the respective registry on June 17, 2008.

c) Ownership

The current and sole owners of the Company are:

Transelec Holdings Rentas Limitada, with 99.99%, corresponding to 999,900 shares subscribed and paid in full and Rentas Eléctricas I Limitada, with 0.01%, corresponding to 100 shares subscribed and paid in full.

Note 20 - Changes in Shareholders' Equity (continued)

c) Ownership (continued)

Details of the Company's equity as of September 30, 2008 and 2007 are as follows:

a) The Company's equity as of September 30, 2008 is as follows:

Changes in Equity	Paid Capital ThCh$	Capital Revaluation Reserve	Other Reserves	Retained earnings ThCh$	Interim Divid. ThCh$	Net Income ThCh$
Opening balance	787,827,868	-	-	87,568	(22,880,086)	31,686,669
Distribution of prior year income	-	-	-	8,806,583	22,880,086	(31,686,669)
Final dividend prior year	-	-	-	(8,806,583)	-	-
Other reserves	-	-	(744,480)	-	-	-
Price-level restatement of capital	-	54,360,123	-	1,588,796	-	-
Net income	-	-	-	-	-	45,407,501
Interim dividends	-	-	-	-	(13,818,003)	-
Final balance	787,827,868	54,360,123	(774,480)	1,676,364	(13,818,003)	45,407,501

b) The Company's equity as of September 30, 2007 is as follows:

Changes in Equity	Paid Capital ThCh$	Capital Revaluation Reserve	Retained earnings ThCh$	Interim Dividends ThCh$	Net Income ThCh$
Opening balance	733,545,501	-	-	(2,338,890)	14,848,646
Distribution of prior year income	-	-	12,509,756	2,338,890	(14,848,646)
Final dividend prior year	-	-	(12,509,756)	-	-
Price-level restatement of capital	-	37,410,821	87,568	-	-
Net income	-	-	-	-	27,592,332
Interim dividends	-	-	-	(7,401,093)	-
Final balance	733,545,501	37,410,821	87,568	(7,401,093)	27,592,332
Restated balances	801,765,233	40,890,027	95,712	(8,089,395)	30,158,419

Note 20 - Changes in Shareholders' Equity (continued)

c) Ownership (continued)

Number of shares

Series	No. of shares subscribed	No. of paid shares	No. of voting shares
Single	1,000,000	1,000,000	1,000,000

Capital (amount ThCh$)

Series	Subscribed capital ThCh$	Paid-in capital ThCh$
Single	787,827,868	787,827,868

Note 21 - Other Non-operating Income and Expenses

Other non-operating income and expenses as of September 30, 2008 and 2007 are detailed as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Other non-operating income		
Prior year income	21,875	1,018,710
Miscellaneous extraordinary gains	2,735	1,003,354
Income from sale of materials	4,380	2,241,774
Total	28,990	4,263,838
Other non-operating expenses		
Prior year expenses	(54,268)	(357,850)
Directors' fees	(82,834)	(152,873)
Loss from write-off of property, plant, and equipment	(686,906)	(347,958)
Cost of sale of property, plant and equipment	-	(318,309)
Loss on obsolescence of property plant and equipment	(31,639)	-
Amortization of prepaid expenses	(42,122)	(42,145)
Fiscal and judicial fines	(220,968)	(2,010,749)
Miscellaneous exceptional losses	(2,500)	(620,364)
Foreign currency translation, net	(212,806)	-
Total	(1,334,043)	(3,850,248)

Note 22 - Price-level Restatement

Price-level restatement generated a net charge to income as of September 30, 2008 for the amount of ThCh$2,303,204, and in the 2007 period generated a net credit to income of ThCh$1,032,482 as per the following detail:

Assets (charges) / credits	**Indexation**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**
Inventory	CPI	103,172	78,817
Property, plant and equipment	CPI	62,284,552	46,354,356
Investments in related companies	CPI	2,925,778	2,494,124
Notes and accounts receivable from related companies	UF	4,357,729	8,942,591
Goodwill	CPI	21,712,558	13,362,821
Deferred taxes	CPI	4,114,164	3,347,131
Rights of way	CPI	9,843,571	7,224,904
Cash	CPI	773,398	1,673,682
Other non-monetary assets	CPI	601,978	762,539
Expense and cost accounts	CPI	1,817,304	1,566,601
Total credits		108,534,204	85,807,566
Liabilities (charges) / credits			
Shareholder's equity	CPI	(54,258,483)	(40,689,595)
Notes and accounts payable to related companies	UF	-	(4,213,836)
Bonds	UF US$	(51,457,649)	(36,325,427)
Non-monetary liabilities	CPI	(12,003)	(10,640)
Income accounts	CPI	(5,109,273)	(3,535,586)
Total charges		(110,837,408)	(84,775,084)
(Loss) gain from price-level restatement		(2,303,204)	1,032,482

Note 23 - Foreign Currency Translation

The effect of foreign currency translation generated a net credit to income in the 2008 period of ThCh$366,916, and a net charge to income in the 2007 period of ThCh$104,991, detailed as follows:

Assets (charges) / credits	**Currency**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**
Time deposits	US$	726	(698,273)
Banks	US$	1,586,895	(1,420,222)
Notes and accounts receivable from related companies	US$	512,159	(6,116,391)
Investments in related companies	US$	1,505,886	(4,443,681)
Forward contracts	US$	843,557	(823,100)
Accounts receivable	US$	112,024	(4,916)
Total credits (charges)		4,561,247	(13,506,583)
Liabilities (charges) /credits			
Notes and accounts payable to related companies	US$	(15,376)	34,080
Bonds	US$	(10,404,450)	25,092,331
Swap contracts	US$	6,452,720	(11,871,640)
Lease contracts	US$	111,750	(49,206)
Accounts payable	US$	(338,975)	196,027
Total (charges) credits		(4,194,331)	13,401,592
(Loss) gain on foreign currency translation		366,916	(104,991)

Note 24 - Debt Issuance and Placement Costs

The expenses for issuance and placement of bonds in the local market during the 2008 and 2007 period mainly includes the following concepts: stamp tax expenses, placement commissions, legal advisory expenses, financial advisory expenses, risk rating reports and printing expenses.

Detail	September 30, 2008 Domestic ThCh$	September 30, 2007 Domestic ThCh$
Placement and issuance expense	8,329,659	11,284,910
Less: amortization	(411,192)	(284,775)
Total	7,918,467	11,000,135
Balance sheet presentation		
Other current assets	549,677	848,664
Other assets - others	7,368,790	10,151,471
Total	7,918,467	11,000,135

Note 25 - Statements of Cash Flows

For future cash flow projections the Company did not consider any transactions or events that are not disclosed in these financial statements and their notes.

Note 26 - Derivative Contracts

As of September 30, 2008, the Company has forward and swap contracts to hedge the exchange rate position of the long-term debt for the bond issuance abroad, detailed as follows:

			Description						Affected Accounts			
Type of derivative	Type of contract	Contract Value	Maturity or expiry date	Specific item	Purchase and sale position	Covered item or transaction		Value of hedged items	Asset / Liability		(Charge)/ Credit to income	
						Name	Amount ThCh$	ThCh$	Name	Amount ThCh$	Realized ThCh$	Unrealized ThCh$
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	25,622,000	27,565,500	Bond	12,552,070	(295,837)	(56,961)
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	25,622,000	27,565,500	Bond	7,265,223	(167,636)	395,261
S	CCTE	50,000,000	2rd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	35,830,500	27,565,500	Bond	7,913,545	(194,354)	362,589
S	CCTE	50,000,000	2rd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	32,375,000	27,565,500	Bond	13,600,600	(312,814)	(141,368)
S	CCTE	20,000,000	2rd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	14,110,000	11,026,200	Bond	3,224,110	(69,396)	154,980
S	CCTE	8,914,729	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	4,564,341	4,914,779	Bond	278,030	-	290,169
S	CCTE	7,751,938	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	3,914,729	4,273,721	Bond	286,717	-	184,686
S	CCTE	15,503,876	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	7,953,488	8,547,442	Bond	460,782	-	463,440
S	CCTE	1,162,791	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	595,349	641,058	Bond	36,181	-	35,880
S	CCTE	4,418,605	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	2,262,326	2,436,021	Bond	137,866	-	136,723
S	CCTE	12,248,062	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	6,185,271	6,752,479	Bond	451,379	-	275,724
FR	CCTE	31,500,000	4rd quarter 2008	Exchange Rate (US$)	S	Income	16,591,7485	17,366,265	Other Current Assets	774,480	-	774,480

Note 27 - Contingencies and Restrictions

a) Management restrictions

Derived from obligations related to the bond issuance, the Company must comply with some covenants and obligations, detailed below:

- Maintain, for the duration of the bond issuance, assets free of any kind of encumbrance, whose book value is equal to or greater than 1.2 times the book value of all the liabilities and debts of the issuer that are not subject to any liens or guarantees on assets or instruments belonging to it, including among such liabilities, the debt arising from this bond issuance.

- Not to sell, cede, transfer, contribute or in any way give up title to, either for money or for free, of the Essential Assets of the Issuer, for amounts exceeding whether in one or more legal acts, 5% of the Consolidated Assets of the issuer.

- Maintain a level of indebtedness at the individual and consolidated level in which the ratio of Total Demand Liabilities / Total Capitalization and Total Debt / Total Capital is not greater than 0.7, as those terms are defined in the respective prospectuses.

- Maintain at all times during the term of the issuance of the bonds, minimum individual and consolidated shareholders' equity of UF 15 million.

- Maintain in full force and effect the Debt Service Reserve Agreement.

- Not make any direct or indirect capital distribution, dividend payment (other than the dividends established in the Companies Law), any payment of principal or interest on any loan to its shareholders, or any other payment of a similar nature unless the following conditions are met:(i) the Issuer has not been involved in any Event of Default and it continues, (ii)The ratio of Net Operating Cash Flows / Financial Expenses is higher than 1.50, and (iii) the Issuer must be in compliance with the Debt Service Reserve Agreement.

b) Direct commitments

There are no direct commitments.

Note 27 - Contingencies and Restrictions (continued)

c) Indirect commitments

There are no guarantors or guarantees granted pursuant to indirect commitments.

d) Pending lawsuits

As of September 30, 2008 there are other lawsuits pending against the Company for which the corresponding defense has been filed, which altogether represent an amount of ThCh$95,825.

Management believes that the above mentioned lawsuits will not result in significant contingencies.

e) Fines

1. On December 5, 2002, the Superintendency of Electricity and Fuel (SEC) in Ordinary Official Letter No. 7183, charged the Company for its alleged responsibility in the interruption of electrical supply in the Central Interconnected System (SIC) on September 23, 2002. The Company presented the answers in a timely manner and these were added to the corresponding evidence. By Exempt Resolution No. 1438 of August 14, 2003, the Superintendency applied various fines to Transelec for a total of Annual Tax Units (UTA) 2,500 equivalent as of September 30, 2008 to ThCh$1,097,430. As of September 30, 2008, the Company had 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 responsible for this situation since it considers it a case of force majeure.

2. 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 equivalent as of September 30, 2008, to ThCh$245,824, against which a writ of 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 responsible for this situation since it considers it a case of force majeure.

Note 27 - Contingencies and Restrictions (continued)

e) Fines (continued)

3. On June 30, 2005, the SEC through Exempt Resolution No. 1117, applied the following sanctions to the Company: a fine of 560 UTA equivalent as of September 30, 2008 to ThCh$245,824, for allegedly not having coordinated to ensure electric service, as determined in the investigation of the general failure of the SIC on November 7, 2003; a fine of 560 UTA equivalent as of September 30, 2008, to ThCh$245,824, in the Company’s condition as the owner of the facilities, for allegedly operating the facilities without adhering to the operation scheduling set forth by the CDEC-SIC, without justified cause, as determined in the investigation of the general failure of the SIC on November 7, 2003. As of September 30, 2008, the Company had appealed the charges before the SEC, which is pending resolution; Management believes it has no responsibility in these events.

4. On December 17, 2004, the SEC through Exempt Resolution No. 2334 fined the Company 300 UTA, equivalent as of September 30, 2008, to ThCh$131,692, for its alleged responsibility in the interruption of electrical supply south of Temuco, caused by a truck crashing into a structure of the Charrúa - Temuco line. As of September 30, 2008, the Company had filed a motion of invalidation and administrative reconsideration, firmly sustaining that it was a case of force majeure and that the charges are not applicable and should be annulled.

5. On December 31, 2005, the SEC through Official Letter No. 1831, filed charges against the Company for allegedly infringing on various provisions of the electrical regulations while operating its facilities, which would have caused the interruption of electrical supply in the SIC on March 21, 2005. By SEC Exempt Resolution SEC No. 220, of February 7, 2006, the Company was fined 560 UTA equivalent as of September 30, 2008, to Th$254,824. An appeal was filed to order generation of power again on February 16, 2006, which is still outstanding. As of September 30, 2008, the Company had presented the required evidence.

   As of September 30, 2007, the Company established a provision for these contingent obligations for the amount of ThCh$1,774,068. 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 reconsideration petition before the SEC for which the SEC has maintained the previously established fine.

Note 27 - Contingencies and Restrictions (continued)

f) Transelec Norte S.A. (subsidiary)

1. Management restrictions
   There are no restrictions.

2. Direct Commitments
   There are no direct commitments.

3. Indirect Commitments
   There are no endorsements or warranties given by the indirect commitments.

4. Pending Lawsuits
   There are no lawsuits.

Direct Guarantees

Guarantee Creditor	Debtor	Type of	Assets Involved	Balances pending payment as of the financial statement closing date	
	Name	Guarantee	Book Value	September 30, 2008	September 30, 2007
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	120,737	120,737	122,371
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	172,836	164,917	175,176
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	770,731	770,731	-
Banco Chile	Ministry of Economy Development and Reconstruction	Security	120,737	120,737	-

Note 28 - Guarantees Obtained from third Parties

As of September 30, 2008, the Company has received financial guarantees from contractors and third parties, mainly to guarantee the completion of works and maintenance work for the amount of ThCh$6,698,255 (ThCh$9,383,667 in 2007). Also to guarantee payment of residential loans, the corresponding mortgages have been granted in favor of the Company.

Note 29 - Chilean and Foreign Currency

Assets and liabilities in foreign currency are expressed in Chilean pesos, based on the respective exchange rates as of period-end (see exchange rate table in Note 2e).

These assets and liabilities are detailed as follows:

		Amount	
Description	**Currency**	**September 30, 2008 ThCh$**	**September 30, 2007 ThCh$**
Current assets			
Cash	Ch$	186,778	489,077
Cash	US$	835,740	56,123
Time deposits	US$	15,586,529	26,766,680
Time deposits	UF	26,001,521	16,628,243
Marketable securities	UF	3,770,635	9,489,443
Trade accounts receivables	Ch$	31,470,774	17,846,556
Trade accounts receivables	US$	893,622	1,859,890
Miscellaneous receivables	Ch$	560,531	899,254
Miscellaneous receivables	US$	33,140	46,163
Miscellaneous receivables	UF	-	1,456
Accounts receivable from related companies	Ch$	-	11,390,046
Accounts receivable from related companies	US$	54,586	24,506,070
Inventory	Ch$	42,327	46,340
Recoverable tax	Ch$	3,436,715	2,653,549
Prepaid expenses	Ch$	129,567	116,610
Deferred taxes	Ch$	3,963,400	4,716,758
Other current assets (repurchase and resale agreements)	UF	1,639,597	10,824,758
Other current assets (bonds)	Ch$	848,268	822,276
Other current assets	Ch$	60,801	41,232
Property, plant, and equipment			
Property, plant, and equipment	Ch$	982,866,370	977,650,121
Property, plant, and equipment	US$	84,281,888	103,267,842
Other assets			
Investments in other companies	Ch$	211,644	157,952
Goodwill	Ch$	334,326,585	269,046,419
Long-term receivables	US$	1,102,235	1,150,748
Long-term receivables	Ch$	281,924	8,903,435
Long-term receivables	UF	-	33,565
Notes and receivables from related companies	US$	16,935,710	-
Notes and receivables from related companies	UF	-	31,661,797
Intangibles	Ch$	151,752,033	151,727,139
Intangibles	US$	5,996,125	6,077,310
Amortization of intangibles	Ch$	(8,589,981)	(4,796,540)
Amortization of intangibles	US$	(337,282)	(189,915)
Deferred taxes, long-term	Ch$	53,663,629	60,984,153
Others	Ch$	9,297,733	10,372,966
Others	UF	160,340	-
Total assets	Ch$	1,564,509,098	1,513,067,343
	US$	125,382,293	163,540,911
	UF	31,572,093	68,639,262

Note 29 - Chilean and Foreign Currency (continued)

Description	Currency	Up to 90 days				90 days to 1 year			
		September 30, 2008		September 30, 2007		September 30, 2008		September 30, 2007	
Current liabilities		Amount ThCh$	Annual average interest rate	Amount ThCh$	Annual average interest rate	Amount ThCh$	Annual average interest rate	Amount ThCh$	Annual average interest rate
Bond interest obligations payable	UF	3,966,493	4.30%	2,043,252	4.72%	2,218,425	4.72%	3,504,519	4.72%
Bond interest obligations payable	US$	-	-	-	-	12,804,935	7.88%	9,769,002	7.88%
Bonds payable	UF	-	-	-	-	-	-	-	-
SWAP contracts	UF	-	-	-	-	3,110,278	-	692,495	-
Accounts payable	Ch$	25,191,501	-	5,496,795	-	-	-	-	-
Accounts payable	US$	7,096,964		23,345,613				-	
Miscellaneous payables	Ch$	-	-	1,556,332	-	-	-	11,840,313	-
Miscellaneous payables	US$	-		1,266,249		-		-	
Notes and payables to related companies	US$	284,263	-	13,396,645	-	-	-	-	-
Provisions	Ch$	2,763,347	-	-	-	-	-	2,465,897	-
Withholdings	Ch$	132,203	-	-	-	-	-	2,363,002	-
Income taxes	Ch$	-	-	-	-	20,098		-	-
Other current liabilities	Ch$	563,802		597,177	-	-		-	
Other current liabilities	UF	85,553	-	-	-	-	-	-	-
Other current liabilities	US$	774,480	-	-	-	-	-	597,177	-
Total current liabilities	UF	4,052,046	-	2,043,252	-	5,328,703	-	4,197,014	-
	US$	8,155,707	-	38,008,507	-	12,804,935	-	10,366,179	-
	Ch$	28,650,853	-	7,650,304	-	20,098	-	16,669,212	-

Note 29 - Chilean and Foreign Currency (continued)

Long-term liabilities as of September 30, 2008

Description	Currency	1 to 3 years Amount ThCh$	1 to 3 years Yearly average interest rate	3 to 5 years Amount ThCh$	3 to 5 years Yearly average interest rate	5 to 10 years Amount ThCh$	5 to 10 years Yearly average interest rate	Over 10 years Amount ThCh$	Over 10 years Yearly average interest rate
Bonds payable	UF	-	-	-	-	125,930,040	3.50%	355,217,919	7.53%
Bonds payable	US$	-	-	261,372,667	7.88%	-	-	-	-
SWAP contracts	UF	-	-	42,205,333	9.17%	-	-	-	-
Provisions	Ch$	1,486,861	-	-	-	-	-	-	-
Other long-term liabilities	UF	1,554,221	-	-	-	-	-	-	-
Total long-term liabilities	UF	1, 554,221	-	42,205,333	-	125,930,040	-	355,217,919	-
	US$	-	-	261,372,667	-	-	-	-	-
	Ch$	1,486,861	-	-	-	-	-	-	-

Note 29 - Chilean and Foreign Currency (continued)

Long-term liabilities prior period, September 30, 2007

Description	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh$	Yearly average interest rate	Amount ThCh$	Yearly average interest rate	Amount ThCh$	Yearly average interest rate	Amount ThCh$	Yearly average interest rate
Bonds payable	UF	-	-	-	-	125,775,488	3.50%	357,388,473	7.53%
Bonds payable	US$	-	-	271,330,094	7.88%	-	-	-	-
SWAP bonds	US$	-		46,682,777	9.17%-	-	-	-	-
Miscellaneous payables	Ch$	11,039,404		-	-	-	-	-	-
Provisions	Ch$	1,625,139	-	-	-	-	-	-	-
Other long-term liabilities	Ch$	1,640,685	-	-	-	-	-	-	-
Total long-term liabilities	UF	-		-		125,775,488		357,388,473	-
	US$	-		318,012,871		-		-	-
	Ch$	14,305,228		-		-		-	-

Note 30 - Sanctions

During the 2008 and 2007 periods, the Company, its Board and management were not sanctioned by the SVS or other regulatory authorities.

Note 31 - Subsequent Events

On October 16, 2008, the SVS was informed that an extraordinary meeting of the Company's shareholders was to be held on the same date. The following matters were addressed at the meeting:

1) The shareholders agreed to expressly ratify the actions of Messrs. Fernando Abara and Marcelo de Petris in negotiating and entering into the Contract to Initiate Committed Financing with the banks Corpbanca and Scotiabank Sudamericano, and specifically the powers to proceed with the signing of the documentation associated with that loan. This Committed Line of Credit, secured for a maximum of the Chilean peso equivalent of 3,206,453 Unidades de Fomento until the contract's closing date, is not revolving. Therefore, capital payments made by Transelec S.A. on the loans do not give the Company the right to new disbursements of principal. The term for disbursement is up to 24 months starting from the date the contract is signed. Funds from these loans will be used only by Transelec S.A. exclusively for financing its capital investment plan and refinancing existing financial debt. Transelec S.A. will be able to amortize the total amount of the line of credit duly used from September 15, 2012 until September 15, 2015. Interest will be calculated using an interest rate equal to TAB (the Chilean interbank rate) plus a fixed margin, whose level depends on the Company's local risk rating and on the period of the contract (availability, preamortization, amortization). Transelec S.A. will be able to wholly or partially prepay the amount withdrawn without any type of penalty.
2) Likewise, the shareholders agreed to authorize any possible future disbursements, including signing of corresponding promissory notes and associated documentation by the representatives of Transelec S.A. empowered to enter into loans as of the date of each transaction, that, in accordance with the terms of the Contract to Initiate Committed Financing signed with the banks Scotiabank Sudamericano and Corpbanca, exceed, individually or as a whole, one hundred thousand United States dollars.
3) The shareholders individually empowered Mr. Fernando Abara Elías and Ms. Constanza Rojas Marambio to transform all or part of the acts from this meeting into public deed and empowered the bearer of an authorized copy of the deed or an extract of the deed to carry out any necessary publications and registrations.

Between September 30, 2008 and the date of issuance of these financial statements there have been no other significant events of a financial accounting nature that could affect the interpretation of these financial statements.

Note 32 - Environment

During this period, the Company has made disbursements related to the environment, detailed as follows:

	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Urgent work	133	2,025
Design of environment management system ISO 14001	-	4,221
Replacement of a static capacitor with PCB	607	23,212
Oil pit construction	-	92,221
Environmental impact studies	31,979	4,879
Total	32,719	126,558

Note 33 - Time Deposits

Details of time deposits are as follows:

Banks	September 30, 2008 ThCh$	September 30, 2007 ThCh$
Banco Créditos e Inversiones	14,318,785	2,690,997
Banco Santander Santiago	11,875,113	16,354,124
Banco de Chile	13,075,242	4,024,905
Banco Security	-	554,094
Citibank	-	16,074,285
Scotiabank	315,737	1,145,056
HSBC	2,003,173	2,551,462
Total	41,588,050	43,394,923

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of September 30, 2008

Reasoned Analysis

A) Summary

In the period from January 1 to September 30, 2008, TRANSELEC S.A. and its subsidiary obtained net income of ThCh$45,407,501, which was 50.56% greater than in the same period for the year 2007. This net income comes from positive operating income of ThCh$88,515,561, negative non-operating income of ThCh$30,210,709, a first category and deferred income tax net charge to income of ThCh$12,897,199 and minority interest of ThCh$152. In 2007 the Company obtained net income of ThCh$30,158,419 which is explained by a operating income of ThCh$63,037,264, negative non-operating income of ThCh$28,269,046, a first category and deferred income tax charge to income of ThCh$4,609,637 and minority interest of ThCh$162.

During this period, sales reached ThCh$134,519,966 (ThCh$106,529,985 in 2007). These sales result mainly from the commercialization of the transmission capacity of the Company's facilities. This period includes recalculation of tolls for the Trunk Transmission System corresponding to 2007, as provided in DS 207 of January 15, 2008 and the Tolls Report for 2007 published by the CDEC-SIC in March 2008 with a recalculation in September, 2008, for a total of (ThCh$7,522,953). Likewise, the recalculation of tolls for the Trunk Transmission System corresponding to the period from March 13, 2004 to December 31, 2006, as set forth in the aforementioned decree, which terms of net tariff income, contractual interest and discounts amounted to ThCh$13,448,311 is included. Additionally, in 2008 the incomes of previous years (net of returns of tariff income) as agreed with Puyehue S.A and Panguipulli S.A., amounting to ThCh$2,217,208 was registered.

Cost of sales amount to ThCh$41,930,352 (ThCh$40,235,018 in 2007) and are composed as follows: 61.5% depreciation of property, plant and equipment (62.4% in 2007), 7.0% personnel costs (7.8% in 2007), 25.0% supplies and services hired (22.7% in 2007) and 6.5% amortization of intangibles (7.1% in 2007).

Administrative and selling expenses amount to ThCh$4,074,053 (ThCh$3,257,703 in 2007) and are composed mainly of 33.3% personnel expenses (29.9% in 2007), 58.5% works, supplies and hired services expenses (61.7% in 2007) and 8.2% depreciation (8.4% in 2007).

Reasoned Analysis (continued)

A) Summary (continued)

Non-operating income for the period recorded a loss of ThCh$30,210,709 (ThCh$28,269,046 in 2007), generated mainly by interest expenses of ThCh$29,646,976 (ThCh$28,780,123 in 2007) including interests related to recalculation of income of ThCh$2,634,862 and amortization of goodwill of ThCh$6,619,443 (ThCh$5,368,712 in 2007). Other important accounts that affected non-operating income during the period were an interest income of ThCh$9,297,051 (ThCh$4,538,708 in 2007) of which ThCh$5,629,005 correspond to interests associated with the aforementioned recalculation of income. Foreign currency translation for the period, which was positive, of ThCh$366,916 (negative amount of ThCh$104,991 in 2007), valued in accordance with SVS Circular No. 1,560. In turn, price-level restatement was a negative amount of ThCh$2,303,204 (positive amount of ThCh$1,032,482 in 2007) and other non-operating income was a net negative amount of ThCh$1,305,053 (positive amount of ThCh$413,590 in 2007).

B) Income

DESCRIPTION	**As of September 30, 2008**	**As of September 30, 2007**	**Variance September 2008/2007**	**Variance September 2008/2007**
	ThCh$	**ThCh$**		**ThCh$**
Operating income	134,519,966	106,529,985	26.27%	27,989,981
Tools	131,622,683	104,883,210	25.49%	26,739,473
Works and services	2,897,283	1,646,775	75.94%	1,250,508
Cost of sales	(41,930,352)	(40,235,018)	4.21%	(1,695,334)
Fixed costs	(13,417,168)	(12,277,119)	9.29%	(1,140,050)
Depreciation	(25,769,228)	(25,088,950)	2.71%	(680,278)
Amortization of intangibles	(2,743,955)	(2,868,949)	(4.36%)	124,994
Administrative and selling expenses	(4,074,053)	(3,257,703)	25.06%	(816,350)
Operating income	**88,515,561**	**63,037,264**	**40.42%**	**25,478,297**
Non-operating income	**(30,210,709)**	**(28,269,046)**	**6.87%**	**(1,941,663)**
Income before income & extraordinary items	58,304,852	34,768,218	67,70%	23,536,634
Income taxes	(12,897,199)	(4,609,637)	179.79%	(8,287,562)
Minority interest	(152)	(162)	(6.17%)	10
Net income	**45,407,501**	**30,158,419**	**50.56%**	**15,249,082**
RA.I.I.D.A.I.E. *	114,119,492	92,502,404	23.37%	21,617,088

Reasoned Analysis (continued)

B) Income (continued)

* Earnings before taxes, interest, depreciation, amortization and extraordinary items.

The operating income for the period ended September 30th, 2008, includes extraordinary income corresponding to previous years for the following concepts: a) Agreement with companies Puyehue S.A and Panguipulli S.A for ThCh$2,217,208, b) income from the period from March 2004 to December 2006 derived from the Decree that determines the new trunk prices (ThCh$13,448,311) and c) income for the year 2007, derived from the aforementioned Decree, of ThCh$7,522,953. Also, non-operating income was impacted in 2008 by interests in the above mentioned recalculations, increasing interest income in ThCh$5,629,005 and interest expenses in ThCh$2,634,862.

The resulting tax rate for the current period (22.12%) is affected principally by price-level restatement of deferred income taxes and by some adjustments made to net income to arrive at net taxable income. Consequently, the effective tax rate would be closer to 16% if the effects of price-level restatement on deferred taxes were not considered.

The tax rate for the 2007 period is not a good point of comparison because it was strongly impacted by the effects of the absorption process carried out on June 30, 2007.

Profitability

Indexes	As of September 30, 2008	As of September 30, 2007	Variance September 2008/2007
Profitability of equity	5.19%	3.49%	48.71%
Profitability of assets	2.64%	1.73%	52.60%
Profitability of operating assets	7.28%	5.11%	42.47%
Gain per share (Ch$)	45,407.50	30,158.42	50.56%

The figures calculated as of September 30, 2008 consider the extraordinary income previously mentioned in section B).

Reasoned Analysis (continued)

C) Balance Sheet Analysis

	As of September 30, 2008 ThCh$	As of September 30, 2007 ThCh$	Variance September 2008/2007	Variance September 2008/2007 ThCh$
Current assets	89,514,531	129,200,524	(30.72%)	(39,685,993)
P. P. & E.	1,067,148,258	1,080,917,963	(1.27%)	(13,769,705)
Other assets	564,800,695	535,129,029	5.54%	29,671,666
Total Assets	**1,721,463,484**	**1,745,247,516**	**(1.36)%**	**23,784,032**
Current liabilities	59,012,342	64,940,646	(9.13%)	(5,928,304)
Long-term liabilities	787,767,041	815,482,060	(3.40%)	(27,715,019)
Minority interest	4,728	4,814	(1.79%)	(86)
Shareholders' equity	874,679,373	864,819,996	1.14%	9,859,377
Total Liabilities & Shareholders' Equity	**1,721,463,484**	**1,745,247,516**	**(1.36)%**	**(23,784,032)**

Value of the Principal Operating Property, Plant and Equipment

Assets	As of September 30, 2008 ThCh$	As of September 30, 2007 ThCh$	Variance September 2008/2007 %	Variance September 2008/2007 ThCh$
Land	17,693,252	17,241,733	2.62%	451,519
Buildings and infrastructure	795,518,617	789,005,809	0.83%	6,512,808
Machinery and equipment	330,589,836	315,787,429	4.69%	14,802,407
Other property, plant & equipment	1,496,896	1,556,224	(3.81%)	(59,328)
Accumulated depreciation	(78,150,343)	(42,673,232)	83.14%	(35,477,111)
Total	**1,067,148,258**	**1,080,917,963**	**(1.27%)**	**(13,769,705)**

As of September 30, 2008 and 2007, property plant and equipment consist mainly of land, buildings, infrastructure and machinery and equipment.

The assets of the Company and its subsidiary are presented valued in accordance with Chilean GAAP.

Reasoned Analysis (continued)

C) Balance Sheet Analysis (continued)

Difference between the book values and economic and/or market values of the principal assets

Considering that the assets of the Company and its subsidiary were valued at market value in June 2006 in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, for consolidation purposes, in Transelec Norte, it is estimated that their book value is 35.4% less than their economic and/or market value.

Liquidity and Indebtedness

Ratios	As of September 30, 2008	As of September 30, 2007	Variance September 2008/2007
Common liquidity	1.52	1.99	(23.62%)
Acid ratio	1.20	0.99	21.21%
Liabilities / shareholders' equity	0.97	1.02	(4.90%)
% Short-term debt	6.97	7.38	(5.52%)
% Long-term debt	93.03	92.62	0.44%
Interest expenses coverage	3.45	2.90	18.79%

In addition, in order to ensure availability of funds to cover working capital needs, project financing (for both projects under development and potential projects), acquisitions of transmission lines and possible debt refinancing, the Company has the following committed lines of credit from the banks detailed below:

Bank	Amount (up to)	Expiration	Type of Loan
Scotiabank Sudamericano	ThUS$15,000	August 21, 2009	Working capital
BCI	ThUS$30,000	February 28, 2010	Working capital
Santander	ThUS$15,000	September 30, 2009	Working capital
Scotiabank Sudamericano - Corpbanca	UF 3,206,453	September 15, 2010	Project financing and/or debt refinancing

Reasoned Analysis (continued)

D) Most Important Changes In The Market In Which The Company Participates

Transelec S.A. carries out its activities in the electricity market, which has been categorized into three different sectors: the generation sector, the transmission sector and the distribution sector. The electric energy generation sector comprises the companies that are dedicated to the generation of electricity, whether that electric energy and power come from hydroelectric, coal, oil, gas, eolian, or other power plants. The importance of this sector is that it is dedicated to the production of electricity, which subsequently will be used throughout the country by end users. The mission of the distribution sector is to carry the electricity to the physical locations where each of the final consumers will use that electricity. For this, the distribution companies have electrical networks that allow that electricity to flow within the cities from the "points of entry" to their networks, to the domicile of each final consumer. Finally, the basic objective of the transmission sector is to transport the generated electricity between its production place (electrical power plants), and the "points of entry" to the networks of the distribution companies.

The business of Transelec is centered mainly on commercialization of the electricity transportation and transformation capacity of its facilities, in accordance with established quality standards. The transmission system of Transelec S.A. and its subsidiary, which extends to 2,900 kilometers between Arica in the I Region and the Island of Chiloé in the X Region, includes a majority participation in the trunk electrical transmission lines and substations of the Sistema Interconectado Central (SIC) and the Sistema Interconectado del Norte Grande (SING). This transmission system transports the electricity that reaches the zones inhabited by approximately 99% of the population of Chile. The Company owns 100% of the 500 kV electricity transportation lines, 51.1% of the 220 kV lines and 94.5% of the 154 kV lines.

The legal framework that governs the electrical transmission business in Chile is regulated by DFL No. 4/2006, which establishes the Modified, Coordinated and Systemized Text of Decree with Force of Law No. 1 of the Ministry of Mining, issued in 1982, the General Electrical Services Law of 1982 (DFL (M) No. 1/82) and its subsequent modifications, which include Law 19,940 (Short Law I), enacted on March 13, 2004 and Law 20,018 (Short Law II), enacted on May 19, 2005. These regulations are complemented with the Regulations of the General Law on Electrical Services of 1997 (Supreme Decree No. 327/97 issued by the Ministry of Mining) and its respective modifications, and in addition to the Security and Quality of Service Technical Standard (R.M.EXTA No. 40 of May 16, 2005) and its subsequent modifications.

Law 19,940, also denominated Short Law I, modified the General Electrical Services Law of 1982 in matters referring to the electricity transmission activity and established the subdivision of the transmission network into three types of systems: trunk transmission, sub-transmission and additional transmission. It also establishes that electricity transportation – both by trunk transmission systems as well as sub-transmission – has the nature of a public service and is subject to the application of regulated tariffs.

Reasoned Analysis (continued)

D) Most Important Changes In The Market In Which The Company Participates (continued)

Finally, Law 19,940 contemplates that the new payment regime for the use of the trunk facilities which is effective as of March 13, 2004 and determines a transitory period that was effective until enactment of the first trunk transmission decree. In this manner, during 2004, 2005, 2006 and 2007, a collection and payment of the transmission facilities was carried out in a provisional manner in accordance with legal and regulatory standards in force until the publication of Short Law I and will be subject to reassessment. On January 15, 2008, the Decree from the Ministry of Economy, Economic Development and Reconstruction was published, setting the new Investment Value (VI) of the facilities, the trunk tariff for the period beginning March 14, 2004 up to December 31, 2010 and the indexation formulas applicable during that period. It is worth mentioning that in accordance with this Decree, the highest VI assigned to facilities that receive this new tariff was ThUS$110,740. The new trunk transmission system tariffs began to be applied in April 2008, and as of June 30, 2008, trunk income for the period from March 13, 2004 up to December 31, 2007 was fully reassessed. The only reassessment that is still pending is for the period from January to March 2008, which according to current regulation must be recalculated by March 2009. The decree that will regulate sub-transmission tariffs has not been published yet.

Due to the characteristics of the electrical market and the legislation and regulations governing this sector, the Company is not exposed to significant risks arising from the development of its main business. However, the following risk factors should be mentioned and considered:

Regulatory Framework

The legal standards that govern the electrical transmission business in Chile were modified through the enactment of Law 19,940, denominated Short Law I, published on March 13, 2004.

Although several aspects of the application of Short Law I are matters to be defined in the electrical regulation, which has not been prepared yet, the most relevant methodological aspects that establish the amount of the tolls for the trunk facilities that each user company must pay, the payment and reassessment mechanisms are contained in Decree No. 207 of July 9, 2007 issued by the Ministry of Economy, Economic Development and Reconstruction, published in the Official Gazette on January 15, 2008. Regarding tolls for sub-transmission facilities, although the decree that sets the sub-transmission tariffs and indexation formulas has not been fully processed yet, its text contains the provisions that allow its application once it comes into effect.

Reasoned Analysis (continued)

E) Market Risk Factors (continued)

Concentration of Income

Seventy point five percent (70.5%) of Transelec's income is generated by a single customer, Empresa Nacional de Electricidad S.A., Endesa, and its subsidiary generating companies. The toll agreements signed with Endesa and its subsidiaries Pangue and Pehuenche will generate a large part of the future cash flows of Transelec and a substantial change in assets, financial condition or operating income of this company or its subsidiaries could negatively affect Transelec.

Operating Risks

Notwithstanding that management believes that Transelec maintains adequate risk coverage, in accordance with industry practices, it is not possible to assure that insurance policy coverage will be enough to cover certain operating risks which Transelec is exposed to, including forces of nature, damages to transmission facilities, on-the-job accidents and equipment failure. Any of these events could affect the Company's business.

Application of environmental regulations and/or policies

Transelec is also subject to regulatory environmental standards which, among other things, require it to carry out environmental impact studies on future projects and obtain the corresponding regulatory authorizations. It is not possible to ensure that these environmental impact studies will be approved by the government authorities, or that public opposition will not generate delays or modifications in the proposed projects, or that the laws and regulations will not change or be interpreted in a sense that could adversely affect the Company's operations and plans

Delays in the construction of new transmission facilities

The success of the program for extending the transmission network and building new facilities will depend on numerous factors, including financing cost and availability. Although Transelec has experience in large-scale construction projects, the construction of new facilities could be negatively affected by factors commonly associated with projects including delays in obtaining regulatory authorizations; scarcity of equipment, materials, labor or changes in their prices; adverse weather conditions; natural catastrophes; and unforeseen circumstances and difficulties in obtaining financing at reasonable rates. 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.

Reasoned Analysis (continued)

E) Market Risk Factors (continued)

Technological Changes

Compensation for the investments that Transelec carries out in electrical transmission facilities is obtained through an annual valuation of the existing facilities. If there is important technological progress in the equipment that composes Transelec's facilities, the facilities valuation could be decreased, which in turn would prevent full recovery of the investments made.

F) Foreign Exchange and Interest Rate Risk

Foreign Exchange Risk

Depending on the market and other considerations, Transelec has carried out, when necessary, certain hedging activities such as Cross Currency swaps and currency forwards in order to cover the risk of fluctuations in the UF-dollar exchange for its bonds denominated in United States dollars and also to guarantee income in Chilean pesos of income in dollars that is adjusted biannually. However one cannot assure that Transelec will be fully protected by maintaining foreign exchange hedge contracts. In addition, cross currency swaps and forwards contain counterparty credit risks, cash requirements on the maturity dates and other associated risks.

As of September 30, 2008, the Company and its subsidiary had a part of their fair value debt denominated in United States dollars due to the placement of bonds abroad for an amount of ThUS$494,600 (includes accrued interest) in addition to other short-term liabilities for the amount of ThUS$13,333. On the other hand, assets denominated in United States dollars correspond to the credit on mercantile current account of related companies (mainly to Transelec Holdings Rentas Limitada) for a total amount of ThUS$30,818 (includes interest earned), short-term investments in the financial market for the amount of ThUS$29,690 (includes interest earned), swap contracts at fair value in the amount of ThUS$282,586, trade accounts receivable and other current assets for the amount of ThUS$1,693, and property, plant and equipment and intangibles at fair value for the amount of ThUS$165,136, which are greater than the respective liability by ThUS$2,000.

Additionally, the Company maintains forward contracts for sales of US dollars amounting to ThUS$31,500 linked to the income that the Company will invoice in October, November and December of this year, in order to fix the underlying amount of its income in Chilean pesos. Thus, it is important to highlight that toll contracts are in US dollars, but monthly invoices are expressed in the Chilean peso equivalent, using the monthly average observed dollar exchange rate for approximately 93.8% of the contracts and the observed dollar exchange rate as of the last day of each month for 4.8% of the contracts.

Reasoned Analysis (continued)

F) Foreign Exchange and Interest Rate Risk (continued)

Summary of Hedge Positions as of September 30, 2008:

Assets in US$	ThUS$	Type of hedge
Short-term investments	29,690	Bonds (Yankee bonds) and other liabilities
Related party loans	30,818	Bonds (Yankee bonds) and other liabilities
Swap contracts	282,586	Bonds (Yankee bonds) and other liabilities
Fixed and intangible assets	165,136	Bonds (Yankee bonds) and other liabilities
Other current assets	1,693	Bonds (Yankee bonds) and other liabilities
Liabilities in US$		
Bonds (Yankee bonds)	494,600	Hedged item
Other liabilities	13,333	Hedged item
Forward contracts	31,500	Operating income

As of September 30, 2007, the Company had part of its debt denominated in United States dollars due to the placement of bonds abroad of US$503,063,672 (US$508,783,620 in 2006) which includes accrued interest, in addition to other liabilities of US$46,416,701 (US$27,922,601 in 2006). Assets denominated in United States dollars correspond to credit in the mercantile current account of its Parent Company Transelec Holdings Rentas Limitada of US$43,856,611 (includes interest earned) (US$0 in 2006), short-term investments in the financial market of US$29,831,837 (US$82,606,587 in 2006), which includes interest earned, trade accounts receivable of US$3,328,516 (US$1,603,000 in 2006), swap contracts of US$237,763,072 (US$241,144,626 in 2006), which includes accrued interest, lease contracts of US$2,113,458 (US$2,185,362 in 2006), property, plant and equipment of US$195,347,598 (US$177,146,502 in 2006) and forward contracts for US$36,764,350 (US$64,800,000 in 2006). Therefore liabilities denominated in United States dollars exceed respective assets by US$474,931. In 2006, assets in dollars were greater than liabilities in dollars by US$32,779,856.

Exposure to the exchange rate is partially mitigated by the fact that toll income is expressed in United States dollars and indexed twice a year using indexation formulas partially connected to the US dollar.

Reasoned Analysis (continued)

F) Foreign Exchange and Interest Rate Risk (continued)

Toll contracts are denominated in United States dollars, but monthly invoices are sent expressed in the Chilean peso equivalent, using the average monthly observed United States dollar exchange rate for approximately 93.8% of the contracts and the current observed United States dollar exchange rate for the last day of the month for 4.8% of contracts. The following table shows the corresponding foreign exchange rates:

Foreign Exchange Rate

MONTH	Average 2008 (Ch$)	Last day 2008 (Ch$)	Average 2007 (Ch$)	Last day 2007 (Ch$)
January	480.90	465.30	540.51	545.18
February	467.22	458.02	542.27	538.42
March	442.94	439.09	538.49	539.37
April	446.43	459.16	532.30	527.08
May	470.10	479.66	522.02	527.52
June	493.61	520.14	526.72	527.46
July	502.24	502.78	519.80	523.08
August	516.70	516.47	522.92	524.63
September	530.17	552.47	516.91	511.72
Average for the Period	**483.37**	**488.12**	**529.10**	**529.38**

The indexation formulas applied twice yearly incorporated in the toll contracts and those applied monthly for regulated trunk income, reflect the variations in the value of the facilities and of operating, maintenance and administration costs. In general, those indexation formulas contemplate the variations in the international prices of the equipment, prices of materials and local labor.

For the 2008 period the indexation effect on average increased the value of tolls by 8.6% compared to the 2007 period.

Interest rate risk

The Company has debts contemplating fixed interest rates. In effect, the debt denominated in United States dollars contemplates a fixed equal 7.875% annual interest rate. On the other hand, all debts denominated in UF were placed at fixed interest rates varying from 3.5% to 6.2%, depending on each bond. Likewise, the Company has a mercantile current account with related companies denominated in United States dollars, which also contemplates a fixed interest rate. In this manner, the Company deems that it is not exposed to a risk that could affect its income due to a change in market interest rates.

Reasoned Analysis (continued)

G) Main Cash Flows for the Period

In the period from January 1 to September 30, 2008, positive net cash flows were generated for the amount of ThCh$48,020,800 as follows: operating activities for the amount of ThCh$78,335,434, financing activities in the negative amount of ThCh$22,704,100, and investing activities for the negative amount of ThCh$41,824,755. In the period from January 1 to September 30, 2007, cash flows were positive for the amount of ThCh$64,082,519 as follows: operating activities for a positive amount of ThCh$48,507,309, financing activities for a negative amount of ThCh$25,004,680 and investing activities for a negative amount of ThCh$30,101,787.

Net cash flows from financing activities during the period from January 1 to September 30, 2008 were negative amounting to ThCh$22,704,100, product of payment of dividends. In the 2007 period, financing activities reached a negative amount of ThCh$ 25,004,680 mainly as a product of payment of the amortization of the total capital of Series A bonds in UF, in March 2007 for the amount of ThCh$126,465,352, and offset with the new placement of Series C bonds in UF in March 2007 for ThCh$123,824,849. In addition, dividends of ThCh$22,364,177 were paid in the period.

In this period, investing activities generated negative net cash flows of ThCh$41,824,755, mainly as a product of other investment disbursements due to price adjustment with HydroQuebec amounting to ThCh$74,479,162 and net additions to property, plant and equipment of ThCh$26,893,905, which were positively affected by net cash flows with related entities of Ch$78,211,016. In the 2007 period, cash flows from investing activities were negative in the amount of ThCh$30,101,787 mainly due to negative net cash flows from other loans to related companies for ThCh$19,210,789 and net additions to property, plant and equipment of ThCh$10,890,998.

In this period the effect of inflation on cash and cash equivalents was negative for the amount of ThCh$588,141. In the 2007 period the effect was negative for the amount of ThCh$3,287,577.

The final balance of cash and cash equivalents as of September 30, 2008 amounted to ThCh$48,020,800 considering an opening balance of ThCh$34,802,362. In 2007, the final balance of cash and cash equivalents amounted to ThCh$64,082,517 considering an opening balance of ThCh$73,969,252.

TRANSELEC S.A. AND SUBSIDIARY

Relevant Events of the Consolidated Financial Statements

As of September 30, 2008

Relevant Events

During the period ended as of September 30, 2008, and in accordance with General Character Standard No. 30, the Company has informed the SVS about the following essential or relevant events:

On January 25, 2008 the following was informed as an essential event: at ordinary meeting No. 15 held on January 24, 2008 the Company's Board became aware of the resignation presented by director Mr. Mario Marcel Cullell, and accepted such resignation effective as of March 1, 2008.

On March 20, 2008, the convocation of the Extraordinary Shareholders' Meeting for April 4, 2008 at 9:00 hours at the offices located at Av, Apoquindo 3721, 6th Floor, Las Condes was informed as an essential event.

The object of the convocation is to inform the following and submit it to the approval of the shareholders:

Payment of the price adjustment of the Investment Value, in accordance with the HQI Transelec Chile S.A. share purchase agreement signed in June 2006.

On March 27, 2008, the meeting held on March 27, 2008 agreed to inform the SVS the essential event consisting in convocation to Ordinary Shareholders' Meeting for April 24, 2008, at 9:00 hours, at the offices located at Av, Apoquindo 3721, 6th Floor, Las Condes.

The object of the citation is to inform and get the approval of the shareholders in respect to the following matters:

1) Annual Report, Balance Sheet, Financial Statements and Report of External Auditors, corresponding to the period ended as of December 31, 2007.
2) Distribution of final dividend
3) Dividends policy and information regarding the payment procedures to be used
4) Remuneration of the Board and the Audit Committee
5) Designation of External Auditors
6) Newspaper to be used to publish convocation to Shareholders' Meetings
7) Other matters of interest of the Company that come under the jurisdiction of the Meeting

Relevant Events (continued)

On April 7, 2008, the SVS was informed of the following:

Complying with the agreement in number 1,7 of the Share Purchase Agreement signed on June 30, 2006 between HQ Puno Ltda., Hydro Quebec Internacional Transmisión Sudamérica S.A. and International Finance Corporation as sellers and Rentas Eléctricas IV Limitada, as purchaser (which in virtue of the various modifications today corresponds to Transelec S.A.), it is informed that the parties have reached an agreement regarding the partial value of the price adjustment indicated in the mentioned number 1.7 which amounts to US$155,529,900, amount that will be paid by Transelec S.A. to the seller in accordance with the following detail:

- HQI Transmisión Sudamérica S.A.	US$143,071,985
- HQ Puno Ltda.,	US$ 15,553
- International Finance Corporation	US$ 12,442,392

The financing of these payments will come from partial prepayment of the mercantile account that Transelec Holdings Rentas Limitada (main shareholder of Transelec S.A. with 99,99% of the shares) owes this company.
We note that these payments were made on April 4, 2008. In addition we inform that as part of the agreement signed between the aforementioned selling and purchasing parties, the definition of an eventual payment for the adjustment denominated “Cardones-Maintencillo Reactives” is pending, which could amount to US$5,278,000, whose payment is subject to compliance with certain conditions that could occur in the future.

On April 25, 2008, the Superintendent was informed that on April 24, 2008, the Company held its Ordinary Shareholders’ Meeting which agreed to the following:

1) Approve the Annual Report, Balance Sheet, Financial Statements and the Report of Independent Auditors, corresponding to the period ended December 31, 2007.
2) Approve the distribution of Ch$8,894,151,513, equivalent to Ch$8,894,151513 per share as the remainder of the final dividend for 2007, dividend that will be paid starting on May 20, 2008 to the shareholders registered in the respective registry on May 13, 2008.
3) The dividends policy for 2008 was informed.
4) The remunerations of the Board of Directors and Audit Committee were set.
5) The designation of Ernst & Young as external auditors of the Company for 2008 was approved.
6) Designation of the Diario Financiero to be used to publish citation to general shareholders’ meeting notices was approved.

Relevant Events (continued)

On May 30, 2008, it was informed that the Board of Directors Meeting held on May 29, 2008 agreed to the distribution of an interim dividend for the period ended March 31, 2008 of the sum of Ch$12,040,000,000 which will be paid starting on June 23, 2008 to the shareholders registered in the respective registry on June 17, 2008.

On June 27, 2008, the Superintendent was informed that the Board of Transelec S.A. at the meeting held on June 26, 2008 agreed to inform that Superintendency of the essential event consisting in the summon to Extraordinary Shareholders' Meeting to be held on July 21, 2008 at 9:00 hours, at the offices located at Av, Apoquindo 3721, 6th Floor, Las Condes.

The object of the citation is to inform and submit to the shareholders approval of the following point:

- Revoke all the current members of the Board and elect new regular and deputy directors.

  On July 21, 2008, the SVS was informed that on July 21 an Extraordinary Shareholders' Meeting was held, in which the following was agreed:

1) Revoke all the current members of the Board, both regular and alternate directors, and elect in their replacement as Regular Directors Mr. Jeffrey Blidner, Mr. Bruno Guilmette, Mr. Scott Lawrence, Ms. Brenda Eaton, Mr. Felipe Lamarca Claro, Mr. Juan Andrés Fontaine Talavera, Mr. Blas Tomic Errázuriz, Mr. José Ramón Valente Vias and Mr. Alejandro Jadresic Marinovic and as their respective Alternate Directors Mr. Derek Pannell, Mr. Patrick Charbonneau, Mr. Graeme Bevans, Mr. Richard Dinneny, Mr. Enrique Munita Luco, Mr. Juan José Eyzaguirre Lira, Mr. Federico Grebe Lira, Mr. Juan Paulo Bambach Salvatore and Mr. Juan Irarrázabal Covarrubias.

2) Grant the necessary powers to execute the adopted agreements with respect to the mentioned subjects.

   On July 24, 2008, the SVS was informed that at the Ordinary Session No. 23 of Transelec S.A.'s Board of Directors, the Company's Board of Directors, held on July 24, 2008, Mr. Jeffrey Blidner was elected as the Board's President.

   On September 25, 2008, the Company informed that at Ordinary Session No. 25 of Transelec S.A.'s Board of Directors, held on September 25, 2008, board members agreed to call an Extraordinary Shareholders' Meeting for October 16, 2008 at 9:00 am at Av. Apoquindo 3721, 6th Floor, Las Condes.

   The object of the citation is to inform and subject the following point to the approval of the shareholders:

   - Approval of expenditures of CAPEX credit line.

Relevant Events (continued)

Transelec Norte S.A. (subsidiary)

During the period from January 1 to March 31, 2008 and in accordance with General Character Standard No. 30, the Company informed the SVS of the following essential or relevant events:

On January 25, 2008 the SVS was informed that at the Ordinary meeting No. 42, held on January 24, 2008 the Company's Board was informed of the resignation presented by Mr. Mario Marcel Cullell and accepted that resignation effective as of March 1, 2008.

On March 27, 2008, Transelec Norte S.A. informed the SVS that the Board of Directors, at the meeting held on March 27, 2008, agreed to convene an Ordinary Shareholders' Meeting on April 24, 2008, at 10:00AM, at the offices located at Av. Apoquindo 3721, 6th Floor, Las Condes.

The object of the citation is to inform and get the approval of the shareholders regarding the following matters:

1) Annual Report, Balance Sheet, Financial Statements and Report of External Auditors, corresponding to the period ended as of December 31, 2007.
2) Distribution of final dividend
3) Dividends policy and information regarding the payment procedures to be used
4) Board of Directors fees
5) Designation of External Auditors
6) Newspaper to be used to publish convocation to Shareholders' Meetings
7) Other matters of interest of the Company that come under the jurisdiction of the Meeting

On April 25, 2008, the Superintendent was informed that on April 24, 2008, the Company held it's Ordinary Shareholders' Meeting which agreed to the following:

1) Approve the Annual Report, Balance Sheet, Financial Statements and the Report of Independent Auditors,, corresponding to the period ended December 31, 2007.
2) Approve the distribution of US$2,850,781.23 as the remainder of the final dividend for 2007. dividend that will be paid starting on May 20, 2008 to the shareholders registered in the respective registry on May 13, 2008,
3) The dividends policy for 2008 was informed
4) The Board fees were set
5) The designation of Ernst & Young as external auditors of the Company for 2008 was approved
6) Designation of the Diario Financiero to be used to publish citation to general shareholders' meeting notices was approved.

Relevant Events (continued)

On June 27, 2008, Transelec Norte S.A. informed the Superintendent that the Board of Directors at the meeting held on June 26, 2008, agreed to convene a Special Shareholders' Meeting on July 21, 2008, at 10:00AM at the offices located at Av. Apoquindo 3721, 6th Floor, Las Condes.

The object of the citation is to inform and subject the following point to the approval of the shareholders:

- Revoke all the current members of the Board and elect new regular and deputy directors

On July 21, 2008, the Company informed that on July 21 a Special Shareholders' Meeting was held, in which the following was agreed:

1) Revoke all the current members of the Board, both regular and alternate directors, and elect in their replacement as Regular Directors Mr. Jeffrey Blidner, Mr. Bruno Guilmette, Mr. Scott Lawrence, Ms. Brenda Eaton, Mr. Felipe Lamarca Claro, Mr. Juan Andrés Fontaine Talavera, Mr. Blas Tomic Errázuriz, Mr. José Ramón Valente Vias and Mr. Alejandro Jadresic Marinovic and as their respective Alternate Directors Mr. Derek Pannell, Mr. Patrick Charbonneau, Mr. Graeme Bevans, Mr. Richard Dinneny, Mr. Enrique Munita Luco, Mr. Juan José Eyzaguirre Lira, Mr. Federico Grebe Lira, Mr. Juan Paulo Bambach Salvatore and Mr. Juan Irarrázabal Covarrubias.

2) Grant the necessary powers to execute the adopted agreements with respect to the mentioned subjects.

On July 24, 2008, the Securities and Insurance was informed that at Ordinary Session No. 23 of Transelec S.A.'s Board of Directors, the Company's Board of Directors, held on July 24, 2008, Mr. Jeffrey Blidner was elected as the Board's President.