Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
December 31, 2008 and 2007

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

December 31, 2008 and 2007

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

Index

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

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

To the Shareholders and Directors of
Transelec S.A. (Formerly - Rentas Eléctricas III Limitada):

We have audited the accompanying consolidated balance sheets of Transelec S.A. and subsidiary (the "Company") as of December 31, 2008 and 2007, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The attached Detailed Analysis and Relevant Events are not a part of these financial statements and therefore this report does not include them.

We conducted our audit in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transelec S.A. and subsidiary as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in Chile.

Miguel Vicencio T.

ERNST & YOUNG LTDA.

Santiago, Chile
January 21, 2009

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of December 31,

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

ASSETS	Note	2008 ThCh$	2007 ThCh$
Current Assets			
Cash		1,953,863	513,563
Time deposits	(32)	48,160,189	19,692,635
Marketable securities	(4)	16,677,165	13,078,743
Trade accounts receivable, net	(5)	32,691,339	25,443,312
Miscellaneous receivables	(5)	528,737	522,401
Notes and accounts receivable from related companies	(6)	48,204	48,896,808
Inventory, net		42,270	46,169
Recoverable taxes	(7)	2,319,462	3,153,218
Prepaid expenses		94,942	107,824
Deferred taxes	(7)	6,899,371	6,284,868
Other current assets	(8)	1,254,668	3,192,244
Total current assets		110,670,210	120,931,785
Property Plant and Equipment			
Land		19,051,979	17,775,461
Buildings and infrastructure		810,873,358	802,400,782
Machinery and equipment		357,002,368	326,412,434
Other property, plant and equipment		1,506,567	1,560,614
Less: Accumulated depreciation		(89,509,886)	(51,982,697)
Total property, plant and equipment	(9)	1,098,924,386	1,096,166,594
Other Assets			
Investments in other companies	(10)	319,220	231,881
Goodwill	(11)	338,897,614	278,730,829
Long-term receivables	(5)	1,563,240	1,669,528
Notes and accounts receivable from related companies	(6)	19,602,660	32,774,493
Long-term deferred taxes	(7)	50,808,019	54,579,126
Intangibles	(12)	161,883,833	160,404,835
Less: Amortization	(12)	(10,146,472)	(6,072,129)
Others	(13)	9,403,701	10,329,793
Total other assets		572,331,815	532,648,356
Total Assets		1,781,926,411	1,749,746,735

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of December 31,

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2008 ThCh$	2007 ThCh$
Current Liabilities			
Short-term bonds	(15)	16,321,031	9,510,957
Accounts payable	(33)	36,790,378	55,393,073
Miscellaneous payables		-	1,227,060
Notes and accounts payable to related companies	(6)	-	127,428
Provisions	(16)	3,516,101	2,949,114
Withholdings		2,727,557	1,538,434
Other current liabilities	(14)	90,917	244,948
Total current liabilities		59,445,984	70,991,014
Long-term Liabilities			
Long-term bonds	(15)	815,013,648	807,852,917
Long-term provisions	(16)	1,959,421	1,619,191
Other long-term liabilities		2,943,390	1,648,664
Total long-term liabilities		819,916,459	811,120,772
Minority interest	(18)	5,504	4,670
Shareholders' equity			
Paid-in capital		857,944,548	857,944,548
Other reserves		374,490	-
Retained earnings		160,095	95,362
Net income		56,588,891	34,506,783
Interim dividends		(12,509,560)	(24,916,414)
Total shareholders' equity	(19)	902,558,464	867,630,279
Total Liabilities and Shareholders' Equity		1,781,926,411	1,749,746,735

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Income

For the years ended December 31,

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

	Note	2008 ThCh$	2007 ThCh$
Operating Income			
Revenues		183,832,383	142,005,544
Cost of sales		(60,114,461)	(55,485,966)
Gross margin		123,717,922	86,519,578
Less: Administrative and selling expenses		(6,451,563)	(5,038,398)
Net operating income		117,266,359	81,481,180
Non-operating Income			
Interest income		10,613,399	6,887,833
Other non-operating income	(20)	237,064	2,574,263
Interest expenses		(40,466,862)	(38,501,987)
Amortization of goodwill (less)	(11)	(9,033,560)	(7,308,148)
Other non-operating expenses	(20)	(2,405,062)	(5,672,517)
Price-level restatement, net	(21)	(6,181,821)	(1,400,911)
Foreign exchange rate differences, net	(22)	120,956	459,979
Non-operating income		(47,115,886)	(42,961,488)
Income before income taxes		70,150,473	38,519,692
Income taxes	(7)	(13,561,348)	(4,012,723)
Income before minority interest		56,589,125	34,506,969
Minority interest	(18)	(234)	(186)
Net income		56,588,891	34,506,783

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the years ended December 31,

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

	Note	2008 ThCh$	2007 ThCh$
Cash Flows from Operating Activities			
Net income		56,588,891	34,506,783
Income from sale of assets		380,144	(36,838)
Income on sale of property, plant and equipment		380,144	(36,838)
Charges (credits) to income that do not represent cash flows			
Depreciation	(9)	35,566,027	34,061,906
Amortization of intangible assets	(12)	3,875,573	3,852,572
Write-offs and provisions		1,481,154	4,005,110
Amortization of goodwill	(11)	9,033,560	7,308,148
Price-level restatement, net	(21)	6,181,821	1,400,911
Foreign exchange rate differences, net	(22)	(120,956)	(459,979)
Other credits to income other than cash flows		(6,572,819)	(6,712,933)
(Increase) decrease in assets that affect cash flows			
Trade accounts receivable		(7,254,364)	(11,535,630)
Inventory		3,900	3,456
Other assets		(1,401,038)	4,941,942
(Increase) decrease in liabilities that affect cash flows			
Accounts payable related to operating income		(8,158,820)	(4,329,266)
Interest payable		6,810,074	(699,159)
Income taxes payable		8,058,603	1,834,612
VAT and other taxes payable		1,201,666	(233,267)
Minority interest	(18)	234	186
Net cash provided by operating activities		105,673,650	67,908,554
Cash Flows from Financing Activities			
Bonds		-	125,135,825
Dividends paid		(21,750,584)	(39,452,288)
Payment of Bonds		(1,360,655)	(128,765,218)
Net cash flows used in financing activities		(23,111,239)	(43,081,681)

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the years ended December 31,

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

	2008 ThCh$	2007 ThCh$
Cash Flows from Investing Activities		
Sale of property, plant and equipment	10,392,335	2,370,843
Collection of documented loans to related companies	78,253,577	41,608,110
Additions to property, plant and equipment	(41,920,660)	(27,184,295)
Payment of capitalized interest	(2,231,128)	(986,293)
Permanent investments	-	(84,016)
Documented loans to related companies	(18,931,213)	(74,769,938)
Other investment disbursements	(76,439,600)	-
Net cash flows used in investing activities	(50,876,689)	(59,045,589)
Total positive (negative) net cash flows for the year	31,685,722	(34,218,716)
Effect of price-level restatement on cash and cash equivalents	(347,987)	(5,639,165)
Net increase (decrease) in cash and cash equivalents	31,337,735	(39,857,881)
Cash and cash equivalents, beginning of the year	35,453,482	75,311,363
Cash and cash equivalents, end of the year	66,791,217	35,453,482

The accompanying notes 1 to 33 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. Its 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 years ended December 31, 2008 and 2007.

b) Basis of preparation

These consolidated financial statements as of December 31, 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 discrepancies, 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 December 31, 2008, which was 8.9%.

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 year ended December 31, 2007, consisting of increasing goodwill by ThCh$4,608,243 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 exchange rate differences,, net of price-level restatement, has been recorded against Accumulated Foreign Currency Translation, in the Other Shareholders' Equity Reserves account.

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

	Direct Participation	
Corporation	**2008**	**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 year-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 year ended as informed by the National Institute of Statistics, applied with a one-month lag, which was 8.9% for the 2008 year (7.4% for the 2007 year). 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 December 31, 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	
	2008	**2007**
Unidad de Fomento	21,452.57	19,622.66
United States dollar	636.45	496.89
Euro	898.81	730.94

g) Time deposits

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

h) Marketable securities

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

i) Allowance for doubtful accounts

The Company deems that it is unnecessary to record an allowance for doubtful accounts as of year-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 year-end. Financing costs for property, plant and equipment at construction sites are capitalized during the construction period. During the 2008 year, financial costs amounting to ThCh$2,231,128 have been capitalized (ThCh$986,293 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

This account presents goodwill from 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 goodwill 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; this amount corresponds to a price adjustment considered in the referred Purchase Agreement of the shares of HQI Transelec Chile S.A. agreed 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 entities that coordinate the operation of electricity generation companies in the SIC and in the SING, two of Chile's major interconnected electricity systems. Since January 1, 2008, operating income also includes income received from recalculation of tolls and 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

Foreign exchange forward 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 2008 Direct	2008 Indirect	2008 Total	2007 Total
99521950-6	Transelec Norte S.A.	99.99	-	99.99	99.99

Note 3 - Accounting Changes

During the year from January 1 to December 31, 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:

	2008 ThCh$	2007 ThCh$
FM Banco Scotiabank	-	4,621,360
FM Banco Santander Santiago	720,216	1,718,966
FM Banco Crédito e Inversiones	1,101,861	717,006
FM Banchile	4,624,182	6,021,411
FM Banco Estado	5,258,087	-
FM BBVA	3,302,073	-
FM ITAU	1,670,746	-
Total marketable securities	16,677,165	13,078,743

Note 5 - Short and Long-Term Receivables

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

Short-term trade accounts receivable

	2008 ThCh$	2007 ThCh$
Trade accounts receivable from tolls	32,691,339	25,443,312
Total	32,691,339	25,443,312

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$21,498,397 as of December 31, 2008 (ThCh$15,860,752 in 2007). Accounts Payable includes provisions payable for the differences in value related to tariff income for the amount of ThCh$13,764,249 as of December 31, 2008 and includes a reassessment for ThCh$2,624,000 of certain agreement with Endesa for the year 2007 (ThCh$23,826,447 in 2007).

Short and long-term receivables

	Current							Long-Term	
	Up to 90 days		90 days to 1 year		Subtotal	Total current (net)			
	2008	2007	2008	2007		2008	2007	2008	2007
Trade Receivable	11,192,942	9,582,560	21,498,397	15,860,752	32,691,339	32,691,339	25,443,312	-	-
Misc. Receivables	528,737	522,401	-	-	528,737	528,737	522,401	1,563,240	1,669,528
						Total Long-term Receivables		1,563,240	1,669,528

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$32,215 as of December 31, 2007.

Transelec Holdings Rentas Limitada

The balance receivable as of December 31, 2008 is mainly due to a series of loans, credited to a mercantile account, which has a short-term balance of ThCh$48,204 (ThCh$29,622,216 in 2007) and a long-term balance of ThCh$19,602,660 (ThCh$32,774,493 in 2007).

The loan is expressed and will be paid in US dollars and accrues interest at Libor rate.

There are some credits in the mercantile current account in Chilean pesos for an accumulated amount as of December 31, 2007 of ThCh$19,189,122, which accrues an interest of 6.5% considering a 360-day year.

ETC Holdings Ltd.

The balance receivable corresponds to expenses and payments totaling ThCh$53,255 made on behalf of ETC Holdings Ltd in 2007.

Notes and Accounts Payable

ETC Holdings Ltd.

The balance as of December 31, 2007 of ThCh$127,428 corresponds to payments made on the Company’s behalf.

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

a) Notes and accounts receivable

Taxpayer ID	Company	Short-term 2008 ThCh$	Short-term 2007 ThCh$	Long-term 2008 ThCh$	Long-term 2007 ThCh$
76.559.580-0	Rentas Eléctricas I Limitada	-	32,215	-	-
76.560.200-9	Transelec Holdings Rentas Limitada	48,204	48,811,338	19,602,660	32,774,493
0-E	ETC Holding Ltd	-	53,255	-	-
	Total	48,204	48,896,808	19,602,660	32,774,493

b) Notes and accounts payable

Taxpayer ID	Company	Relationship	Short-term 2008 ThCh$	Short-term 2007 ThCh$
0-E	ETC Holding Ltd	Parent	-	127,428
	Total		-	127,428

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

c) Transactions with related companies

Company	Taxpayer ID	Relationship	Description of the Transaction	2008 Amount ThCh$	2008 (Charge)/ credit to income ThCh$	2007 Amount ThCh$	2007 (Charge)/credit to income ThCh$
Transelec Holdings Rentas Ltda.	76.560.200-9	Parent	Loans Granted	18,779,934	-	89,781,943	-
Transelec Holdings Rentas Ltda.	76.560.200-9	Parent	Loans Collected	78,350,925	-	41,608,098	-
Transelec Holdings Rentas Ltda.	76.560.200-9	Parent	Interest Earned	2,051,111	(2,051,111)	3,649,226	(3,649,226)
Rentas Eléctricas I Ltda.	76.559.580-0	Indirect Parent	Loans Granted	5,655	-	31,137	-
Rentas Eléctricas I Ltda.	76.559.580-0	Indirect Parent	Interest Earned	6,620	(6,620)	1,078	(1,078)
ETC Holdings Ltda.	0-E	Indirect Parent	Loans Paid	117,014	-	-	-
ETC Holdings Ltda.	0-E	Indirect Parent	Services Rendered	-	-	53,256	(53,256)

Note 7 - Current and Deferred Income Taxes

a) General information

As of December 31, 2008 and 2007, the Parent Company has not accrued any income tax due to a tax loss of ThCh$39,945,443 for the period. In the 2007 period, there was a tax loss of ThCh$35,599,238.

On June 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 December 31, 2008, has accrued income tax on accrued income for the period for the amount of ThCh$474,387 (ThCh$435,695 in 2007) considering a taxable base of ThCh$2,790,514 (ThCh$2,562,910 in 2007).

As of December 31, 2008 and 2007, the provision is presented under Current Assets under the concept of Recoverable Taxes, according to the following detail:

Recoverable taxes	2008 ThCh$	2007 ThCh$
First category tax	(474,387)	(435,695)
Non-deductible expenses Art. 21	(33,050)	(17,613)
Prepaid tax installments due to absorbed net income (third parties)	-	351,711
Monthly prepaid tax installments	2,826,899	3,254,815
Total	2,319,462	3,153,218

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 December 31, 2008 to recognize the effect of the income tax rate changes introduced by the tax reform published in September 2001.

Description	**2008**			
	Deferred tax assets		**Deferred tax liabilities**	
Temporary differences	**Short-term ThCh$**	**Long-term ThCh$**	**Short-term ThCh$**	**Short-term ThCh$**
Vacation provision	159,804	-	-	-
Leased assets		104	-	-
Staff severance indemnity provision	-	-	-	271,801
Other events	12,505	43,211	-	-
Tax loss	6,790,725	-	-	-
Income from bond placement premiums	-	280,273	-	-
Revaluation of property, plant and equipment (absorption)	-	52,758,761	-	-
Fair value bonds and swaps	-	3,834,300	-	-
Bond placement discount	-	247,397	-	-
Forward contracts	-	-	63,663	-
Bond issuance expenses	-	-	-	1,350,086
Fair value adjustment for subsidiary property, plant and equipment	-	-	-	4,734,140
Total	6,963,034	57,164,046	63,663	6,356,027

Note 7 - Current and Deferred Income Taxes (continued)

b) Deferred taxes (continued)

Description	2007			
	Deferred tax assets		Deferred tax liabilities	
Temporary differences	Short-term ThCh$	Long-term ThCh$	Short-term ThCh$	Long-term ThCh$
Vacation provision	127,130	-	-	-
Leased assets		41,738	-	-
Staff severance indemnity provision	-	-	-	246,114
Other events	79,744	77,879	-	-
Tax loss	6,051,870	-	-	-
Income from bond placement premiums	-	295,088	-	-
Revaluation of property, plant and equipment (absorption)	-	54,859,625	-	-
Fair value bonds and swaps	-	4,771,353	-	-
Bond placement discount	-	296,491	-	-
Forward contracts	26,124	-	-	-
Bond issuance expenses	-	-	-	1,448,691
Fair value adjustment for subsidiary property, plant and equipment	-	-	-	4,068,243
Total	6,284,868	60,342,174	-	5,763,048

c) Income tax

Item	2008 ThCh$	2007 ThCh$
Income tax expense (income tax provision)	(507,437)	(453,308)
Tax expense adjustment (previous period)	-	-
Effect of deferred tax assets or liabilities for the period	(13,053,911)	(3,559,415)
Total	(13,561,348)	(4,012,723)

Note 8 - Other Current Assets

Details of other current assets are as follows:

	2008 ThCh$	2007 ThCh$
Securities under resale agreements	-	2,168,541
Bond issuance expenses	580,038	579,985
Bond placement discount	284,101	284,101
Forward contracts	374,490	-
Other	16,039	159,617
Total	1,254,668	3,192,244

Note 9 - Property, Plant, and Equipment

Property, plant and equipment is detailed as follows

The depreciation expense for the 2008 amounted to ThCh$35,566,027 (ThCh$34,061,906 in 2007), Th$35,325,687 (ThCh$33,869,020 in 2007), was charged to Operating Costs and ThCh$240,340 (ThCh$192,886 in 2007), was charged to administrative and selling expenses.

As of December 31, 2008, the Company has planned and agreed to property, plant and equipment additions over the course of the next year for which corresponding purchase orders have been placed both nationally and internationally for approximately ThUS$28,600.

As a result, the Company has received bank guarantees to ensure their reliability and the delivery date for the respective assets.

Note 9 - Property, Plant, and Equipment (continued)

Description	2008 Gross value ThCh$	2008 Accumulated depreciation ThCh$	2008 Net value ThCh$	2007 Gross value ThCh$	2007 Accumulated depreciation ThCh$	2007 Net value ThCh$
Land	19,051,979	-	19,051,979	17,775,461	-	17,775,461
Buildings and infrastructure						
Buildings	15,184,292	(1,045,488)	14,138,804	14,854,306	(633,679)	14,220,627
Access roads	652,128	(29,136)	622,992	652,206	(12,834)	639,372
Lines	631,565,945	(41,274,913)	590,291,032	620,245,407	(23,270,903)	596,974,504
Houses and apartments	96,883	(6,053)	90,830	96,895	(3,632)	93,263
Non-hydraulic civil projects	125,705,780	(8,396,978)	117,308,802	124,020,754	(5,073,479)	118,947,275
Works in progress	37,668,330	-	37,668,330	42,531,214	-	42,531,214
Total Buildings and infrastructure	810,873,358	(50,752,568)	760,120,790	802,400,782	(28,994,527)	773,406,255
Machinery and equipment						
Telecommunications equipment	8,396,755	(2,360,245)	6,036,510	8,401,576	(1,471,810)	6,929,766
Furniture, machinery and office equipment	163,126	(55,222)	107,904	157,976	(30,833)	127,143
Service furniture and equipment	47,689	(8,381)	39,308	36,248	(4,194)	32,054
Tools and instruments	1,551,595	(225,996)	1,325,599	1,331,701	(129,350)	1,202,351
Power generation unit	1,246,558	(208,386)	1,038,172	1,223,587	(124,829)	1,098,758
Electrical equipment	304,855,689	(24,050,449)	280,805,240	277,321,501	(14,523,740)	262,797,761
Mechanical, protection and measurement equipment	36,760,065	(9,763,513)	26,996,552	34,935,607	(5,739,627)	29,195,980
Transport and loading equipment	397,530	(131,389)	266,141	373,380	(75,406)	297,974
Computers	776,577	(533,866)	242,711	716,795	(272,069)	444,726
Software and computer programs	2,806,784	(1,419,871)	1,386,913	1,914,063	(616,312)	1,297,751
Total machinery and equipment	357,002,368	(38,757,318)	318,245,050	326,412,434	(22,988,170)	303,424,264
Subtotal plant, property and equipment	1,186,927,705	(89,509,886)	1,097,417,819	1,146,588,677	(51,982,697)	1,094,605,980
Other property, plant and equipment						
Construction materials	1,506,567	-	1,506,567	1,560,614	-	1,560,614
Total property, plant, and equipment	1,188,434,272	(89,509,886)	1,098,924,386	1,148,149,291	(51,982,697)	1,096,166,594

Note 10 - 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 December 31, 2008 is ThCh$31,331 (ThCh$34,987 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 December 31, 2008 amounts to ThCh$287,889 (ThCh$196,894 in 2007).

Taxpayer No.	Company	Participation percentage	Book Value	
			2008 ThCh$	2007 ThCh$
77.286.570-8	CDEC – SIC LTDA	6.2500	31,331	34,987
77.345.310-1	CDEC - SING LTDA	14.2900	287,889	196,894
			319,220	231,881

Note 11 - Goodwill

a) Goodwill is summarized as follows:

	2008 ThCh$	2007 ThCh$
HQI Transelec Chile S.A.	290,898,005	297,685,657
Adjustment for deferred taxes fair value of subsidiary's PP&E	4,785,013	-
Price adjustment as of 03/31/2008 (net of deferred taxes)	65,213,075	-
Price adjustment provision as of 06/30/2008	3,270,500	-
Absorption adjustment as of 06/30/2007	-	(2,719,408)
Accumulated amortization of goodwill	(25,268,979)	(16,235,420)
Total	338,897,614	278,730,829

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. As of March 30, 2008 the sum of ThUS$160,808 was provisioned due to a price adjustments related to valuation of certain trunk segments; on June 30 the sum of ThCh$3,100,000 was provisioned for the concept of price adjustment due to reassessment of regulated trunk income, for the period from March 13, 2004 to June 30, 2006. Both adjustements are considered in the share purchase agreement dated June 2006 between Hydro-Québec, IFC 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 (historical value).

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

		2008		2007	
Taxpayer No.	**Company**	**Amortization during the period ThCh$**	**Balance of goodwill ThCh$**	**Amortization during the period ThCh$**	**Balance of goodwill ThCh$**
77,498,870-K	HQI Transelec Chile S.A.	9,033,560	338,897,614	7,308,148	278,730,829
	Total	9,033,560	338,897,614	7,308,148	278,730,829

Note 12 - Intangibles

The composition of intangibles as of December 31, 2008 and 2007 is detailed as follows:

	2008 ThCh$	2007 ThCh$
Rights of way	161,883,833	160,404,835
Less: Accumulated amortization	(10,146,472)	(6,072,129)
Total	151,737,361	154,332,706

The amortization charge to income amounted to ThCh$3,875,573 (ThCh$3,852,572 in 2007).

Note 13 - Other Assets

The balance as of December 31, 2008 and 2007 is as follows:

	2008 ThCh$	2007 ThCh$
Discount on Issuance of UF Bonds	1,894,007	2,178,108
Deferred expenses UF Bonds Series C	1,796,290	2,065,660
Deferred expenses UF Bonds Series D	5,565,353	5,876,072
Deferred expenses general facilities	124,654	152,569
Other	23,397	57,384
Total	9,403,701	10,329,793

Note 14 - Other Current Liabilities

The balance as of December 31, 2008 and 2007 is as follows:

	2008 ThCh$	2007 ThCh$
Forward contracts	-	153,673
Premium on placement of UF series D Chilean peso bonds	87,154	87,154
Other	3,763	4,121
Total	90,917	244,948

Note 15 - 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.

As of December 31, 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).

Note 15 - Short and Long-term Promissory Notes and Bonds (continued)

a) 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.

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$1,355,474 (ThCh$1,378,037 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.

Note 15 - Short and Long-term Promissory Notes and Bonds (continued)

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

The risk ratings obtained as of December 31, 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.

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$4,855,417 (ThCh$4,300,106 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 December 31, 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+

Note 15 - Short and Long-term Promissory Notes and Bonds (continued)

c) 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.

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 year, 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$507,514 (ThCh$539,242 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.

Note 15- Short and Long-term Promissory Notes and Bonds (continued)

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 December 31, 2008 the bond issuance risk ratings obtained are as follows:

Rating Agency	Rating
- 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).

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$1,488,766 (ThCh$1,482,971 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 15 - 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	2008 ThCh$	2007 ThCh$	
Long term bonds - short term portion										
249	B1	3,949	UF	6.20%	03-01-2009	Semiannually	Semiannually	104,938	86,117	Chile
249	B2	59,236	UF	6.20%	03-01-2009	Semiannually	Semiannually	1,574,078	1,291,920	Chile
First issuance	Single	7,946,777	US$	7.88%	04-15-2009	Semiannually	Upon final payment	8,713,157	4,300,106	Abroad
Swap Contracts	11 Contracts	1,596	UF	6.94%	04-15-2009	Semiannually	Upon final payment	2,231,896	442,979	Chile
249	B1	2,000	UF	6.20%	03-01-2009	Semiannually	Semiannually	53,146	85,477	Chile
249	B2	30,000	UF	6.20%	03-01-2009	Semiannually	Semiannually	797,195	1,282,145	Chile
249	B1	2,000	UF	6.20%	09-01-2009	Semiannually	Semiannually	53,146	-	Chile
249	B2	30,000	UF	6.20%	09-01-2009	Semiannually	Semiannually	797,195	-	Chile
481	D	23,658	UF	4.25%	06-15-2009	Semiannually	Upon final payment	507,514	539,242	Chile
480	C	69,398	UF	3.50%	03-01-2009	Semiannually	Upon final payment	1,488,766	1,482,971	Chile
Total - short-term portion								16,321,031	9,510,957	
Long-term bonds										
249	B1	190,000	UF	6.20%	03-01-2022	Semiannually	Semiannually	4,581,393	4,729,461	Chile
249	B2	2,850,000	UF	6.20%	03-01-2022	Semiannually	Semiannually	68,720,893	70,941,911	Chile
First issuance	Single	465,000,000	US$	7.88%	04-15-2011	Semiannually	Upon final payment	300,823,157	261,977,198	Abroad
481	D	13,500,000	UF	4.25%	12-15-2027	Semiannually	Upon final payment	289,609,695	288,482,536	Chile
480	C	6,000,000	UF	3.50%	09-01-2016	Semiannually	Upon final payment	128,715,420	128,214,461	Chile
Swap contracts	4 Contracts	3,885,548	UF	6.54%	04-14-2011	Semiannually	Upon final payment	10,462,828	23,807,549	Chile
Swap contracts	4 Contracts	2,718,397	UF	6.28%	04-14-2011	Semiannually	Upon final payment	4,020,892	14,060,142	Chile
Swap contracts	3 Contracts	2,317,275	UF	6.06%	04-14-2011	Semiannually	Upon final payment	8,079,370	15,639,659	Chile
Total - long-term								815,013,648	807,852,917	

Note 16 - Provisions and Write-offs

Details of provisions as of December 31, 2008 and 2007 are as follows:

	2008 ThCh$	2007 ThCh$
a) Short-term provisions		
Staff severance indemnities provision (Note 17)	604,250	506,490
Accrued payroll	1,971,827	1,694,802
Vacation accrual	940,024	747,822
Total	3,516,101	2,949,114
b) Long-term provisions		
Staff severance indemnities provision (Note 17)	1,959,421	1,619,191
Total	1,959,421	1,619,191

Note 17 - Staff Severance Indemnities

The balance of the account as of December 31, 2008 and 2007 is detailed as follows:

	2008 ThCh$	2007 ThCh$
Opening balance	2,125,681	1,870,304
Price-level restatement, net	25,287	138,402
Provisions	635,364	785,930
Payments	(222,661)	(668,955)
Total	2,563,671	2,125,681
Short-term	604,250	506,490
Long-term	1,959,421	1,619,191
Total	2,563,671	2,125,681

Note 18 - Minority Interest

a) As of December 31, 2008 and 2007, the Minority Interest is the participation of the other shareholders according to the following detail:

	Equity		Participation percentage		Participation	
	2008 ThCh$	2007 ThCh$	2008 ThCh$	2007 ThCh$	2008 ThCh$	2007 ThCh$
Transelec Holdings Rentas Ltda,	55,101,869	46,908,761	0.01%	0.01%	5,504	4,670

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	
	2008 ThCh$	2007 ThCh$	2008 ThCh$	2007 ThCh$	2008 ThCh$	2007 ThCh$
Transelec Holdings Rentas Ltda,	2,304,831	1,862,868	0.01%	0.01%	234	186

Note 19 - Changes in Shareholders' Equity

As of December 31, 2008 and 2007, equity accounts had the following movements:

a) Capital

On June 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 19 - 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 December 31, 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 December 31, 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 December 31, 2007 this dividend is fully paid.

Note 19 - 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 19 - Changes in Shareholders' Equity (continued)

c) Ownership (continued)

Details of the Company's equity as of December 31, 2008 and 2007 are as follows:

a) The Company's equity as of December 31, 2008 is as follows:

Changes in Equity	Paid capital ThCh$	Other reserves	Retained earnings ThCh$	Interim dividends. ThCh$	Net income ThCh$	Total ThCh$
Opening balance	787,827,868	-	87,568	(22,880,086)	31,686,669	796,722,019
Distribution of prior year income	-	-	8,806,583	22,880,086	(31,686,669)	-
Final dividend prior year	-	-	(8,806,583)	-	-	(8,806,583)
Other reserves	-	374,490	-	-	-	374,490
Price-level restatement of capital	70,116,680	-	72,527	-	-	70,189,207
Net income	-	-	-	-	56.588.891	56,588,891
Interim dividends	-	-	-	(12,509,560)	-	(12,509,560)
Final balance	857,944,548	374,490	160,095	(12,509,560)	56.588.891	902,558,464

b) The Company's equity as of December 31, 2007 is as follows:

Changes in Equity	Paid capital ThCh$	Other reserves	Retained earnings ThCh$	Interim dividend. ThCh$	Net income ThCh$	Total ThCh$
Opening balance	733,545,501	-	-	(2,338,890)	14,848,646	746.055.257
Distribution of prior year income	-	-	12,509,756	2,338,890	(14,848,646)	-
Final dividend prior year	-	-	(12,509,756)	-	-	(12.509.756)
Price-level restatement of capital	54,282,367	-	87,568	-	-	54.369.935
Net income	-	-	-	-	31,686,669	31.686.669
Interim dividends	-	-	-	(22,880,086)	-	(22.880.086)
Final balance	787,827,868	-	87,568	(22,880,086)	31,686,669	796.722.019
Restated balances	857,944,548	-	95,362	(24,916,414)	34,506,783	867.630.279

Note 19 - 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	857,944,548	857,944,548

Note 20 - Other Non-operating Income and Expenses

Other non-operating income and expenses as of December 31, 2008 and 2007 are detailed as follows:

	2008 ThCh$	2007 ThCh$
Other non-operating income		
Prepaid tax installments for first category income taxes due to absorbed profits	-	351,711
Prior year income	22,172	1,381,525
Income from sale of materials	104,058	36,838
Miscellaneous extraordinary gains	110,834	804,189
Total	237.064	2,574,263
Other non-operating expenses		
Prior year expenses	(77,490)	(473,943)
Directors’ fees	(131,074)	(248,375)
Loss from write-off of property, plant, and equipment	(1,771,762)	(1,707,512)
Loss on obsolescence of property plant and equipment	(86,432)	(250,774)
Amortization of prepaid expenses	(57,213)	(57,214)
Fiscal and judicial fines	(278,591)	(2,046,823)
Miscellaneous exceptional losses	(2,500)	(887,876)
Total	(2,405,062)	(5,672,517)

Note 21 - Price-level Restatement

Price-level restatement generated a net charge to income as of December 31, 2008 for the amount of ThCh$6,181,821, and in the 2007 period generated a net charge to income of ThCh$1,400,911 detailed as follows:

Assets (charges) / credits	**Indexation**	**2008 ThCh$**	**2007 ThCh$**
Inventory	CPI	127,971	115,366
Property, plant and equipment	CPI	79,991,318	67,699,030
Investments in related companies	CPI	3,750,869	3,596,075
Notes and accounts receivable from related companies	UF	5,432,066	11,222,425
Goodwill	CPI	28,057,597	19,296,147
Deferred taxes	CPI	5,306,675	4,719,164
Rights of way	CPI	12,613,925	10,546,204
Cash	CPI	892,737	1,485,195
Other non-monetary assets	CPI	968,050	874,779
Expense and cost accounts	CPI	2,748,616	2,796,030
Total credits		139,889,824	122,350,415
Liabilities (charges) / credits			
Shareholder’s equity	CPI	(69,807,215)	(58,735,211)
Notes and accounts payable to related companies	UF	-	(4,198,507)
Bonds	UF US$	(68,514,399)	(54,656,026)
Non-monetary liabilities	CPI	(25,287)	(11,791)
Income accounts	CPI	(7,724,744)	(6,149,791)
Total charges		(146,071,645)	(123,751,326)
(Loss) gain from price-level restatement		(6,181,821)	(1,400,911)

Note 22 - Foreign Currency Translation

The effect of foreign currency translation generated a net credit to income in the 2008 period of ThCh$120,956, and a net credit to income in the 2007 period of ThCh$459,979, detailed as follows:

Assets (charges) / credits	**Currency**	**2008 ThCh$**	**2007 ThCh$**
Time deposits	US$	220,559	(694,359)
Banks	US$	2,474,357	(2,271,804)
Notes and accounts receivable from related companies	US$	8,562,516	(9,460,188)
Investments in related companies	US$	7,818,848	(6,837,835)
Forward contracts	US$	630,929	(964,700)
Accounts receivable	US$	144,642	(5,826)
Total credits (charges)		19,851,851	(20,234,712)
Liabilities (charges) /credits			
Notes and accounts payable to related companies	US$	(53,626)	73,255
Bonds	US$	(47,003,469)	38,781,655
Swap contracts	US$	27,524,286	(18,371,611)
Lease contracts	US$	287,384	(82,007)
Accounts payable	US$	(485,470)	293,399
Total (charges) credits		(19,730,895)	20,694,691
(Loss) gain on foreign currency translation		120,956	459,979

Note 23 - 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	**2008 Domestic ThCh$**	**2007 Domestic ThCh$**
Placement and issuance expense	8,521,717	8,696,251
Price-level restatement accumulated amortization	(24,145)	-
Less: amortization	(555,891)	(174,534)
Total	7,941,681	8,521,717
Balance sheet presentation		
Other current assets	580,038	579,985
Other assets - others	7,361,643	7,941,732
Total	7,941,681	8,521,717

Note 24 - Statements of Cash Flows

In order to project future cash flow, there are no transactions or events other than those that are disclosed in these financial statements and their notes.

Note 25 - Derivative Contracts

As of December 31, 2008, the Company has forward and swap contracts to hedge the exchange rate position of the long-term debt for the bond issuance abroad, and also has forward contracts for the sales of dollars associated with revenues that the company will invoice during the first semester of 2009, detailed as follows:

Type of derivative	Type of contract	Contract value	Description Maturity or expiry date	Specific item	Purchase and sale position	Covered item or transaction Name	Covered item or transaction Amount ThCh$	Value of hedged items ThCh$	Affected Accounts Asset / liability Name	Affected Accounts Asset / liability Amount ThCh$	Affected Accounts (Charge)/ credit to income Realized ThCh$	Affected Accounts (Charge)/ credit to income Unrealized ThCh$
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	25,622,000	31,822,500	Bond	8,603,607	(485,572)	3,571,162
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	25,622,000	31,822,500	Bond	4,695,398	(117,334)	3,982,738
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	35,830,500	31,822,500	Bond	4,487,977	(194,076)	3,979,467
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	32,375,000	31,822,500	Bond	10,541,621	(490,139)	3,421,825
S	CCTE	20,000,000	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	14,110,000	12,729,000	Bond	1,863,620	(53,659)	1,592,459
S	CCTE	8,914,729	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	4,564,341	5,673,779	Bond / Assets	945,844	27,218	1,209,126
S	CCTE	7,751,938	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	3,914,729	4,933,721	Bond / Assets	866,802	17,161	764,838
S	CCTE	15,503,876	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	7,953,488	9,867,442	Bond / Assets	1,622,226	32,015	1,624,936
S	CCTE	1,162,791	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	595,349	740,058	Bond / Assets	123,230	2,203	122,940
S	CCTE	4,418,605	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	2,262,326	2,812,221	Bond / Assets	468,909	8,871	467,806
S	CCTE	12,248,062	2nd quarter 2011	Exchange Rate (US$)	P	Dollar Bonds	6,185,271	7,795,279	Bond / Assets	1,370,227	18,051	943,618
FR	CCTE	9,000,000	1st quarter 2009	Exchange Rate (US$)	S	Income	5,895,990	5,764,050	Other Current	131,940	-	(131,940)
FR	CCTE	9,000,000	1st quarter 2009	Exchange Rate (US$)	S	Income	5,895,990	5,792,400	Other Current	103,590	-	(103,590)
FR	CCTE	9,000,000	1st quarter 2009	Exchange Rate (US$)	S	Income	5,895,990	5,821,650	Other Current	74,340	-	(74,340)
FR	CCTE	9,000,000	2nd quarter 2009	Exchange Rate (US$)	S	Income	5,895,990	5,847,750	Other Current	48,240	-	(48,240)
FR	CCTE	9,000,000	2nd quarter 2009	Exchange Rate (US$)	S	Income	5,895,990	5,874,750	Other Current	21,240	-	(21,240)
FR	CCTE	9,000,000	2nd quarter 2009	Exchange Rate (US$)	S	Income	5,895,990	5,900,850	Other Current Assets	4,860	-	4,860

Note 26 - 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 26 - Contingencies and Restrictions (continued)

c) Indirect commitments

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

d) Pending lawsuits

As of December 31, 2008 there are other lawsuits pending against the Company for which the corresponding defense has been filed, which altogether represent an amount of ThCh$97,525.

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 December 30, 2008 to ThCh$1,129,560. As of December 31, 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 December 31, 2008, to ThCh$253,021, 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 26 - 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 December 31, 2008 to ThCh$253,021, 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 December 31, 2008, to ThCh$253,021, 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 December 31, 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 December 31, 2008, to ThCh$135,547, 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 December 31, 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 December 31, 2008, to Th$253,021. An appeal was filed to order generation of power again on February 16, 2006, which is still outstanding. As of December 31, 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 26 - 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 Name	Type of Guarantee	Assets involved Book value	Balances pending payment as of the financial statement closing date 2008	2007
			ThCh$	ThCh$	ThCh$
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	139,383	139,383	299
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	199,527	199,527	169,639
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	889,757	889,757	427
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	-	-	118,504
Santander Santiago	Regional Director of Metropolitan Roads	Security	1,287	1,287	-

Note 27 - Guarantees Obtained from third Parties

As of December 31, 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$10,779,717 (ThCh$8,781,615 in 2007). Also to guarantee payment of housing loans, the corresponding mortgages have been granted in favor of the Company.

Note 28 - 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**	**2008 ThCh$**	**2007 ThCh$**
Current assets			
Cash	Ch$	1,895,710	20,635
Cash	US$	58,153	492,928
Time deposits	US$	14,303,527	17,181,273
Time deposits	UF	33,856,662	2,511,362
Marketable securities	UF	16,677,165	13,078,743
Trade accounts receivables	Ch$	30,637,729	24,281,308
Trade accounts receivables	US$	2,053,610	1,162,004
Miscellaneous receivables	Ch$	489,448	492,368
Miscellaneous receivables	US$	39,289	30,033
Accounts receivable from related companies	Ch$	48,204	19,221,337
Accounts receivable from related companies	US$	-	29,675,471
Inventory	Ch$	42,270	46,169
Recoverable tax	Ch$	2,319,462	3,153,218
Prepaid expenses	Ch$	94,942	107,824
Deferred taxes	Ch$	6,899,371	6,284,868
Other current assets (forward)	US$	374,490	-
Other current assets (repurchase and resale agreements)	US$	-	2,168,541
Other current assets (bonds discount)	UF	864,139	864,087
Other current assets	Ch$	16,039	159,616
Property, plant, and equipment			
Property, plant, and equipment	Ch$	997,727,927	998,762,305
Property, plant, and equipment	US$	101,196,459	97,404,289
Other assets			
Investments in other companies	Ch$	319,220	231,881
Goodwill	Ch$	338,897,614	278,730,829
Long-term receivables	US$	1,262,238	1,106,565
Long-term receivables	Ch$	301,002	553,444
Long-term receivables	UF	-	9,519
Notes and receivables from related companies	US$	19,602,660	-
Notes and receivables from related companies	UF	-	32,774,493
Intangibles	Ch$	154,961,714	154,519,611
Intangibles	US$	6,922,119	5,885,224
Amortization of intangibles	Ch$	(9,713,839)	(5,851,434)
Amortization of intangibles	US$	(432,633)	(220,695)
Deferred taxes, long-term	Ch$	50,808,019	54,579,126
Others	Ch$	9,255,650	10,119,839
Others	UF	148,051	209,954
Total assets	Ch$	1,585,000,482	1,545,412,944
	US$	145,379,912	154,885,633
	UF	51,546,017	49,448,158

Note 28 - Chilean and Foreign Currency (continued)

Description	Currency	Up to 90 days				90 days to 1 year			
		2008		2007		2008		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	1,698,444	4.79%	3,512,022	4.65%	2,304,570	4.65%	-	-
Bonds payable (capital)	UF	686,482	6.2%	1,255,850	4.65%	686,482	6.2%	-	-
Bond interest obligations payable	US$	8,713,157	7.875%	4,300,106	7.875%	-	-	-	-
SWAP contracts	UF	-	-	442,979	-	2,231,896	7.14%	-	-
Accounts payable	Ch$	25,511,435	-	33,839,574	-	-	-	-	-
Accounts payable	US$	11,278,943	-	21,553,499	-	-	-	-	-
Miscellaneous payables	US$	-	-	1,227,060	-	-	-	-	-
Notes and payables to related companies	US$	-	-	127,428	6.24%	-	-	-	-
Provisions	Ch$	3,516,101	-	2,949,114	-	-	-	-	-
Withholdings	Ch$	2,727,557	-	1,538,434	-	-	-	-	-
Other current liabilities	UF	87,154	-	-	-	-		-	
Other current liabilities	Ch$	3,763	-	244,948	-	-	-	-	-
Total current liabilities	UF	2,472,080	-	5,210,851	-	5,222,948	-	-	-
	US$	19,992,100	-	27,208,093	-	-	-	-	-
	Ch$	31,758,856	-	38,572,070	-	-	-	-	-

Note 28 - Chilean and Foreign Currency (continued)

Long-term liabilities as of December 31, 2008

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	3,489,813	6.2%	8,375,552	6.2%	153,900,752	3.9%	325,861,285	4.44%
Bonds payable	US$	300,823,157	7.88%	-	-	-	-	-	-
SWAP contracts	UF	22,563,089	7.88%	-	-	-	-	-	-
Provisions	Ch$	1,959,421	-	-	-	-	-	-	-
Other long-term liabilities	Ch$	2,943,390	-	-	-	-	-	-	-
Total long-term liabilities	UF	26,052,902	-	8,375,552	-	153,900,752	-	325,861,285	-
	US$	300,823,157	-	-	-	-	-	-	-
	Ch$	4,902,811	-	-	-	-	-	-	-

Note 28 - Chilean and Foreign Currency (continued)

Long-term liabilities prior period, December 31, 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	-	-	75,671,371	6.93%	-	-	416,696,996	4.66%
Bonds payable	US$	-	-	261,977,198	7.88%	-	-	-	-
SWAP bonds	Ch$	-		53,507,352	7.88%	-	-	-	-
Provisions	Ch$	1,619,191	-	-	-	-	-	-	-
Other long-term liabilities	Ch$	1,648,664	-	-	-	-	-	-	-
Total long-term liabilities	UF	-	-	75,671,371	-	-	-	416,696,996	-
	US$	-	-	261,977,198	-	-	-	-	-
	Ch$	3,267,855	-	53,507,352	-	-	-	-	-

Note 29 - Sanctions

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

Note 30 - Subsequent Events

Between December 31, 2008 and the date of issuance of these financial statements there have been no significant events of a financial accounting nature that could affect the interpretation of these financial statements.

Note 31 - Environment

During the 2008 and 2007 periods, the Company has made disbursements related to the environment, detailed as follows:

	2008 ThCh$	**2007 ThCh$**
Urgent work	133	2,528
Design of environment management system ISO 14001	-	4,207
Replacement of a static capacitor with PCB	607	44,530
Oil pit construction	-	91,883
Environmental impact studies	39,674	20,828
Total	40,414	163,976

Note 32 - Time Deposits

Details of time deposits are as follows:

Banks	**2008 ThCh$**	**2007 ThCh$**
Banco Crédito e Inversiones	5,127,084	9,629,963
Banco Santander Santiago	18,348,550	6,841,739
Banco Security	5,204,130	-
Banco Itau	3,019,403	-
Banco de Chile	9,876,033	3,174,558
Banco BBVA	5,572,713	-
Banco Corpbanca	1,012,276	-
Scotiabank	-	46,375
Total	48,160,189	19,692,635

Note 33 - Accounts Payable

Accounts payable are detailed as follows:

	2008 ThCh$	2007 ThCh$
Provision for fines and lawsuits	2,063,336	2,087,148
Provision for urgent projects	11,278,943	20,143,625
Provision for Income Tariffs (VIRTs) payable	13,764,248	23,826,447
Provision for operating projects	1,765,151	696,703
Contractor withholdings	1,518,313	745,059
Accounts payable	6,400,387	7,894,091
Total	36,790,378	55,393,073

Reasoned Analysis

a) Summary

In 2008 TRANSELEC S.A. and its subsidiary obtained net income of ThCh$56,588,891, which was 63.99% greater than the previous year. This net income comes from a positive operating income of ThCh$117,266,359, a negative non-operating income of ThCh$47,115,886, a first category and deferred income tax net charge to income of ThCh$13,561,348 and minority interest of ThCh$234. In 2007, the Company obtained net income of ThCh$34,506,783 which is explained by operating income of ThCh$81,481,180, a negative non-operating income of ThCh$42,961,488, a first category and deferred income tax charge to income of ThCh$4,012,723 and minority interest of ThCh$186.

In 2008, revenues reached ThCh$183,832,383 (ThCh$142,055,544 in 2007). These operating revenues result mainly from commercializing the transmission capacity of the Company's facilities consisting of the trunk transmission system, sub-transmission systems, and additional unregulated systems. This period includes reassessment of tolls for the Trunk Transmission System corresponding to the period from March 13, 2004 to December 31, 2007, as provided in DS 207 of January 15, 2008, for a net total of ThCh$20,971,264, of which ThCh$7,522,953 corresponds to 2007 recalculation, and ThCH$13,448,311 to the period from March 13, 2004 to December 31, 2006. Additionally, in 2008 prior year operating income totaling ThCh$2,217,208 was recorded as agreed upon with Puyehue S.A. and Panguipulli S.A.

Cost of sales amounted to ThCh$60,114.461 (ThCh$55,485,966 in 2007) and are composed as follows: 58.8% depreciation of property, plant and equipment (61.1% in 2007), 13,0% personnel costs (12.9% in 2007), 21.8% supplies and services hired (19.1% in 2007) and 6.4% amortization of intangibles (6.9% in 2007).

Administrative and selling expenses amounted to ThCh$6,451,563 (ThCh$5,083,398 in 2007) and are composed mainly by 52.5% personnel expenses (57.5% in 2007), 43.8% works, supplies and hired services expenses (38.4% in 2007) and 3.7% depreciation (4.1% in 2007).

Reasoned Analysis (continued)

a) Summary (continued)

The Company recorded a non-operating loss for the year of ThCh$47,115,886 (ThCh$42,961,488 in 2007), generated mainly by interest expenses of ThCh$40,466,862 (ThCh$38,501,987 in 2007) including interests related to reassessment of income of ThCh$2,634,862 and amortization of goodwill of ThCh$9,033,560 (ThCh$7,308,148 in 2007). Other important accounts that affected the non-operating loss during the period were interest income of ThCh$10,613,399 (ThCh$6,887,833 in 2007) of which ThCh$5,629,005 correspond to interests associated with the aforementioned reassessment of income. Foreign currency translation for the period, which was positive, at ThCh$120,956 (ThCh$459,979 in 2007), was valued in accordance with SVS Circular No. 1,560. In turn, price-level restatement was a negative amount of ThCh$6,181,821 (ThCh$1,400,911 in 2007) and other non-operating income was a net loss of ThCh$2,167,998 (income of ThCh$3,098,254 in 2007).

b) Income

Description	**For the year ended 2008 ThCh$**	**For the year ended 2007 ThCh$**	**Variance 2008/2007**	**Variance 2008-2007 ThCh$**
Revenues (1)	183,832,383	142,005,544	29.45%	41,826,839
Tolls	177,717,010	139,711,204	27.20%	38,005,806
Works and services	6,115,373	2,294,340	166.54%	3,821,033
Cost of sales	(60,114,461)	(55,485,966)	8.34%	(4,628,495)
Fixed costs	(20,913,201)	(17,764,374)	17.73%	(3,148,827)
Depreciation	(35,325,687)	(33,869,020)	4.30%	(1,456,667)
Amortization of intangibles	(3,875,573)	(3,852,572)	0.60%	(23,001)
Administrative and selling expenses	(6,451,563)	(5,038,398)	28.05%	(1,413,165)
Operating income	**117,266,359**	**81,481,180**	**43.92%**	**35,785,179**
Non-operating income (2)	**(47,115,886)**	**(42,961,488)**	**9.67%**	**(4,154,398)**
Income before income taxes & extraordinary items	**70,150,473**	**38,519,692**	82.12%	31,630,781
Income taxes	(13,561,348)	(4,012,723)	237.96%	(9,548,625)
Minority interest	(234)	(186)	25.81%	(48)
Net income	**56,588,891**	**34,506,783**	**63.99%**	**22,082,108**
EBITDA*	148,479,096	115,356,472	28.71%	33,122,624

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

(1) Operating income for the year ended December 31, 2008, includes extraordinary income from prior 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 from the Decree that determines the new trunk rates of ThCh$13,448,311 and c) income for the year 2007 from the aforementioned Decree, of ThCh$7,522,953.

(2) Non-operating income was impacted by interest from the above mentioned recalculations, increasing interest income by ThCh$5,629,005 and interest expense by ThCh$2,634,862.

Reasoned Analysis (continued)

b) Income (continued)

Profitability

Indexes	As of 2008	As of 2007	Variance 2008-2007
Profitability of equity	6.27%	3.98%	57.54%
Profitability of assets	3.18%	1.97%	61.42%
Profitability of operating assets	9.38%	6.52%	43.87%
Gain per share (Ch$)	56,588.89	34,506.78	63.99%

The figures calculated as of December 31, 2008 consider the extraordinary income previously mentioned in sections a) and b).

c) Balance Sheet Analysis

	As of 2008 ThCh$	As of 2007 ThCh$	Variance 2008-2007	Variance 2008-2007 ThCh$
Current assets	110,670,210	120,931,785	(8.49%)	(10,261,576)
P. P. & E.	1,098,924,386	1,096,166,594	0.25%	2,757,792
Other assets	572,331,815	532,648,356	7.45%	39,683,459
Total assets	1,781,926,411	1,749,746,735	1.84%	32,179,675
Current liabilities	59,445,984	70,991,014	(16.26%)	(11,545,030)
Long-term liabilities	819,916,459	811,120,772	1.08%	8,795,686
Minority interest	5,504	4,670	17.86%	834
Shareholders’ equity	902,558,464	867,630,279	4.03%	34,928,185
Total liabilities & shareholders’ equity	1,781,926,411	1,749,746,735	1.84%	32,179,675

Reasoned Analysis (continued)

c) Balance Sheet Analysis (continued)

Value of Main Operating Property, Plant and Equipment

Assets	As of Dec 31, 2008 ThCh$	As of Dec 31, 2007 ThCh$	Variance 2008-2007 %	Variance 2008-2007 ThCh$
Land	19,051,979	17,775,461	7.18%	1,276,518
Buildings and infrastructure	810,873,358	802,400,782	1.06%	8,472,576
Machinery and equipment	357,002,368	326,412,434	9.37%	30,589,934
Other property, plant & equipment	1,506,567	1,560,614	(3.46%)	(54,047)
Accumulated depreciation	(89,509,886)	(51,982,697)	72.19%	(37,527,189)
Total	1,098,924,386	1,096,166,594	0.25%	2,757,792

As of December 31, 2008 and 2007, property, plant and equipment consist mainly of transmission lines, buildings, infrastructure and machinery and equipment.

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

Differences between book values and economic and/or market values of 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, it is estimated that the book value of the assets of Transelec Norte is 35.73% less than their economic and/or market value.

Liquidity and Indebtedness

Ratios	As of Dec 31, 2008	As of Dec 31, 2007	Variance 2008-2007
Current liquidity	1.86	1.70	9.41%
Acid ratio	1.54	0.62	148.39%
Demandable liabilities/equity	0.97	1.02	(4.90%)
% Short-term debt	6.76	8.05	(16.00%)
% Long-term debt	93.24	91.95	1.40%
Interest expenses coverage	3.66	2.99	22.47%

The figures calculated as of December 31, 2008 consider the extraordinary income previously mentioned in sections a) and b).

Reasoned Analysis (continued)

d) Most Important Changes in the Company's Market

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 comes 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.

Transelec's business mainly centers on commercializing its capacity to transport and transform electricity at 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 Central Interconnected System (SIC) and the Great North Interconnected System (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, and law 20,257 (Generation with Unconventional Renewable Energy Resources), enacted April 1, 2008. 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.

Reasoned Analysis (continued)

d) Most Important Changes in the Company's Market (continued)

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, subtransmission and additional transmission. It also establishes that electricity transportation – both by trunk transmission systems as well as subtransmission – has the nature of a public service and is subject to the application of regulated tariffs.

Finally, Law 19,940 contemplates that the new payment regime for the use of the trunk facilities is effective since 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, Development and Reconstruction was published, setting the new Investment Value (VI), Annual Investment Value (AVI), Operation, Maintenance and Administration Costs (COMA) and Annual Transmission Value per Segment (VATT) for the trunk facilities for the period from March 14, 2004 to December 31, 2010 and the indexation formulas applicable during that period. Application of the new rates for the trunk transmission system began in April 2008 and during the year trunk income was recalculated for the period from March 13, 2004 to December 31, 2007, whose impact on income has been explained in detail in aforementioned points A) and B).

The Decree setting rates for subtransmission facilities was published in the Official Gazette on January 9, 2009 and the new rates are set to begin as of January 14, 2009.

e) Market Risk Factors

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

Reasoned Analysis (continued)

e) Market Risk Factors

Regulatory Framework

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

Even though some application-related aspects of Short Law I still need to be defined, the more relevant methodological aspects for establishing tolls for the trunk facilities to be paid by each user company, as well as its payment and recalculation mechanisms are defined in Decree No. 207 issued on July 9, 2007 by the Ministry of Economy, Development and Reconstruction, published in the Official Gazette on January 15, 2008. With respect to tolls for subtransmission facilities, the decree that sets subtransmission tariffs and indexation formulas contains provisions that allow it to be applied as of January 14, 2009.

Concentration of Income

71.4% 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 of its infrastructure, workers and third parties, 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.

Reasoned Analysis (continued)

e) Market Risk Factors (continued)

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 within the periods and under the terms presented by Transelec, nor that delays or modifications will not occur in the proposed projects, or that the laws and regulations will not change or be interpreted in a 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 cost and availability of the required financing. Although Transelec has experience with large-scale construction projects, 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.

Technological Changes

Compensation for the investments that Transelec carries out in electrical transmission facilities is obtained through an annual valuation of the existing facilities (AVI), which is periodically adjusted by authorities. If there is important technological progress that lowers replacement cost of the equipment that composes Transelec's facilities, or if the value of inputs and materials used in said facilities suffers substantial variation, that valuation could decrease (or increase), which, in turn, would prevent the investments made from being fully recovered.

Reasoned Analysis (continued)

f) Foreign Exchange and Interest Rate Risk

Foreign Exchange Risk

Depending on the market and other considerations, Transelec has carried out, when deemed 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 rate for its bonds denominated in United States dollars (US dollars) and also to guarantee income in Chilean pesos of income in dollars that is adjusted biannually. However it is not possible to 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 December 31, 2008, the Company and its subsidiary had a part of their fair value debt denominated in US dollars due to the placement of bonds abroad for an amount of US$480 million (includes accrued interest) in addition to other short-term liabilities for the amount of US$20.5 million. On the other hand, assets denominated in US dollars correspond to the credit on mercantile current account of related companies (mainly to Transelec Holdings Rentas Limitada) for a total of US$30.8 million (includes interest earned), short-term investments in the financial market for US$22.7 million (includes interest earned), swap contracts at fair value of US$274 million, trade accounts receivable and other current assets of US$3.2 million, and property, plant and equipment and intangibles at fair value for the amount of US$171.2 million, which are greater than the respective liability by US$1.4 million.

Additionally, the Company maintains forward contracts for sales of US dollars amounting to US$54 million linked to the income that the Company will invoice from January to June 2009, in order to establish the underlying amount of its income in Chilean pesos. Thus, it is important to highlight that toll contracts are denominated in US dollars, but monthly invoices are expressed in the Chilean peso equivalent, using the monthly average observed dollar exchange rate for approximately 94.3% of the contracts and the observed dollar exchange rate as of the last day of each month for 4.3% of the contracts.

Reasoned Analysis (continued)

f) Foreign Exchange and Interest Rate Risk (continued)

As of December 31, 2007, the Company and its subsidiary had a part of their fair value debt denominated in US dollars due to the placement of bonds abroad for US$492.1 million (including accrued interest) in addition to other short-term liabilities totaling US$42.3 million. On the other hand, assets denominated in US dollars correspond to the credit on mercantile current accounts of related companies (mainly to Transelec Holding Rentas Limitada and ETC Holding Ltda) for a total of US$54.8 million (including interest earned), short-term investments in the financial market for the amount of US$36.7 million (including interest earned), swap contracts at fair value of US$232.9 million, trade accounts receivable for US$2.1 million, leasing contracts for US$2.1 million, forward contracts for US$12.4 million and property, plant and equipment and intangibles at fair value in the amount of US$190.5 million. These assets denominated in US dollars are lower than the respective liabilities by US$2.9 million.

Exposure to exchange rate variation is partially mitigated by the fact that toll revenues are denominated in US dollars and indexed semiannually by an index formula partly linked to the dollar.

Toll amounts are denominated in United States dollars, but monthly invoices were sent in Chilean peso equivalents, applying the average observed exchange rate to approximately 94.3% of contracts and the current observed exchange rate as of the last day of the month to the remaining 4.3%. The majority of the remaining income (1.4%) is invoiced in pesos according to the value of the Unidad de Fomento. Corresponding exchange rates are shown below:

Reasoned Analysis (continued)

Foreign Exchange Rates

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
October	618.39	664.96	501.44	494.64
November	651.51	659.43	506.95	508.47
December	649.32	629.11	499.28	495.82
Average for the Period	522.46	528.88	522.47	521.95

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 equipment, materials and local labor.

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

Reasoned Analysis (continued)

f) Foreign Exchange and Interest Rate Risk (continued)

Interest Rate Risk

The Company has debts with fixed interest rates. In effect, the debt denominated in US dollars contemplates a fixed 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. On the other hand, the Company has a mercantile current account with related companies denominated in US dollars, which contemplates a variable interest rate (Libor). Given that these mercantile current accounts represent only 1.1% of Total Assets, the Company deems that it is not exposed to risk that could affect its income due to a change in market interest rates.

g) Principal Cash Flows for the Period

For the year ended December 31, 2008, positive net cash flows of ThCh$31,337,735 were generated, which were positively affected by operating activities of ThCh$105,673,650 and negatively affected by financing activities of ThCh$23,111,239 and investing activities of ThCh$50,876,689. In 2007, negative net cash flows of ThCh$39,857,883 were generated, mainly from positive operating activities of ThCh$67,908,554, which were negatively affected by financing activities of ThCh$43,081,681 and investing activities of ThCh$59,045,589.

Financing activities generated negative cash flows of ThCh$23,111,239, as a result of dividend payments. In 2007, financing activities generated negative cash flows of ThCh$43,081,681 mainly due to payments of amortization of the total capital of Series A bonds in UF, in March 2007 of ThCh$128,765,218, and offset with the new placement of Series C bonds in UF in March 2007 for ThCh$125,135,825. In addition, dividends of ThCh$39,452,288 were paid in the period.

Investing activities generated negative net cash flows of ThCh$50,876,689, mainly due to other investment disbursements associated with price adjustment with Hydro-Québec and IFC amounting to ThCh$76,439,600 and net additions to property, plant and equipment of ThCh$41,920,660, which were positively affected by net cash flows with related companies of Ch$78,253,577. In 2007, investing activities generated negative cash flows of ThCh$59,045,589 mainly due to negative net cash flows from other loans to related companies for ThCh$74,769,938 and net additions to property, plant and equipment of ThCh$27,184,295.

Reasoned Analysis (continued)

f) Foreign Exchange and Interest Rate Risk (continued)

In 2008, the effect of inflation on cash and cash equivalents was negative, amounting to ThCh$347,987. In 2007, the effect was also negative and amounted to ThCh$5,639,167.

The final balance of cash and cash equivalents as of December 31, 2008 amounted to ThCh$66,791,217 from an opening balance of ThCh$35,453,482. In 2007, the final balance of cash and cash equivalents amounted to ThCh$35,453,480 from an opening balance of ThCh$75,311,363.

Relevant Events

During the period ended as of December 31, 2008, and in accordance with General Rule 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 purpose 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 Québec International 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 objective 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.

Relevant Events (continued)

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

- Approval of expenditures of CAPEX credit line.

On October 16, 2008, the Superintendent was informed that an extraordinary meeting of the Company's shareholders was 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 of 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 Credit Line, 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 by Transelec S.A. solely and 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 of Committed Financing signed with the banks Scotiabank Sudamericano and Corpbanca, exceed, individually or as a whole, one hundred million US 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.

Relevant Events (continued)

Transelec Norte S.A. (subsidiary)

During the period from January 1 to March 31, 2008 and in accordance with General Rule 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 objective 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. This dividend 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 objective 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.