

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile
March 31, 2007

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

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

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

March 31, 2007

Index

Consolidated Financial Statements

Consolidated Balance Sheet	2
Consolidated Statement of Income	5
Consolidated Statement of Cash Flows.....	6
Notes to the Consolidated Financial Statements	8

ThCh\$: Thousands 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).

US\$: United States dollars

ThUS\$: Thousands of United States dollars

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of March 31, 2007

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

	ThCh\$
ASSETS	
Current Assets	
Cash	3,718,811
Time deposits	51,209,881
Trade accounts receivable, net	15,508,048
Sundry debtors	669,250
Notes and accounts receivable from related companies	258,909,576
Inventories (net)	42,361
Recoverable taxes	2,114,302
Prepaid expenses	502,392
Deferred taxes	584,722
Other current assets	<u>14,781,564</u>
Total current assets	<u>348,040,907</u>
Property, Plant, and Equipment	
Land	15,205,326
Buildings and infrastructure, works in progress	690,239,551
Machinery and equipment	272,795,156
Other property, plant and equipment	1,415,565
Less: Accumulated depreciation	<u>(22,119,559)</u>
Total property, plant, and equipment	<u>957,536,039</u>
Other Assets	
Investments in other companies	129,043
Goodwill	238,572,819
Long-term receivables	9,373,974
Long-term deferred taxes	55,877,696
Intangibles	138,335,262
Less: Amortization of intangibles	(2,644,024)
Other	<u>9,276,029</u>
Total other assets	<u>448,920,799</u>
Total Assets	<u><u>1,754,497,745</u></u>

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of March 31, 2007

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

	ThCh\$
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities	
Bonds payable - short-term portion	14,515,244
Accounts payable	13,917,845
Sundry creditors	7,404,789
Provisions	1,519,087
Withholdings	2,246,942
Other liabilities	<u>93,320</u>
Total current liabilities	<u>39,697,227</u>
Long-term Liabilities	
Long-term bonds payable	718,210,260
Miscellaneous accounts payable	10,456,472
Provisions	1,486,861
Other long-term liabilities	<u>14,248,925</u>
Total long-term liabilities	<u>744,402,518</u>
Minority interest	4,779
Shareholders' Equity	
Paid-in capital	951,475,982
Price-level restatement of capital, net	1,902,952
Retained earnings	7,026,844
Net income for the period	<u>9,987,443</u>
Total Shareholders' Equity	<u>970,393,221</u>
Total Liabilities and Shareholders' Equity	<u><u>1,754,497,745</u></u>

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statements of Income

For the period ended March 31, 2007

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

	ThCh\$
Operating Income	
Revenues	31,937,911
Cost of sales	<u>(11,640,113)</u>
Gross margin	<u>20,297,798</u>
Administrative and selling expenses	<u>(1,038,538)</u>
Operating income	<u>19,259,260</u>
Non-operating Income	
Interest financial income	4,698,876
Other non-operating income	563,057
Interest financial expenses	(8,445,679)
Amortization of goodwill	(3,116,721)
Other non-operating expenses	(71,977)
Price-level restatement, net	(139,193)
Foreign currency translation, net	<u>238,445</u>
Non-operating loss	<u>(6,273,193)</u>
Income before income taxes	<u>12,986,067</u>
Income taxes	<u>(2,998,578)</u>
Income before minority interest	<u>9,987,489</u>
Minority interest	<u>(46)</u>
Net income for the period	<u>9,987,443</u>

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated of Cash Flows

For the period ended March 31, 2007

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

	ThCh\$
Cash Flows from Operating Activities	
Net income for the period	9,987,443
Charges (credits) to income that do not represent cash flows	
Depreciation	7,419,404
Amortization of intangibles	830,287
Write offs and provisions	-
Amortization of goodwill	3,116,721
Price-level restatement, net	139,193
Foreign currency translation, net	(238,445)
Other credits to income that do not represent cash flows	(1,911,038)
Other charges to income that do not represent cash flows	196,897
Changes in assets, that affect cash flows (increase) decrease	
Trade accounts receivable	(3,801,006)
Inventories	155
Other assets	(53,894)
Changes in liabilities that affect cash flows increase (decrease)	
Accounts payable related to operating income	(14,218,635)
Interest payable	5,243,952
Income taxes payable	1,427,397
Value added tax and other similar taxes payable	356,438
Minority Interest	47
Net cash provided by operating activities	<u>8,494,916</u>
Cash Flows from Financing Activities	
Bonds	107,997,115
Bonds payment	<u>(110,300,100)</u>
Net cash used in financing activities	<u>(2,302,985)</u>

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated of Cash Flows

For the period ended March 31, 2007

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

	ThCh\$
Cash Flows from Investing Activities	
Collection of related companies loans	41,802,361
Purchase of property, plant, and equipment	(1,980,930)
Payment of capitalized interest	(313,107)
Other loans to related companies	<u>(41,684,737)</u>
Net cash flows used in investing activities	<u>(2,176,413)</u>
Total Positive Net Cash Flows	4,015,518
Effect of Inflation and Currency Exchange Rate on Cash and Cash Equivalents	<u>563,284</u>
Net Change in Cash and Cash Equivalents	4,578,802
Cash and Cash Equivalents, Beginning of the Year	<u>64,437,452</u>
Cash and Cash Equivalents, end of the Year	<u><u>69,016,254</u></u>

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 1 - Business Description, Registration in the Securities Registry

Rentas Eléctricas IV Limitada was formed as a limited liability Company by public deed dated June 6, 2006.

On August 7, 2006, the Company changed its name to Rentas Eléctricas IV S.A., becoming an incorporated company; on August 22, 2006 it changed its name to Nueva Transelec S.A. and on November 30, 2006 it changed to its current name, - Transelec S.A.

On October 26, 2006, the Company was listed as number 954 in the Registry of Instruments of the Superintendency of Securities and Insurance (“SVS”). Similarly, it registered 1,000,000 shares, the total number of shares issued, subscribed and fully paid.

The Company has the exclusive objective of exploiting and developing electric systems, on its own behalf or that of third parties, to transport and 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: marketing the capacity to transport lines and transformations of substations and equipment associated with them in order for the generating stations, both national and foreign, to be able to transmit the electrical energy they produce and have it reach their centers of consumption; providing engineering or management consulting services to related companies; and developing other business and industrial activities related to electrical transmission. The Company may act directly or through subsidiaries or other related companies, both in Chile and abroad.

On June 30, 2006, the Company acquired 999,900 shares of HQI Transelec Chile S.A., representing 99.99% of its capital, from Hydro-Québec International Transmisión Sudamérica S.A., HQ Puno Ltd., and International Finance Corporation.

The subsidiary Transelec Norte S.A. is registered under No. 939 in the Securities Registry of the SVS.

According to public deeds dated October 24, 2006, the Company acquired 100 shares of Rentas Eléctricas III Limitada, corresponding to 0.01% of the share capital of Transelec S.A. (former HQI), leaving the Company with 100% ownership. Thus, the merger took place by absorption, and the assets, liabilities, rights and obligations of Transelec S.A (former HQI) passed to the Company. In this way, the Company directly assumed operation of the electrical transmission business previously conducted by the above mentioned subsidiary.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 2 - Summary of Significant Accounting Policies

a) Accounting period

These Consolidated Financial Statements cover the period between January 1, 2007 and March 31, 2007.

b) Basis of preparation

The financial statements of Transelec S.A. and Subsidiary as of March 31, 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, 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 financial statements have been translated from Spanish to English.

c) Basis of consolidation

The amounts and effects of transactions between the consolidated companies have been eliminated, and the participation of minority shareholders has been recognized and presented as minority interest.

With respect to this investment, the difference between the value of the investment recorded in pesos and the shareholders’ equity of the subsidiary in US dollars is recognized with a charge to Cumulative Translation Adjustment, within Other Reserves in Shareholders’ Equity.

In accordance with Technical Bulletin No. 64 of the Chilean Association of Accountants, the Company considers bonds issued abroad up to the amount invested of ThCh\$30,002,000 as a foreign exchange hedge instrument. Foreign currency translation, net of price-level restatement, is recorded against Cumulative Translation Adjustment, within Other Reserves in Shareholders’ Equity.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

c) Basis of consolidation (continued)

The consolidated financial statements include the following subsidiary, whose participation is detailed as follows:

	Direct participation 31/03/2007 %
Transelec Norte S.A	99.99

d) Price-level restatement

These financial statements, which are expressed in Chilean pesos, have been restated to reflect the effects of 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, equity accounts and income and expense accounts have been restated in constant period-end pesos. In accordance with Chilean tax regulations and accounting practices, the restatements were calculated based on the official Chilean Consumer Price Index (CPI) published by the National Statistics Institute. The CPI, when applied with a one-month lag, changed by 0.2% in the period from January 1, 2006 to March 31, 2007.

e) Basis of conversion

Assets and liabilities denominated in foreign currencies and Unidades de Fomento (a peso-denominated, inflation-indexed monetary unit) are stated at the exchange rate prevailing as of March 31, 2007, as follows:

	Ch\$
Unidad de Fomento	18,372.97
United States dollar	532.21
Euro	720.00

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

f) Time deposits

Investments in time deposits include capital plus price-level restatement and interest accrued as of March 31, 2007.

g) Allowance for doubtful accounts

The Company estimates that it requires no allowance for doubtful accounts as of March 31, 2007.

h) 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 as of March 31, 2007. Financing costs for property, plant and equipment at construction sites are capitalized during the construction period. During the period ended March 31, 2007, financial costs amounting to ThCh\$ 313,107 have been capitalized.

i) Depreciation of property, plant, and equipment

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

j) 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 debtors.

k) Intangibles

This item includes right-of-ways, valued at acquisition cost based on their fair value as of June 30, 2006, price-level restated as of March 31, 2007. These assets are amortized using the straight-line method over a period of 40 years, in conformity with Technical Bulletin No. 55, of the Chilean Association of Accountants.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

l) Goodwill

This account includes goodwill from the acquisition of shares of the subsidiary HQI Transelec Chile S.A. (presently Transelec S.A.), related to its equity value at the date of purchase. In accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants, this goodwill is amortized over a 20 years period.

m) Resale agreements

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

n) Bonds payable

This item includes, in the long-term, 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 in the short-term, the accrued interest as of March 31, 2007. The difference between the book value and the placement value is recognized over the duration of these liabilities and is shown in other Current Liabilities and Other Long-term Liabilities.

o) 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, are recorded for all temporary differences, considering the tax rate that will be in force on the estimated date of reversal, as established in Technical Bulletin No. 60 issued by the Chilean Association of Accountants.

p) Staff severance indemnities

The provision for staff severance indemnities to cover the contractual obligations for personnel that have 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 service time of 40 years, plus an average of 75% of the benefit for staff with less than 15 years of service.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

q) Staff vacation

In accordance with Technical Bulletin No. 47 of the Chilean Association of Accountants, the annual cost of staff vacation is recognized as an expense in the financial statements on an accrued basis.

r) Operating income

Operating income is mainly income arising from the commercialization of the electric transmission capacity of the installations, 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 the “Centro de Despacho Económico de Carga del Sistema Interconectado del Norte Grande” (CDEC - SING). These amounts are shown in Trade Accounts Receivable within Current Assets.

s) Operating 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 not to be significant.

t) Derivative contracts

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

u) Computer software

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

v) Statement of cash flows

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

v) Statement of cash flows

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.

w) Debt security issuance and placement expenses

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

Note 3 - Accounting Changes

During the period between January 1, 2007 and March 31, 2007, there were no accounting changes that could significantly affect the interpretation of these financial statements.

Note 4 - Short and Long-term Receivables

The detail of short and long-term receivables corresponds to transactions for the following concepts:

a) Short-term trade accounts receivable

	31/03/2007
	ThCh\$
Trade accounts receivable from tolls	15,508,048
Total	<u>15,508,048</u>

Provisions receivable for the differences in the value related to tariff income of ThCh\$6,951,456 and ThCh\$6,735,956 as of March 31, 2007, are shown, respectively, in the short and in the long-term portion, detailed in the table below. In addition, in short and long-term Sundry Creditors the provisions payable are shown for the differences in the value related to tariff income of ThCh\$7,404,789 and ThCh\$ 10,456,472, respectively, as of March 31, 2007, which is explained in greater detail in Note 31.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 4 - Short and Long-term Receivables (continued)

b) Short and long-term trade accounts receivable

Description	Current assets			Total Current (net) 31/03/2007 ThCh\$	Long-term 31/03/2007 ThCh\$
	Up to 90 days 31/03/2007 ThCh\$	90 days to 1 year 31/03/2007 ThCh\$	Subtotal 31/03/2007 ThCh\$		
	Trade accounts receivable	6,556,592	6,951,456		
Sundry creditors	669,250	-	669,250	669,250	9,373,974
Total	7,225,842	6,951,456	16,177,298	16,177,298	9,373,974

Note 5 - Balances and Transactions with Related Companies

The most significant balances and transactions with related companies are shown below.

- Notes and accounts receivable

Rentas Eléctricas I Limitada

The balance is related to expenses and payments made on behalf of Rentas Eléctricas I Limitada for ThCh\$5,105.

Rentas Eléctricas II Limitada (presently Transelec Holdings Rentas Limitada)

The balance is related to expenses and payments made on behalf of Rentas Eléctricas II Limitada for ThCh\$1,626,747 and to a loan for ThCh\$15,238,448 (principal for ThCh\$14,959,059 and interests for ThCh\$279,389).

Rentas Eléctricas III Limitada

The balance is related to expenses and payments made on behalf of Rentas Eléctricas III Limitada for ThCh\$4,352 and to a loan for ThCh\$242,034,924 (principal for ThCh\$237,489,636 and interests for ThCh\$4,545,288).

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 5 - Balances and Transactions with Related Companies (continued)

a) Notes and accounts receivable

Taxpayer No.	Company	Short-term 31/03/2007 ThCh\$	Long-term 31/03/2007 ThCh\$
76,559,580-0	Rentas Eléctricas I Limitada	5,105	-
76,560,200-9	Transec Holding Rentas Limitada	16,865,195	-
76,555,400-4	Rentas Eléctricas III Limitada	242,039,276	-
	Total	258,909,576	-

b) Transactions

Company	Taxpayer No.	Nature of the relationship	Description of transaction	03/31/2007	
				Amount ThCh\$	Effect on income (Charge) Credit ThCh\$
Rentas Eléctricas I Limitada	76,559,580-0	Indirect Parent Company	Services paid	5,105	-
Transec Holdings Rentas Limitada	76,560,200-9	Indirect Parent Company	Services paid	1,626,747	-
			Loans granted	15,238,448	-
Rentas Eléctricas III Limitada	76,555,400-4	Parent Company	Services paid	4,352	-
			Loans granted	242,034,924	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 6 - Current and Deferred Income Taxes

a) General information

As of March 31, 2007, the Company has established an income tax provision on accrued results of the period of Th\$663,610, considering a taxable income of Th\$3,903,585.

As of March 31, 2007, the Company's subsidiary has established an income tax provision of ThCh\$116,179, considering taxable income of ThCh\$683,179.

As of March 31, 2007, the provision is shown in Current Assets under the item Recoverable taxes, according to the following detail:

	31/03/2007
	ThCh\$
Corporate income tax	(1,172,085)
Article 21 income tax	(9,678)
Subtotal	<u>(1,181,763)</u>
Monthly provisional income tax installments	3,296,065
Total	<u><u>2,114,302</u></u>

b) Deferred taxes

SVS Circular No. 1.466 established the application of Technical Bulletin No. 60 issued by the Chilean Association of Accountants starting January 1, 2000.

As described in Note 2 o), deferred taxes have been restated as of March 31, 2007 to recognize the effect of the income tax rate changes instituted by the tax reform published in September 2001.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 6 - Current and Deferred Income Taxes (continued)

b) Deferred taxes (continued)

Description	Deferred tax assets		Deferred tax liabilities	
	Short-term	Long-term	Short-term	Long-term
Temporary Differences	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Staff vacation accrual	103,423	-	-	-
Fixed Asset Depreciation	-	-	-	9,915,675
Staff severance indemnities	-	-	-	216,887
Other events	79,798	-	-	-
Capitalization of interest financial expenses	-	-	-	-
Negative goodwill PPE (absorption)	-	62,057,443	-	-
Leasing contract	-	-	-	-
Write off of assets	-	12,410	-	-
Prepaid expenses	-	-	-	1,272,829
Forward contracts	2,256	-	-	-
Bonds	-	4,948,528	-	-
Revenue for price placement of bonds	-	264,706	-	-
Tax loss	399,245	-	-	-
Total	584,722	67,283,087	-	11,405,391

c) Income taxes

The composition of the net charge to income, after recognizing the effect of deferred taxes as stated in SVS Circular No. 1.466 and Technical Bulletin No. 60 and complementary bulletins issued by the Chilean Association of Accountants, is as follows:

Item	ThCh\$
Income tax expense (income tax provision)	(1,181,763)
Adjustment to tax expense	398,483
Effect of deferred tax on assets or liabilities for the period	(2,215,298)
Total	(2,998,578)

Note 7 - Other Current Assets

The detail of the other current assets is as follows:

	31/03/2007
	ThCh\$
Securities under resale agreements	14,087,562
Bond issuance expenses	690,502
Other	3,500
Total	14,781,564

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 8 - Information about Investments under Repurchase (VCR) and Resale Agreements (CRV) of Securities

As of March 31, 2007, these transactions are summarized as follows:

Code	Dates		Counterpart	Currency of origin	Subscription value ThCh\$	Rate	Final value ThCh\$	Identification of instruments	Market value ThCh\$
	Inception	Maturity							
CRV	15-03-2007	03-04-2007	BANCO SANTANDER SANTIAGO	PESOS	81,687	0.35%	81,868	BCD	81,838
CRV	15-03-2007	02-04-2007	BANCO SECURITY	PESOS	236,290	0.40%	236,857	BCD	236,794
CRV	16-03-2007	10-04-2007	BANCO SANTANDER SANTIAGO	PESOS	108,489	0.37%	108,823	BCD	108,689
CRV	16-03-2007	13-04-2007	CITIBANK	PESOS	1,562,000	0.35%	1,567,103	BCP	1,564,734
CRV	16-03-2007	09-04-2007	BANCO SANTANDER SANTIAGO	PESOS	135,611	0.37%	136,012	BCD	135,862
CRV	16-03-2007	05-04-2007	BANCO SANTANDER SANTIAGO	PESOS	108,489	0.37%	108,756	BCD	108,689
CRV	20-03-2007	04-04-2007	BANCO SANTANDER SANTIAGO	PESOS	169,700	0.37%	170,013	BCD	169,930
CRV	21-03-2007	13-04-2007	BANCO SANTANDER SANTIAGO	PESOS	587,338	0.36%	588,959	BCP	588,043
CRV	22-03-2007	13-04-2007	CITIBANK	PESOS	1,548,800	0.40%	1,553,343	BCP	1,550,659
CRV	22-03-2007	12-04-2007	BANCO DE CHILE	PESOS	1,169,400	0.37%	1,172,429	BCCH	1,170,698
CRV	22-03-2007	05-04-2007	BANCO DE CHILE	PESOS	2,250,000	0.37%	2,253,885	BCCH	2,252,498
CRV	27-03-2007	12-04-2007	BANCO DE CHILE	PESOS	181,680	0.37%	182,039	BCCH	181,770
CRV	29-03-2007	13-04-2007	CITIBANK	PESOS	1,195,000	0.40%	1,197,390	BCP	1,195,319
CRV	29-03-2007	12-04-2007	BANCO DE CHILE	PESOS	772,800	0.37%	774,134	BCCH	772,991
CRV	30-03-2007	24-04-2007	BANCO SANTANDER SANTIAGO	DOLARES	3,894,791	0.38%	3,906,037	BCD	3,894,133
CRV	27-03-2007	03-04-2007	BANCO DE CHILE	PESOS	74,880	0.37%	74,945	PDB	74,915

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 9 - Property, Plant and Equipment

The assets of property, plant and equipment are detailed as shown below.

Depreciation for the period amounted to ThCh\$7,419,404, of which ThCh\$7,340,947 was charged to Cost of sale and ThCh\$78,457 was charged to Sales and administrative expenses.

	Gross Value ThCh\$	2007 Accumulated Depreciation ThCh\$	Net Value ThCh\$
Land	15,205,326	-	15,205,326
Buildings and infrastructure			
Buildings	12,199,096	(325,637)	11,873,459
Access roads	217,633	(4,076)	213,557
Lines	537,101,928	(8,295,727)	528,806,201
Houses and apartments	83,068	(1,556)	81,512
Non-hydraulic civil projects	103,403,537	(2,461,070)	100,942,467
Works in progress	37,234,289	-	37,234,289
Total Buildings and infrastructure	690,239,551	(11,088,066)	679,151,485
Machinery and equipment			
Telecommunications equipment	5,986,994	(872,765)	5,114,229
Furniture, machinery and office equipment	131,912	(9,685)	122,227
Service furniture and equipment	25,416	(1,688)	23,728
Tools and instruments	1,080,078	(56,194)	1,023,884
Power generation unit	993,500	(59,937)	933,563
Electrical equipment	234,152,773	(7,118,101)	227,034,672
Mechanical, protection and measurement equipment	28,214,369	(2,623,210)	25,591,159
Transport and loading equipment	335,169	(32,404)	302,765
Computers	474,858	(93,114)	381,744
Software	1,400,087	(164,395)	1,235,692
Total Machinery and equipment	272,795,156	(11,031,493)	261,763,663
Subtotal Property, plant, and equipment	978,240,033	(22,119,559)	956,120,474
Other Property, plant, and equipment			
Construction materials	1,415,565	-	1,415,565
Total Other property, plant, and equipment	1,415,565	-	1,415,565
Total Property, Plant and Equipment	979,655,598	(22,119,559)	957,536,039

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 10 - Investment in Other Companies

This balance corresponds to Transelec S.A.'s 6.6667% participation in the Center of Economic Dispatch of Load of Center Interconnected System (CDEC-SIC), whose exclusive objective is to administrate the operations of the power stations and transmission lines that are interconnected within the central electrical system and coordinate the direction and operation of the electrical system. The value of the investment as of March 31, 2007 is ThCh\$ 16,150. It also includes the Subsidiary's 12.50% participation in the Center of Economic Dispatch of Load of Northern Interconnected System (CDEC-SING), whose exclusive objective is to manage and operate the center and coordinate the direction and operation of the north electrical system. The value of this investment as of March 31, 2007 is ThCh\$112,893.

Taxpayer No.	Company	Ownership interest percentage	Book value
			31/03/2007
			ThCh\$
77286570-8	CDEC - SIC LTDA	6.6667%	16,150
77345310-1	CDEC - SING LTDA	12.5000%	112,893
Total			<u>129,043</u>

Note 11 - Goodwill

a) Goodwill is summarized as follows:

	31/03/2007
	ThCh\$
Goodwill of HQI Transelec Chile S.A. acquisition	249,337,676
Less: Amortization of goodwill	<u>(10,764,857)</u>
Total	<u>238,572,819</u>

This account corresponds to the goodwill from 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.

This difference will be amortized over a maximum period of 20 years.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 11 - Goodwill (continued)

The total cost of the acquisition amounted to ThCh\$942,160,997.

b) Goodwill and the corresponding amortization are detailed as follows:

Taxpayer No.	Company	31/03/2007	
		Amortization during the period ThCh\$	Balance of goodwill ThCh\$
77,498,870-K	HQI Transelec Chile S.A.	3,116,721	238,572,819
	Total	3,116,721	238,572,819

Note 12 - Intangibles

Intangibles are summarized as follows:

	31/03/2007 ThCh\$
Rights-of-way	138,335,262
Less: Accumulated amortization	<u>(2,644,024)</u>
Total	<u>135,691,238</u>

The amortization charge to income amounted to ThCh\$ 830,287.

Note 13 - Other Assets

The balance at the period-end is summarized as follows:

	31/03/2007 ThCh\$
Prepaid expense Bonds UF series D	7,007,531
Prepaid expenses general facilities	196,817
Series C discount	2,048,284
Other	<u>23,397</u>
Total	<u>9,276,029</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 14 - Short and Long-term Obligations (Promissory Notes and Bonds)

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

- On April 2, 2001, the Company registered the first bond issuance for a maximum of UF10,000,000 with the SVS under number 249. Of this amount, UF 9,200,000 were finally placed on April 11, 2001.

As of March 31, 2007, the risk ratings obtained are the following:

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

The terms of issuance of these bonds are as follows:

Issuer: HQI Transelec Chile S.A.

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

Maximum issued: 10,000,000 bonds Unidades de Fomento divided as follows:

Series A

- Series A-1: Up to UF 3,000,000 (3,000 bonds of UF1,000 each).
- Series A-2: Up to UF 4,000,000 (400 bonds of UF10,000 each).

Series B

- Series B-1: Up to UF 1,000,000 (1,000 bonds of UF1,000 each).
- Series B-2: Up to UF 3,000,000 (300 bonds of UF10,000 each).

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 14 - Short and Long-term Obligations (Promissory Notes and Bonds) (continued)

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

Indexation: Variation of the Unidades 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).

Capital amortization: Series A, in a single installment which maturity date was on March 1, 2007, and Series B, payable semi-annually, in increasing amounts, and effective on September 1, 2007.

Early redemption: Series A without advanced 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-annually payments, upon maturity on March 1 and September 1 yearly, starting on September 1, 2001.

Interest accrued as of March 31, 2007 amounts to ThCh\$298,647 and is presented in Current liabilities.

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

Period of placement: 36 months, as from the date of register with the SVS.

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 14 - Short and Long-term Obligations (Promissory Notes and Bonds) (continued)

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

As of March 31, 2007, the risk ratings obtained are the following:

Rating Agency	Rating
Standard and Poor's Rating Group	BBB-
Fitch IBCA, Duff & Phelps	BBB-
Moody's Investors Service Inc.	BAA1

Issuer: HQI Transelec Chile S.A.

Securities issued: US\$ (Yankee Bonds) traded in the United States Market.

Issue value: ThUS\$465,000 in a single series.

Indexation: Expressed in United States dollars.

Capital amortization: At maturity on April 15, 2011.

Nominal interest rate: 7.875% annual.

Interest payments: Payments of interest are due every six months, on April 15 and October 15 of each year, starting October 15, 2001. Interest accrued as of March 31, 2007 in an amount of ThCh\$9,426,960 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 13,500,000 with the SVS under number 481. Of this amount, UF 13,500,000 was finally placed on the market on December 14, 2006.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 14 - Short and Long-term Obligations (Promissory Notes and Bonds) (continued)

As of March 31, 2007, the risk ratings obtained are the following:

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

The terms of issuance of these bonds are as follows:

Issuer: Nueva Transelec S.A.

Securities issued: Bonds as of carrier in Chilean pesos, denominated in UF.

Maximum Amount of the issue: Thirteen million five hundred thousand UF (UF13,500,000).

- Series D: Up to UF 13,500,000, comprised of 13,500 instruments of UF 1,000 each one.

Amortization period: 21 years

Capital amortization: in one single installment, as of expiration December 15, 2027.

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

Rate of interest of issue: on the outstanding capital expressed in UF at an annual interest rate of 4.25%, calculated based on a 360 day-years, after the year, made up every six months, each period consisting of 180 days.

Payment of interest: Payments of interest will be due every six months, after the period, on June 15, and December 15 of each year starting on June 15, 2007. Interest accrued as of March 31, 2007 amounts to ThCh\$3,071,591 and is presented in Current liabilities.

It has 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 SVS's Securities Registry.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 14 - Short and Long-term Obligations (Promissory Notes and Bonds) (continued)

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

- On January 22, 2007 the Company registered the first bond issuance for a maximum of UF 6,000,000 with the SVS under number 480. Of this amount, UF 6,000,000 was finally placed on the market on March 21, 2007.

As of March 31, 2007, the risk ratings obtained are the following:

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

The terms of issuance of these bonds are as follows:

Issuer: Transelec S.A.

Securities issued: Bonds as of carrier in Chilean pesos, denominated in UF.

Maximum Amount of the issue: Six million UF (UF6,000,000).

- Series C: Up to UF 6,000,000, comprised of 6,000 instruments of UF 1,000 each one.

Amortization period: 9.5 years

Capital amortization: in one single installment, as of expiration September 1, 2016.

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

Rate of interest of issue: on the outstanding capital expressed in UF at an annual interest rate of 3.5%, calculated based on a 360 day-years, after the year, made up every six months, each period consisting of 180 days.

Payment of interest: Payments of interest will be due every six months, after the period, on March 1, and September 1 of each year starting on September 1, 2007. Interest accrued as of March 31, 2007 amounts to ThCh\$318,762 and is presented in Current liabilities.

It has 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 SVS's Securities Registry.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 14 - Short and Long-term Obligations (Promissory Notes and Bonds) (continued)

e) The detail of bonds is as follows:

Registration or identification No. of the instrument	Series	Current nominal amount placed	Indexation unit	Interest rate	Maturity date	Periodicity		Par value 31/03/2007	Placement in Chile or abroad
						Interest payment	Amortization payment		
Short-term portion of long-term bonds								ThCh\$	
249	B1	1,018	UF	6.2%	09/01/2007	SEMIANUALLY	SEMIANUALLY	18,700	CHILE
249	B2	15,267	UF	6.2%	09/01/2007	SEMIANUALLY	SEMIANUALLY	279,947	CHILE
First issuance	Single	17,482,910	US\$	7.88%	04/15/2007	SEMIANUALLY	AT THE END	9,426,960	ABROAD
SWAP contracts	5 Contracts	12,160	UF	6.94%	04/13/2007	SEMIANUALLY	AT THE END	223,415	CHILE
249	B1	2,000	UF	6.2%	09/01/2007	SEMIANUALLY	SEMIANUALLY	36,746	CHILE
249	B2	30,000	UF	6.2%	09/01/2007	SEMIANUALLY	SEMIANUALLY	551,189	CHILE
249	B1	2,000	UF	6.2%	03/01/2008	SEMIANUALLY	SEMIANUALLY	36,746	CHILE
249	B2	30,000	UF	6.2%	03/01/2008	SEMIANUALLY	SEMIANUALLY	551,189	CHILE
481	D	167,180	UF	4.25%	06/15/2007	SEMIANUALLY	AT THE END	3,071,591	CHILE
480	C	17,350	UF	3.50%	09/01/2007	SEMIANUALLY	AT THE END	318,761	CHILE
Total - short-term portion								<u>14,515,244</u>	
Long-term bonds									
249	B1	196,000	UF	6.2%	03/01/2022	SEMIANUALLY	SEMIANUALLY	4,067,574	CHILE
249	B2	2,940,000	UF	6.2%	03/01/2022	SEMIANUALLY	SEMIANUALLY	61,947,819	CHILE
First issuance	Single	465,000,000	US\$	7.88%	04/15/2011	SEMIANUALLY	AT THE END	263,396,926	ABROAD
481	D	13,500,000	UF	4.25%	12/15/2027	SEMIANUALLY	AT THE END	248,035,095	CHILE
480	C	6,000,000	UF	3.50%	09/01/2016	SEMIANUALLY	AT THE END	110,237,820	CHILE
SWAP contracts	2 Contracts	3,473,602	UF	7.01%	04/14/2011	SEMIANUALLY	AT THE END	13,411,548	CHILE
SWAP contracts	2 Contracts	2,303,243	UF	6.93%	04/14/2011	SEMIANUALLY	AT THE END	7,174,554	CHILE
SWAP contracts	1 Contract	1,906,538	UF	6.81%	04/14/2011	SEMIANUALLY	AT THE END	9,938,924	CHILE
Total - Long-term								<u>718,210,260</u>	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 15 - Provisions and Write-Offs

Provisions at each period-end are as follows:

	31/03/2007 ThCh\$
a) Short-term provisions	
Staff severance indemnities (Note 16)	261,368
Accrued payroll	649,566
Vacation Provision	<u>608,153</u>
Total	<u><u>1,519,087</u></u>
b) Long-term provisions	
Staff severance indemnities (Note 16)	<u>1,486,861</u>
Total	<u><u>1,486,861</u></u>

Note 16 - Staff Severance Indemnities

The change in staff severance indemnities during year is as follows:

	31/03/2007 ThCh\$
Opening balance	1,713,484
Price-level restatement, net	3,496
Provisions	<u>31,249</u>
Total	<u><u>1,748,229</u></u>
Short-term	261,368
Long-term	<u>1,486,861</u>
Total	<u><u>1,748,229</u></u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 17 - Minority Interest

- a) The Minority Interest as of March 31, 2007 corresponds to the other Shareholder's participation in the subsidiary as follows:

Subsidiary	Equity 2007 ThCh\$	Participation Percentage 2007	Participation 2007 ThCh\$
Rentas Eléctricas III Limitada	47,775,441	0.01%	4,779

- b) The Minority Interest corresponding to the participation in Net income is as follows:

Subsidiary	Net Income 2007 ThCh\$	Participation Percentage 2007	Participation 2007 ThCh\$
Rentas Eléctricas III Limitada	471,308	0.01%	46

Note 18 - Shareholders' Equity

- a) The detail of Shareholders' Equity as of March 31, 2007 is shown in the table below:

Description	Paid-in capital ThCh\$	Retained earnings ThCh\$	Net income for the period ThCh\$	Interim dividends ThCh\$	Total Shareholders' equity ThCh\$
Beginning balance as of January 1, 2007	951,475,982	-	14,349,765	(7,336,946)	958,488,801
Distribution of prior year's income		7,012,819	(14,349,765)	7,336,946	-
Price-level restatement of capital, net	-	-	-	-	-
Net income for the period	-	-	9,987,443	-	9,987,443
Interim dividends	1,902,952	14,025	-	-	1,916,977
Ending balance as of March 31, 2007	953,378,934	7,026,844	9,987,443	-	970,393,221

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 18 - Shareholders' Equity

b). Dividends

At a Board of Directors meeting on November 2, 2006, the Directors agreed to distribute an interim dividend of ThCh\$7,337,680, with a charge to net income for 2006, which was available to the shareholders on November 17, 2006.

c) Ownership

The current and sole owners of the Company are Rentas Eléctricas III Limitada, with 99.99%, corresponding to 999,900 shares subscribed and paid in full and Rentas Eléctricas II Limitada (presently Transelec Holdings Rentas Limitada), with 0.01%, corresponding to 100 shares subscribed and paid in full.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 18 - Shareholders' Equity (continued)

c) Ownership changes

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

Series	Subscribed capital	Paid-in capital
Unica	951,475,982	951,475,982

Note 19 - Other Non-operating Income and Expenses

a) Other non-operating income

These are summarized as follows:

	31/03/2007 ThCh\$
Other non-operating income	
Miscellaneous exceptional gains	250,887
Income on disposal of materials	<u>312,170</u>
Total	<u>563,057</u>

b) Other non-operating expenses

Prior year expenses	12,293
Directors' fees	46,584
Loss: Property, plant, and equipment write offs	657
Amortization of prepaid expenses	12,254
Fiscal and judicial fines	<u>189</u>
Total	<u>71,977</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 20 - Price-level Restatement

Price-level restatement, described in Note 2 d), resulted in a net charge to income of ThCh\$139,193 for the period between January 1, and March 31, 2007 and is summarized below:

Assets (Charges) / Credits	Indexation	31/03/2007
		ThCh\$
Property, plant, and equipment	CPI	1,713,061
Investments in related companies	CPI	371,793
Rights-of-ways	CPI	263,752
Notes and accounts receivable from related companies	CPI	112,065
Cash and banks	CPI	30,225
Goodwill	CPI	482,414
Deferred taxes	CPI	117,122
Other non-monetary assets	CPI	33,945
Expense and cost accounts	CPI	(4,261)
Total (charges) credits		<u>3,120,116</u>
Liabilities (charges) / credits		
Shareholders' equity	CPI	(1,916,978)
Bonds payable	UF	(1,353,253)
Non-monetary liabilities	CPI	471
Income accounts	CPI	10,451
Total (charges) credits		<u>(3,259,309)</u>
Price-level restatement (loss) net income		<u>(139,193)</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 21 - Foreign Currency Translation

The effects of foreign currency translation during the period ended March 31, 2007, amounted to a net credit to income of ThCh\$238,445 and is summarized as follows:

		31/03/2007
Assets (charges) / credits	Currency	ThCh\$
Time deposits	US\$	338,979
Notes and a/r from related companies	US\$	804,209
Forward contracts	US\$	135,906
Accounts receivable	US\$	977
Investments in related companies	US\$	505,083
Banks	US\$	(96,287)
Total (Charges) Credits		<u>1,688,867</u>
Liabilities (charges) / credits		
Bonds payable	US\$	(2,775,929)
Accounts payable	US\$	44,510
Swap contracts	US\$	1,266,148
Lease contracts	US\$	14,849
Total (Charges) Credits		<u>(1,450,422)</u>
Exchange differences		<u>238,445</u>

Note 22 - Debt Issuance and Placement Costs

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

	31/03/2007
	ThCh\$
Placement and issuance expense	9,852,244
Less: Amortization	<u>(105,925)</u>
Total	<u>9,746,319</u>

Balance Sheet Presentation

Other current assets	690,503
Other assets	<u>9,055,816</u>
Total	<u>9,746,319</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 23 - Statement of Cash Flows

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 24 - Derivative Contracts

As of March 31, 2007, the Company has forward and swap contracts to hedge the exchange rate position of the long-term debt for the bond issuance abroad, according to the following detail:

Type of derivative	Type of contract	DESCRIPTION OF CONTRACTS							Affected accounts			
		Contract Value	Maturity or Expiration Date	Specific Item	Purchase Sale Position	Covered item or transaction		Value of covered items ThCh\$	Asset / Liability		Effect on Income	
						Name	Amount ThCh\$		Name	Amount ThCh\$	Realized ThCh\$	Unrealized ThCh\$
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	25,622,000	26,960,500	Obligations with the public	9,987,986	73,972	124,539
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	25,622,000	26,960,500	Obligations with the public	3,423,562	(15,337)	323,973
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	35,830,500	26,960,500	Obligations with the public	5,824,104	3,190	284,249
S	CCTE	20,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	14,110,000	10,784,200	Obligations with the public	1,350,450	(40,953)	126,060
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	32,375,000	26,960,500	Obligations with the public	9,938,925	73,271	137,029
FR	CCTE	7,400,000	2nd quarter of 2007	Exchange rate (US\$)	S	Dollar Bonds	3,996,222	3,990,154	Other current liabilities	6,068		(6,068)
FR	CCTE	10,000,000	2nd quarter of 2007	Exchange rate (US\$)	S	Dollar Bonds	5,399,300	5,392,100	Other current liabilities	7,200		(7,200)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 25 - Contingencies and Restrictions

a) Management restrictions

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

- Maintain, for the duration of the bond issuances, assets free of any kind of lien or 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 sell, cede, transfer, contribute or in any way give up title to, either for money or for free, the Essential Assets of the Issuer.
- Maintain a level of indebtedness at the individual and consolidated level in which the ratio of Total demandable liabilities / Total capitalization, is no greater than 0.7.
- Maintain at all times during the issuance of the bonds, minimum individual and consolidated shareholders' equity of UF 15,000,000.

b) Direct commitments

There are no direct commitments.

c) Indirect commitments

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

d) Pending lawsuits

As of March 31, 2007, there are lawsuits pending against the Company for which the corresponding defense has been filed, which altogether represent an amount of ThCh\$67,337.

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 25 - Contingencies and Restrictions (continued)

e) Other

1. On May 15, 2000, the Superintendency of Electricity and Fuel fined Transelec with a fine of 300 annual tax units (“UTA”), which as of March 31, 2007, amounted to ThCh\$116,176, through Exempt Resolution No. 876, for its alleged responsibility in the power failure of the SIC on July 14, 1999, caused by the untimely withdrawal from service of the San Isidro Plant of San Isidro S.A.. On May 25, 2000, an administrative motion was filed before the Superintendency of Electricity and Fuel, which is pending resolution.
2. On December 5, 2002, the Superintendency of Electricity and Fuel in Ordinary Official Letter No. 7183, charged the Company for its alleged responsibility in the interruption of electrical supply in the Sistema Interconectado Central (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 UTA 2,500 equivalent as of March 2007 to ThCh\$968,130. As of March 31, 2007, 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.
3. The Superintendency of Electricity and Fuel in Ordinary Official Letter No. 1210, dated February 21, 2003, filed charges for the alleged responsibility of Transelec in the interruption of electric service in the Sistema Interconectado Central (SIC), on January 13, 2003. By Resolution No. 808, of April 27, 2004, the Superintendency of Electricity and Fuel imposed a fine of UTA 560 equivalent as of March 2007 to ThCh\$216,861, 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.
4. On June 25, 2003, the Zone Director of the III Zone of the Superintendency of Electricity and Fuel (SEC) in Ordinary Official Letter No. 488, filed charges against the Company for its alleged responsibility in the interruption of electrical supply in the SIC, south of Temuco on March 7, 2003. As of March 31, 2007, the Company had filed the corresponding responses. Management believes it has no responsibility in this event.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 25 - Contingencies and Restrictions (continued)

5. On June 30, 2005 the Superintendency of Electricity and Fuel (SEC) through Exempt Resolution No. 1117, applied the following sanctions to the Company: a fine of 560 UTA equivalent as of March 31, 2007 to ThCh\$216,861, 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 (five hundred and sixty annual tax units) equivalent as of March 31, 2007 to ThCh\$216,861, in the Company's condition as owner of the installations, for allegedly operating the installations 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 March 31, 2007, the Company had appealed the charges before the SEC, which is pending resolution. Management believes it has no responsibility in these events.
6. On December 17, 2004, the Superintendency of Electricity and Fuel (SEC), through Exempt Resolution No. 2334, fined the Company 300 UTA equivalent as of March 2007 to ThCh\$116,176, 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 March 31, 2007, 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.
7. On April 1, 2004, the Superintendency of Electricity and Fuel (SEC) in Ordinary Official Letter No. 1631, filed charges against the Company for restrictions in the transfer of power on November 5, 2003, in the Charrua-Temuco line, due to the construction of the La Isla and Los Pinos crossing, which decreased the distance between the conductors and the ground. As of March 31, 2007, the corresponding answers had been filed. Management believes that the charges are not applicable, and therefore the SEC should nullify the effects of these charges.
8. On December 31, 2005, the Superintendency of Electricity and Fuel (SEC) through Official Letter No. 1831, filed charges against the Company for allegedly performing the operation of its installations and in the process infringing on various provisions of the electrical regulations, which would have caused the interruption of electrical supply in the Sistema Interconectado Central (SIC) on March 21, 2005. By Resolution SEC N°220, on February 7, 2006, the Company was fined 560 UTA equivalent as of March 2007 to Th\$216,861. A recourse was presented to order generation of power again on February 16, 2006, which is still outstanding. As of March 31, 2007, the Company had presented the evidence required.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 25 - Contingencies and Restrictions (continued)

9. On August 11, 2003, in the arbitration case against Sociedad Austral de Electricidad S.A. (Saesa) for an annual and preliminary base amount of US\$2,300,000, the Company was notified of the resolution of the arbitration, which rejected the suit filed by the Company. Currently, the recourse to overturn this decision remains outstanding before the Santiago Court of Appeal. The purpose of this trial is to determine the amount that Saesa must pay to Transelec for basic use, etc. As of March 31, 2007, the Company has recognized and/or received part of this revenue, in conformity with Ministerial Resolution N° 88 of 2001, of the Ministry of Economic Development and Reconstruction.
10. Through Ordinary Office N° 793, dated December 12, 2005, the SEC of the 7th region, filed charges for loss of electrical power in Constitución, due to the November 21, 2005 failure, which occurred due to forestry labor that caused a tree to fall on the power line between San Javier and Constitución. The Company presented its evidence on January 4, 2006. On May 7, 2006, by Resolution N°33, the SEC of the 7th Region fined the Company 400 UTM equivalent as of March 31, 2007 to ThCh\$12,908. The sanction was re-imposed and ratified on June 7, 2006 by Resolution N°42. The Company appealed the charges before the Court of Appeals of Talca, placing a deposit of 25% of the original fine. The Company sustains that it is not responsible for this event, as it was caused by a third party, and thus should be considered a case of force majeure.

f) Transelec Norte S.A (Subsidiary)

1. Management restrictions
There is none.
2. Direct commitments
There are no direct commitments.
3. Indirect commitments
There are no guarantors or guarantees granted for indirect commitments.
4. Pending lawsuits
There are no lawsuits.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 25 - Contingencies and Restrictions (continued)

g) Direct guarantees

Creditor of guarantee	Debtor Name	Type of guarantee	Compromised	Balance
			Assets	pending as of
			Book value	31/03/2007
			ThCh\$	ThCh\$
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	118,087	118,087
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	169,042	169,042
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	118,087	118,087

h) Indirect guarantees

Creditor of guarantee	Debtor Name	Relation	Type of guarantee	Compromised	
				Type	Assets Book value ThCh\$
The Bank ok Nova Scotia	Rentas Eléctricas III Limitada	Related company	Pledge	Shares	970,296,182
The Bank ok Nova Scotia	Transelec Holdings Rentas Limitada	Related company	Pledge	Shares	97,039

Note 26 - Guarantees Obtained from Third Parties

As of March 31, 2007, the Company has received financial guarantees from contractors and third parties, mainly to guarantee the completion of construction, maintenance work and the repayment of housing loans, amounting to ThCh\$7,108,716.

Note 27 - Local 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 foreign currency translation in Note 2 e). These are comprised as follows:

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 27 - Local and Foreign Currency (continued)

a) Assets

Description	Currency	Amount 31/03/2007 ThCh\$
Current assets		
Cash and banks	US\$	259,818
Cash and banks	Ch\$	3,458,993
Time deposit	US\$	33,708,769
Time deposit	Ch\$	17,501,110
Trade accounts receivable	Ch\$	14,352,119
Trade accounts receivable	US\$	1,155,929
Miscellaneous receivable	Ch\$	641,862
Miscellaneous receivable	US\$	27,388
Accounts receivable from related companies	US\$	16,055,857
Accounts receivable from related companies	UF	241,098,369
Accounts receivable from related companies	Ch\$	1,755,350
Inventories	Ch\$	42,361
Recoverable taxes	Ch\$	2,114,302
Prepaid expenses	Ch\$	502,392
Deferred taxes	Ch\$	584,722
Other current assets agreements	UF	10,193,431
Other current assets agreements	US\$	3,894,133
Other current assets bonds	Ch\$	690,502
Other current assets	Ch\$	3,498
Other current assets forward	Ch\$	-
Property, Plant, and Equipment		
Property, Plant, and Equipment	Ch\$	860,008,593
Property, Plant, and Equipment	US\$	97,527,447
Other Assets		
Investments in other companies	Ch\$	129,043
Goodwill	Ch\$	238,572,819
Long-term receivables	UF	30,709
Long-term receivables	US\$	1,138,229
Long-term receivables	Ch\$	8,205,036
Intangibles	Ch\$	132,470,738
Intangibles	US\$	5,864,524
Less: Amortization of intangibles	Ch\$	(2,533,601)
Less: Amortization of intangibles	US\$	(110,423)
Long-term deferred taxes	Ch\$	55,877,696
Other Assets bonds	Ch\$	9,276,030
Total Assets	Ch\$	1,343,653,565
	US\$	159,521,671
	UF	251,322,509

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 27 - Local and Foreign Currency (continued)

b) Short-term liabilities

DESCRIPTION	Currency	Up to 90 days		90 days to 1 year	
		Amount ThCh\$	Annual Average Interest rate	Amount ThCh\$	Annual Average Interest rate
Bond interest payable	UF	3,689,000	4.65%	-	-
Bond interest payable	US\$	9,426,961	7.875%	-	-
Swap Contracts	UF	223,414			
Accounts payable	Ch\$	5,444,124	-	-	-
Accounts payable	US\$	7,010,111	-	-	-
Sundry creditors	Ch\$	7,404,789	-	-	-
Miscellaneous payables	US\$	1,463,606	-	-	-
Provisions	Ch\$	1,519,087	-	-	-
Withholdings	Ch\$	2,246,945	-	-	-
Other current liabilities	Ch\$	93,320	-	-	-
Bond payable	UF	1,175,871			
Total short-term liabilities	UF	5,088,285		-	
	US\$	17,900,678		-	
	Ch\$	16,708,265		-	

c) Long-term liabilities as of March 31, 2007

Description	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate
Bonds payable	UF	-	-	-	-	114,941,300	4.65%	309,347,007	4.65%
Bonds payable	US\$	-	-	263,396,926	7.88%	-	-	-	-
Swap contracts	US\$	-	-	30,525,027	7.88%	-	-	-	-
Provisions	Ch\$	1,486,861	-	-	-	-	-	-	-
Miscellaneous payables	Ch\$	10,456,472	-	-	-	-	-	-	-
Other long-term liabilities	US\$	12,771,290	-	-	-	-	-	-	-
Other long-term liabilities	Ch\$	1,477,635	-	-	-	-	-	-	-
Total long-term liabilities	UF	-	-	-	-	114,941,300		309,347,007	
	US\$	12,771,290		293,921,953		-		-	
	Ch\$	13,420,968		-		-		-	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 28 - Sanctions

Between January 01, 2007 and March 31, 2007, the Company, its Directors and Management have not been sanctioned by the SVS or other regulatory authorities.

Note 29 - Subsequent Events

Between March 31, 2007 and the date of issuance of these financial statements there have been no other events of a significant financial accounting nature that could significantly affect their interpretation.

Note 30 - Environment

During this first quarter, the Company has made disbursements related to the environment as per the following detail:

Description	31/03/2007
	ThCh\$
Urgent work	1,225
Design of ISO 14001 environmental quality management system	2,687
Replacement of an static compensator with PCB	16,645
Oil pit construction	491
Total	<u>21,048</u>

Note 31 - Long-term Miscellaneous Payables

The balance of long-term miscellaneous payables amounted to ThCh\$10,456,472 as of March 31, 2007, and mainly corresponded to provisions payable due to value differences related to tariff income defined in Article No. 71-29 introduced by Law No.19,940 dated 2004 (Short Law) in DFL No.1 dated 1982. Similarly, provisions receivable for the value differences related to tariff income of ThCh\$6,735,956 as of March 31, 2007 are presented in long-term receivables.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Note 31 - Long-term Miscellaneous Payables (continued)

These differences originate because, by law, the Company must charge toll fees, that is, the annual value of transmission per tranche less expected tariff income. However, when receiving real tariff income per tranche from the CDEC, the law requires rebilling of the difference between expected tariff income and real tariff income, and the difference must be refunded or charged to the users of the transmission tranches used, until the expected tariff income is reached. The timing and form of this rebilling will be established in the Electricity Regulations, which we expect to begin operating during 2007.

Note 32 - Time Deposits

The detail of time deposits is as follows:

<u>Banks</u>	<u>03/31/2007</u>
	ThCh\$
Banco Crédito de Inversiones	4,004,920
Banco Santander Santiago	3,830,269
Banco Security	767,818
Banco BBVA	5,019,292
Banco de Chile	552,342
Deutsche Bank	3,003,600
Citibank	2,703,240
BNS Toronto T-Bills	30,327,280
Scotiabank	1,001,120
Total	<u>51,209,881</u>

TRANSELEC S.A. AND SUBSIDIARY

Detailed Analysis of the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

A) SUMMARY

During the period between January 01, 2007 and March 31, 2007, TRANSELEC S.A. and its subsidiary generated net income of ThCh\$9,987,443 as a result of a positive operating income of ThCh\$19,259,260, a negative non-operating income of ThCh\$6,273,193 and, a first category and deferred income tax charge of ThCh\$2,998,578. It is important to mention that the Company begun its operations on June 06, 2006, therefore these financial statements and detailed analysis can not be compared with the same period of 2006.

For this period, operating income totaled ThCh\$31,937,911. This operating income is mainly from commercialization of the transmission capacity of the facilities. In addition, services related to the activity were sold during this period.

Operating costs amounted to ThCh\$11,640,113. Costs of this period are composed by depreciation of fixed assets (63.45%), personnel costs (12.00%) and, works, supplies and contracted services (24.55%).

Administrative and selling expenses amounted to ThCh\$1,038,538. These expenses consist of: 40.83% for personnel expenses; 55.88% for works, supplies and contracted services; and 3.29% for depreciation.

Non-operating income amounted to a loss of ThCh\$6,273,193, mainly resulting from the financial expenses of ThCh\$8,445,679 and the amortization of goodwill of ThCh\$3,116,721. Other significant accounts that affected non-operating income during this period were financial incomes of ThCh\$5,516,284.

TRANSELEC S.A. AND SUBSIDIARY

Detailed Analysis of the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

B) INCOME STATEMENT

Items	As of March 31, 2007
	M\$
Operating Revenues	31,937,911
Transmission Revenues	31,231,848
Work and Services	706,063
Operating Costs	-11,640,113
Fixed Costs	-3,468,879
Depreciation	-7,340,947
Amortization of Intangible	-830,287
Administration and Sales Expenses	-1,038,538
Operating Income	19,259,260
Non-operating Income	-6,273,193
Income Tax	-2,998,578
Minority Interest	-46
Net income	9,987,443
R.A.I.I.D.A.I.E.*	28,099,283

PROFITABILITY

Ratios	As of March 31, 2007
Shareholders' Equity profitability	1.03%
Assets profitability	0.57%
Operating assets profitability	1.76%
Earnings per share (\$)	9,987

TRANSELEC S.A. AND SUBSIDIARY

Detailed Analysis of the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

C) BALANCE SHEET ANALYSIS

	As of March 31, 2007
	M\$
Current assets	348,040,907
Fixed assets	957,536,039
Other assets	448,920,799
Total assets	1,754,497,745
Current liabilities	39,697,226
Long term liabilities	744,402,519
Minority interest	4,779
Shareholders' equity	970,393,221
Total liabilities and shareholders' equity	1,754,497,745

VALUE OF THE MAIN FIXED OPERATING ASSETS

ASSETS	As of March 31, 2007
	M\$
Lands	15,205,326
Buildings and infrastructure, works in progress	690,239,551
Machinery and equipment	272,795,156
Other fixed assets	1,415,565
Accumulated depreciation (less)	-22,119,559
Total	957,536,039

As of March 31, 2007, the fixed assets are composed mainly of land, buildings, infrastructure works and machinery and equipment.

TRANSELEC S.A. AND SUBSIDIARY

Detailed Analysis of the Consolidated Financial Statements
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

DIFFERENCE BETWEEN THE BOOK VALUE AND THE ECONOMIC AND/OR MARKET VALUE OF THE MAIN ASSETS

Since the Company and its subsidiary's assets were valued at fair value in June 2006, in accordance with Technical Bulletin N° 72 of the Chilean Institute of Accountants, it is estimated that the book value of the fixed assets of the subsidiary Transelec Norte S.A. is 34.58% lower than the economic value and/or market value.

LIQUIDITY AND INDEBTEDNESS

RATIOS	As of March 31, 2007
Current Ratio	8.77
Acid-Test Ratio	1.74
Debt to Equity	0.81
% Short-term debt	5.06
% Long-term debt	94.94
Financial expenses coverage	3.03

D) MOST IMPORTANT CHANGES IN THE MARKET IN WHICH THE COMPANY PARTICIPATES

Company's business focuses mainly on commercialization of the electricity transmission and transformation capacity of its facilities in the SIC's and in the SING's trunk system with voltages equal to or higher than 154 kV. The Company and the Subsidiary owns in fact 100% of the 500 kV lines, 51.1% of the 220 kV lines and 94.5% of the 154 kV lines.

Law 19,940 (Short Law I) modified the General Electrical Services Law of 1982 in matters referring to electricity transmission and established the subdivision of the transmission network into three types of systems: trunk transmission, sub transmission and additional. As of March 13, 2004, Law 19,940 provides for a transition period that will be in force until the first rates are made public for the trunk transmission and sub transmission systems. In this manner, up to

TRANSELEC S.A. AND SUBSIDIARY

Detailed Analysis of the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

March 31, 2007, collection of funds and payment of transmission installations continued to be governed by the legal and regulatory framework in force before the publication of the Short Law. Remuneration received for the trunk transmission system is provisional and will be subject to a retroactive adjustment once the first trunk transmission study has been completed.

E) EXCHANGE RATE RISK

As of March 31, 2007, the Company and its Subsidiary had part of their debt at fair value denominated in US dollars due to the placement of bonds abroad in the amount of US\$505,969,633 (includes accrued interest), as well as other current liabilities in the amount of US\$39,400,247. The US dollars assets include a mercantile credit to Transelec Holding Rentas Limitada amounted to US\$29,776,631 (includes accrued interest), short-term investments in the financial market in the amount of US\$62,996,953 (includes interest earned), sundry debtors amounted US\$2,143,745, swap contracts at fair value in the amount of US\$234,282,021, intangibles in the amount of US\$10,083,862, lease contracts in the amount of US\$2,161,713, fixed assets in the amount of US\$180,870,991 and forward contracts in the amount of US\$17,400,000, which is lower than the respective liability denominated in US dollars by US\$ 5,653,964.

Exposure to the exchange rate variation is partially mitigated by the fact that the incomes from the tolls are expressed in US dollars and indexed semi-annually using indexation formulae that are partly linked to the US dollar.

Toll contracts are denominated in US dollars, but monthly invoices are expressed in the equivalent Chilean pesos, using the average monthly exchange rate for the observed dollar for approximately 92.9% of the contracts and the exchange rate for the observed dollar on the last day of the month for 5.2% of the contracts. The corresponding exchange rates are as follows:

EXCHANGE RATE

	<u>Average</u>	<u>Last day</u>
	2007	2007
January	540.51	545.18
February	542.27	538.42
March	538.49	539.37
Average for the Period	540.42	540.99

TRANSELEC S.A. AND SUBSIDIARY

Detailed Analysis of the Consolidated Financial Statements (Figures in thousands of Chilean pesos)

As of March 31, 2007

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

The indexation formulae applied semi-annually included in the toll contracts reflect the variations in the value of the installations and in the operating, maintenance and administrative costs. In general, these indexation formulae use the variations in the international prices of equipment and in the prices of national labor and materials.

F) MAIN CASH FLOWS DURING THE PERIOD

During the period between January 01, 2007 and March 31, 2007 positive net cash flow of ThCh\$4,015,518 were generated, mainly from operating activities ThCh\$8,494,916, disbursements for financing activities ThCh\$2,302,985 and disbursements for investment activities ThCh\$2,176,413.

During this period, the negative net cash flows of ThCh\$2,302,985 used in financing activities, is mainly due to the total capital payment of the UF Series A Bonds in March 2007 amounted to ThCh\$110,300,100, compensated by the issuance of the UF Series C Bonds in March 2007 for ThCh\$107,997,115.

A negative net cash flows of ThCh\$2,176,413 was generated from the investing activities, mainly due to additions to property, plant and equipment in the amount of ThCh\$1,980,930.

The effect of inflation on cash and cash equivalents was ThCh\$563,284 during this period.

The ending cash and cash equivalents balance as of March 31, 2007 was ThCh\$69,016,254, considering an initial balance of ThCh\$64,437,452.

TRANSELEC S.A. AND SUBSIDIARY

Essential Facts
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Transelec S.A.

During the period between January 1st and March 31st, 2007, and according with the General Standard N°30, the Company has informed to the *Superintendencia de Valores y Seguros (SVS)* about the following essential or relevant facts:

On January 31st 2007: the Company informed the SVS about the appointment of Mr. Andrés Kuhlmann Jahn, as the Company's new General Manager who would hold this position since March 1st, 2007.

On February 21st, 2007: the Company informed the SVS that an extraordinary shareholders' meeting was held on February 20th 2007, where the following matters were agreed:

- 1) To increase the equity capital in Chilean pesos equivalent to the amount of US\$14,156,270 (American dollars). For these purposes, the Article 5 and the Transitory Article 1 of Transelec S.A.'s bylaws were modified showing the increase of the equity capital previously described. Therefore, the new equity is \$942,160,997,384.
- 2) To approve the agreement's signature of a bridge loan for a maximum amount of UF6,000,000; all the operations related to obtaining such loan; the intended use or destiny of the funds obtained from such loan, and the payment of the Series A bonds, which would expire on March 1st, 2007. The approved proposal, which includes the debt, the documents related to the exchange operations and derived instruments, the agreements, the funds transfers, the investment of the surplus and any other agreement, operation or related bank transaction requested to carry out the indicated, shall not be necessary to be submitted to third parties.
- 3) Finally, the shareholders granted especial powers to represent the company when signing the indicated acts and agreements.

TRANSELEC S.A. AND SUBSIDIARY

Essential Facts
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

On March 16th, 2007 the Company informed the SVS that Transelec S.A.'s Board of Directors, at the event of its meeting held on March 15th, 2007, agreed on informing as an essential fact, the call to an extraordinary shareholders meeting to be held on April 26th, 2007 at 17:00 hrs, at the company's headquarters located in Apoquindo 3721, sixth floor, Las Condes.

The purpose of calling to such meeting is to notice the shareholders and request their approval about the following matters:

- 1) The Annual Report, The Balance Sheet, the Financial Statements and the External Auditors' Report, corresponding to the period finished on December 31st, 2006.
- 2) Distribution of the definitive dividends.
- 3) Policy of dividends and information about the procedures to be carried out for the payment.
- 4) Election of the Board of Directors.
- 5) Remuneration of the Board of Directors.
- 6) Appointment of the External Auditors.
- 7) Newspaper for calling to the Shareholders Meetings.
- 8) Other matters of interest for the Company and of the Shareholders' competence.

On March 29th, 2007, the Company informed the SVS that on March 21st, 2007, the company issued and placed the Series C bonds, which were charged on the Bonds Issuance Agreement for the 10 years Title Line for the amount of UF6,000,000.

Such bonds were placed for a term of 9.5 years, with duration of 8,1 years, a nominal interest rate of 3,5% and an IRR rate of 3.79% (price 97.72%). The total amount negotiated reached a total amount of \$107,997 millions. The companies *Citigroup (Chile) S.A. Corredores de Bolsa and Scotiabank Sud Americano* acted as the placing agents.

TRANSELEC S.A. AND SUBSIDIARY

Essential Facts
(Figures in thousands of Chilean pesos)

As of March 31, 2007

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

Transelec Norte S.A.

During the period between January 1st and March 31st, 2007, and according with the General Standard N°30, the Company has informed to the *Superintendencia de Valores y Seguros (SVS)* about the following essential or relevant facts:

On January 31st 2007: the Company informed the SVS about the appointment of Mr. Andrés Kuhlmann Jahn, as the Company's new General Manager who would hold this position since March 1st, 2007.

On March 16th, 2007 the Company informed the SVS that Transelec Norte S.A.'s Board of Directors, at the event of its meeting held on March 15th, 2007, agreed on informing as an essential fact, the call to an extraordinary shareholders meeting to be held on April 26th, 2007 at 17:30 hrs, at the company's headquarters located in Apoquindo 3721, sixth floor, Las Condes. The purpose of calling to such meeting is to notice the shareholders and request their approval about the following matters:

- 1) The Annual Report, The Balance Sheet, the Financial Statements and the External Auditors' Report, corresponding to the period finished on December 31st, 2006.
- 2) Distribution of the definitive dividends.
- 3) Policy of dividends and information about the procedures to be carried out for the payment.
- 4) Election of the Board of Directors.
- 5) Remuneration of the Board of Directors.
- 6) Appointment of the External Auditors.
- 7) Newspaper for calling to the Shareholders Meetings.
- 8) Other matters of interest for the Company and of the Shareholders' competence.