

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile

March 31, 2008 and 2007

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

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

March 31, 2008 and 2007

Index

Consolidated Financial Statements

Consolidated Balance Sheet	2
Consolidated Statement of Income.....	4
Consolidated Statement of Cash Flows.....	5
Notes to the Consolidated Financial Statements	7

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheet

As of March 31,

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

ASSETS		2008 ThCh\$	2007 ThCh\$
Current Assets			
Cash		611,880	4,109,355
Time deposits	Note 32	13,544,234	55,357,881
Securities	Note 4	11,298,406	-
Trade accounts receivable, net	Note 5	35,713,575	16,764,200
Miscellaneous receivables	Note 5	672,652	723,459
Notes and accounts receivable from related companies	Note 6	60,502,209	18,236,794
Inventories ,net		42,397	45,792
Recoverable taxes	Note 7	3,062,162	2,285,560
Prepaid expenses		425,881	543,086
Deferred taxes	Note 7	4,509,029	1,264,530
Other current assets	Note 8	965,442	16,028,631
Total current assets		131,347,867	115,359,288
Property Plant and Equipment			
Land		16,300,553	16,436,957
Buildings and infrastructure, works in progress		738,801,993	746,148,955
Machinery and equipment		301,578,172	294,891,564
Other property, plant and equipment		1,444,279	1,530,226
Accumulated depreciation (less)		(56,097,130)	(23,911,243)
Total property, plant and equipment		1,002,027,867	1,035,096,459
Other Assets			
Investments in other companies	Note 10	207,528	139,495
Goodwill	Note 11	322,816,483	257,898,815
Long-term receivables	Note 5	1,381,040	10,133,266
Notes and accounts receivable from related companies	Note 6	30,865,134	29,071,175
Long-term deferred taxes	Note 7	51,491,797	60,403,789
Intangibles	Note 12	147,822,428	149,540,418
Amortization of intangibles (less)	Note 12	(6,519,615)	(2,858,190)
Other	Note 13	9,347,788	10,027,388
Total other assets		557,412,583	514,356,156
Total Assets		1,690,788,317	1,664,811,903

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheet

As of March 31,

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

LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007
	ThCh\$	ThCh\$
Current Liabilities		
Bonds payable - short-term portion	Note 15 14,305,101	15,690,979
Accounts payable	51,938,182	15,045,189
Miscellaneous payables	1,002,658	8,004,577
Notes and accounts payable to related companies	Note 6 103,300	1,162,807
Provisions	Note 16 1,871,651	1,653,685
Withholdings	1,922,646	2,428,944
Income tax		111,272
Other liabilities	Note 14 <u>70,541,086</u>	<u>100,879</u>
Total current liabilities	<u>141,684,624</u>	<u>44,198,332</u>
Long-term Liabilities		
Long-term bonds payable	Note 15 730,970,008	776,385,291
Miscellaneous accounts payables	-	11,303,446
Provisions	Note 16 1,486,861	1,607,297
Other long-term liabilities	<u>1,505,869</u>	<u>15,403,088</u>
Total long-term liabilities	<u>733,962,738</u>	<u>804,699,122</u>
Minority interest	Note 18 <u>3,829</u>	<u>108,055</u>
Shareholders' Equity		
Paid-in capital	787,827,868	785,225,691
Reserve for revaluation of shares	6,302,623	9,322,920
Retained earnings	8,965,304	13,550,093
Net income	<u>12,041,331</u>	<u>7,707,690</u>
Total Shareholders' Equity	<u>815,137,126</u>	<u>815,806,394</u>
Total Liabilities and Shareholders' Equity	<u>1,690,788,317</u>	<u>1,664,811,903</u>

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Income

Periods ended March 31,

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

	2008	2007
	ThCh\$	ThCh\$
Operating Income		
Revenue	39,714,461	34,524,882
Cost of sales (less)	(12,404,871)	(12,582,962)
Gross margin	27,309,590	21,941,920
Administrative and sales expenses	(1,473,944)	(1,122,700)
Net operating income	25,835,646	20,819,220
Non-operating Income		
Financial income	1,576,863	1,372,931
Other non-operating income	Note 20 111,013	608,774
Financial expenses	(8,073,780)	(9,129,780)
Amortization of goodwill (less)	Note 11 (1,803,880)	(3,369,845)
Other non-operating expenses	Note 20 (173,199)	(77,807)
Price-level restatement, net	Note 21 (1,189,721)	(148,802)
Foreign currency translation, net	Note 22 (37,129)	243,089
Non-operating income	(9,589,833)	(10,501,440)
Income before income taxes	16,245,813	10,317,780
Income taxes	Note 7 (4,204,442)	(2,609,018)
Income before minority interest	12,041,371	7,708,762
Minority interest	Note 18 (40)	(1,072)
Net Income	12,041,331	7,707,690

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the period ended March 31,

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

	2008	2007
	ThCh\$	ThCh\$
Cash Flows from Operating Activities		
Net Income of the period	12,041,331	7,707,690
Charges (credits) to income that do not represent cash flows		
Depreciation for the period	Note 9 8,325,367	8,020,376
Amortization of intangibles	Note 13 921,266	897,540
Amortization of goodwill	Note 11 1,803,880	3,369,845
Price-level restatement, net	Note 21 1,189,721	148,802
Foreign currency translation, net	Note 22 37,129	(243,088)
Other credits to income other than cash flows	(1,404,582)	(2,065,832)
Other charges to income other than cash flows		212,787
Trade accounts receivable	(12,351,849)	(4,108,888)
Inventories	339	167
Other assets	(74,410,694)	(521,019)
Accounts payable related to operating income	43,680	(11,201,066)
Interest payable	5,501,571	5,668,712
Income taxes payable	3,958,260	910,348
Value Added Tax and other taxes	20,795	385,310
Other liabilities non related to operating income	70,387,226	
Minority Interest	Note 18 40	1,131
Net cash provided by operating activities	16,063,480	9,182,815

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

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the period ended March 31,

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

Cash Flows from Financing Activities	2008	2007
	ThCh\$	ThCh\$
Bond Payable	(632,526)	116,744,881
Payment of loans		(119,234,408)
Payment of dividends		
Net cash (used in) provided by financing activities	<u>(632,526)</u>	<u>(2,489,527)</u>
Cash Flows from Investing Activities		
Collection of related companies loans	-	45,188,352
Purchase of property, plant and equipment (less)	(3,236,929)	(2,141,385)
Payment of capitalized interests (less)	(256,287)	(338,469)
Other loans to related companies (less)	(18,099,449)	(45,061,201)
Net cash flows used in investing activities	<u>(21,592,665)</u>	<u>(2,352,703)</u>
Total Net Cash Flows for the Period	(6,161,711)	4,340,585
Effect of Inflation and Currency Translation on Cash and Cash Equivalents	(1,200,215)	541,446
Net Change Increase in Cash and Cash Equivalent	(7,361,926)	4,882,031
Cash and Cash Equivalents, Beginning of the Period	32,816,446	69,813,861
Cash and Cash Equivalents, End of the Period	<u>25,454,520</u>	<u>74,695,892</u>

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
For the period ended March 31, 2008 and 2007

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

Note 1 - Business Description, Registration in the Securities Registry

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., becoming a corporation. On June 30, 2007 it changed to its current name, Transelec S.A

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

The subsidiary Transelec Norte S.A. was listed as number 939 in the Registry of Instruments of the Superintendency of Securities and Insurance (“SVS”).

The Company has the exclusive objective of exploiting and developing electric systems, on its own, or on behalf 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: commercialization of the capacity to transport electricity of the lines and the capacity of the substations and equipment associated with them in order for the generating utilities, both national and foreign, be able to transmit the electrical energy they produce and have it reach their withdrawals; providing engineering or management consulting services related with the business line of the company; 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.

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. (former 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 (former 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 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 1st and March 31st, 2008 and 2007.

b) Basis of preparation

The consolidated financial statements 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.

The proforma consolidated financial statements as of March 31, 2007, consist of the consolidated financial statements of Rentas Eléctricas III Limitada (currently Transelec S.A.), which were not filed with the SVS because at that time the entity was a limited liability company. This reorganization incorporates within the new Transelec S.A. (formerly Rentas Eléctricas III Limitada) all the activities carried out at that time by Transelec S.A. and its subsidiary (these activities are currently carried out by the merger of the companies Rentas Eléctricas III S.A. and Transelec S.A. as of June 30, 2007).

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 from the previous year were restated off the balance sheet by the percentage variation of the Consumers Price Index for the twelve-month period ended on March 31, 2008, which was 8.1%.

d) Basis of consolidation

With respect to this investment, the difference between the accounting value and the equity value in United States dollars for the subsidiary has been recorded as a charge to Cumulative Translation Adjustment in the account Other Equity Reserves.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

d) Basis of consolidation (continued)

The Company has considered, as allowed by Technical Bulletin No. 64 of Chilean Association of Accountants, bonds issued abroad up to an amount of US\$30,002,000 as a hedge instrument of the risk of fluctuations in the exchange rate. Foreign currency translation, net of price-level restatement, has been registered against Cumulative Translation Adjustment, in the account Other Equity Reserves.

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

Corporation	Direct Participation	
	2007	2006
	%	%
Transelec Norte S.A.	99.99	99.99

e) 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 0.8% in the period 2008 (0.2% in the period 2007). In addition, income and expense accounts have been restated to their end of period values.

f) 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, 2008 and 2007 as follows:

	\$ per unit	
	03/31/2008	03/31/2007
Unidad de Fomento	19,822.53	18,372.97
United States dollar	437.71	539.21
Euro	690.94	720.00

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

g) Time deposits

Investments in time deposits include capital plus price-level restatement and interest accrued as of March 31, 2008 and 2007.

h) Securities

This item includes mutual funds valued at market price at period-end.

i) Allowance for doubtful accounts

The Company estimates that it requires no allowance for doubtful accounts as of March 31, 2008 and 2007.

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 as of March 31, 2008. Financing costs for property, plant and equipment at construction sites are capitalized during the construction period. During the period ended March 31, 2008, financial costs amounting to ThCh\$ 256,287 (ThCh\$ 338,469 in the period 2007) have been capitalized.

k) 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.

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 debtors.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

m) 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, 2008. 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.

n) Goodwill

This account includes goodwill from the acquisition of shares of the shares of HQI Transelec Chile S.A. (dissolved company), and Transelec Norte 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 40 years period. This period was authorized by the SVS on July 23rd, 2007, through Official Letter No. 7749.

As of March 31st, 2008, goodwill was increased in ThUS\$160,808 because of the accrued adjustment of the price of the shares of HQI Transelec Chile S.A to be paid to Hydro-Québec (HQ) and IFC (former owners of Transelec), in accordance with the Share Purchase Agreements among HQ, IFC and Rentas Eléctricas IV Ltda. (current Transelec S.A.), signed on June 30th, 2006. The process to calculate the amount of this adjustment was triggered by the publication, on January 15, 2008, of the Decree 207 of the Ministerio de Economía, Fomento y Reconstrucción, that establishes the trunk transmission facilities, the shared influence area, the annual transmission value per branch, the indexation formulae for the period 2007-2010, Indeed, the amount of the referred price adjustment was fixed considering the difference between the valorization of certain trunk transmission assets included in that Decree and the corresponding value considered in the Share Purchase Agreement

o) Resale agreements

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

p) 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, 2008. 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

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, 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.

r) 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.

s) 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.

t) 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.

u) 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.

v) 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 2 - Summary of Significant Accounting Policies (continued)

w) Computer software

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

x) 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.

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.

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, 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

As mentioned in Note 2 b), the effects of the reorganization are reflected in the accounting of these proforma financial statements as of March 31, 2007, presented for comparison purposes as if the reorganization had already occurred as of March 31, 2007.

During the period between January 1, 2008 and March 31, 2008, there were no other accounting changes that could significantly affect the interpretation of these financial statements.

Note 4 - Securities

The detail of securities is as follows:

	2008	2007
	ThCh\$	ThCh\$
Scotiabank	3,417,869	-
Banco Itau	482,789	-
Banco Crédito e Inversiones	540,483	-
Banchile	6,857,265	-
Total	11,298,406	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 4 – Securities (continued)

Composition of the balance:

Instruments	2008 ThCh\$	2007 ThCh\$
Shares	-	-
Bonds	-	-
Mutual Funds	11,298,406	-
Total	11,298,406	-

Note 5 - Short and Long-term Receivables

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

	2008 ThCh\$	2007 ThCh\$
Trade accounts receivable from tolls	35,713,575	16,764,200
Total	35,713,575	16,764,200

The following table details receivables up to 90 days, which include the accrued, but not paid, receivables for the invoiced tolls and revenues corresponding to March 2008, as well as the reassessment of the trunk transmission tolls corresponding to the year ended December 31, 2007. This last provision, amounted to ThC\$7,796,472, is aligned with the Decree 207 published on January 15, 2008, and the 2007 Toll Report issued by CDEC-SIC in March 2008. This decree established a period of 120 days for the CDEC-SIC to issue the reassessment reports for the period amid March 13, 2004 and December 31, 2006; thus, this reassessment is still outstanding.

The following table also details receivables between 90 days and 1 year old, which include the accrued receivables for the differences related to tariff income of ThCh\$19,017,410 as of March 31, 2008 (ThCh\$ 7,514,524 in 2007). In the other hand, short-term payables include the accrued payable for differences related to tariff income of ThCh\$26,221,614 (ThCh\$ 8,004,577 in 2007). It should be noticed that this last March 2008 payable includes a reassessment with Endesa, related with tolls of the trunk system for the year ended December 31, 2007, amounted to ThCh\$2,346,472.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

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

Short and long-term receivables

	Up to 90 days		Current		Subtotal	Total Current (net)		Long term	
	03/31/2008	03/31/2007	90 days to one year			03/31/2008	03/31/2007	03/31/2008	03/31/2007
			03/31/2008	03/31/2007					
Trade accounts receivable	16,696,165	9,249,676	19,017,410	7,514,524	35,713,575	35,513,575	16,764,200	-	-
Miscellaneous receivables	672,652	723,459	-	-	672,652	672,652	723,459	1,381,040	10,133,266
Total								1,381,040	10,133,266

Note 6 - Balances and Transactions with Related Companies

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

a) Notes and accounts receivable

Rentas Eléctricas I Limitada

The balance is related to expenses and payments made on account of Rentas Eléctricas I Limitada for ThCh\$ 63,476.

Transelec Holdings Rentas Limitada

The balance as of March 31, 2008 is mainly due to a series of loans credited as a mercantile account amounted to ThCh\$31,475,118 (ThCh\$18,236,794 in 2007).

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

There are some credits in “Mercantile current account” in Chilean pesos for an accumulated amount as of March 31, 2008 for ThCh\$ 28,871,744, which generate interest of 6.5% considering a 360-day year.

In addition it includes one long-term loan granted on December 15, 2006 amounting to UF 1,436,230.55 as of March 31, 2008 which corresponds to ThCh\$30,865,134 (ThCh\$ 29,071,175 in 2007). This loan is expressed in UF and it generates annual interest of 6.5% considering a 360-day year.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

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

a) Notes and accounts receivable (continued)

ETC Holdings Ltd.

The accounts receivable corresponds to expenses and payments made on behalf of ETC Holdings Ltd. for ThCh\$91,871 (ThCh\$0 in 2007).

Taxpayer ID	Company	Relationship	Transaction description	Current	Current	Long-term	Long-term
				03/31/2008	03/31/2007	03/31/2008	03/31/2007
				ThCh\$	ThCh\$	ThCh\$	ThCh\$
76559580-0	Rentas Eléctricas I Limitada	Parent	Expenses / several Payments	63,476	5,519	-	-
76560200-9	Transelec Holdings Rentas Limitada	Parent	Expenses / several Payments	60,346,862	18,231,275	30,865,134	29,071,175
0-E	ETC Holding Ltd.	Parent	Loans	91,871	-	-	-
Total				60,502,209	18,236,794	30,865,134	29,071,175

b) Notes and accounts payable

The balance corresponds to payments made on behalf of ETC Holdings Ltd. by ThCh\$103,300 (ThCh\$0 for period ended March 31, 2007).

Transelec Holdings Rentas Limitada

The balance amounted to ThCh\$ 1,162,807 for the period ended March 31, 2008, corresponds to part of the accrued interest for the loan granted on June 30, 2006, for ThUS\$ 400,000 and accrued a yearly interest of 6.24%.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
For the period ended March 31, 2008 and 2007

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

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

b) Notes and accounts payable (continued)

Taxpayer ID	Company	Relationship	Transaction description	Current 03/31/2008 ThCh\$	Current 03/31/2007 ThCh\$
76.560.200-9	Transec Holdings Rentas Limitada	Parent	Interests	-	1,162,807
0-E	ETC Holding Ltd	Parent	Expenses / several Payments	103,300	-
	Total			103,300	1,162,807

c) Transactions with related companies

The following is the balance and most important transactions with related companies:

Company	Taxpayer ID	Relationship	Description of the Transaction	03/31/2008		03/31/2007	
				Amount	Effect on Income (Charge)/Credit	Amount	Effect on Income (Charge)/Credit
Transec Holdings Rentas Ltda.	76.560.200-9	Parent	Loan Granted	18,535,194	-	16,472,762	-
Transec Holdings Rentas Ltda.	76,560,200-9	Parent	Interest Earned	718,386	(718,386)	-	-
Transec Holdings Rentas Ltda.	76,560,200-9	Parent	Services Rendered	1,200,507	-	1,758,514	-
Rentas Eléctricas I Ltda.	76,559,580-0	Indirect Parent	Loans Granted	32,987	-	-	-
Rentas Eléctricas I Ltda.	76,559,580-0	Indirect Parent	Interest Recovered	907	(907)	-	-
Rentas Eléctricas I Ltda.	76,559,580-0	Indirect Parent	Services Rendered	-	-	5,519	-
ETC Holdings Ltd.	0-E	Indirect Parent	Miscellaneous payment	53,410	-	-	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 7 - Current and Deferred Income Taxes

a) General information

As of March 31st, 2008, the Company has not accrued any income tax because there is a tax loss of ThCh\$ 25,454,481. In 2007, there was an accrual for income tax of ThCh\$ 717,362, calculated on a base of ThCh\$4,219,743

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

As of March 31, 2008, the Company's subsidiary has established an income tax provision of ThCh\$95,477 (ThCh\$125,589 in the period 2007) considering taxable income of ThCh\$561,627 (ThCh\$738,516 in the period 2007),

As of March 31, 2008, the provision is shown in Current Assets under the item Recoverable taxes, according to the following detail:

Recoverable Taxes	03/31/2008 ThCh\$	03/31/2007 ThCh\$
Income tax	(447,912)	(1,267,024)
Article 21 income tax	(23,398)	(10,462)
Subtotal	(471,310)	(1,277,486)
Monthly Provisional payments	3,533,472	3,563,046
Total	3,062,162	2,285,560

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 p), deferred taxes have been restated as of March 31, 2008 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 For the period ended March 31, 2008 and 2007

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

Note 7 - Current and Deferred Income Taxes (continued)

b) Deferred taxes (continued)

<u>Description</u>	<u>31/03/2008</u>				<u>03/31/2007</u>			
	Deferred tax assets		Deferred tax Liabilities		Deferred tax assets		Deferred tax Liabilities	
	Short-term	Long-term	Short-term	Long-term	Long-term	Long-term	Short-term	Long-term
Temporary Differences	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Staff vacation accrual	96,620	-	-	-	111,800	-	-	-
Property, plant and equipments ex-leasing	-	59,030	-	-	-	13,415	-	-
Depreciation	-	-	-	-	-	-	-	10,718,845
Staff severance indemnities	-	-	-	222,413	-	-	-	234,455
Other events	73,347	77,823	-	-	86,262	-	-	-
Tax Loss	4,327,262	-	-	-	1,064,029	-	-	-
Revenue for price placement of bonds	-	269,712	-	-	-	286,147	-	-
Revaluation of Property, Plant and Equipment (absorption)	-	48,283,905	-	-	-	67,084,096	-	-
Fair value Bonds and Swap	-	4,078,782	-	-	-	5,349,359	-	-
Discount from bond placement	-	263,078	-	-	-	-	-	-
Forward contracts	11,800	-	-	-	2,439	-	-	-
Expenses for placement bonds	-	-	-	1,318,120	-	-	-	-
Total	4,509,029	53,032,330	-	1,540,533	1,264,530	72,733,017	-	12,329,228

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
For the period ended March 31, 2008 and 2007

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

Note 7 - Current and Deferred Income Taxes (continued)

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	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
Income tax expense (income tax provision)	(102,701)	(1,277,486)
Effect of deferred tax on assets or liabilities for the period	-	430,760
Effect of deferred tax on assets or liabilities for the period	(4,101,741)	(1,762,292)
Total	(4,204,442)	(2,609,018)

Note 8 - Other Current Assets

The detail of the other current assets is as follows:

	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
Resale agreements	-	15,228,656
Bond issuance expenses	536,894	746,433
Discount from bond placement	262,969	-
Other	165,579	53,542
Total	965,442	16,028,631

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 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 2008 amounted to ThCh\$8,325,327 (ThCh\$ 8,020,376 in the period 2007), of which ThCh\$8,216,195 (ThCh\$7,935,564 in the period 2007) was charged to Cost of sale and ThCh\$109,172 (ThCh\$ 84,812 in the period 2007) was charged to Sales and administrative expenses,

Description	03/31/2008			03/31/2007		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	16,300,553	-	16,300,553	16,436,957	-	16,436,957
Buildings and infrastructure						
Buildings	13,741,084	(658,065)	13,083,019	13,187,223	(352,014)	12,835,209
Access roads	603,843	(15,656)	588,187	235,261	(4,406)	230,855
Lines	567,503,121	(25,850,233)	541,652,888	580,607,184	(8,967,681)	571,639,503
Houses and apartments	89,710	(3,923)	85,787	89,797	(1,682)	88,115
Non-hydraulic civil projects	114,469,326	(5,332,060)	109,137,266	111,779,223	(2,660,417)	109,118,806
Works in progress	42,394,909	(658,065)	42,394,909	40,250,267	-	40,250,267
Total Buildings and infrastructure	738,801,993	(31,859,937)	706,942,056	746,148,955	(11,986,200)	734,162,755
Machinery and equipment						
Telecommunications equipment	7,450,813	(1,479,967)	5,970,846	6,471,941	(943,459)	5,528,482
Furniture, machinery and office equipment	147,799	(34,142)	113,657	142,597	(10,469)	132,128
Service furniture and equipment	41,890	(4,795)	37,095	27,475	(1,825)	25,650
Tools and instruments	1,275,684	(140,155)	1,135,529	1,167,564	(60,746)	1,106,818
Power generation unit	1,121,618	(131,685)	989,933	1,073,973	(64,792)	1,009,181
Electrical equipment	256,131,731	(15,227,796)	240,903,935	253,119,148	(7,694,667)	245,424,481
Mechanical, protection and measurement	32,104,870	(6,097,422)	26,007,448	30,499,733	(2,835,690)	27,664,043
Transport and loading equipment	367,556	(82,565)	284,991	362,318	(35,029)	327,289
Computers	716,170	(310,138)	406,032	513,321	(100,656)	412,665
Software	2,220,041	(728,528)	1,491,513	1,513,494	(177,710)	1,335,784
Total machinery and equipment	301,578,172	(24,237,193)	277,340,979	294,891,564	(11,925,043)	282,966,521
Subtotal property, plant, and equipment	1,056,680,718	(56,097,130)	1,000,583,588	1,057,477,476	(23,911,243)	1,033,566,233
Other property, plant and equipment						
Construction materials	1,444,279	-	1,444,279	1,530,226	-	1,530,226
Total Other property, plant and equipment	1,444,279	-	1,444,279	1,530,226	-	1,530,226
Total property, plant, and equipment	1,058,124,997	(56,097,130)	1,002,027,867	1,059,007,702	(23,911,243)	1,035,096,459

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 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 6,25% 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, 2008 is ThCh\$ 37,451 (ThCh\$ 17,458 in the period 2007), It also includes the Subsidiary's 14,29% 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, 2008 is ThCh\$170,077 (ThCh\$122,037 in the period 2007).

Taxpayer No.	Company	Ownership interest percentage	Book value	Book value
			03/31/2008 ThCh\$	03/31/2007 ThCh\$
77286570-8	CDEC – SIC LTDA	6.25	37,451	17,458
77345310-1	CDEC – SING LTDA	14.29	170,077	122,037
Total			207,528	139,495

Note 11 - Goodwill

a) Goodwill is summarized as follows:

	03/31/2008 ThCh\$	03/31/2007 ThCh\$
Goodwill of HQI Transelec Chile S.A. acquisition	269,260,963	269,534,028
Provision level adjustment	70,387,226	-
Transelec Norte	-	1,598
Less: Amortization of goodwill	<u>(16,831,706)</u>	<u>(11,636,811)</u>
Total	<u>322,816,483</u>	<u>257,898,815</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 11 - Goodwill (continued)

- a) 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, As of March 31, 2008, the Company increased goodwill through a provision amounted to ThUS\$160,808 due to the price adjustment related to the "VI Adjustment" considered in the Share Purchase Agreements among HQ, IFC and Rentas Eléctricas IV Ltda (currently Transelec S.A) .

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

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	03/31/2008		03/31/2007	
		Amortization during the period ThCh\$	Balance of goodwill ThCh\$	Amortization during the period ThCh\$	Balance of goodwill ThCh\$
77,498,870-K	Transelec S.A.	1,803,880	322,816,483	3,369,782	257,897,217
92,512,950-6	Transelec Norte S.A.	-	-	63	1,598
	Total	1,803,880	322,816,483	3,369,845	257,898,815

Note 12 - Intangibles

Intangibles are summarized as follows:

	03/31/2008 ThCh\$	03/31/2007 ThCh\$
Rights-of-way	147,822,428	149,541,418
Less: Accumulated amortization	(6,519,615)	(2,858,190)
Total	141,302,813	146,682,228

The amortization charge to income amounted to ThCh\$ 921,266 (ThCh\$ 897,540 in the period 2007),

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 13 - Other Assets

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

	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
Discount in issuance bonds UF	1,950,357	2,214,195
Deferred expenses bonds UF series C	1,849,683	-
Deferred expenses bonds UF series D	5,367,071	7,575,141
Deferred expenses from general facilities	140,100	212,759
Other	40,577	25,293
Total	9,347,788	10,027,388

Note 14 - Other current liabilities

The balance as of March 31st, 2008 is mainly due to a provision amounted to ThUS\$160,808 for the accrued adjustment of the price of the shares of HQI Transelec Chile S.A to be paid to Hydro-Québec (HQ) and IFC (former owners of Transelec), in accordance with the Share Purchase Agreements among HQ, IFC and Rentas Eléctricas IV Ltda. (current Transelec S.A.) and the Decree N°207 of the Ministerio de Economía, Fomento y Reconstrucción, published on January 15, 2008, that includes the results of the first Trunk Tariff process. Indeed, the amount of the referred price adjustment was fixed considering the difference between the valorization of certain trunk transmission assets included in that Decree and the corresponding value considered in the Share Purchase Agreement.

Note 15 - 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 UF 10,000,000 with the Superintendency of Securities and Insurance Companies under number 249. Of this amount, UF 9,200,000 were finally placed on April 11, 2001.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 15 - 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):

As of March 31st, 2008, 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 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).

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).

Capital amortization: Series A, in a single installment, 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 15 - 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):

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 during the period ended on March 31st, 2008 amounts to ThCh\$316,348 (ThCh\$ 1,835,464 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.

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

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

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

As of March 31st, 2008, the risk ratings obtained are the following:

Rating Agency	Rating
Standard and Poor's Rating Group	BBB-
Fitch Ibc, 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 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 during the period ended on March 31st, 2008 amounts to ThCh\$7,652,445 (ThCh\$ 10,190,544 in 2007) and is presented in Current liabilities.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

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

- 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.

As of March 31st, 2008, 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 (UF 13,500,000).

- Series D: Up to UF13,500,000, 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 recapture: 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 during the period ended on March 31st, 2008 amounts to ThCh\$3,313,926 (ThCh\$ 3,320,390 in 2007) 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' Securities Registry.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 15 - 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 31st, 2008, 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 recapture: 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, 2008 amounts to ThCh\$343,911 (ThCh\$ 344,582 in 2007) 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' Securities Registry.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 15 - 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 03/31/2008 ThCh\$	Par value 03/31/2007 ThCh\$	Placement in Chile or abroad
						Interest payment	Amortization payment			
Short-term portion of long-term bonds										
249	B1	997	UF	6.2%	09/01/2008	SEMIANNUALLY	SEMIANNUALLY	19,763	20,215	CHILE
249	B2	14,962	UF	6.2%	09/01/2008	SEMIANNUALLY	SEMIANNUALLY	296,585	302,623	CHILE
First issuance	Single	17,482,910	US\$	7.88%	04/15/2008	SEMIANNUALLY	AT THE END	7,652,445	10,190,544	ABROAD
SWAP contracts	5 Contracts	71,123	UF	6.94%	04/14/2008	SEMIANNUALLY	AT THE END	1,409,829	241,512	CHILE
249	B1	2,000	UF	6.2%	03/01/2009	SEMIANNUALLY	SEMIANNUALLY	39,645	39,722	CHILE
249	B2	30,000	UF	6.2%	03/01/2009	SEMIANNUALLY	SEMIANNUALLY	594,676	595,835	CHILE
249	B1	2,000	UF	6.2%	09/01/2008	SEMIANNUALLY	SEMIANNUALLY	39,645	39,722	CHILE
249	B2	30,000	UF	6.2%	09/01/2008	SEMIANNUALLY	SEMIANNUALLY	594,676	595,835	CHILE
481	D	167,180	UF	4.25%	06/15/2008	SEMIANNUALLY	AT THE END	3,313,926	3,320,390	CHILE
480	C	17,350	UF	3.50%	09/01/2008	SEMIANNUALLY	AT THE END	343,911	344,581	CHILE
Total - short-term portion								14,305,101	15,690,979	
Long-term bonds										
249	B1	192,000	UF	6.2%	03/01/2022	SEMIANNUALLY	SEMIANNUALLY	4,338,747	4,397,048	CHILE
249	B2	2,880,000	UF	6.2%	03/01/2022	SEMIANNUALLY	SEMIANNUALLY	65,081,206	66,965,592	CHILE
First issuance	Single	465,000,000	US\$	7.88%	04/15/2011	SEMIANNUALLY	AT THE END	211,286,569	284,732,077	ABROAD
481	D	13,500,000	UF	4.25%	12/15/2027	SEMIANNUALLY	AT THE END	267,604,155	268,125,938	CHILE
480	C	6,000,000	UF	3.50%	09/01/2016	SEMIANNUALLY	AT THE END	118,935,180	119,167,083	CHILE
SWAP contracts	2 Contracts	3,473,602	UF	7.01%	04/14/2011	SEMIANNUALLY	AT THE END	28,496,489	14,497,8831	CHILE
SWAP contracts	2 Contracts	2,303,243	UF	6.94%	04/14/2011	SEMIANNUALLY	AT THE END	17,521,477	7,755,693	CHILE
SWAP contracts	1 Contract	1,906,538	UF	6.81%	04/14/2011	SEMIANNUALLY	AT THE END	17,706,185	10,743,977	CHILE
Total - Long-term								730,970,008	776,385,291	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 16 - Provisions and Write-Offs

Provisions at each period-end are as follows:

	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
a) Short-term provisions		
Staff severance indemnities (Note 17)	440,567	282,539
Accrued payroll	862,733	702,181
Vacation Provision	568,351	657,413
Accrued fee	-	11,552
	1,871,651	1,653,685
Total	1,871,651	1,653,685
b) Long-term provisions		
Staff severance indemnities (Note 17)	1,486,861	1,607,297
	1,486,861	1,607,297
Total	1,486,861	1,607,297

Note 17 - Staff Severance Indemnities

The change in staff severance indemnities is as follows:

	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
Opening balance	1,943,039	1,852,276
Price-level restatement, net	15,616	3,779
Provisions	66,667	33,781
Payments	(97,894)	-
	1,927,428	1,889,836
Total	1,927,428	1,889,836
Short-term	440,567	252,539
Long-term	1,486,861	1,607,297
	1,927,428	1,859,836
Total	1,927,428	1,859,836

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 18 - Minority Interest

- a) As per March, 31 2008, the Minority Interest is the participation of the other shareholder according to the following detail:

	Equity		Participation		Participation	
	03/31/2008	03/31/2007	03/31/2008	03/31/2007	03/31/2008	03/31/2007
	ThCh\$	ThCh\$	%	%	ThCh\$	ThCh\$
Transelec Holdings Rentas Ltda.	38,351,229	1,048,995,072	0.01%	0.01%	3,829	108,055

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

	Result of the period		Participation percentage		Participation	
	03/31/2008	03/31/2007	03/31/2008	03/31/2007	03/31/2008	03/31/2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Transelec Holdings Rentas Ltda.	464,185	10,796,426	0.01%	0.01%	40	1,072

Note 19 - Shareholders' Equity

Equity accounts had the following movement for the years periods ended March 31, 2008 and 2007:

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, 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 19 - Shareholders' Equity (continued)

On June 15, 2006, Brookfield Asset Management Inc. sold, ceded and transferred to Rentas Eléctricas II Ltda., 99.0% of the Company's equity interests for US\$1,584. Brookfield Power Inc. sold, ceded and transferred to Rentas Eléctricas II Ltda., 0.99% of the Company's equity interests for US\$15.84. Brookfield Power Inc. sold, ceded and transferred to Rentas Eléctricas I Ltda., 0.01% of the Company's equity interests 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 proportionately to their participation in the Company, US\$14,154,854 and US\$1,416, respectively. As of June 30, 2007, those contributions were fully paid.

As per public deed dated March 26, 2007, the Company was transformed from a limited liability company to a corporation, under the name Rentas Eléctricas III S.A., with capital amounting to ThCh\$733,545,500, divided in 1,000,000 common shares, with no par value. The referred capital is entirely subscribed to and paid in full by the following Shareholders: 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

According to the first ordinary meeting of Stockholders, occurring April 30, 2007, there was an agreement 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. On September 30, 2007 this dividend was fully paid.

In the third extraordinary Board meeting, which occurred on May 04, 2007, there was an agreement to distribute an interim dividend of ThCh\$7,130,147 (historical value). This will be charged to income for the period between January 1 and March 31, 2007. This was paid beginning May 14, 2007. As of September 30, 2007, this dividend was fully paid.

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 19 - Shareholders' Equity (continued)

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.

The Company's equity as of March 31, 2008 is as follows:

Changes in Equity	Paid Capital ThCh\$	Reserve for revaluation of shares ThCh\$	Accumulated Results ThCh\$	Interim Dividends ThCh\$	Net Income ThCh\$	Total Equity ThCh\$
Opening Balance as of January 01,2007	726,388,243	7,157,257	-	(2,338,890)	14,848,646	746,055,256
Income distributed previous period	-	-	12,509,756	2,338,890	(14,848,646)	-
Price-level restatement of capital	-	1,467,091	25,020	-	-	1,492,111
Net income	-	-	-	-	7,130,148	7,130,148
Final Balance as of March 31, 2007	726,388,243	8,624,348	12,534,776	-	7,130,148	754,677,515
Updated for comparative purposes	785,225,691	9,322,920	13,550,093	-	7,707,690	815,806,394
Opening Balance as of January 01,2008	787,827,868	-	87,568	(22,880,086)	31,686,669	796,722,019
Income distributed previous period	-	-	8,806,583	22,880,086	(31,686,669)	-
Price-level restatement of capital	-	6,302,623	71,153	-	-	6,373,776
Net income	-	-	-	-	12,041,331	12,041,331
Final Balance as of March 31, 2008	787,827,868	6,302,623	8,965,304	-	12,041,331	815,137,126

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

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 20- Other Non-operating Income and Expenses

a) Other non-operating income

These are summarized as follows:

	03/31/2008 ThCh\$	03/31/2007 ThCh\$
a) Other non-operating income		
Prior year income	110,383	109
Miscellaneous exceptional gains	630	271,209
Gain on sale of material	-	337,456
Total	111,013	608,774
b) Other non-operating expenses		
Prior year expenses	(18,975)	(13,289)
Directors' fees	(10,111)	(50,357)
Loss: Property, Plant, and Equipment write offs	(84,304)	(710)
Provision for obsolescence Property Plant and Equipment	(9,422)	-
Amortization of prepaid expenses	(13,239)	(13,247)
Fiscal and judicial fines	(37,148)	(204)
Total	(173,199)	(77,807)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 21 - Price-level Restatement

Price-level Restatement generated a net charge to income for the period ended March 31, 2008 of ThCh\$1,189,721 and a net credit to income of ThCh\$148,802, for the period ended March 31, 2007, detailed as follows:

ASSETS (CHARGES) / CREDITS	Indexation	03/31/2008 ThCh\$	03/31/2007 ThCh\$
Inventories	CPI	11,544	-
Property, plant and equipment	CPI	7,489,279	1,851,819
Investments in related companies	CPI	349,888	2,473,954
Notes and accounts receivable from related companies	CPI	840,128	178,333
Goodwill	CPI	2,017,723	521,595
Deferred taxes	CPI	477,004	126,609
Interim Dividend	CPI	-	5,057
Rights-of-way	CPI	1,170,545	285,116
Cash and banks	CPI	60,152	32,673
Other no monetary assets	CPI	93,397	36,695
Expense and costs accounts	CPI	42,385	(4,606)
Total (charges) credits		12,552,045	5,507,245
LIABILITIES (CHARGES) / CREDITS			
Shareholder's equity	CPI	(6,373,776)	(3,690,281)
Bonds payable	UF	(7,259,823)	(1,462,867)
Notes and accounts payable to related companies	UF	-	(514,705)
Non-Monetary liabilities	CPI	(6,698)	509
Income accounts	CPI	(101,469)	11,297
Total (charges) credits		(13,741,766)	(5,656,047)
Gain from price-level restatement		(1,189,721)	(148,802)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 22 - Foreign Currency Translation

The effects of foreign currency translation during the period ended March 31, 2008, amounted to ThCh\$ 37,129 and a net credit to income of ThCh\$243,089 and is summarized as follows:

	Currency	03/31/2008	03/31/2007
Assets (charges) / credits	ThCh\$	ThCh\$	ThCh\$
Time Deposits	Dollar	107	366,436
Banks	Dollar	(1,013,188)	(104,074)
Notes and accounts receivable related companies	Dollar	(8,839,386)	869,350
Investments in related companies	Dollar	(5,474,330)	546,020
Forward contracts	Dollar	(754,292)	146,914
Accounts receivable	Dollar	(5,298)	1,056
Total (charges) credits		(16,086,387)	1,825,702
Liabilities (charges) credits			
Notes and accounts payable to related companies	Dollar	-	(14,707)
Bonds payable	Dollar	30,500,126	(3,000,779)
Swap contracts	Dollar	(14,430,167)	1,368,706
Leasing contracts	Dollar	(124,113)	16,052
Accounts payable	Dollar	103,412	48,115
Total (charges) credits		16,049,258	(1,582,613)
Total Foreign Currency Translation (charges) credits		(37,129)	243,089

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 23 - 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.

	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
Composition		
Placement and issuance expense	7,887,561	10,650,276
Less: Amortization	(133,913)	(114,505)
Total	<u>7,753,648</u>	<u>10,535,771</u>

Balance Sheet Presentation

Other current assets	536,894	746,434
Other assets	<u>7,216,754</u>	<u>9,789,337</u>
Total	<u>7,753,648</u>	<u>10,535,771</u>

Note 24 - 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 For the period ended March 31, 2008 and 2007

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

Note 25 - Derivative Contracts

As of March 31st, 2008, the Company has forward and swaps 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				Purchase Sale Position	Covered item or transaction		Value of covered items ThCh\$	Affected accounts		
		Contract Value	Maturity or Expiration Date	Specific Item	Name		Amount ThCh\$	Asset / Liability 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	21,885,500	Obligations with the public	17,762,021	(101,070)	(3,755,734)
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	25,622,000	21,885,500	Obligations with the public	11,386,968	18,802	(3,509,035)
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	35,830,500	21,885,500	Obligations with the public	12,728,190	(6,160)	(3,551,437)
S	CCTE	20,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	14,110,000	8,754,200	Obligations with the public	5,149,142	(31,227)	(1,407,368)
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	P	Dollar Bonds	32,375,000	21,885,500	Obligations with the public	18,107,659	(84,253)	(3,741,534)
FR	CCTE	7,400,000	2nd quarter of 2008	Exchange rate (US\$)	P	Dollar Bonds	3,322,600	3,239,054	Other current liabilities	83,546		(83,546)
FR	CCTE	3,000,000	2nd quarter of 2008	Exchange rate (US\$)	P	Dollar Bonds	1,299,000	1,313,130	Other current liabilities	14,130		14,130

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

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 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, and a Capitalization Ratio are no greater than 0.7, as these concepts are defined in the respective indentures.
- Maintain at all times during the issuance of the bonds, minimum individual and consolidated shareholders' equity of UF 15 million.
- The Issuer shall maintain in full force and effect the Debt Service Reserve Agreement.
- The Issuer shall not make any direct or indirect capital distribution, dividend payment (any than those obliged by law), any payment of principal of, or interest on, any loan to its shareholders, unless all the following conditions are met: (i) No Event of Default has occurred or is continuing, (ii) The Funds Flow from Operations ("FFO") to Interest Expense ratio is higher than 1.50x, and (iii) the Debt Service Reserve Agreement is maintained.

b) Direct commitments.

There are no direct commitments.

c) Indirect commitments

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 26 - Contingencies and Restrictions (continued)

d) Pending lawsuits

As of March 31st, 2008, there are lawsuits pending against the Company for which the corresponding defense has been filed, which altogether represent an amount of ThCh\$86,500. Management believes that the abovementioned lawsuits will not result in significant contingencies.

e) Fines

1. 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 31st, 2008, to ThCh\$1,040,040. As of March 31st, 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. 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 31st, 2008, to ThCh\$232,969, 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.
3. 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 31st, 2008, to ThCh\$232,969, 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 31st, 2008, to ThCh\$232,969, 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 March 31st, 2008, the Company had appealed the charges before the SEC, which is pending resolution. Management believes it has no responsibility in these events.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 26 - Contingencies and Restrictions (continued)

e) Fines (continued)

4. 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 31st, 2008, to ThCh\$124,805 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 31st, 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 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 31st, 2008, to ThCh\$232,969. A reverse recourse was presented on February 16, 2006, which is still outstanding. As of March 31st, 2008, the Company had presented the evidence required.

As of December 31, 2007, the Company has registered a provision for these matters amounting to ThCh\$1,774,068. For this estimation it was considered that, on one hand, similar cases exist in the Appealing Court, and that, on the other hand, the Appealing Court and the 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 and for which that organism has maintained the fine established previously.

Direct guarantees

Creditor of guarantee	Debtor Name	Type of guarantee	Compromised Assets Book value ThCh\$	Balance pending as of 03/31/2008 ThCh\$
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	137,222	137,222
Banco Santander Santiago	Director Regional de Vialidad IV Región Coquimbo	Pledge	399	399
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	95,858	95,858
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	137,222	137,222
Scotiabank	Anglo América Sur S.A. Ministry of Economy,	Pledge	87,542	87,542
Scotiabank	Development and Reconstruction	Pledge	509,932	509,932

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
For the period ended March 31, 2008 and 2007

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

Note 26 - Contingencies and Restrictions (continued)

f) Transelec Norte S.A. (Subsidiary)

1. Management restrictions
There are 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.

Note 27 - Guarantees Obtained from Third Parties

As of March 31, 2007 and 2008, the Company has received financial guarantees from contractors and third parties, mainly to guarantee the completion of construction and maintenance work amounting to ThCh\$7,473,110 (ThCh\$ 7,684,522 in 2007).

Note 28 - 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 For the period ended March 31, 2008 and 2007

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

Note 28 - Local and Foreign Currency (continued)

a) Assets

Description	Currency	Amount 03/31/2008 ThCh\$	Amount 03/31/2007 ThCh\$
Current assets			
Cash and banks	Ch\$	226,937	3,739,171
Cash and banks	US\$	384,943	370,184
Time deposit	US\$	9,404,319	36,439,180
Time deposit	Ch\$	4,139,915	18,918,701
Securities	Ch\$	11,298,406	-
Trade accounts receivable	Ch\$	34,721,998	15,514,641
Trade accounts receivable	US\$	991,577	1,249,559
Miscellaneous receivable	Ch\$	654,448	693,853
Miscellaneous receivable	US\$	18,204	29,606
Accounts receivable from related companies	Ch\$	29,049,067	18,236,794
Accounts receivable from related companies	US\$	31,453,142	-
Inventories	Ch\$	42,397	45,792
Recoverable taxes	Ch\$	3,062,162	2,285,560
Prepaid expenses	Ch\$	425,881	543,086
Deferred taxes	Ch\$	4,509,029	1,264,530
Other current assets agreements	UF	-	11,019,099
Other current assets agreements	US\$	-	4,209,558
Other current assets bonds	Ch\$	-	746,433
Other current assets	Ch\$	965,442	53,541
Property, Plant, and Equipment			
Property, Plant, and Equipment	Ch\$	920,512,218	929,669,289
Property, Plant, and Equipment	US\$	81,515,649	105,427,170
Other Assets			
Investments in other companies	Ch\$	207,528	139,495
Goodwill	Ch\$	322,816,483	257,898,815
Long-term receivables	UF	-	33,196
Long-term receivables	US\$	888,620	1,230,426
Long-term receivables	Ch\$	492,420	8,869,644
Notes and receivable from related companies	UF	30,865,134	-
Notes and receivable from related companies	US\$	-	29,071,175
Intangibles	Ch\$	143,061,832	143,200,868
Intangibles	US\$	4,760,596	6,339,550
Less: Amortization of intangibles	Ch\$	(6,311,339)	(2,738,823)
Less: Amortization of intangibles	US\$	(208,276)	(119,367)
Long-term deferred taxes	Ch\$	51,491,797	60,403,789
Other Assets	UF	9,167,111	10,027,388
Other Assets	Ch\$	180,677	-
Total Assets			
	Ch\$	1,521,547,298	1,459,485,179
	US\$	129,208,774	184,247,041
	UF	40,032,245	21,079,683

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 28 - Local and Foreign Currency (continued)

b) Short-term liabilities

DESCRIPTION	Currency	Up to 90 days 03/31/2008		Up to 90 days 03/31/2007	
		Amount ThCh\$	Annual Average Interest rate	Amount ThCh\$	Annual Average Interest rate
Bond interest payable	UF	5,242,827	4.30%	5,500,435	4.30%
Bond interest payable	Dollar	7,652,445	7.88%	10,190,544	7.88%
Swap Contracts	UF	1,409,829	-	-	-
Accounts payable	Ch\$	32,583,577	-	5,885,100	-
Accounts payable	Dollar	19,354,605	-	9,160,089	-
Miscellaneous payable	Dollar	1,002,658	-	8,004,577	-
Notes and accounts payable to related companies	Dollar	103,300	-	1,162,807	-
Provisions	Ch\$	1,871,651	-	1,653,685	-
Withholdings	Ch\$	1,922,646	-	2,428,944	-
Income tax	Ch\$	-	-	111,272	-
Other current liabilities	Dollar	70,390,990	-	100,879	-
Other current liabilities	UF	80,672	-	-	-
Other current liabilities	Ch\$	69,424	-	-	-
Total Current Liabilities	UF	6,733,328	-	5,500,435	-
	Dollar	98,503,998	-	28,618,896	-
	Ch\$	36,447,298	-	10,079,001	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 28 - Local and Foreign Currency (continued)

c) Long-term liabilities as of March 31, 2008

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	-	-	118,935,180	6,93%	-	-	337,024,108	4,66%
Bonds payable	Dollar	-	-	211,286,569	7,88%	-	-	-	-
Swap Contracts	UF	-	-	63,724,151	7,88%	-	-	-	-
Provisions	Ch\$	1,486,861	-	-	-	-	-	-	-
Other long-term liabilities	UF	1,505,869	-	-	-	-	-	-	-
Total Long-term Liabilities	UF	1,505,869		182,659,331		-		337,024,108	
	Dollar	-		211,286,569		-		-	
	Ch\$	1,486,861		-		-		-	

Note 29 - Sanctions

During the period ended 2008 and 2007, the Company, its Directors and Management have not been sanctioned by the SVS or other regulatory authorities.

Note 30 - Subsequent Events

On April 07th, 2008, the Company informed to the SVS the following relevant fact:

In order to accomplish section 1.7 of the Share Purchase Agreements, signed on June 30th, 2006, among HQ Puno Ltd., Hydro-Québec International Transmisión Sudamérica S.A. and International Finance Corporation, as “Sellers”, and Rentas Eléctricas IV Ltda, as “Purchaser” (actual Transelec S.A.), the Parties have agreed that the partial value of the VI Adjustment considered in the referred section 1.7 amounts to USD155,529,900, which will be paid by Transelec S.A. to the Sellers as per the following detail:

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 30 - Subsequent Events (continued)

On April 04th, 2008, Transelec informed to the SVS that the referred payments were made. These payments were funded with a partial prepayment of the “Mercantile Account” that Transelec Holdings Rentas Limitada (main shareholder of Transelec S.A., with 99.99% of ownership) owes to Transelec S.A.

In addition, it was informed that the Parties further agreed that the VI Adjustment associated with “Cardones –Maitencillo Reactives” was not included into the abovementioned adjustment to the price of the shares. Thus, the Parties agreed to define a “Conditional VI Adjustment Amount”, associated with the referred assets, and amounted up to US\$5,278,000, which shall be paid by Transelec S.A. to the Sellers subject to the occurrence of certain conditions in the future.

Between March 31, 2008 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 31 - Environment

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

Description	03/31/2008	03/31/2007
	ThCh\$	ThCh\$
Urgent work	133	1,324
Design of environment management system ISO 14001	-	2,905
Replacement of an static compensator with PCB	607	17,993
Oil pit construction	-	531
Environmental Impact Studies	5,759	-
Total	<u>6,499</u>	<u>22,753</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the period ended March 31, 2008 and 2007

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

Note 32 - Time Deposits

The detail of time deposits is as follows:

Banks	03/31/2008	03/31/207
Banco Créditos e Inversiones	4,351,249	4,329,318
Banco Santander Santiago	7,208,224	4,140,520
Banco Security	-	830,011
Banco BBVA	-	5,425,855
Banco de Chile	1,536,601	597,082
Deutsche Bank	-	3,246,892
Citibank	-	2,922,202
BNS Toronto T-Bill	-	32,783,790
Scotiabank	-	1,082,211
Bank of New York	448,160	-
	<u>13,544,234</u>	<u>55,357,881</u>

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

A) SUMMARY

As of March 31, 2008, Transelec S.A. and its Subsidiary Transelec Norte S.A. recorded a net income of ThCh\$12,041,331, 56.22% higher than in 2007. This net income arises from a positive operating income of ThCh\$25,835,646, from a negative non operating income of ThCh\$9,589,833, a first category and deferred income tax charge of ThCh\$4,204,442 and by the minority interest result of ThCh\$40. As of March 31st, 2007, net income of ThCh\$7,707,690 was recorded which is explained mainly by a positive operating income of ThCh\$20,819,220, negative non-operating activities for an amount of ThCh\$10,501,440, a first category and deferred income tax charge of ThCh\$2,609,018, and by the minority interest result of ThCh\$1,072.

During this period revenues reached ThCh\$39,714,461 (ThCh\$34,524,882 in 2007). These revenues come mainly from the commercialization of the transmission capacity of the facilities, revenues include the reassessment of the tolls of the Trunk Transmission System corresponding to year 2007, according to the Decree N°207 of the *Ministerio de Economía Fomento y Reconstrucción* published on January 15th, 2008 and the Toll Report of year 2007 published by the CDEC-SIC in March 2008 (ThCh\$5,450,000). In addition, some services related to the activity were sold.

Operating costs amounted to ThCh\$12,404,871 (ThCh\$12,582,962 in 2007), of which 66.23% is explained by depreciation of property, plant and equipment (63.07% in 2007), 11.31% corresponds to personnel costs (12.00% in 2007), 15.03% are associated with contracted services, supplies and contracted works (17.80% in 2007) and 7.43% are due to amortization of the rights of way (7.13% in 2007).

Administrative and selling expenses amounted to ThCh\$1,473,944 (ThCh\$1,122,700 in 2007), distributed as 45.87% in personnel expenses (40.83% in 2007); 46.72% in works, supplies and contracted services (51.62% in 2007) and 7.41% in depreciation (7.55% in 2007).

Non-operating income amounted to a loss of ThCh\$9,589,833 (ThCh\$10,501,440 in 2007), mainly due to financial expenses for a total of ThCh\$8,073,780 (ThCh\$13,299,652 in 2007), goodwill amortization of ThCh\$1,803,880 (ThCh\$3,369,845 in 2007). Other important items that affected the non-operating income during this period were the financial incomes for ThCh\$1,576,863 (ThCh\$5,542,803 in 2007), the negative exchange rate impact for ThCh\$37,129 (positive ThCh\$243,089 in 2007), price-level restatement for a negative amount of ThCh\$1,189,721 (a negative amount of ThCh\$148,802 in 2007) and other negative non-operating results amounted to ThCh\$62,186 (positive ThCh\$530,967 in 2007).

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

B) INCOME STATEMENT

Items	As of March 31, 2007	As of March 31, 2008	Variation March 2008/2007	Variation March 2008-2007
	ThCh\$	ThCh\$	%	ThCh\$
Operating Revenues	34,524,882	39,714,461	15.03%	5,189,579
Toll sales	33,969,210	39,090,797	15.08%	5,121,587
Work and services	555,672	623,664	12.24%	67,992
Operating costs	-12,582,962	-12,404,871	-1.42%	178,091
Fixed costs	-3,749,858	-3,267,410	-12.87%	482,448
Depreciation	-7,935,564	-8,216,195	3.54%	-280,631
Amortization of Intangibles	-897,540	-921,266	2.64%	-23,726
Administration and sales expenses	-1,122,700	-1,473,944	31.29%	-351,244
Operating Income	20,819,220	25,835,646	24.10%	5,016,426
Non-Operating Income	-10,501,440	-9,589,833	-8.68%	911,607
Income tax	-2,609,018	-4,204,442	61.15%	-1,595,424
Minority Interest	-1,072	-40	-96.27%	1,032
Net Income	7,707,690	12,041,331	56.22%	4,333,641
R.A.I.I.D.A.I.E.	30,362,390	33,793,243	11.30%	3,430,853

PROFITABILITY

RATIOS	As of March 31, 2007	As of March 31, 2008	Variation March 2008/2007
Shareholders' Equity profitability	0.94%	1.48%	57.45%
Assets profitability	0.46%	0.71%	54.35%
Operating assets profitability	1.76%	2.26%	28.41%
Earnings per share (\$)	7,707.69	12,041.33	56.22%

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007
(Translation of financial statements originally issued in Spanish)

C) BALANCE SHEET ANALYSIS

	As of March 31, 2007	As of March 31, 2008	Variation March 2008/2007	Variation March 2008-2007
	ThCh\$	ThCh\$	%	ThCh\$
Current assets	115,359,288	131,347,867	13.86%	15,988,579
Fixed assets	1,035,096,459	1,002,027,867	-3.19%	-33,068,592
Other assets	514,356,156	557,412,583	8.37%	43,056,427
Total Assets	1,664,811,903	1,690,788,317	1.56%	25,976,414
Current liabilities	44,198,332	141,684,624	220.57%	97,486,292
Long-term liabilities	804,699,122	733,962,738	-8.79%	-70,736,384
Minority interest	108,055	3,829	-96.46%	-104,226
Shareholders' Equity	815,806,394	815,137,126	-0.08%	-669,268
Total Liabilities & Equity	1,664,811,903	1,690,788,317	1.56%	25,976,414

VALUE OF THE MAIN FIXED OPERATING ASSETS

	As of March 31, 2007	As of March 31, 2008	Variation March 2008/2007	Variation March 2008-2007
ASSETS	ThCh\$	ThCh\$	%	ThCh\$
Land	16,436,957	16,300,553	-0.83%	-136,404
Building, infrastructure, works in progress	746,148,955	738,801,993	-0.98%	-7,346,962
Machinery and equipment	294,891,564	301,578,172	2.27%	6,686,608
Other fixed assets	1,530,226	1,444,279	-5.62%	-85,947
Depreciation (less)	-23,911,243	-56,097,130	134.61%	-32,185,887
Total	1,035,096,459	1,002,027,867	-3.19%	-33,068,592

As of March 31st, 2008 and 2007, the fixed assets are composed mainly by lands, buildings, infrastructure works and machinery and equipments.

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

The assets of the Company and its subsidiary are valued according to General Accepted Chilean Accounting Principles.

DIFFERENCES BETWEEN BOOK VALUE AND ECONOMIC VALUE AND/OR MARKET VALUE OF PRINCIPAL ASSETS

Considering that the assets of the Company and its Subsidiary Transelec Norte S.A were valued at market value as of June 2006 accordingly to Technical Bulletin N° 72 of the Chilean Institute of Accountants A.G., for consolidation effects, it is estimated that the book value in the affiliated Transelec Norte is 35.2% lower than the economic value and/or market value.

LIQUIDITY AND INDEBTEDNESS

RATIOS	As of March 31, 2007	As of March 31, 2008	Variation March 2008/2007
Current Ratio	3.27	0.93	-71.56%
Acid-Test Ratio	1.69	0.18	-89.35%
Debt to Equity	1.04	1.07	2.88%
% Short term debt	5.21	16.18	210.77%
% Log term debt	94.79	83.82	-11.58%
Financial expenses coverage	2.28	4.17	83.26%

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

Transelec S.A. develops its activities in the market of the electricity, which has been categorized in three different sectors: the sector of generation, the sector of transmission and the sector of distribution. The electric power generation sector include the businesses that are dedicated to the generation of electricity, whether that energy and electric power stem from hydroelectric power plants, coal, petroleum, gas, aeolian, or another form of power plants. It is important to emphasize that that sector is dedicated to the production of electricity, the one that subsequently will be used along the country by the final consumers. The distribution sector has as mission to carry the electricity to the physical place where each one of the final consumers will make use of

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

that electricity. Then, the distribution companies have nettings or electric networks that allow the flow of that electricity from the "points of entrance" to their networks, to the residence of each one of their final consumers. Finally, the transmission sector has as basic objective the transportation of the electricity generated from the place of its production (the power plants), and the "points of entrance" to the networks of the distribution companies.

Transec's business focuses mainly on commercialization of the electricity transmission and transformation capacity of its facilities, according to established quality standards. Transec's transmission system, which spans 2900 kilometers between the city of Arica, and the Island of Chiloé, includes most of the lines and substations of trunk electricity transmission of the two major interconnected systems in Chile: the Central Interconnected System (SIC in Spanish), and the Northern Interconnected System (SING in Spanish). These transmission systems transport the electricity that reaches areas inhabited by approximately 99% of the Chilean population. The Company owns 100% of the 500 kV lines, 51.1% of the 220 kV lines and 94.5% of the 154 kV lines.

The electric transmission business in Chile is regulated by the General Law for Electric Services of 1982 (DFL(M) No. 1/82) and its subsequent amendments, which includes Law 19,940 ("Short Law"), enacted on March 13, 2004. These rules are complemented by a By-Law enacted in 1997 (Supreme Decree No.327/97 of the Ministry of Mining) and its respective amendments, as well as the Technical Rules for Reliability and Quality of Service (R.M.EXTA No.40 enacted on May 16, 2005) and its subsequent amendments.

Law 19,940, also known as the "Short Law" (Ley Corta), modified the General Law for Electricity Services of 1982 in matters referring to electricity transmission and established a subdivision of the transmission network into three types of systems: trunk transmission, subtransmission and additional transmission. Additionally, Law 19,940 establishes that the transmission of electricity through either trunk transmission or subtransmission facilities constitutes a public service and is thus subject to the regulation of rates.

Finally, Law 19,940 contemplates a transitory period starting March 13, 2004 that will remain in force until the first pricing lists for the trunk transmission system are published. Thus, during 2007, the collection and payment of transmission facilities continued to be governed, as they were in 2004, 2005 and 2006, by the legal and regulatory rules that were in force prior to the publication of the Short Law. Any remuneration collected by the trunk transmission systems is considered provisional and will be subject to recalculation, according to the terms and conditions established in the Decree N°207 of the *Ministerio de Economía, Fomento y Reconstrucción*, published on January 15th, 2008.

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

E) RISK FACTORS

Both because of the characteristics of the electricity market and the rules that regulate this sector, Transelec S.A. is not exposed to significant risks as a result of the development of its main line of business. However, it is appropriate to mention and consider the following risk factors:

Regulatory Framework

The legal rules that govern electricity transmission in Chile were modified recently by the enactment of Law 19,940, called Short Law I, published on March 13, 2004. Although the enactment of the Short Law implies matters to be defined in the electricity regulations, which have still not been drawn up, the most relevant methodological aspects that allow to establish the Trunk Transmission Tolls that each company must pay, the payment and reassessment mechanisms are included in the Decree N° 207 published in the Official Gazette on January 15th, 2008. In the case of the subtransmission, the Decree establishing the rates and their respective indexation formulas is still pending.

Concentration of income in only one client

Approximately 72.6% Transelec's income comes from one sole client, Empresa Nacional de Electricidad S.A. (ENDESA) and its affiliate generating companies. The toll agreements entered into with Endesa and its affiliates Pangué and Pehuenche will generate a large part of Transelec's future cash flow, and any substantial change in their property, financial position or operating results could affect Transelec.

Operating Risks

Although the management considers that Transelec maintains adequate risk coverage in line with industry practices, it is not possible to guarantee that the insurance will be sufficient to cover certain operating risks to which Transelec is exposed, including risks of nature, damage to transmission installations, labor accidents and failure of equipment. Any of these events could affect the company's business.

Application of environmental rules and/or policies

Transelec is also subject to environmental regulations which, among other things, require it to conduct environmental impact studies in connection with future projects and obtain the relevant statutory permits. It is not possible to guarantee that the environmental impact studies will be approved by the government authorities, that public opposition will not give rise to delays or modifications of the proposed projects, or that laws and regulations will not change or be construed in a sense that could affect the company's operations and plans negatively.

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

Delays in the construction of new transmission installations

The success of the Expansions and New Works program of the transmission network will depend on numerous factors, including costs and funding availability. Although Transelec is experienced in large-scale construction projects, the building of new facilities could be affected negatively by factors that are commonly associated with projects, such as: delays in obtaining the statutory permits; scarcity of equipment, materials or labor, or changes in their price; adverse weather conditions; natural catastrophes and unforeseen circumstances, and difficulties in obtaining funding at reasonable rates. Any of these factors could cause delays in the partial or total conclusion of the capital investment program, and could also increase the costs of the contemplated projects.

Technological Changes

The return on investments in electric transmission facilities developed by Transelec is obtained through the annuity of the valuation of existing facilities. In the event of major technological advancements in the equipment used at Transelec's facilities, such valuation could diminish, potentially hindering the total recovery of the investments made.

F) EXCHANGE RATE & INTEREST RATE RISKS

Exchange Rate Risk

Depending on market conditions and other considerations, Transelec has engaged, when necessary, in certain hedging activities such as cross currency swaps and currency forward contracts in order to cover the risk of fluctuations in the UF-dollar relationship for its dollar-denominated bonds. The fact that Transelec maintains these coverage contracts does not, however, guarantee that it will be adequately protected against exchange risks. Moreover, cross-currency swaps and currency forwards are exposed to counterparty credit risk, cash requirements on maturity dates and other associated risks.

As of March 31, 2008, part of the Company's debt is denominated in US dollars due to the placement of bonds abroad in the amount of US\$500,191,940 (includes accrued interest), likewise is the recognition of the payment to be done during April 2008 to HQ related to the VI adjustment (US\$160,807,900) and other liabilities in the amount of US\$46,753,168. On the other hand, intercompany loans to Transelec Holdings Rentas Limitada for the amount of US\$71,858,404 (includes accrued interests), short-term investment in the market for US\$22,364,721 (includes accrued interests), a provision for the goodwill increase due to the VI adjustment amounted to US\$160,807,900, swap contracts in the amount of US\$236,559,715 (includes accrued interests), fixed assets and write-of ways for US\$196,632,403, forward contracts in the amount of US\$ 12,400,000 and other current assets for US\$2,265,374 are the

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

assets owned by the company denominated in US\$, which are lower than the respective liability by US\$2,792,745.

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\$546,953,174 (includes accrued interest), as well as other liabilities in the amount of US\$44,748,169. The US dollars assets include a mercantile credit to Transelec Holding Rentas Limitada amounted to US\$53,914,384 (includes accrued interest), short-term investments in the financial market in the amount of US\$76,072,258 (includes interest earned), swap contracts at fair value in the amount of US\$227,995,312, fixed assets and writ-of ways in the amount of US\$207,057,275 and forward contracts in the amount of US\$17,400,000, and other current assets for US\$2,317,388 which decrease the respective liability denominated in US dollars by US\$ 4,795,002.

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 biannually using indexation formulas 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>	<u>Average</u>	<u>Last day</u>
	2008	2008	2007	2007
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
Average for the Period	463.69	454.14	540.42	540.99

The indexation formulas applied semiannually incorporated to the toll contracts reflect the variations in the value of the installations and in the operating, maintenance and administrative costs. In general, these indexation formulas use the variations in the international prices of equipment and in the prices of national labor and materials. For the period, the indexation effect increased the value of tolls in average 6.98% compared to period 2007.

TRANSELEC AND SUBSIDIARY

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

March 31, 2008 and 2007

(Translation of financial statements originally issued in Spanish)

Interest Rate Risk

The company presents debts that contemplate fixed interest rates. In fact, the debt denominated in US dollars contemplates a fixed interest rate equal to 7.875% annual. On the other hand, all the debts denominated in UF were placed with fixed interest rates that vary between 4.25% and 6.2%, depending on each bond. Likewise, the Company maintains a mercantile account with related companies, which is denominated in Chilean pesos, UF and U.S. dollars, and that also contemplates a fixed interest rate. In this manner, it is estimated that the Company does not present a risk that could affect its results due to a change in the interest rates in the market.

G) MAIN CASH FLOWS DURING THE PERIOD

During January 01, 2008 and March 31, 2008, negative net cash flows amounted to ThCh\$6,161,711 were generated, from which ThCh\$16,063,480 come from operating activities, compensated by ThCh\$632,526 used in financing activities, and ThCh\$21,592,665 used in investment activities. During January 01, 2008 and March 31, 2008, positive net cash flows of ThCh\$4,340,585 were generated, from which ThCh\$9,182,815 comes from operating activities, compensated by US\$2,489,527 used in financing activities and ThCh\$2,352,703 used in investment activities.

During this period activities related to financing generated a negative cash flows of ThCh\$632,526, mainly due to a payment of bonds. In the period 2007, activities related to financing generated a negative cash flows of ThCh\$632,526, mainly due to a) the payment of the total capital of Series A Bonds in March 2007 for an amount of ThCh\$119,234,408, which was compensated by the placement of a new UF bonds (Series C) in the same month, for an amount of ThCh\$116,744,881.

In the present period, investment activities generated a negative cash flow for an amount of ThCh\$21,592,665 derived mainly from the acquisition of fixed assets valued at ThCh\$3,236,929 and from negative flows from related companies for ThCh\$18,099,449. In the same period 2007, the negative cash flow from investment activities was ThCh\$2,352,703 mainly due to additional fixed assets by ThCh\$2,141,385.

In the present period, the effect of inflation on cash and cash equivalents was negative and amounted to ThCh\$1,200,215. In the same period of 2007 the abovementioned effect was positive and amounted to ThCh\$541,446.

The final cash balance, as of March 31st, 2008, was ThCh\$25,454,520, while the opening balance was ThCh\$ 32,816,446. In the comparison period of 2007 the final cash balance was ThCh\$74,695,892, while the opening balance was ThCh\$69,813,861..

TRANSELEC S.A. AND SUBSIDIARY

Essential Facts
(Figures in thousands of Chilean pesos)

As of March 31, 2008 and 2007

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

A) Transelec S.A.

During the period between January 1st and March 31st, 2008, and according with the Norma de Carácter General N°30, the Company has informed to the Superintendencia de Valores y Seguros (SVS) about the following essential or relevant facts:

On January 25, 2008: the Company informed the Superintendencia de Valores y Seguros that, on January 25, 2008, the Board of Directors acknowledged the renounce presented by Mr. Mario Marcel Cullell and accepted it, which is going to be effective since March 01, 2008.

On March 20th, 2008 the Company agreed on informing as an essential fact, the call to an extraordinary shareholders meeting to be held on April 4th, 2008 at 9:00 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 Agreement reached between Transelec S.A. (as the successor of Rentas Eléctricas IV Ltda) and Hydro-Québec (HQ) regarding certain adjustment of the price of the shares, denominated VI Adjustment, in accordance of the provisions stated in the Share Purchase Agreements signed on June 30, 2006, among HQ, IFC and Rentas Eléctricas IV Ltda.

On March 27, 2008 the Company informed the SVS that Transelec S.A.'s Board of Directors, at the meeting held on March 27, 2008, agreed on informing as an essential fact the call to an Ordinary Shareholders' Meeting to be held on April 24, 2008, at 9:00 am, in the head offices 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, Balance Sheet, Financial Statements and External Auditors' report for the period ended December 31, 2007.
- 2) Distribution of the definitive dividend.
- 3) Dividends Policy and information about the procedures to be used in its payment.
- 4) Remuneration of the Directors.
- 5) Appointment of the External Auditors.
- 6) Newspaper for calling to the Shareholders Meetings.
- 7) Other matters of interest for the Company and of the Shareholders' incumbency.

TRANSELEC S.A. AND SUBSIDIARY

Essential Facts
(Figures in thousands of Chilean pesos)

As of March 31, 2008 and 2007

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

B) Transelec Norte S.A.

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

On January 25, 2008: Transelec Norte informed the Superintendencia de Valores y Seguros that, on January 25, 2008, the Board of Directors acknowledged the renounce presented by Mr. Mario Marcel Cullell and accepted it, which is going to be effective since March 01, 2008.

On March 27, 2008 the Company informed the SVS that Transelec Norte S.A.'s Board of Directors, at the meeting held on March 27, 2008, agreed on informing as an essential fact the call to an Ordinary Shareholders' Meeting to be held on April 24, 2008, at 10:00 hours, in the head offices 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, Balance Sheet, Financial Statements and External Auditors' report for the period ended December 31, 2007.
- 2) Distribution of the definitive dividend.
- 3) Dividends Policy and information about the procedures to be used in its payment.
- 4) Remuneration of the Directors.
- 5) Appointment of the External Auditors.
- 6) Newspaper for calling to the Shareholders Meetings.
- 7) Other matters of interest for the Company and of the Shareholders' incumbency.