

TRANSELEC S.A. AND SUBSIDIARY

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

As of March 31, 2007

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

A) SUMMARY

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

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

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

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

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

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B) INCOME STATEMENT

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

PROFITABILITY

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

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C) BALANCE SHEET ANALYSIS

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

VALUE OF THE MAIN FIXED OPERATING ASSETS

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

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

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

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

LIQUIDITY AND INDEBTEDNESS

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

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

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

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

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

E) EXCHANGE RATE RISK

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

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

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

EXCHANGE RATE

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

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

F) MAIN CASH FLOWS DURING THE PERIOD

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

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

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

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

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