TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis

a) Summary

In the period from January 1 to March 31, 2009, TRANSELEC S.A. recorded a net income of ThCh$15,108,086, which is 18.9% greater than the previous period. This net income comes from a positive operating income of ThCh$26,123,568, a negative non-operating income of ThCh$9,407,077, and a first category and deferred income tax net charge to income of ThCh$1,608,349 and minority interest of ThCh$56. As of March 31, 2008 the Company recorded a net income of ThCh$12,703,604, which comes from operating income of ThCh$27,256,606, a negative non-operating income of ThCh$10,117,273 and a first category and deferred income tax charge to income of ThCh$4,327,337 and minority interest of ThCh$42.

In the current period, income reached ThCh$43,379,835 (ThCh$41,898,756 in 2008). This operating income comes mainly from commercializing the transmission capacity of the Company's facilities and sales of services related to that activity, including services performed for Centrales Hidroeléctricas de Aysén S.A., which amount to ThCh$3,045,096. The 2008 period, meanwhile, includes the reassessment of the tolls associated with the Trunk Transmission System corresponding to 2007, according to the DS 207 dated January 15, 2008 and the Tolls Report for the year 2007 published by the CDEC-SIC in March, 2008. This amounts to ThCh$5,450,000 plus net income from tolls from previous years according to the agreement with the companies Puyehue S.A. and Panguipulli S.A. for ThCh$2,217,208.

Cost of sales during the period amounted to ThCh$15,952,270 (ThCh$13,087,139 in 2008) and are composed as follows: 57.67% depreciation of property, plant and equipment (66.23% in 2008), 13.72% personnel costs (11.31% in 2008), 6.21% amortization of intangibles (7.43% in 2008) and 22.39% supplies and services hired (15.03% in 2008).

Administrative and selling expenses amounted to ThCh$1,303,997 (ThCh$1,555,011 in 2008) and are composed as follows: 59.57% personnel expenses (45.87% in 2008), 35.76% works, supplies and hired services expenses (46.72% in 2008) and 4.68% depreciation (7.41% in 2008).

Reasoned Analysis (continued)

a) Summary (continued)

The non-operational loss during the period amounted to ThCh$9,407,077 (ThCh$10,117,273 in 2008) which corresponds to the interest expenses which increased to ThCh$9,976,554 (ThCh$8,517,838 in 2008) and for the amortization of goodwill for ThCh$2,205,543 (ThCh$1.903.093 in the 2008 period). Other important items that affected the non-operating loss during the period were the following: interest income of ThCh$1,120,563 (ThCh$1,663,591 in the 2008 period), a positive exchange rate differences for the period of ThCh$2,197,393 (a negative ThCh$39,171 for the 2008 period), a negative price-level restatement of ThCh$1,262,959 (ThCh$1,255,156 in the 2008 period) and for other non operating income a loss of ThCh$279,977 (a loss of ThCh$65,606 in the 2008 period).

b) Income

Description	As of March 31, 2009 ThCh$	As of March 31, 2008 ThCh$	Variance 2009/2008	Variance 2009-2008 ThCh$
Revenues	43,379,835	41,898,756	3.53%	1,481,079
Tolls	39,704,472	41,240,790	(3.73%)	(1,536,318)
Works and services	3,675,363	657,966	458.60%	3,017,397
Cost of sales	(15,952,270)	(13,087,139)	21.89%	(2,865,131)
Fixed costs	(5,761,656)	(3,447,117)	67.14%	(2,314,539)
Depreciation	(9,200,420)	(8,668,086)	6.14%	(532,334)
Amortization of intangibles	(990,194)	(971,936)	1.88%	(18,258)
Administrative and selling expenses	(1,303,997)	(1,555,011)	(16.14%)	251,014
Operating income	**26,123,568**	**27,256,606**	**(4.16%)**	**(1,133,038)**
Non-operating income	**(9,407,077)**	**(10,117,273)**	**(7.02%)**	**710,196**
Income before income taxes	**16,716,491**	**17,139,333**	(2.47%)	(422,842)
Income taxes (2)	(1,608,349)	(4,435,687)	(63.74%)	2,827,338
Minority interest	(56)	(42)	33.33%	(14)
Net income	**15,108,086**	**12,703,604**	**18.93%**	**2,404,482**
EBITDA*	37,029,609	35,651,871	3.86%	1,377,738

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

Reasoned Analysis (continued)

b) Income (continued)

(2) During the period, Transelec and subsidiary recorded an income tax amounted to ThCh$1,608,349, which is 63.7% lower than the comparison period, mainly due to a lower deferred taxes, which, in turn, is explained by a lower financial value of the fixed assets. Reduction in financial value of fixed assets was due to the application of a price-level restatement that was negative (-2.3% during the period, +0.8% during comparison period). Tax wise, negative price-level restatement is not allowed, generating a temporary difference amounted to ThCh$15,431,722, which generates a lower charge due to deferred taxes amounted to ThCh$2,623,392.

Profitability

	March 31, 2009	**March 31, 2008**	**March 31, 2009/2008**
Indexes			
Profitability of equity	1.68%	1.48%	13.51%
Profitability of assets	0.86%	0.71%	21.13%
Profitability of operating assets	2.15%	2.26%	(4.87%)
Gain per share (Ch$)	15,108	12,704	18.93%

Reasoned Analysis (continued)

c) Balance sheet analysis

	March 31, 2009 ThCh$	**March 31, 2008 ThCh$**	**March 31, 2009/2008**	**March 31, 2009-2008 ThCh$**
Current assets	139,498,777	138,572,000	0.67%	926,777
Property, plant and equipment	1,066,205,721	1,057,139,400	0.86%	9,066,321
Other assets	556,386,199	588,070,275	(5.39%)	(31,684,076)
Total assets	**1,762,090,697**	**1,783,781,675**	**(1.22%)**	**(21,690,978)**
Current liabilities	72,301,103	149,477,279	(51.63%)	(77,176,176)
Long-term liabilities	791,352,246	774,330,688	2.20%	17,021,558
Minority interest	5,114	4,040	26.58%	1,074
Shareholders’ equity	898,432,234	859,969,668	4.47%	38,462,566
Total liabilities & shareholders’ equity	**1,762,090,697**	**1,783,781,675**	**(1.22%)**	**(21,690,978)**

Value of Main Operating Property, Plant and Equipment

	March 31, 2009 ThCh$	**March 31, 2008 ThCh$**	**March 31, 2009/2008 %**	**March 31, 2009-2008 ThCh$**
Assets				
Land	18,498,938	17,197,083	7.57%	1,301,855
Buildings and infrastructure	792,082,536	779,436,103	1.62%	12,646,433
Machinery and equipment	350,315,165	318,164,972	10.10%	32,150,193
Other property, plant & equipment	1,527,274	1,523,714	0.23%	3,560
Accumulated depreciation	(96,218,192)	(59,182,472)	62.58%	(37,035,720)
Total	**1,066,205,721**	**1,057,139,400**	**0.86%**	**9,066,321**

As of March 31, 2009 and 2008, property, plant and equipment consist mainly of land, buildings, infrastructure and machinery and equipment.
The assets of the Company and its subsidiary are presented valued in accordance with Chilean GAAP.

Reasoned Analysis (continued)

c) Balance sheet analysis (continued)

Differences between book values and economic and/or market values of principal assets

Considering that the assets of the Company were valued at market value in June 2006 in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants for the effects of the consolidation, it is estimated that in Transelec Norte the book value is 35.2% less than its economic and/or market value.

Liquidity and Indebtedness

	March 31, 2009	March 31, 2008	March 31, 2009/2008
Ratios			
Current liquidity	1.93	0.93	107.53%
Acid ratio	1.29	0.28	360.71%
Demand liabilities/equity	0.96	1.07	(10.28%)
Percentage short-term debt	8.37	16.18	(48.26%)
Percentage long-term debt	91.63	83.82	9.32%
Interest expenses coverage	4.12	4.17	(1.29%)

d) Most important changes in the Company's market

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

Reasoned Analysis (continued)

d) Most important changes in the Company’s market (continued)

Transelec’s business is mainly related to commercialize its capacity to transmit and transform electricity at its facilities, in accordance with established quality standards. The transmission system of Transelec S.A. and its subsidiary, which extends for 2,900 kilometers between Arica and the Island of Chiloé, includes a majority participation in the trunk electrical transmission lines and substations of the SIC and the SING. This transmission system transports the electricity that reaches the zones inhabited by approximately 99% of the population of Chile. The Company owns 100% of the 500 kV electricity transportation lines, 46% of the 220 kV lines, 94% of the 154 kV lines and 11% of the lines between 66 and 110 kV.

The legal framework that governs the electrical transmission business in Chile is regulated by DFL No. 4/2006, which establishes the Modified, Coordinated and Systemized Text of Decree with Force of Law No. 1 of the Ministry of Mining, issued in 1982, the General Electrical Services Law of 1982 (DFL (M) No. 1/82) and its subsequent modifications, which include Law 19,940 (Short Law I), enacted on March 13, 2004 and Law 20,018 (Short Law II), enacted on May 19, 2005, and Law 20,257 (Generation with Unconventional Renewable Energy Resources), enacted April 1, 2008. These regulations are complemented by the Regulations of the General Law on Electrical Services of 1997 (Supreme Decree No. 327/97 issued by the Ministry of Mining) and its respective modifications and the Security and Quality of Service Technical Standard (R.M.EXTA No. 40 of May 16, 2005) and its subsequent modifications.

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

Reasoned Analysis (continued)

d) Most important changes in the Company's market (continued)

Finally, Short Law I contemplates that the new payment regime for the use of the trunk facilities is effective as of March 13, 2004 and determines a transitory period that was effective until enactment of the first trunk transmission decree. In this manner, during 2004, 2005, 2006 and 2007, collection and payment of the transmission facilities was carried out in a provisional manner in accordance with legal and regulatory standards in force until the publication of Short Law I, and will be subject to reassessment. On January 15, 2008, the decree from the Ministry of Economy, Development and Reconstruction was published, setting the new investment value (VI), annual investment value (AVI), operation costs, maintenance and administration (COMA) and annual transmission value per segment (VATT) for the trunk facilities for the period from March 14, 2004 to December 31, 2010 and the indexation formulas applicable during that period. Application of the new rates for the trunk transmission system began in April 2008, and during that year trunk income was recalculated for the period from March 13, 2004 to December 31, 2007.

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

e) Market risk factors

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

Regulatory Framework

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

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

Reasoned Analysis (continued)

e) Market risk factors (continued)

Concentration of Income

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

Operating Risks

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

Application of Environmental Regulations and/or Policies

Transelec is also subject to regulatory environmental standards, which among other things require it to carry out environmental impact studies on future projects and obtain the corresponding regulatory authorizations. It is not possible to ensure that these environmental impact studies will be approved by the government authorities within the periods and under the terms presented by Transelec, that delays or modifications will not occur in the proposed projects nor that the laws and regulations will not change or be interpreted in a sense that could adversely affect the Company's operations and plans.

Delays in the Construction of New Transmission Facilities

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

Reasoned Analysis (continued)

e) Market risk factors (continued)

Technological Changes

The investments that Transelec makes in electric transmission installations come from an annuity of the valorization of existing installations. If there were important technological advances in the equipments that makes up the Transelec facilities, this valorization could decrease, which would, in turn, impede total recuperation of the investments.

f) Foreign exchange and interest rate risk

Foreign Exchange Risk

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

As of March 31, 2009, the Company and its subsidiary had a part of its fair value debt denominated in United States dollars due to the placement of bonds abroad in the amount of US$488.9 million (including accrued interest), a debt to related companies (Rentas I Ltda.) amounting to US$18 million and other liabilities amounting to US$19.6 million. Assets denominated in United States dollars correspond to the credit on mercantile current account of its Transelec Holdings Rentas Limitada amounting to a total of US$31.1 million (including accrued interest), short-term investments in the financial market amounting to US$45 million (including interest earned), swap contracts at fair value amounting to US$278.7 million (including interest earned), trade receivables amounting to US$1.9 million, and property plant and equipment and intangibles at fair value for US$169.2 million, which are US$600 thousand dollars less than the respective liabilities.

Reasoned Analysis (continued)

f) Foreign exchange and interest rate risk (continued)

Foreign Exchange Risk (continued)

In addition, the Company maintains currency forwards in United States dollars amounting to US$27 million associated with a portion of its future revenues (April to June 2009).

As of March 31, 2008, the Company had a part of its fair value debt denominated in United States dollars due to the placement of bonds abroad amounting to US$500.2 million (including accrued interest) as well as recognition of the amount payable to HQ in April, 2008 for the price adjustment amounting to US$160.8 million and other liabilities amounting to US$46.8 million. Assets denominated in United States dollars correspond to the credit on mercantile current accounts of its Transelec Holding Rentas Limitada amounting to US$71.9 million (including interest earned), short-term investments in the financial market in the amount of US$22.4 million (including interest earned), a provision of goodwill (VI Adjustment) for US$160.8 million, swap contracts at fair value in the amount of US$236.6 million, trade receivables of US$2.2 million, forward contracts for US$12.4 million and property plant and equipment and intangibles at fair value for US$196.6 million, which are US$2.8 million less than the respective liabilities.

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

Toll amounts are denominated in United States dollars, but monthly invoices were sent in Chilean peso equivalents, applying the average observed exchange rate to approximately 95.1% of contracts and the current observed exchange rate as of the last day of the month to the remaining 2.4%. The majority of the remaining income (2.5%) is invoiced in Chilean pesos according to the value of the Unidad de Fomento. The relevant conversion rates are detailed as follows:

Reasoned Analysis (continued)

f) Foreign exchange and interest rate risk (continued)

Foreign Exchange Rates

Month	Average 2009 (Ch$)	Last day 2009 (Ch$)	Average 2008 (Ch$)	Last day 2008 (Ch$)
January	623.01	612.43	480.90	465.30
February	606.00	595.76	467.22	458.02
March	592.93	582.10	442.94	439.09
Average for the period	607.31	596.76	463.69	454.14

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

For the 2009 period, the indexation effect decreased the value of tolls by an average of 10.44% compared to 2008.

Interest Rate Risk

As of March 31, 2009, the Company has debts with fixed interest rates. In effect, the debt denominated in United States dollars contemplates a fixed 7.875% annual interest rate. All debts denominated in UF were placed at fixed interest rates varying from 3.5% to 6.2%, depending on each bond. Likewise, the Company has a mercantile current account with related companies denominated in United States dollars at a fixed rate. The mercantile accounts chargeable to Transelec Holdings and payable to Rentas I Ltda., amounting to a net of US$13.1 million, are denominated in United States dollars and consider a variable Libor rate. Due to the relative insignificance of this net asset, it is estimated that there is no risk that could affect the Company's income due to a change in market interest rates.

Reasoned Analysis (continued)

g) Principal cash flows for the period

In the three month period ended March 31, 2009, positive net cash flows in the amount of ThCh$27,165,936 were generated, which were positively affected by operating activities in the amount of ThCh$25,303,486 and by financing activities in the amount of ThCh$9,824,705 and investing activities in the amount of ThCh$7,962,225. In the three month period ended March 31, 2008, positive net cash flows in the amount of ThCh$6,500,605 were generated, mainly from positive operating activities in the amount of ThCh$16,946,971, which were negatively affected by investing activities in the amount of ThCh$667,315 and financing activities in the amount of ThCh$22,780,262.

In the three month period ended March 31, 2009, financing activities generated positive net cash flows amounting to ThCh$9,824,705, mainly due to receiving loans from related companies. During the same period, financing activities generated a negative amount of ThCh$667,315 due to the issuance of bonds to the public.

In the three month period ended March 31, 2009, investing activities generated negative net cash flows amounting to ThCh$7,962,255, due to the incorporation of property, plant and equipment. In the three month period ended March 31, 2008, investing activities generated a negative amount of ThCh$22,780,261 due to the incorporation of property, plant and equipment amounting to ThCh$3,685,343 and to loans to related companies amounting to ThCh$19,094,919

In the three month period ended March 31, 2009, the effect of inflation on cash and cash equivalents was positive, amounting to ThCh$651,177. In to the three month period ended March 31, 2008, this effect was negative and amounted to ThCh$1,266,277.

The final balance of cash and cash equivalents as of March 31, 2009 amounted to ThCh$93,072,132, from an opening balance of ThCh$65,255,019. As of March 31, 2008, the final balance of cash and cash equivalents amounted to ThCh$26,854,518, from an opening balance of ThCh$34,621,350.